Statement of Decision

On the reciprocity of the Systemic Risk Buffer of Estonia

October 2016
1.0 Background

This Policy Document provides a framework for the reciprocity of the Systemic Risk Buffer (SRB) of Estonia as per Recommendation ESRB/2015/2.¹ Eesti Pank introduced a requirement for all banks and banking groups authorised in Estonia to hold a systemic risk buffer of 2% total risk exposure amount calculated in accordance with Article 92 (3) of Regulation (EU) No 575/2013 amending Regulation (EU) No 648/2012 (OJ L 176, 27.06.2013, pp 1-337) from 1 August 2014.² Eesti Pank reviewed the rate in 2016, whereby from 1 August 2016 the buffer rate was lowered to 1% and applied only to risk exposure in Estonia.³ The requirement must be met with common equity tier 1 own funds. The reasons lie in the structural vulnerability of the Estonian economy.

In order to increase awareness of the structural vulnerabilities in the Estonian economy and to ensure a level playing field, Eesti Pank is requesting the authorities of other Member States to apply equivalent additional buffer requirements to the banks that provide banking services in Estonia through branches or directly cross-border for their risk exposure in Estonia.

As per Directive 11 paragraph 29, the Central Bank of Malta may recognise the systemic risk buffer set by other Member States and may apply the buffer rate to institutions for the exposures located in the Member State that sets that buffer rate. The Central Bank intends to reciprocate the systemic risk buffer set by Eesti Pank subject to the de minimis principle.⁴

2.0 Statement of Decision

With reference to Recommendation ESRB/2016/4, this Statement of Decision requires all domestically authorised institutions, subject to the CRDIV/CRR to hold a systemic risk buffer at the level of 1.0 per cent of the total risk exposure located in Estonia in accordance with the Decree of the Governor of Eesti Pank No.6 of 30 May 2016 "Establishment of the requirement for the systemic risk buffer".⁵

Domestically authorised institutions with total risk exposure located in Estonia as calculated in accordance with Article 92(3) of the 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 amending Regulation (EU) No 648/2012 (OJ L 176, 27.06.2013, pp 1-337) lower than EUR 200 million, are exempted from this Statement of Decision.

3.0 Application

This Statement of Decision is to become effective as from 24 October 2016

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¹ ESRB/2015/2 on the assessment of cross-border effects of and voluntary reciprocity for macroprudential policy measures
² The Decree of the Governor of Eesti Pank No.12 of 9 July 2014 "Establishment of the requirement for the systemic risk buffer to a credit institution and the consolidation group of a credit institution".
³ The Decree of the Governor of Eesti Pank No.6 of 30 May 2016 "Establishment of the requirement for the systemic risk buffer".
⁴ Directive No. 11: Macro-prudential Policy