



Unofficial translation

Riga, 25 August 2020

Regulations No 137
(Financial and Capital Market Commission's
Board Meeting Minutes No 35 p. 3)

Regulations on calculating the institution-specific countercyclical capital buffer rate

Issued in accordance with Section
35.⁸ of the Credit Institution Law

I. General provisions

1. "Regulations on calculating the institution-specific countercyclical capital buffer rate" (hereinafter – the Regulations) lay down the procedure for the calculation of institution-specific countercyclical capital buffer rate (hereinafter – ISCCBR).

2. The Regulations are binding on Latvia-registered credit institutions and those investment brokerage firms registered in the Republic of Latvia, to which capital adequacy requirements are applicable in accordance with Articles 119.¹ and 121.¹ of the Law on the Financial Instruments Market (hereinafter both collectively – credit institution).

3. The Regulations are binding on the credit institutions registered in the Republic of Latvia on an individual basis and a consolidated group basis in accordance with the requirements on a consolidated basis laid down in Section 2 of Chapter II 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). If the established countercyclical capital buffer rate (hereinafter – the CCBR) in a Member State or a third country, where a subsidiary of Latvia-registered credit institution operates, is other than the CCBR set for this Member State or third country by the Financial and Capital Market Commission (hereinafter – the Commission), the relevant subsidiary shall use the CCBR of this Member State or third country in the calculation of ISCCBR on an individual basis, but on a consolidated group basis – the CCBR set by the Commission.

4. The terms used in the Regulations comply with the Credit Institution Law and the Law on the Financial Instruments Market.

II. Calculation of ISCCBR

5. The ISCCBR shall apply to credit exposures referred to in Article 112 of the Regulation, except exposures mentioned in points from "a" to "f".

6. The geographical location of the relevant credit exposures (hereinafter – the state) shall be identified in accordance with the European Commission Delegated Regulation (EU) No 1152/2014 of 4 June 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards on the identification of the geographical location of the relevant credit exposures for calculating institution-specific countercyclical capital buffer rates.

7. The following CCBR shall apply to credit exposures by relevant country:

7.1. to exposures to residents of the Republic of Latvia – the CCBR set by the Commission;

7.2. to exposures to residents of Member States:

7.2.1. the CCBR set by the competent authority of a Member State if it does not exceed 2.5 per cent,

7.2.2. the CCBR of 2.5 per cent if the CCBR set by the competent authority of a Member State exceeds 2.5 per cent, providing that the Commission has not recognised the CCBR set in the relevant Member State,

7.2.3. the CCBR recognised by the Commission if the CCBR set by the competent authority of a Member State exceeds 2.5 per cent;

7.3. to exposures of third country residents:

7.3.1. the CCBR set by the competent authority of a third country if it does not exceed 2.5 per cent providing that the Commission has not set other CCBR for exposures to the residents of relevant third country,

7.3.2. the CCBR of 2.5 per cent if the CCBR set by the competent authority of a third country exceeds 2.5 per cent, providing that the Commission has not recognised the CCBR set in the relevant third country and has not set other CCBR for exposures to the residents of relevant third country,

7.3.3. the CCBR recognised or set by the Commission if the CCBR set by the competent authority of a third country exceeds 2.5 per cent,

7.3.4. the CCBR set by the Commission for exposures to the residents of third country if the competent authority of a third country has not set the CCBR.

8. The date, from which the relevant CCBR is applicable if it is increased, is:

8.1. to exposures to residents of the Republic of Latvia – the day that is specified in the notification of the Commission in accordance with Section 35.⁵ (7) of the Credit Institution Law;

8.2. to exposures to residents of Member States:

8.2.1. the day that is specified in the notification of the competent authority of the relevant Member State on its website if the CCBR set by the competent authority of a Member State does not exceed 2.5 per cent,

8.2.2. in the amount of 2.5 per cent of the day that is specified in the notification of the competent authority of the relevant Member State on its website if the CCBR set by the competent authority of a Member State exceeds 2.5 per cent providing that the Commission has not recognised the CCBR set in the relevant Member State,

8.2.3. in the full amount of the day that is specified in the notification of the Commission if the CCBR set by the competent authority of a Member State exceeds 2.5 per cent providing that the Commission has recognised the CCBR set in the relevant Member State;

8.3. to exposures to third country residents:

8.3.1. the day 12 months after the date specified in the notification of the competent authority of the relevant third country if the CCBR set by the competent authority of third country does not exceed 2.5 per cent, providing that the Commission has not set other CCBR for exposures to the residents of relevant third country, including if the competent authority of third country has set a reduced time period for the applying of the CCBR to credit institutions registered in the relevant third country,

8.3.2. in the amount of 2.5 per cent of the day 12 months after the date specified in the notification of the competent authority of the relevant third country if the CCBR set by the competent authority of third country exceeds 2.5 per cent, providing that the Commission has not recognised the CCBR set by the third country, and providing that the Commission has not set other CCBR for exposures to the residents of relevant third country, including if the competent authority of third country has set the reduced time period for the applying of the CCBR to credit institutions registered in the relevant third country,

8.3.3. in the full amount of the day that is specified in the notification of the Commission if the Commission has recognised the CCBR set in a third country,

8.3.4. if the CCBR is set by the Commission – the day that is specified in the notification of the Commission specifying the CCBR for third country exposures;

8.4. changes in the CCBR set in a third country shall be regarded as notified on the day when the relevant competent authority of third country publishes them in accordance with applicable national rules.

9. In case the Commission or a Member State or a third country notifies of the decision to reduce the CCBR, a credit institution shall apply it immediately, unless the Commission has provided otherwise.

10. The ISCCBR shall be calculated as the average risk-weighted exposure for CCBR related to relevant credit exposures to residents of the country in question, or shall be applied based on the Commission's decision. For the purpose of calculating the ISCCBR the credit institution shall follow the steps as follows:

10.1. each applicable CCBR shall be multiplied by the total amount of own fund requirements of the credit institution for credit exposures to the residents of relevant country that is calculated in accordance with Title II and Title IV of Part Three of the Regulation;

10.2. the results calculated in accordance with the provisions of Paragraph 10.1 of the Regulations shall be summed;

10.3. the amount resulting from calculations under procedures of Paragraph 10.2 of the Regulations shall be divided by the total amount of own fund requirements of the credit institution for relevant credit exposures referred to in Paragraph 5 of the Regulations.

11. Information on the applicable CCBR is available on the website of the European Systemic Risk Board. Additional information is also available on the website of the Bank of International Settlements and Basel Committee on Banking Supervision.

12. A credit institution shall disclose information on compliance with the requirement for its specific countercyclical capital buffer in accordance with Article 440 of the Regulation, European Commission Delegated Regulation (EU) 2015/1555 of 28 May 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article

440, and European Banking Authority Regulatory Technical Standards of 23 December 2014 (EBA/RTS/2014/17) on disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer under Article 440 of Regulation (EU) No 575/2013.

III. Closing provision

13. Upon the coming into effect of the Regulations, Commission Regulations No. 133 of 12 August 2015 "Regulations on calculating the institution-specific countercyclical capital buffer rate" shall become null and void.

Reference to the European Union Directives and other international instruments

The Regulations incorporate legal norms that arise out of following documents:

1) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC;

2) 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;

3) European Commission Delegated Regulation (EU) No 1152/2014 of 4 June 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards on the identification of the geographical location of the relevant credit exposures for calculating institution-specific countercyclical capital buffer rates;

4) European Commission Delegated Regulation (EU) 2015/1555 of 28 May 2015 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for the disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer in accordance with Article 440;

5) European Banking Authority Regulatory Technical Standards of 23 December 2014 on disclosure of information in relation to the compliance of institutions with the requirement for a countercyclical capital buffer under Article 440 of Regulation (EU) No 575/2013.

Chairwoman
Financial and Capital Market Commission

S. Purgaile