

**OFFICIAL INFORMATION
OF THE CZECH NATIONAL BANK**
of 29 June 2021

**on the business of investment firms – the application of the supervisory authority’s
overall discretion to exclude exposures from concentration risk limit**

The Czech National Bank has the legal position of a competent authority under Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (hereinafter referred to as the “IFR”).

1. Under the IFR, competent authorities have the power to stipulate in specified areas within their competence from when and to what extent investment firms¹ must comply with duties arising from the Regulation, or to exempt them from those duties (hereinafter referred to as “overall discretion”).
2. Pursuant to Article 41(2) of the IFR, the Czech National Bank as a competent authority shall exclude exposures from the application of Article 37 of the IFR as follows:

Investment firms subject to the IFR (hereinafter referred to as “investment firms”) shall exclude the following from the application of Article 37 of the IFR:

- (a) exposures in covered bonds pursuant to Article 41(2) of the IFR, doing so up to 75% of the value of those exposures; this shall be without prejudice to the effects pursuant to points 1 and 2 of letter (b); and
- (b) where the conditions pursuant to Article 41(2)(b)(i) and (ii) of the IFR are met, also exposures to
 1. an entity having its registered office in the Czech Republic that is the parent undertaking of the investment firm and a credit institution pursuant to Article 4(1)(1) of Regulation (EU) No 575/2013, an investment firm pursuant to Article 4(1)(2) of Regulation (EU) No 575/2013 or an entity pursuant to Article 11(2)(a)–(c) of Regulation (EU) No. 575/2013;
 2. an entity that is a subsidiary of the investment firm and is subject to the same supervision on a consolidated basis pursuant to Article 7 of the IFR or the same supervision of compliance with the group capital test pursuant to Article 8 of the IFR as the investment firm;
 3. an entity that is a credit institution pursuant to Article 4(1)(1) of Regulation (EU) No 575/2013 or an investment firm pursuant to Article 4(1)(2) of Regulation (EU) No 575/2013 and is subject to the same supervision on a consolidated basis pursuant to Regulation (EU) No. 575/2013, the same supervision on a consolidated basis pursuant to Article 7 of the IFR and the same supervision of compliance with the group capital test pursuant to Article 8 of the IFR or similar legal regulations in effect in an EU non-Member State or a state party to the Agreement on the European Economic Area as the investment firm, doing so up

¹ Article 4(1)(22) of the IFR.

to 50% of the value of this exposure; this shall be without prejudice to the effects pursuant to letter (a) and points 1 and 2.

3. This Official Information temporarily regulates the exclusion of exposures from the application of Article 37 pursuant to Article 41(2) of the IFR and will be replaced by a provision of a general nature after the amendment to the Capital Market Undertakings Act which assumes its issuance comes into effect.²
4. This Official Information shall apply from 26 June 2021 onwards.

Deputy Governor:
Marek Mora

Financial Regulation and International Cooperation Department

² A bill amending certain laws in the financial market area, primarily in connection with the implementation of legal regulations of the European Union relating to the capital markets union (Parliamentary Print No. 1117).