

Reg. No: 888/020/20-01/MD
Zagreb, 2 December 2020

TO ALL CREDIT INSTITUTIONS
Attention of: Management Board

Subject: Application of the Guidelines on the treatment of structural FX under Article 352(2) of Regulation (EU) No 575/2013 (CRR) – (EBA/GL/2020/09, 1 July 2020)

Dear Sir/Madam,

The European Banking Authority (hereinafter: the EBA) on 1 July 2020 issued the *Guidelines on the treatment of structural FX under Article 352(2) of Regulation (EU) No 575/2013 (CRR)* (hereinafter: the Guidelines). The objective of the Guidelines is to establish a harmonised framework for the exclusion of structural foreign exchange positions from the calculation of open foreign exchange positions, as set out in Article 352(2) 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 CRR) in order to allow consistency in its application. The Guidelines shall apply from 1 January 2022, so as to ensure that institutions which have been granted permission for such exclusion have sufficient time to adjust to the introduction of new regulatory requirements.

In accordance with the provisions of Article 352(2) of the CRR, competent authorities may permit a credit institution, upon its request, to exclude certain foreign exchange positions from the calculation of net open foreign exchange positions, provided that such positions are of a structural nature. As the application of such exclusions may have an impact on own funds requirements, the Guidelines identify objective criteria to assist competent authorities in their assessment of the structural nature of a foreign exchange position for which permission is being sought and understanding of whether such position has been taken for hedging the capital ratio.

The Guidelines specify the criteria the Croatian National Bank will take into consideration when processing the requests for exclusion of FX positions from the calculation of net open foreign exchange positions under Article 352(2) of the CRR.

The Guidelines have been developed also taking into account the changes to the regulatory framework for the calculation of the own funds requirements for market risk introduced under Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012

(hereinafter: the CRR2) and the new treatment of structural foreign exchange positions provided in the Basel standard – *the Fundamental Review of the Trading Book (FRTB)*. It should be noted that the requirements specified in the Guidelines may be applied by following either the current rules for the calculation of the own funds requirements for market risks or the FRTB rules (under the current CRR, they apply only for reporting purposes), so that credit institutions will not be required to request a new permission once they switch to the FRTB framework for calculating the own funds requirements for market risk.

The Croatian National Bank expects credit institutions to apply the Guidelines when submitting a request referred to in Article 352(2) of the CRR related to the exclusion of certain foreign exchange positions from the calculation of net open foreign exchange positions, provided that such positions are of a structural nature.

The Guidelines are available on the EBA's website at the following links:

1. *Guidelines on the treatment of structural FX under Article 352(2) of Regulation (EU) No 575/2013 (CRR)* – the Guidelines in the Croatian language are available at the following link:

https://eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2020/GLs%20on%20the%20treatment%20of%20structural%20FX/Translations/931687/EBA-GL-2020-09%20Guidelines%20on%20Structural%20FX_COR_HR.pdf

2. *Guidelines on the treatment of structural FX under Article 352(2) of Regulation (EU) No 575/2013 (CRR)* – the Guidelines in the English language are available at the following link:

https://eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2020/GLs%20on%20the%20treatment%20of%20structural%20FX/Translations/924256/EBA-GL-2020-09%20Guidelines%20on%20Structural%20FX_COR_EN.pdf

3. *Final Guidelines on the treatment of structural FX under Article 352(2) of the CRR* – the Guidelines in the English language with the background section and accompanying documents, including Annex I and Annex II are available at the following link:

https://eba.europa.eu/sites/default/documents/files/document_library/Publications/Guidelines/2020/GLs%20on%20the%20treatment%20of%20structural%20FX/886962/Guidelines%20on%20Structural%20FX.pdf

Kind regards,

Martina Drvar

Vicegovernor