

*PUBLIC DECREE,*  
announcing a

**MEASURE OF A GENERAL NATURE  
on equity exposures**

The Czech National Bank, as the competent authority, issues, pursuant to Article 20d(1) of Act No. 21/1992 Coll., on banks, as amended by Act No. 135/2014 Coll. and Article 199(5) of Act No. 256/2004 Coll., on capital market undertakings, as amended by Act No. 135/2014 Coll., this measure of a general nature to Article 495(1) 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 (hereinafter the “Regulation”):

**I. A bank, credit union and investment firm pursuant to Article 8a(1), (2) and (3) of the Capital Market Undertakings Act, who are authorised to use the IRB approach, may apply under this approach until the end of 2017 capital requirements for their equity exposures or the equity exposure of entities with the registered office in a Member State, which they include in prudential consolidation, in accordance with the Standardised Approach pursuant to Part three Title II Chapter 2 of the Regulation or, if applicable, also set capital requirements pursuant to Part three Title IV of the Regulation. The treatment pursuant to the first sentence can be used in the event that the equity exposures are not significant and are at most within a range in which the bank and investment firm pursuant to the first sentence reported these exposures as at 31 December 2007. A bank and investment firm pursuant to the first sentence may increase the given range by equity exposures whose acquisition follows directly from equity exposures pursuant to the first sentence, while at the same time does not increase the equity capital share of the entity that issued them. If these equity exposures increase the equity capital share of the entity that issued them, or are equity exposures that were previously covered by this exemption, but have been disposed of and re-acquired, it is not possible to proceed pursuant to the first to third sentences.**

**II. The category of equity exposures is considered significant if the aggregate value of exposures in that category has exceeded on average for the previous year 10% of the own funds of a bank or investment firm pursuant to point I. If the number of equity exposures is less than 10, the limit pursuant to the first sentence is 5%. For the purposes of the sum of equity exposure values pursuant to the first sentence, exposures included in legislative programmes pursuant to Article 150(1)(h) of the Regulation are excluded.**

Justification

1. Pursuant to Article 20d(1) of the Banking Act and Article 199(5) of the Capital Market Undertakings Act, the Czech National Bank may issue a measure of a general nature on the basis of and within the bounds of the directly applicable European Union law governing prudential requirements where this directly applicable law allows the competent authority to grant a waiver or modify the use of the stipulated rules for banks or a group of type-designated banks or investment firms or a group of type-designated investment firms. The Regulation is the directly applicable European Union law governing the prudential requirements.

2. In accordance with the statutory empowerment, the Czech National Bank exercises the power to modify, on the basis of and within the bounds of the Regulation, the application of stipulated rules that are relevant to credit institutions<sup>1</sup>, investment firms<sup>2</sup> or other entities<sup>3</sup>.

3. The Czech National Bank stipulates through this measure of a general nature for how long and in what way a bank and investment firm pursuant to Article 8a(1), (2) and (3) of the Capital Market Undertakings Act, which are authorised to use an approach for calculating the capital requirement for credit risk based on an internal rating, may set capital requirements for selected equity exposures.

4. The Czech National Bank is acting on the basis of Article 495(1) of the Regulation, pursuant to which the competent authorities may grant, until 31 December 2017, by way of derogation from Chapter 3 of Part three, an exemption from the IRB treatment for certain categories of equity exposures held by institutions<sup>4</sup> and EU subsidiaries of institutions as at 31 December 2007. The competent authority shall publish the categories of equity exposures which benefit from that treatment in accordance with Article 143 of Directive 2013/36/EU.

5. An equity exposure means an exposure pursuant to Article 147(6)(a) or (b) of the Regulation.

6. The exempted position shall be measured as the number of shares being held as at 31 December 2007 and any additional share arising directly as a result of owning those holdings, provided they do not increase the proportional share of ownership in a portfolio company.

7. If an acquisition increases the proportional share of ownership in a specific holding the part of the holding which constitutes the excess shall not be subject to the exemption. Nor shall the exemption apply to holdings that were originally subject to the exemption, but have been sold and then bought back.

8. Equity exposures subject to Article 495(1) of the Regulation shall be subject to the capital requirements calculated in accordance with the Standardised Approach pursuant to Part three Title II Chapter 2 and the requirements set out in Title IV of Part three, as applicable.

9. The Czech National Bank is substantially applying to Article 495(1) of the Regulation, an approach pursuant to previous legislation, namely Decree No. 123/2007 Coll., on prudential rules for banks, credit unions and investment firms, as amended. The Czech National Bank also took into account the draft regulatory technical standards to determine the conditions under which the competent authorities shall grant an exemption pursuant to Article 495(1) of the Regulation, drawn up by the European Supervisory Authority (European Banking Authority) pursuant to Article 495(3) of the Regulation.

10. The draft of this measure of a general nature was being published from 25 August 2014 to 15 September 2014 on the notification board of the Czech National Bank and in a manner enabling remote access, while no comments were raised with regard to the draft.

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

<sup>2</sup> Article 4(1) point 2 of the Regulation.

<sup>3</sup> For example, a financial institution pursuant to Article 4(1) point 26 of the Regulation or an ancillary services undertaking pursuant to Article 4(1) point 18 of the Regulation.

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

## Entry into force

This measure of a general nature shall enter into force on 7 November 2014.

Ing. Mojmír Hampl, MSc., Ph.D., duly signed  
Vice-Governor

Ing. Pavel Hollmann, MBA, duly signed  
Executive Director, Financial Market  
Regulation And International Co-Operation  
Department

*official stamp*

## **Issuing procedure**

This measure of a general nature was published on 7 November 2014.