Content of question:

Is it possible to treat an exposure to a Member State financial institution meeting the conditions pursuant to Annex 4, 6, c to the Decree, having a residual maturity of 3 months or less and denominated in the obligor's domestic currency as a short-term exposure in the obligor's domestic currency and to apply a preferential risk weight pursuant to Annex 4, 6, e?

Answered by: **Jaroslava Bauerová, Helena Sůvová**
Approved by: **Pavel Vacek**
Date: **18 February 2009**

Piece of law	**Decree No. 123/2007 Coll. (as amended)**
Provision	**Annex 4, 6**
Explanation	A preferential risk weight pursuant to Annex 4, 6, e to the Decree is applicable to exposures with a residual maturity of 3 months or less, denominated in the obligor's domestic currency. The so-called funding condition, i.e. an exposure denominated in a particular currency must be funded in the same currency, must be fulfilled. In demonstrating the justification for the use of a preferential risk weight, or assessing whether the funding condition is fulfilled, the liable entity proceeds in a similar way as in demonstrating the fulfilment of this condition in the case of exposures to central governments and central banks. Therefore, it is possible to apply the procedures laid down in the official information of the CNB of 18 July 2007 "The Funding Condition in the Standardised Approach for Calculating the Capital Requirement for Credit Risk".