

## **A Public Notice**

### **announcing a**

### **PROVISION OF A GENERAL NATURE regarding exposures secured by property**

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 124(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”):

**I. Banks and credit unions shall assign the higher of the following risk weights to exposures secured by property which is located in the Czech Republic pursuant to Articles 125 and 126 of the Regulation:**

- a) the risk weight pursuant to Articles 125 and 126 of the Regulation, or**
- b) the risk weight set by the Czech National Bank for the relevant period, or differentiated by exposure segment and region of the Czech Republic in which the securing property is located, and published by the European Supervisory Authority (the European Banking Authority) pursuant to Article 124(2) of the Regulation.**

**II. Banks and credit unions shall apply the stricter of the following criteria to exposures secured by property which is located in the Czech Republic pursuant to Articles 125 and 126 of the Regulation:**

- a) the criteria pursuant to Articles 125(2) and 126(2) of the Regulation, or**
- b) the criteria stipulated by the Czech National Bank for the relevant period, or differentiated by exposure segment and region of the Czech Republic in which the securing property is located, and published by the European Supervisory Authority (the European Banking Authority) pursuant to Article 124(2) of the Regulation.**

### **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 a 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 Unions regulating 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.

3. In this provision of a general nature, the Czech National Bank stipulates what risk weight it shall apply for the purposes of calculating the capital requirement for interest rate risk of an institution<sup>1</sup> which shall apply the standardised approach, for exposures secured by property located in the Czech Republic, or differentiated by exposure segment and region of the Czech Republic in which the property is located, and also stipulates what criteria this institution shall apply to comply with the condition for exposures to be considered fully and completely secured by property located in the Czech Republic, or differentiated by exposure segment and region of the Czech Republic in which the securing property is located.

4. The Czech National Bank thus proceeds from Article 124(2) of the Regulation under which the authorities designated in line with Article 124(1a) of the Regulation<sup>2</sup> may stipulate a higher risk weight or stricter criteria than those stipulated in Articles 125(2) and 126(2) of the Regulation. As regards exposures secured by residential property, the designated authority shall stipulate a risk weight ranging between 35% and 150%. As regards exposures secured by commercial property, the designated authority shall stipulate a risk weight ranging between 50% and 150%.

5. In order to stipulate relevant risk weights, the designated authorities shall notify the European Banking Authority<sup>3</sup> and the European Systemic Risk Board<sup>4</sup> of any adjustments to the applied risk weights and criteria stipulated in line with the criteria referred to in Article 124(2) of the Regulation, which are clarified in regulatory technical standards referred to in Article 124(4) of the Regulation. The European Banking Authority and the European Systemic Risk Board shall publish risk weights and criteria which the designated authorities stipulated for exposures referred to in Articles 125 and 126 of the Regulation.

6. The Czech National Bank uses this provision of a general nature to direct banks and credit unions to a list maintained by the European Supervisory Authority (European Banking Authority) and the European Systemic Risk Board, which contains risk weights and criteria stipulated by the designated authorities in Member States for exposures included in the category of exposures secured by property. Relevant to institutions are not only risk weights and criteria pursuant to the Regulation or stipulated by the Czech National Bank, but also risk weights and criteria stipulated by the designated authorities of Member States in whose territory the securing property is located.

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<sup>1</sup> Article 4(1)(3) of the Regulation.

<sup>2</sup> Pursuant to Article 3 of the Act on Banks, the Czech National Bank is a designated authority under the Regulation.

<sup>3</sup> Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC, as amended.

<sup>4</sup> Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board, as amended.

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

8. A 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 takes 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*