

Tallinn, 4 November 2011

Amendments to Decree No 8 of the Governor of Eesti Pank from 2 November 2009
“Information subject to disclosure concerning risk management, own funds and capital adequacy of credit institutions”

The Decree is established under subsection 92¹ (8) of the [Credit Institutions Act](#).

§ 1. The following amendments shall be made to Decree No 8 of the Governor of Eesti Pank from 2 November 2009 “Information subject to disclosure concerning risk management, own funds and capital adequacy of credit institutions” (RTL 2009, 82, 1200; RT I 2010, 51, 325):

1) § 7 shall be worded as follows:

“§ 7. Principles and procedure for disclosure of information

- (1) A credit institution shall establish the principles and procedure for adhering to the requirements stipulated in this Decree concerning disclosure of information, and for assessment of the relevance and adequacy of the disclosed information.
- (2) The principles and procedure established by a credit institution shall allow assessing whether the information disclosed by the credit institution provides the market participants with a comprehensive and full overview of the risk profile of the credit institution.
- (3) If, according to the credit institution’s assessment, the information prescribed by the Decree is not sufficient for providing an overview to the market participants, then the credit institution shall disclose additional information.“;

2) § 22 shall be worded as follows:

“§ 22. Information subject to disclosure concerning securitisation

- (1) A credit institution shall disclose the following information concerning securitisation transactions:
 - 1) the purpose of the securitisation transactions and the scope of the credit risk to be transferred to the transaction partners with these transactions;
 - 2) the type and scope of risks resulting from underlying assets and from tranche of securitised positions, including liquidity risk;
 - 3) the role of the credit institution (originator, sponsor or other) in the securitisation transactions, and the scope of the transactions, presented by roles;
 - 4) the methods used for calculating the capital requirements for the securitisation transactions, presented by types of risk positions;
 - 5) description of the processes for monitoring changes in credit risk and market risk of securitised positions, and effect of changes of underlying assets to securitised positions;
 - 6) the principles of using unfunded protection of credit risk and risk mitigation for securitised and re-securitised positions, and parties of risk mitigation transactions, presented by types of risk positions;
 - 7) the types of securitisation undertakings used for securitising third party risk positions, and types of risk positions of the credit institution in such institutions;
 - 8) the names of the rating agencies used in the calculation of the capital requirements

for securitisation transactions, presented by types of risk positions arising from the securitisation transactions;

9) description of the internal model used for calculating the risk weight of securitised positions included in the commercial securities programme, and types of risk positions to which the model is applied.

(2) The following information shall be disclosed on the accounting of the securitisation transactions:

- 1) information regarding whether the securitisation transactions have been recognised as items written off the balance sheet, or as financing;
- 2) the criteria for recognition of gains and losses from securitisation transactions;
- 3) the principles for assessing the retained risks and rewards associated with the financial assets transferred with the securitisation transactions, and changes in those principles since last period;
- 4) the principles for accounting for synthetic securitisation transactions;
- 5) the principles of evaluating assets awaiting securitisation and whether the assets are presented in the banking portfolio or the trading portfolio;
- 6) the principles of presenting obligations related to possible providing of monetary aid in relation with securitised assets.“;

3) § 23 shall be worded as follows:

“§ 23. Information to be published on calculation of the capital requirements for securitisation positions

(1) A credit institution shall disclose, by types of risk positions, the following information concerning calculation of the capital requirements for securitisation positions, separately for the trading portfolio and the banking portfolio:

- 1) the sum total of the securitisation positions, presented separately by traditional and synthetic securitisation positions, and presenting separately the positions where the credit institution is acting as a sponsor;
- 2) the sum total of the securitisation positions presented in balance sheet and the securitisation positions presented off balance sheet;
- 3) the sum total of assets awaiting securitisation;
- 4) the sum total of the securitisation positions which are subject to a risk weight of 1,250 per cent or which have been deducted from own funds;
- 5) the sum total of the securitised exposures with a requirement of premature depreciation, and the sum total of the capital requirements calculated from such positions, presented by the share belonging to the initial issuer of the exposures and the share belonging to the investor, for both used and unused credit limits;
- 6) the sum total of the positions securitised during the period, and the profit and loss from sales of securitised positions;
- 7) the capital requirements and sum total of securitised positions, presented separately for securitised and re-securitised positions, risk weight or capital requirement ranges and methods of calculation of capital requirements;
- 8) the sum total of re-securitised positions before and after risk mitigation, presented by categories of creditworthiness of guarantors or by names of guarantors.

(2) A credit institution shall disclose the sum total of written-down and outstanding securitisation positions of the banking portfolio, and the loss generated by the securitisation positions over the period.

(3) A credit institution shall disclose the sum total of the securitisation positions of the trading portfolio which are subject to calculation of capital requirement for market risk, presented separately by traditional and synthetic securitisation positions.

(4) A credit institution shall disclose explanations for significant changes which occurred in the information referred to in subsections (1) to (3) in comparison with the previous accounting period.“;

4) Subsection 24 (2) shall be supplemented with clauses 4) to 6) in the following wording:

“4) the risks measured with internal models and the methods used for calculating capital requirements in accordance with subsections 310¹ (1) and (2) and subsections 310⁸ (2) to (8) of the decree on prudential ratios, including the description of the methods used by the credit institution for determining liquidity terms and for assessing the need for capital with the required trustworthiness;

5) the description of methods used for validating the model;

6) the information about the term of validity and scope of the Financial Supervision Authority’s permission to use the internal models.”;

5) § 25 shall be worded as follows:

“§ 25. Numeric data subject to disclosure concerning the market risk

(1) A credit institution shall disclose the following numeric data on the market risk:

- 1) capital requirement for interest rate risk;
- 2) capital requirement for equity position risk;
- 3) capital requirement for foreign exchange risk;
- 4) capital requirement for commodities risk.

(2) In case of use of the Internal Models Approach, the information stated in subsections (3) to (5) shall be disclosed in addition to the information stated in subsection (1).

(3) A credit institution shall disclose the highest, the average and the lowest value and the value at the end of the reporting period for the following:

- 1) the daily value-at-risk measure;
- 2) the value-at-risk measure in stress conditions;
- 3) the capital requirements calculated in accordance with subsections 310¹ (1) and (2) and subsections 310⁸ (2) to (8) of the decree on prudential ratios.

(4) A credit institution shall disclose the liquidity term of the weighted average and the capital requirements calculated in accordance with subsections 310¹ (1) and (2) and subsections 310⁸ (2) to (8) of the decree on prudential ratios, presented by sub-portfolios.

(5) A credit institution shall disclose the comparison of the risk assessments and actual revenue or expenses, as well as material differences between the assessments and the actual results, discovered during back-testing.“.

§ 2. The Decree shall be effective from 31 December 2011.

Andres Lipstok
Governor