

## **A Public Notice**

### **announcing a**

### **PROVISION OF A GENERAL NATURE regarding exemptions from limits to large exposures**

of 22 July 2021

Pursuant to Article 20d(1) of Act No. 21/1992 Coll., on Banks, as amended by Act No. 135/2014 Coll., (hereinafter referred to as the “Act on Banks”), and Article 9a(1) of Act No. 87/1995 Coll., on Credit Unions and Certain Related Measures and on the Amendment of Czech National Council Act No. 586/1992 Coll., on Income Taxes, as amended, as amended by Act No. 135/2014 Coll. (hereinafter referred to as the “Act on Credit Unions”), the Czech National Bank as a competent administrative authority hereby issues this provision of a general nature regarding Article 400(2) of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended (hereinafter referred to as the “Regulation”):

**Banks and credit unions (hereinafter referred to as the “obliged person”) shall also exempt from the application of Article 395(1) of the Regulation**

- a) exposures in covered bonds pursuant to Article 129(1), (3) and (6) of the Regulation, up to 75% of the value of this exposure; this is without prejudice to the effects pursuant to (b)(1) and (2),**
- b) exposures to**
  - 1. an entity having its registered office in the Czech Republic that is a parent undertaking of the obliged entity and a credit institution pursuant to Article 4(1)(1) of the Regulation or an entity pursuant to Article 11(2)(a) to (c) of the Regulation,**
  - 2. an entity that is controlled by the obliged person which includes it in prudential consolidation or that is included in prudential consolidation by an entity pursuant to Article 11(2)(a) to (c) supervised by the Czech National Bank,**
  - 3. an entity that is a credit institution pursuant to Article 4(1)(1) of the Regulation or an investment firm pursuant to Article 4(1)(2) of the Regulation and is subject to the same supervision on a consolidated basis under this Regulation, Directive 2002/87/EC of the European Parliament and of the Council or a similar regulation applicable in another Member State as the obliged person, up to 50% of the value of this exposure; this is without prejudice to the effects pursuant to (a)(1) and (2),**
- c) an off-balance sheet item in the form of documentary credits and undrawn credit facilities with medium/low risk under Annex I of the Regulation, up to 50% of their value; this is without prejudice to the effects pursuant to (b)(1) and (2).**

## Justification

1. Pursuant to Article 20d(1) of the Act on Banks and Article 9a(1) of the Act on Credit Unions, the Czech National Bank may issue a provision of a general nature on the basis of and within the limits of the directly applicable regulation of the European Union governing prudential requirements where this directly applicable regulation enables the competent authority to grant an exemption or to adjust the application of the rules set for banks or a group of banks defined by type or credit unions or a group of credit unions defined by type. The Regulation is a directly applicable regulation of the European Union governing prudential requirements.

2. In line with its legal mandate, the Czech National Bank shall apply the power to modify the application of the set rules based on, and within the limits, of the Regulation. In this provision of a general nature, the Czech National Bank shall apply exemptions pursuant to Article 400(2) and (3) of the Regulation allowing exemptions of exposures from limits to large exposures of institutions subject to Part Four of the Regulation.

3. The Czech National Bank proceeds from Article 400(2) of the Regulation, under which competent authorities referred to in Article 400(3) of the Regulation may fully or partially exempt selected exposure categories from the scope of Article 395(1) of the Regulation.

4. The conditions pursuant to Article 400(3) regarding the specific nature of the exposure, the counterparty or the relationship between the institution and the counterparty and regarding the resolution of concentration risk are met as only exposures pursuant to Article 400(2) of the Regulation to counterparties with medium/low risk or to counterparties included in supervision on a consolidated basis are exempt from the application of Article 395(1) of the Regulation. Institutions shall systematically manage concentration risk pursuant to Article 31 of Decree No. 163/2014 Coll., regardless of whether or not these are exposures exempt from the application of Article 395(1) of the Regulation.

5. As regards information submitted to the Czech National Bank (pursuant to Part Seven of the Regulation) and disclosure of information (pursuant to Part Eight of the Regulation), this provision of a general nature shall also be taken into account as of the reference date of 30 June 2021.

6. The draft of this provision of a general nature was displayed on 14 June 2021 and removed on 23 July 2021. No comments were made regarding the draft.

## Effect

This provision of a general nature shall take effect on 23 July 2021.

imprint of official stamp

Marek Mora  
Deputy Governor

*signed electronically*

Vojtěch Belling  
Executive Director, Financial  
Regulation and International  
Cooperation Department  
*signed electronically*