

DECREE

No 392/2017

of 14 November 2017,

amending Decree No 163/2014, on the performance of the activities of banks, credit unions and investment firms

The Czech National Bank stipulates, pursuant to Article 8b(7), Article 12a(4), Article 12m(6), Article 13(2), Article 14(3), Article 15(2) and Article 22(2) of Act No 21/1992, on banks, as amended by Act No 120/2007 and Act No 135/2014, pursuant to Article 7a(7), Article 7ab(3), Article 7ad(3), Article 8aj(6) and Article 8b(1) of Act No 87/1995, on credit unions and certain related measures and on the amendment of Czech National Council Act No 586/1992, on income taxes, as amended, as amended by Act No 120/2007, Act No 227/2013 and Act No 135/2014, and pursuant to Article 199(2) to implement Article 9aa(6), Article 9aj(6), Article 12f(a), (c) and (e), Article 12i(3) and Article 16(7) of Act No 256/2004, on capital market undertakings, as amended by Act No 120/2007, Act No 230/2008, Act No 135/2014 and Act No 204/2017:

Article I

Decree No 163/2014, on the performance of the activities of banks, credit unions and investment firms, is amended as follows:

1. In Article 2 the words “, investment firm” shall be deleted.
2. Article 5 shall read:

“Article 5

Article 116a applies only to a bank whose licence permits activities pursuant to Article 1(3)(h) of the Act on Banks, and to an investment firm pursuant to Article 8a(1) or (2) of the Capital Market Undertakings Act.”.

3. In Article 7(1)(i) the words “and customer of an investment intermediary” shall be deleted.
4. In Article 7(1)(m) the word “management” shall be inserted after the word “another”.
5. In Article 7(2)(d) the word “management” shall be inserted after the words “member of a”.
6. In Article 7(2)(j) the word “management” shall be inserted after the words “subordinate to a” the word “management” shall be inserted after the words “member of a”.
7. In Article 7(3)(c) the words “investment intermediary” shall be deleted.
8. In Article 7(3)(j) the word “management” shall be inserted after the word “another”.
9. In Article 7(4)(m) the word “management” shall be inserted after the words “member of

a”.

10. In Part Two, Title I, the text under the heading “Requirements for the Governance” shall read:

“[See Article 8b(7), Article 8c(3) and Article 10a(3) of the Act on Banks, Article 7a(7), Article 7ab(3) and Article 7ad(3) of the Act on Credit Unions and Article 12f(a) and (e) and Article 12i(3) of the Capital Market Undertakings Act]”.

11. An Article 25a shall be inserted after Article 25 and shall read:

“Article 25a

(1) A liable entity shall ensure, in connection with the provision of investment services, that clients are informed of the nature or sources of a conflict of interests, if, despite measures taken in accordance with Article 12a(1)(h) of the Capital Market Undertakings Act, it is not possible to reliably prevent the unfavourable influence of a conflict of interests on a client’s interests.

(2) A liable entity shall provide the information in accordance with paragraph (1) to a client before the provision of an investment service on a permanent information medium in accordance with Article 15e of the Capital Market Undertakings Act in a manner and to an extent that:

- a) Takes into consideration the client’s nature from the viewpoint of the provision of investment services; and
- b) Enables the client to properly take into consideration a conflict of interests related to the investment service or other business activity of the liable entity in accordance with Article 6a of the Capital Market Undertakings Act.”.

12. In Article 38(3) the third sentence shall be replaced by the following sentence: “The interest rate shock shall be calculated for credit-sensitive items only, which may not include equity items.”.

13. Article 61(1)(e) shall read:

“e) minutes of the meetings of the management of the branch of a bank from a third country, minutes of the meetings of the management and control body and minutes of the meetings of advisory units, committees or other units of a foreign bank, regarding the relevant area; and”.

14. In Part Three, Title II, the text under the heading “CAPITAL BUFFERS” shall read as follows:

“[Re Article 12m(6) of the Act on Banks, Article 8aj(6) of the Act on Credit Unions, and Article 9aj(6) of the Capital Market Undertakings Act]”.

15. Article 68(3) shall read:

(3) The multiplication factor F is stipulated in such a manner that if Common Equity Tier 1 capital maintained by the liable entity that is not used for the purpose of meeting the capital requirements under Article 92(1) of the Regulation, capital

requirements imposed on a liable entity by measures of a general nature, remedial measures and other measures and with regard to internal capital, expressed as a percentage in relation to the total risk exposure amount under Article 92(3) of the Regulation, is

- a) in the first (lowest) interval of the required combined capital buffer, or, in other words, is higher than its lower bound and is not higher than the upper bound, then $F = 0$;
- b) in the second interval of the required combined capital buffer, or, in other words, is higher than its lower bound and is not higher than the upper bound, then $F = 0.2$;
- c) in the third interval of the required combined capital buffer, or, in other words, is higher than its lower bound and is not higher than the upper bound, then $F = 0.4$;
- d) in the fourth interval of the required combined capital buffer, or, in other words, is higher than its lower bound, then $F = 0.6$.

16. Articles 79 to 82, including headings, shall read as follows:

“Article 79

Subject of categorization

A liable entity shall categorize exposures stated in Annex V, Part Two, para. 217, of Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council, as amended (hereinafter “Implementing Regulation 680/2014”).

Article 80

Basic categories

A liable entity shall categorize exposures in accordance with Article 79 in the following categories:

- a) Non-performing exposures;
- b) Performing exposures;

Article 81

Non-performing exposures

A liable entity classifies exposures in accordance with Article 79 into the non-performing exposures categories in accordance with the rules contained in Annex V, Part Two, para. 213 to 216 and 219 to 239 of Implementing Regulation 680/2014.

Article 82

Performing exposures

A liable entity classifies in performing exposures categories exposures in accordance with Article 79 not classified in non-performing exposures categories in accordance with Article 81.”

17. Article 83, including the heading, is deleted:

18. Articles 84 to 86, including the headings, shall read as follows:

“Article 84

Expected credit losses

(1) A liable entity determines expected credit loss for exposures in accordance with Article 79 other than those valued at their real value on profit or loss.

(2) A liable entity proceeds, when determining expected credit losses, in accordance with the international accounting standard IFRS 9 Financial Instruments, as stated in the annex to Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as amended. While doing so, it can apply the practical simplifications stated in this standard, with regard to its size, business model or the extent and complicated nature of the activities it performs.

Article 85

Allowances and reserves

(1) A liable entity covers expected credit losses in accordance with Article 84 using allowances and reserves.

(2) At least once a quarter, a liable entity shall evaluate the adequacy and appropriateness of the allowances and reserves in accordance with paragraph (1), and shall adjust their amounts accordingly.

(3) A liable entity shall be able to demonstrate the adequacy and appropriateness of the allowances and reserves in accordance with paragraph (1) to the Czech National Bank at any time.

Article 86

Taking collateral into account

A liable entity can, when determining the amount of allowances and reserves in accordance with Article 85 take into account collateral if:

- a) the collateral and the related policies applied and procedures used to limit credit risk give rise to claims that are legally effective and enforceable in all jurisdictions relevant to the claims arising from the collateral;
- b) in an appropriate manner, it manages the risks to which it is or might be exposed in connection with the collateral being taken into account; if the collateral is real estate, such property is insured against damage;
- c) regardless of the collateral being taken into account, the liable entity keeps evaluating in full the credit risk related to the relevant exposure;
- d) the collateral is realizable within a reasonable period of time, at least in the amount

taken into account in calculating the allowances and reserves; where the collateral has been traded in the past 3 years, it may be taken into account in determining the allowances and reserves amount to an extent not exceeding the price of the last transaction;

e) in the event of default by the obligor or, where relevant, by the person who has taken the collateral into custody, for safekeeping or for management, particularly if a bankruptcy decision has been issued in respect of one of such persons or if another stipulated credit event has occurred, the liable entity may collect its outstanding claim within a reasonable period of time following the occurrence of the relevant fact;

f) the degree of correlation between the value of the collateral and the obligor's credit quality is insignificant;

g) the provider of personal collateral is sufficiently trustworthy so as to ensure adequate certainty that the achieved degree of credit risk mitigation corresponds to the extent to which such mitigation is taken into account in calculating the amount of allowances and reserves; and

h) the liable entity has stipulated and applies clear criteria for the evaluation of the eligibility of the unfunded collateral providers; and

i) the extent of collateral is clear and undisputed, a contract on collateral does not contain any provisions compliance with which would be outside the direct control of the liable entity, and the collateral obligation is properly documented.”.

19. Articles 87 to 90, including the headings, are deleted.

20. Article 91, including the heading, shall read:

“Article 91

Rules for the evaluation of the assets of a branch of a bank established in a third country

A branch of a bank established in a third country shall apply the rules for the evaluation of assets pursuant to Articles 79 to 82 and 84 to 86 hereof.”.

21. In Article 92 the words “Articles 411 and 412 of the Regulation” are replaced by the words “Part Six of the Regulation, to the extent to which such requirements apply to the bank”.

22. Article 96(2) shall read:

“(2) A liable entity that discloses the information pursuant to Part Eight of the Regulation shall also, on a quarterly basis, disclose the information pursuant to

a) Article 437(1)(a) of the Regulation, except the full reconciliation of items, filters and deductions applied to the balance sheet in the audited financial statements; and

b) Article 438 c) to f) of the Regulation; and

c) Article 451(1)(a) of the Regulation, with the exception of the method by which a liable entity applies Article 499(2) and (3) of the Regulation.”.

23. Article 97(1) shall read:

- “(1) A liable entity shall disclose the information as of
- a) 31 March by 13 May;
 - b) 30 June by 12 August;
 - c) 30 September by 12 November;
 - d) 31 December, within four months following the end of the relevant calendar year.”.

24. Article 97(3) shall read:

“(3) Together with the information pursuant to paragraphs (1) and (2) above, a liable entity shall also disclose the date of the disclosure thereof. This also applies to the supplementation or correction of data already published.”.

25. Article 97(4) is deleted.

26. Article 98(1) shall read:

- “(1) A branch of a bank based in a third country shall disclose information as of
- a) 31 March by 13 May;
 - b) 30 June by 12 August;
 - c) 30 September by 12 November;
 - d) 31 December, within four months following the end of the relevant calendar year.”.

27. In Part Six the text under the heading “CERTAIN INFORMATION AND DOCUMENTS TO BE SUBMITTED TO THE CZECH NATIONAL BANK” shall read:

“[Re Article 24(1) and (2) of the Act on Banks, Article 27(1) of the Act on Credit Unions, and Article 12f(c) and Article 16(7) of the Capital Market Undertakings Act]”.

28. Article 104, including footnote 13, shall read:

“Article 104

Information on the internal capital adequacy assessment system

(1) Information on the internal capital adequacy assessment system shall be submitted to the Czech National Bank by a liable entity that, pursuant to the Act on Banks, pursuant to the Act on Credit Unions or pursuant to the Capital Market Undertakings Act, fulfills the duties relating to internal capital¹³⁾.

(2) A liable entity in accordance with paragraph (1) shall inform the Czech National Bank of:

- a) the system it has introduced and maintains in its management and control system for:
 1. calculating and continuously evaluating the internal capital need; and
 2. planning and continuously maintaining the internal capital resources in such an amount, structure and distribution as to adequately cover the risks to which the liable entity is or might be exposed; and
- b) management and organizational prerequisites and structure, procedures, outputs and the use thereof, and on the control mechanisms of the system pursuant to sub-paragraph

(a).

(3) The scope and the level of detail of the information shall correspond to the extent and complexity of the internal capital adequacy assessment system of a liable entity pursuant to paragraph (1) above. In the case of information about the system on a consolidated basis, the liable entity pursuant to paragraph (1) shall also indicate information broken down by individual persons who are members of the same consolidated group and are included in its internal capital adequacy assessment system.

(4) a liable entity pursuant to paragraph (1) above, shall inform the Czech National Bank of the internal capital adequacy assessment system for the past accounting period not later than by 30 April, unless the liable entity agrees otherwise with the Czech National Bank. The information on the internal capital adequacy assessment system shall contain information regarding the plan and reality for the relevant accounting period, and regarding the plan for the further maintenance of internal capital adequacy.

(5) a liable entity pursuant to paragraph (1) above, shall submit the information on its internal capital adequacy assessment system in electronic form. The data format will be agreed individually by the liable entity in accordance with paragraph (1) and the Czech National Bank.

¹³⁾ Article 12c of Act No 21/1992, on Banks.

Article 8a of Act No 87/1995, on credit unions and some related measures and on the amendment of Czech National Council Act No 586/1992, on income taxes, as amended by Act No 230/2009, Act No 285/2009, Act No 160/2010, Act No 41/2011, Act No 139/2011, Act No 420/2011, Act No 470/2011, Act No 37/2012, Act No 254/2012, Act No 227/2013, Act No 303/2013 and Act 135/2014.

Article 9a of Act No 256/2004, on capital market undertakings, as amended by Act No 126/2008, Act No 230/2008, Act No 230/2009, Act No 160/2010, Act No 41/2011, Act No 188/2011, Act No 37/2012 and Act No 135/2014.”.

29. After Article 104, a new Article 104a shall be inserted and shall read as follows, including the heading and footnote 18:

“Article 104a

Information on system for assessing adequacy of liquidity and financing

(1) Information on the system and procedures for assessing the adequacy of liquidity and financing shall be submitted to the Czech National Bank by a liable entity that, pursuant to the Act on Banks, pursuant to the Act on Credit Unions or pursuant to the Capital Market Undertakings Act, fulfills the duties relating to managing liquidity risk¹⁸⁾.

(2) A liable entity in accordance with paragraph (1) shall inform the Czech National Bank of:

- a) the system it has introduced and maintains in its management and control system for:
1. determining and assessing in ongoing fashion the internal requirements for liquidity and financing; and
 2. planning and continuously maintaining the internal liquidity and financing resources in such an amount, structure and distribution as to adequately cover the risks to which the liable entity is or might be exposed; and

b) management and organizational prerequisites and structure, procedures, outputs and the use thereof, and on the control mechanisms of the system pursuant to subparagraph (a).

(3) The scope and the level of detailed of the information shall correspond to the extent and complexity of the system for assessing the adequacy of liquidity and financing of a liable entity pursuant to paragraph (1) above.

A liable entity pursuant to paragraph (1) above, shall inform the Czech National Bank of the system and procedures for assessing the adequacy of liquidity and financing for the past accounting period not later than by 30 April, unless the liable entity agrees otherwise with the Czech National Bank. Information about the system and procedures for assessing the adequacy of liquidity and financing contains information about the plan and reality for the relevant fiscal period and about the plan for the further maintenance of the internal adequacy of liquidity and financing.

(5) A liable entity pursuant to paragraph (1) above, shall submit the information on its internal liquidity and financing adequacy assessment system in electronic form. The data format will be agreed individually by a liable entity in accordance with paragraph (1) and the Czech National Bank.

¹⁸⁾ Article 8b of Act No 21/1992, on Banks.

Article 7a of Act No. 87/1995 Coll., on credit unions and certain related measures and on the amendment of Czech National Council Act No 586/1992, on income taxes, as amended.

Art. 12a of Act No 256/2004, the Capital Market Undertakings Act.

Article 41 of this Decree.”

30. Article 108(2) shall read:

“(2) A liable entity that uses an internal approach for calculating the risk-weighted exposure amounts or for calculating capital requirements other than capital requirements for operational risk shall inform the Czech National Bank of the results of the calculations of its internal approaches for its exposures or positions that are included in the benchmark portfolios, together with an explanation of the methodologies used, in accordance with Commission Implementing Regulation (EU) 2016/2070 of 14 September 2016 laying down implementing technical standards for templates, definitions and IT-solutions to be used by institutions when reporting to the European Banking Authority and to competent authorities in accordance with Article 78(2) of Directive 2013/36/EU of the European Parliament and of the Council.”

Footnote 14 is deleted.

31. In Article 113(1), the following sentence shall be inserted after the first sentence: “This duty is also discharged by the liable entity publishing information in accordance with Article 450 of the Regulation, by the aforementioned deadline.”

32. Article 114, including the heading, shall read:

“Article 114

Information on a change to a person

(1) If a liable entity changes the person managing a key function, the liable entity

shall inform the Czech National Bank accordingly without undue delay. Such information will include an accurate designation of the function concerned;

- a) a specification of the reason for the change; this shall not apply if the change takes place solely at the suggestion of the person who is leaving the relevant function;
- b) basic identification details of both the persons concerned;
- c) the date of the change;
- d) a report by a liable entity about the results of an assessment of a person for the performance of the function he is assuming, from the viewpoint of compliance with the requirements of trustworthiness, professional capability and experience of such person; and
- e) any other material information relating to the change concerned.

(2) A liable entity shall inform the Czech National Bank of the results of an assessment of suitability always when it proposes a change to a member of a management body. The information shall include the result of:

- a) an assessment of whether, during the proper performance of the function the person being assessed is hampered by professional business or similar activities, for example activities at an entity with similar objectives;
- b) an assessment of compliance with the requirements of trustworthiness, professional capability and experience of the person being assessed for the performance of the relevant function; and
- c) an assessment of compliance with the requirements of trustworthiness, professional capability and experience of a management body as a whole after taking changes in its composition into account.

(3) Paragraphs (1) and (2) above shall apply to a branch of a bank based in a third country, as appropriate.”

33. After Article 116, a new Article 116a shall be inserted and shall read as follows, including the heading and footnote 19:

“Article 116a

Information on adequacy of measures adopted for the purpose of protecting a customer’s assets

(1) A report on the adequacy of measures adopted for the purpose of protecting a customer’s assets pursuant to Article 12(3) of the Capital Market Undertakings Act is submitted:

- a) in the case of annual information within 4 months of the end of the relevant fiscal period; and
- b) without undue delay after shortcomings are ascertained at any time during the year.

(2) A report in accordance with paragraph (1)(a) contains an assessment of the functionality and effectiveness of measures adopted for the purpose of protecting a customer’s assets and identifying control mechanisms introduced, at least:

- a) information about the material and time extent of areas audited by an auditor;
- b) an assessment of compliance of accounting policies and procedures for recognizing a customer’s cash and investment instruments with legal regulations;

- c) an assessment of compliance of a customer's asset records in the internal records system with legal regulations;
- d) an assessment of whether reconciliation of a customer's assets is performed with a reasonably frequency, in a demonstrable manner and in accordance with legal regulations and an internal regulation of the liable entity;
- e) verification of the correctness of the systemic and functional set-up of the process for reconciliation of all customer assets performed by the liable entity, and verification of the results of at least one reconciliation of all customer assets in any month during the calendar year for which the report is drafted;
- f) the result of verification of compliance of the deposit of investment instruments and cash with third parties with legal regulations;
- g) the result of verification of compliance of the use of investment instruments with legal regulations and internal regulations of the liable entity;
- h) specification of missing control mechanisms, a description of the shortcomings ascertained and an assessment of their seriousness;
- i) other important information that concerns the protection of a customer's assets by a liable entity.

(3) A report in accordance with paragraph (1) is submitted in electronic form signed in a manner that another legal regulation links to the effects of signature in one's own hand¹⁹⁾, or in documentary form to the address of the Czech National Bank.

¹⁹⁾ Article 18(2) of Act No 300/2008, on electronic acts and authorized document conversion. Article 6(1) of Act No 297/2016, on services creating trust for electronic transactions.”.

34. In Annex 1, Point 1(b) shall read:

“b) the special remuneration principles and procedures to the selected areas of the liable entity's total remuneration system, and at least to the remuneration of staff whose activities have a significant effect on the liable entity's overall risk profile, using the procedure in accordance with Commission Delegated Regulation (EU) No 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution's risk profile, as amended (hereinafter “Selected Staff”), unless the application of the procedures pursuant to paragraphs (13) to (20) below would not be proportionate to the effect of the Selected Staff or of groups of Selected Staff on the liable entity's overall risk profile; the foregoing shall be without prejudice to the provisions of subparagraph (c) below; the liable entity is responsible for the introduction, maintenance and exercise of suitable criteria for stipulating the Selected Staff; and”.

35. In Annex 1, Point 2, the words “of points 2 and 4” are deleted.

36. In Annex 1, Point 9(a) shall read:

“a) the total remuneration shall be based on a combination of the assessment of the performance of the individual and of the section concerned, and of the overall results of the liable entity; the results of the group or entity controlling the liable entity can be taken

into account only exceptionally, in particular as far as concerns the performance of activities that demonstrably more significantly influence the performance of the group or performance of the entity controlling the liable entity and their share in total activities assessed is not negligible, in a manner that is properly justified;”.

37. In Annex 1, Point 10, including the heading over the point, shall read:

“Form and structure of remuneration

10. The fixed and variable components of the total remuneration of the selected employee shall be appropriately balanced; the fixed remuneration component shall represent a sufficiently large proportion of the total remuneration so as to allow the application of a fully flexible approach to the variable remuneration component, including the option of paying out no variable remuneration component.”

38. Point 11 of Annex 1 shall read:

“11. A liable entity will stipulate a suitable ratio between the fixed and variable components of remuneration individually for individual persons or groups of persons; a liable entity will inform the Czech National Bank of such approval without undue delay, including the statement of all higher maximum ratios, the number of persons for which they were approved and their functions.”.

39. In Annex 1, Point 13, the following sentence will be inserted after the third sentence: “A liable entity is obligated to appropriately determine the volume of the variable component of remuneration that, for the purposes of deferring the entitlement to the remuneration over multiple years, it regards as extraordinarily large. A liable entity will always assess the volume of the variable component of remuneration as extraordinarily large in the event the maximum variable component of an individual’s remuneration could exceed 100% of the fixed component of his remuneration.”.

40. Point 10 of Annex 3 shall read:

“10. A liable entity shall also ensure that

- a) the relevant employees, including the members of the senior management and of the relevant committees, if established, are properly familiarized with the assumptions upon which the system of measuring and monitoring the credit risk is based;
- b) the assumptions upon which the system is based are adequately documented; and
- c) in the case of the identification of situations that indicate a probability of non-payment by the counterparty, it will proceed in accordance with points 35 to 65 of general instructions of the European Banking Authority on the application of the definition of default in accordance with Article 178 of Regulation (EU) 575/2013.”.

41. Point 5 of Annex 10 shall read:

“5. Information on the financial situation of the liable entity

- a) a quarterly balance sheet of the liable entity;
- b) a quarterly profit and loss account of the liable entity,
- c) information of a liable entity that is a bank or credit union, regarding performing and non-performing exposures specifying the gross accounting value, cumulative impairment

and cumulative negative changes in real value due to credit risk and allowances, broken down into:

1. debt securities, of which debt securities of non-financial enterprises;
2. credits and other receivables, of which credits and other receivables from non-financial enterprises and credits and other receivables from households;
3. debt instruments intended for sale in accordance with international accounting standard IFRS 5 Non-current Assets Held for Sale and Discontinued Operations , as stated in the annex to Commission Regulation (EC) No 1126/2008 of 3 November 2008 adopting certain international accounting standards in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council, as amended (hereinafter International Accounting Standard IFRS 5”); and
4. off-balance sheet exposures, of which off-balance sheet exposures to non-financial enterprises and households; non-financial enterprises and households shall be understood to mean non-financial enterprises and households in accordance with Annex V to Implementing Regulation 680/2014;

d) information of a liable entity that is a bank or credit union regarding performing and non-performing exposures with an alteration in accordance with Annex V to Implementing Regulation 680/2014, specifying the gross accounting value, cumulative impairment and cumulative negative changes in real value due to credit risk and allowances, broken down into:

1. debt securities, of which debt securities of non-financial enterprises;
2. credits and other receivables, of which credits and other receivables from non-financial enterprises and credits and other receivables from households;
3. debt instruments intended for sale in accordance with international accounting standard IFRS 5; and
4. off-balance sheet exposures, of which off-balance sheet exposures to non-financial enterprises and households; non-financial enterprises and households shall be understood to mean non-financial enterprises and households in accordance with Annex V to Implementing Regulation 680/2014;

e) the fair and nominal values of derivatives; specifically

1. in the aggregate for the derivatives concluded for hedging purposes, and in the aggregate for the derivatives concluded for trading or speculative purposes,
2. in the aggregate for the derivatives in respect of which the liable entity uses hedge accounting, and in the aggregate for the other derivatives,

f) capital ratios, specifically:

1. the Common Equity Tier 1 capital ratio;
2. the Tier 1 capital ratio;
3. the capital ratio for total capital;

g) the ratio indicators of a liable entity that is a bank or credit union, specifically:

1. return on average assets;
2. the return on average Tier 1 capital;
3. the assets per employee;
4. the administrative costs per employee; and
5. the profit or loss after tax per employee;

h) the ratio indicators of a liable entity that is an investment firm, specifically:

1. leverage I (total debt less client assets/assets less client assets);
2. leverage II (total debt less client assets/equity);
3. return on average assets (assets less client assets);
4. return on average Tier 1 capital;
5. return on sales (profit after tax/revenues from investment services); and
6. administrative costs per employee.”.

42. Section 3 of Annex 13 shall read:

“3. Information on compliance with prudential rules by a branch of a bank established in a third country

a) information according to Article 437(1)(a) of the Regulation, except the full reconciliation of items, filters and deductions applied to the balance sheet in the audited financial statements of the branch of a bank established in a third country;

b) information pursuant to Article 438(c) to (f) of the Regulation;

c) information of a branch of a bank from a third country regarding performing and non-performing exposures specifying the gross accounting value, cumulative impairment and cumulative negative changes in real value due to credit risk and allowances, broken down into:

1. debt securities, of which debt securities of non-financial enterprises;
2. credits and other receivables, of which credits and other receivables from non-financial enterprises and credits and other receivables from households;
3. debt instruments intended for sale in accordance with international accounting standard IFRS 5; and
4. off-balance sheet exposures, of which off-balance sheet exposures to non-financial enterprises and households; non-financial enterprises and households shall be understood to mean non-financial enterprises and households in accordance with Annex V to Implementing Regulation 680/2014;

d) information of a branch of a bank from a third country regarding performing and non-

performing exposures with an alteration in accordance with Annex V of Implementing Regulation 680/2014, specifying the gross accounting value, cumulative impairment and cumulative negative changes in real value due to credit risk and allowances, broken down into:

1. debt securities, of which debt securities of non-financial enterprises;
 2. credits and other receivables, of which credits and other receivables from non-financial enterprises and credits and other receivables from households;
 3. debt instruments intended for sale in accordance with international accounting standard IFRS 5; and
 4. off-balance sheet exposures, of which off-balance sheet exposures to non-financial enterprises and households; non-financial enterprises and households shall be understood to mean non-financial enterprises and households in accordance with Annex V to Implementing Regulation 680/2014;
- e) the fair and nominal values of derivatives; specifically
1. in the aggregate for the derivatives concluded for hedging purposes, and in the aggregate for the derivatives concluded for trading or speculative purposes,
 2. in the aggregate for the derivatives in respect of which the branch of a bank from a third country uses hedge accounting, and in the aggregate for the other derivatives,
- f) capital ratios, specifically:
1. the Tier 1 capital ratio,
 2. the capital ratio for total capital;
- g) ratio indicators of the branch of a bank from a third country, specifically:
1. return on average assets;
 2. the return on average Tier 1 capital;
 3. the assets per employee;
 4. the administrative costs per employee; and
 5. the profit or loss after tax per employee; and
- h) information on the volume of transactions undertaken as part of the provision of investment services in respect of the individual investment instruments, if the branch of a bank from a third country is authorized to provide investment services pursuant to the Capital Market Undertakings Act.”.

Article II Effect

This Decree will come into effect on 1 January 2018, with the exception of Article I, Sections 1 to 11 and 33 to 39, which will come into effect on 3 January 2018.

Governor:

Ing. Rusnok, duly signed