Prague, 16 October 2014
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PUBLIC DECREE,
announcing a

MEASURE OF A GENERAL NATURE
on exposures secured by immovable property

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., Article 9a(1) of Act No. 87/1995 Coll., on credit unions and some 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 the "Act on Credit Unions") 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 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 (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 assigns to exposures pursuant to Article 125 and 126 of the Regulation secured by mortgage on immovable property located in the Czech Republic the higher of the risk weights:

a) a risk weight pursuant to Article 125 and 126 of the Regulation, or
b) a risk weight stipulated for the relevant period by the Czech National Bank and publicised by the European Supervisory Authority (European Banking Authority) pursuant to Article 124(2) of the Regulation.

II. A bank, credit union and investment firm pursuant to Article 8a(1), (2) and (3) of the Capital Market Undertakings Act applies to exposures pursuant to Article 125 and 126 of the Regulation secured by mortgage on immovable property located in the Czech Republic the stricter of the criteria:

a) criteria pursuant to Article 125(2) and 126(2) of the Regulation, or
b) criteria stipulated for the relevant period by the Czech National Bank and publicised by the European Supervisory Authority (European Banking Authority) pursuant to Article 124(2) of the Regulation.

Justification

1. Pursuant to Article 20d(1) of the Banking Act, Article 9(1) of the Act on Credit Unions and Article 199(5) of the Capital Market Undertakings Act, the Czech National Bank may adopt 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 application of the stipulated rules to banks or a group of type-designated banks, credit unions or a group of type-designated credit unions 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 the stipulated rules that are relevant to credit institutions[1], investment firms[2] or other entities[3].

3. The Czech National Bank, through this measure of a general nature, stipulates for the purposes of calculating the capital requirement for credit risk, which risk weight is to be applied by an institution[4] that uses a standardized approach for exposures secured by mortgages on immovable property located in the Czech Republic, and also stipulates which criteria such institution shall apply to meet the criteria for the exposure to be considered as fully and completely secured by mortgage on immovable property located in the Czech Republic.

4. The Czech National Bank is acting on the basis of Article 124(2) of the Regulation, pursuant to which the competent authorities may set a higher risk weight or stricter criteria than those laid down in Article 125(2) and Article 126(2) of the Regulation, or may take financial stability into account. In the case of exposures secured by mortgages on residential property, the competent authority shall set a risk weight within a percentage range from 35% to 150%. In the case of exposures secured by mortgages on commercial immovable property, the competent authority shall set a risk weight within a percentage range from 50% to 150%.

5. For the purposes of determining the appropriate risk weights, the competent authorities shall consult the European Banking Authority[5] on the adjustments to the risk weights and criteria applied, which will be calculated in accordance with the criteria set out in Article 124(2) of the Regulation, which are specified in the regulatory technical standards indicated in Article 124(4) of the Regulation. The European Banking Authority shall publicise the risk weights and criteria that the competent authorities set for the exposures referred to in Articles 125 and 126 of the Regulation.

6. The Czech National Bank, through this measure of a general nature, directs banks, credit unions and investment firms pursuant to Article 8a(1), (2) and (3) of the Capital Market Undertakings Act to the list maintained by the European Supervisory Authority (European Banking Authority), which contains risk weights and criteria established by the competent authorities in the Member States for exposures categorised as exposures secured by mortgage on immovable property. For institutions, not only the risk weights and criteria pursuant to the Regulation are relevant, but also the risk weights and criteria established by the competent authorities of the Member States.

7. The draft of this measure of a general nature was 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.

Entry into force

This measure of a general nature shall enter into force on 3 November 2014.

Ing. Mojmír Hampl, MSc., Ph.D., duly signed Ing. Pavel Hollmann, MBA, duly signed

[1] Article 4(1) point 1 of the Regulation.
[2] Article 4(1) point 2 of the Regulation.
[3] 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.
[4] Article 4(1) point 3 of the Regulation.
[5] 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.

Vice-Governor	Executive Director, Financial Market Regulation And International Co-Operation Department

official stamp

Issuing procedure

This measure of a general nature was published on 3 November 2014.