

*PUBLIC NOTICE*  
announcing a

**PROVISION OF A GENERAL NATURE**  
**on exemption of exposures in the form of required minimum reserves from the exposure size limit**

of 4 June 2018

Pursuant to Article 20d(1) of Act No. 21/1992 Coll., on Banks, as amended by Act No. 135/2014 Coll. (hereinafter the “Act on Banks”) and Article 9a(1) of Act No. 87/1995 Coll., on Savings and Loan Associations and Certain Related Measures and on the Amendment of Czech National Council Act No. 586/1992 Coll., on Income Tax, as amended, as amended by Act No. 135/2014 Coll. (hereinafter the “Act on Credit Unions”), the Czech National Bank as a competent administrative body hereby issues the following provision of a general nature regarding Article 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”):

**A bank or credit union shall exempt from the application of Article 395(1) of the Regulation exposures to central banks in the form of required minimum reserves held at those central banks which are denominated in their national currencies.**

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 based on, and within the limits of, the directly applicable legislative act of the European Union governing prudential requirements where this directly applicable legislative act allows a competent authority to grant an exemption or modify the application of the rules set for banks or a set of banks defined by type, or for credit unions or a set of credit unions defined by type. The Regulation is the directly applicable legislative act of the European Union governing prudential requirements.

2. In conformity with its legal powers, the Czech National Bank exercises its power to modify the application of the rules set for credit institutions,<sup>1</sup> investment firms<sup>2</sup> or other entities<sup>3</sup> based on, and within the limits of, the Regulation. By issuing this provision of a general nature, the Czech National Bank applies an exemption pursuant to Article 400(2)(g) of the Regulation, which enables exemption from the exposure size limits in the case of institutions to which Part Four of the Regulation is applicable. The aim of the provision is to prevent limiting institutions' activities outside EU Member States.

3. This provision of the Czech National Bank is based on Article 400(2) of the Regulation, according to which competent authorities may, under the conditions stipulated in Article 400(3) of the Regulation, fully or partially exempt selected categories of exposures from the application of Article 395(1) of the Regulation.

4. The conditions laid down in Article 400(3) regarding the specific nature of the exposure, the counterparty or the relationship between the institution and the counterparty and regarding the means of addressing concentration risk are met, as only exposures under Article 400(2) of the Regulation which are incurred vis-à-vis counterparties with generally lower credit risk and relate to legal requirements the institutions must comply with are exempted from the application of Article 395(1). According to Article 31 of Decree No. 163/2014, institutions have a duty to manage concentration risk systematically regardless of whether the exposures in question are exempted from the application of Article 395(1) of the Regulation.

5. The draft provision of a general nature was published on the Czech National Bank's official noticeboard and in a manner allowing remote access from 16 May 2018 to 31 May 2018. No comments or objections regarding the draft were filed.

#### Effect

This provision of a general nature shall take effect on 7 June 2018.

imprint of official stamp

Mojmír Hampl  
Vice-Governor

Pavel Hollmann  
Executive Director, Financial Market  
Regulation and International Cooperation  
Department

#### **Issuance procedure**

This provision of a general nature was published on 7 June 2018.

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

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

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