

PUBLIC NOTICE
announcing a

PROVISION OF A GENERAL NATURE
on adjustment of limits on selected exposures for banks and credit unions

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 493 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 by Regulation (EU) 2017/2395 of the European Parliament and of the Council (hereinafter the “Regulation”):

A bank or credit union may incur any of the exposures listed in Article 493(5) of the Regulation which meet the conditions set out in Article 493(6) of the Regulation, up to

- a) 100% of its Tier 1 capital until 31 December 2018;**
- b) 75% of its Tier 1 capital until 31 December 2019;**
- c) 50% of its Tier 1 capital until 31 December 2020.**

These limits shall be applied to the levels of exposures taking into account the effect of credit risk mitigation pursuant to Articles 399 to 403 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 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 institutions¹ or other entities² based on, and within the limits of, the Regulation. By issuing this provision of a general nature, the Czech National Bank exercises its power pursuant to Article 493(4) of the Regulation, which enables competent authorities to allow institutions to incur any of the exposures provided for in Article 493(5) of the Regulation meeting the conditions set out in Article 493(6) of the Regulation, up to the limits stipulated in Article 493(4) of the Regulation. This provision reacts to a change in conditions and mitigates the consequences of the expiry of the transitional provision in Article 495(2) of the Regulation.

3. Pursuant to Article 493(7) of the Regulation, exposures referred to in Article 493(5) of the Regulation incurred before 12 December 2017 to which a risk weight of 0% was assigned on 31 December 2017 in accordance with Article 495(2) of the Regulation are exempted from the application of Article 395(1) of the Regulation.

4. 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.

¹ Article 4(1)(1) of the Regulation.

² 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.