

## Content of question - Large intra-group exposure limits

Piece of law	<ul style="list-style-type: none"> <li>• Decree No. 123/2007 Coll., stipulating the prudential rules for banks, credit unions and investment firms as amended, (hereinafter “Decree“)</li> </ul>
Provision	<ul style="list-style-type: none"> <li>• Art. 182</li> </ul>
Question	<p>Would it be possible for a bank to exclude purchased AAA-rated bonds issued by its foreign parent company from the exposure limits?</p>
Answer	<p>According to Art. 113(4) of Directive 2006/48/EC Member States may allow a liable entity to fully or partially exempt some exposures from the application of the exposure limits, if the exposures are intra-group and the relevant institutions are covered by supervision on a consolidated basis.</p> <p>The Czech Republic has partially implemented this option and the exposure limits do not apply to exposures to</p> <ul style="list-style-type: none"> <li>- a parent institution with registered office in the Czech Republic which is a bank or an investment firm [Art. 182 (2) b)],</li> <li>- a person controlled by the liable entity provided that the liable entity includes the person in the regulated consolidated group [Art. 182 (2) c)],</li> <li>- a person, which is a credit institution, investment firm, foreign investment firm from a Member State or a recognised investment firm with registered office in a third country and which is controlled by the liable entity or by the same person as the liable entity or is the parent institution of the liable entity, namely up to 75% of the value of the exposure [Art. 182 (2) d)].</li> </ul> <p>Consequently, the liable entity can exclude an exposure to its foreign parent bank only partially (up to 75%), without regard to the rating of the exposure.</p>
Further information for the recipient of the answer:	<p>The answer reflects views of the staff members of the Czech National Bank. A court of law, or possibly the Bank Board of the Czech National Bank, may take a different point of view. However, a liable entity's practices that adhere to the answer will be considered, within the limits of the answer and its assumptions, to be in harmony with legal regulations, unless the inapplicability of the answer to the case in question follows from circumstances particular to the case.</p>
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