Latvijas Banka

Regulation No. 263

Adopted 18 December 2023

**Regulation for Preparing the Report on Covered Deposits and Calculating the Contributions to the Deposit Guarantee Fund**

*Issued pursuant to*

*Section 11, Clauses 1 and 2 of the Deposit Guarantee Law*

**I. General Provisions**

1. The Regulation prescribes the procedures and time frame for:

1.1. preparing the report on covered deposits and contributions to the Deposit Guarantee Fund (hereinafter – the report on covered deposits) and submitting it to Latvijas Banka;

1.2. calculating contributions from the deposit taker to the Deposit Guarantee Fund as well as the procedure for making such contributions.

2. A credit institution registered in Latvia, a Latvian branch of a credit institution registered in a foreign country (hereinafter together – the credit institution) and a credit union shall calculate the contribution to the Deposit Guarantee Fund as 0.05 per cent of the average outstanding amount of the covered deposits held by the credit institution or the credit union in the previous quarter, multiplied by the adjustment coefficient calculated in accordance with the procedures laid down in this Regulation.

3. A Latvian branch of a credit institution registered in a European Union Member State and participating in the Deposit Guarantee Fund (hereinafter – the branch of a Member State) shall calculate its contribution to the Deposit Guarantee Fund as 0.05 per cent of the average outstanding amount of the covered deposits attracted by the branch of the Member State in the previous quarter.

4. The calculated adjustment coefficient shall be expressed as a percentage accurate to two decimal places (if the third number after the decimal point is 5 or higher, the second number shall be rounded up).

5. If a credit institution or a credit union has started its operation in the respective calendar year and it has no performance indicators for the previous calendar year, the applicable adjustment coefficient shall not be calculated.

6. The deposit taker shall pay the contribution to the Deposit Guarantee Fund by the 20th date of the first month of the following quarter by transferring the funds to Latvijas Banka’s settlement account No. LV40LACB0000000022365, BIC LACBLV2X. The deposit taker shall round the sum to be paid into the Deposit Guarantee Fund to the nearest cent.

**II. Preparing the Report on Covered Deposits**

7. The deposit taker shall prepare the report on covered deposits once a calendar quarter pursuant to Annex 1, Report on Covered Deposits and Contributions to the Deposit Guarantee Fund, to this Regulation and shall submit it to Latvijas Banka by the 20th date of the first month of the following calendar quarter.

8. The deposit taker shall submit the report on covered deposits to Latvijas Banka electronically pursuant to the Regulation on Electronic Information Exchange with Latvijas Banka. To submit the report on covered deposits, a credit institution and a branch of a Member State shall use the advanced security system, whereas a credit union – the non-bank statistics system.

9. If the data audited by a sworn auditor pursuant to the provisions laid down in the Deposit Guarantee Law do not align with the unaudited data included in the submitted report on covered deposits, the deposit taker shall without delay prepare a revised report on covered deposits that aligns with the audited data and shall submit it to Latvijas Banka.

10. The report on covered deposits shall reflect information on the covered deposits held by the deposit taker. The deposits referred to in Sections 3 and 4 of the Deposit Guarantee Law shall be reflected as a sum not exceeding EUR 100 000. When calculating the sum of covered deposits, the limitations imposed by laws and regulations on the disbursement of deposits shall not be considered.

11. If the funds held by the deposit taker are managed by a depositor on behalf of another person and the deposit taker has identified that person, the covered deposits of that person shall not be aggregated with the covered deposits of the depositor; instead, the covered deposits of each identified person shall be calculated separately.

12. The average outstanding amount of the covered deposits for the quarter shall be calculated as the arithmetic average of the outstanding amount of the covered deposits for the months of the respective quarter on the last day of the respective month.

**III. Calculating the Adjustment Coefficient for a Credit Institution**

13. Once a year, Latvijas Banka shall calculate the adjustment coefficient applicable to a credit institution’s contribution to the Deposit Guarantee Fund in accordance with the formula given in Annex 2, Adjustment Coefficient Applicable to a Credit Institution’s Contribution to the Deposit Guarantee Fund, to this Regulation, and the adjustment coefficient shall be calculated based on the capital ratios (K1, K2), the liquidity ratios (L1, L2), the business model and risk management ratio (P1), the large exposure ratios (R1, R2) and the loan portfolio quality indicators (Q1, Q2).

14. The variables referred to in Paragraph 13 of this Regulation shall be calculated as the quarterly arithmetic averages of the outstanding amounts of the covered deposits held in the previous calendar year.

15. The adjustment coefficient shall be calculated using the data from the consolidated supervisory reports. If the credit institution is not part of a consolidation group, individual-level data from supervisory reports shall be used.

16. Latvijas Banka shall notify the credit institution of the adjustment coefficient applicable to its contribution to the Deposit Guarantee Fund by sending a notification to the official electronic address of the credit institution by 20 March of each year.

17. Capital ratios:

17.1. the leverage ratio (K1) shall be determined in accordance with Item “Leverage Ratio – using a fully phased-in definition of Tier 1 capital” (Row 0330) of the report “C 47.00 – LEVERAGE RATIO CALCULATION” included in Annex X to the Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014 (hereinafter – Implementation Regulation No 2021/451);

17.2. the capital coverage ratio (K2) shall be determined as the difference between the Tier 1 capital ratio and the Tier 1 capital requirement based on:

17.2.1. the Tier 1 capital ratio in accordance with Item “T1 Capital ratio” (Row 0030) of the report “C 03.00 – CAPITAL RATIOS AND CAPITAL LEVELS” included in Annex I to the Implementation Regulation No 2021/451;

17.2.2. the Tier 1 capital ratio requirement in accordance with Item “OCR: to be made up of Tier 1 capital” (Row 0180) of the report “C 03.00 – CAPITAL RATIOS AND CAPITAL LEVELS” included in Annex I to the Implementation Regulation No 2021/451.

18. Liquidity ratios:

18.1. the liquidity coverage ratio (L1) shall be determined in accordance with Item “Liquidity coverage ratio (%)” (Row 0030) of the report “C 76.00 – LIQUIDITY COVERAGE – CALCULATIONS” included in Annex XXIV to the Implementation Regulation No 2021/451;

18.2. the net stable funding ratio (L2) shall be determined in accordance with Column “Ratio” (Column 0040) of Item “NSFR” (Row 0220) of the report “C 84.00 – NSFR Summary” included in Annex XII to the Implementation Regulation No 2021/451.

19. The business model and risk management ratio (P1) shall be determined based on the business model and risk management assessment made during the supervisory review and evaluation process.

20. Large exposure ratios:

20.1. the ratio of the total amount of large exposures to Tier 1 capital (R1) shall be determined based on:

20.1.1. the total amount of large exposures in accordance with Column “Transactions where there is an exposure to underlying assets” (Column 330) of the report “C 28.00 – Exposures in the non-trading and trading book” included in Annex VIII to the Implementation Regulation No 2021/451, considering that each counterparty must be accounted for in the calculation only once;

20.1.2. Tier 1 capital in accordance with Item “T1 Capital” (Row 0015) of the report “C 01.00 – OWN FUNDS” included in Annex I to the Implementation Regulation No 2021/451;

20.2. the ratio of the loan portfolio of the largest economic sector to the loan portfolio (R2) shall be determined based on:

20.2.1. the total amount of loans to businesses representing the largest economic sector in accordance with the total of Columns “Gross carrying amount” (Column 0010), “Accumulated impairment” (Column 0021), and “Accumulated negative changes in fair value due to credit risk on non-performing exposures” (Column 0022) of the report “F 06.01 – Breakdown of loans and advances other than held for trading, trading or held for sale assets to non-financial corporations by NACE codes” included in Annex III to the Implementation Regulation No 2021/451;

20.2.2. the loan portfolio in accordance with Column “Carrying amount” (Column 0010) of Item “Loans and advances” (Rows 0090, 0099, 0130, 0144 and 0183) of the report “F 01.01 – Balance Sheet Statement: assets” included in Annex III to the Implementation Regulation No 2021/451.

21. Loan portfolio quality indicators:

21.1. the ratio of the total non-performing loans to the loan portfolio (Q1) shall be determined based on:

21.1.1. the total of non-performing loans in accordance with the total of Column “Non-performing” (Column 0060) of Item “Loans and advances” (Row 0070), and Column “Non-performing” (Column 0060) of Item “Cash balances at central banks and other demand deposits” (Row 0005) of the report “F 18.00 – Information on performing and non-performing exposures” included in Annex III to the Implementation Regulation No 2021/451;

21.1.2. the loan portfolio in accordance with the total of Column “Gross carrying amount/Nominal amount” (Column 0010) of Item “Loans and advances” (Row 0070) and Column “Gross carrying amount/Nominal amount” (Column 0010) of Item “Cash balances at central banks and other demand deposits” (Row 0005) of the report “F 18.00 – Information on performing and non-performing exposures” included in Annex III to the Implementation Regulation No 2021/451;

21.2. the ratio of provisions for non-performing loans to non-performing loans (Q2) shall be determined based on:

21.2.1. the total of provisions for non-performing loans in accordance with the total of Column “Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions” (Column 0150) of Item “Loans and advances” (Row 0070) and Column “Non-performing exposures – Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions’ (Column 0150) of Item “Cash balances at central banks and other demand deposits” (Row 0005) of the report “F 18.00 – Information on performing and non-performing exposures” included in Annex III to the Implementation Regulation No 2021/451;

21.2.2. the total of non-performing loans in accordance with the total of Column “Non-performing” (Column 0060) of Item “Loans and advances” (Row 0070), and Column “Non-performing” (Column 0060) of Item “Cash balances at central banks and other demand deposits” (Row 0005) of the report “F 18.00 – Information on performing and non-performing exposures” included in Annex III to the Implementation Regulation No 2021/451.

**IV. Calculating the Adjustment Coefficient for a Credit Union**

22. Once a year, Latvijas Banka shall calculate the adjustment coefficient applicable to a credit union’s contribution to the Deposit Guarantee Fund in accordance with the formula given in Annex 3, Adjustment Coefficient Applicable to a Credit Union’s Contribution to the Deposit Guarantee Fund, to this Regulation, and the adjustment coefficient shall be calculated based on the capital adequacy ratio (K), the liquidity ratio (L), the large exposure ratio (R) and the loan portfolio quality indicator (Q).

23. The variables referred to in Paragraph 22 of this Regulation shall be calculated as the quarterly arithmetic averages of the outstanding amounts of the covered deposits held in the previous calendar year.

24. Each year by 20th March, Latvijas Banka shall notify the credit union of the adjustment coefficient applicable to its contribution to the Deposit Guarantee Fund by sending a relevant notification to the official electronic address of the credit union.

25. The capital adequacy ratio (K) shall be determined in accordance with Item “Capital adequacy ratio” (Item 100) of the Report on Capital Adequacy Ratio Calculation prepared pursuant to the Regulation on Calculating the Indicators for the Requirements Governing the Activities of Credit Unions (hereinafter – the Report on Capital Adequacy Ratio Calculation).

26. The liquidity ratio (L) shall be determined as the share of the highly liquid assets in the total assets based on:

26.1. the highly liquid assets which are the following unencumbered assets:

26.1.1. cash on hand in accordance with Item “Cash” (Item 110) of Column “Upon request” (Column 1) of the Report on Term Structure of Assets and Liabilities prepared pursuant to the Regulation on Calculating the Indicators for the Requirements Governing the Activities of Credit Unions (hereinafter – the Report on Term Structure of Assets and Liabilities);

26.1.2. claims on solvent credit institutions and credit unions established in the Republic of Latvia, with the residual maturity of such claims not exceeding seven days, in accordance with the total of Column “Upon request” (Column 1) and Column “Up to 7 days” (Column 2) of Item “Claims on credit institutions established in the Republic of Latvia” (Item 120) and Item “Claims on credit unions established in the Republic of Latvia” (Item 130) of the Report on Term Structure of Assets and Liabilities;

26.1.3. the debt securities in accordance with the total of Columns “Upon request” (Column 1), “Up to 7 days” (Column 2), “8–30 days” (Column 3), “31–90 days” (Column 4), “91–180 days” (Column 5), “181–360 days” (Column 6), and “361 and more days” (Column 7) of Item “Debt securities” (Item 150) of the Report on Term Structure of Assets and Liabilities, including an assessment of the liquidity of these securities, i.e. the possibility to sell them in a short period of time without considerable loss or use them as loan collateral to receive loans;

26.2. the total assets in accordance with Column “Total” (Column 7) of Item “Total assets” (Item 200000) of the Monthly Financial Position Report prepared in accordance with the Regulation on Compiling and Submitting the Statistical Data on the Financial Position of Credit Institutions and Other Monetary Financial Institutions (MBP).

27. The large exposure ratio (R) shall be determined based on:

27.1. the total amount of large exposures in accordance with Column “Large risk exposures (without provisions)” (Column 8) of Item “Total large exposures” of the Report on Large Exposures prepared pursuant to the Regulation on Calculating the Indicators for the Requirements Governing the Activities of Credit Unions;

27.2. own funds in accordance with Item “Own Funds” (Item 220) of the Report on Capital Adequacy Ratio Calculation. If Latvijas Banka performs the adjustment of own funds, the adjusted capital adequacy ratio shall be used.

28. The loan portfolio quality indicator (Q) shall be determined based on:

28.1. the total amount of loans past due over 30 days in accordance with the total of Columns “below standard” (Column 04), “unlikely-to-pay” (Column 05) and “lost” (Column 06) of Item “Loans” (Item 020) of the Report on the Assessment of Asset and Off-Balance Sheet Liabilities prepared pursuant to the Regulation on Assessing Asset and Off-balance Sheet Liabilities of Credit Unions (hereinafter – the Report on the Assessment of Asset and Off-Balance Sheet Liabilities);

28.2. the loan portfolio in accordance with Column “Total” (Column 01) of Item “Loans” (Item 020) of the Report on the Assessment of Asset and Off-Balance Sheet Liabilities.

**V. Closing Provisions**

29. The Financial and Capital Market Commission’s Regulation No. 195 of 20 October 2020, Regulations for the Preparation of the Report on Covered Deposits and on the Determination of Adjustment Coefficients Applicable to Payments to the Deposit Guarantee Fund (*Latvijas Vēstnesis*, 2020, No. 210; 2022, No. 51), is repealed.

30. The report on covered deposits for the fourth quarter of 2023 shall be subject to the Financial and Capital Market Commission’s Regulation No. 195 of 20 October 2020, Regulations for the Preparation of the Report on Covered Deposits and on the Determination of Adjustment Coefficients Applicable to Payments to the Deposit Guarantee Fund. The report on covered deposits referred to in this Paragraph shall be submitted to Latvijas Banka by 20 January 2024.

31. The Regulation shall come into force on 1 January 2024.

Governor of Latvijas Banka M. Kazāks

**Annex 1**

Latvijas Banka’s Regulation No. 263

18 December 2023

**Report on Covered Deposits and Contributions to the Deposit Guarantee Fund**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| for the period from | \_\_\_\_\_\_\_\_\_\_\_\_\_\_ 20 \_\_\_\_\_ | to | \_\_\_\_\_\_\_\_\_\_\_\_\_\_ 20 \_\_\_\_\_ |  |
|  | first day of the quarter |  | last day of the quarter |  |

Deposit taker code

(EUR)

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| Item | Item code | Number of depositors at the end of the reporting period | Outstanding amount of covered deposits | | | The average outstanding amount of covered deposits for the quarter (02 + 03 + 04) / 3 | Adjustment coefficient  β (%) | Contribution to the Deposit Guarantee Fund  ((05) x 0.05 % x (06)) |
| last day of the first month of the quarter | last day of the second month of the quarter | last day of the third month of the quarter |
| A | B | 01 | 02 | 03 | 04 | 05 | 06 | 07 |
| **Covered deposits**  (11 + 12) | **10** |  |  |  |  |  |  |  |
| Covered deposits of residents | 11 |  |  |  |  |  |  |  |
| Covered deposits of non-residents | 12 |  |  |  |  |  |  |  |

Governor of Latvijas Banka M. Kazāks

**Annex 2**

Latvijas Banka’s Regulation No. 263

18 December 2023

**Adjustment Coefficient Applicable to a Credit Institution’s Contribution to the Deposit Guarantee Fund**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Variables affecting the adjustment coefficient | Variable | | | Variable interval | Risk weight | Significance | Adjustment coefficient, % (4 x 5) |
| 1 | 2 | | | 3 | 4 | 5 | 6 |
| Capital ratios: | 1. | Leverage ratio | (K1) | ...–0.0399 | 200 % | 12.5 % | (β1) |
| 0.0400–0.0449 | 180 % |
| 0.0450–0.0499 | 160 % |
| 0.0500–0.0549 | 140 % |
| 0.0550–0.0599 | 120 % |
| 0.0600–0.0699 | 100 % |
| 0.0700–... | 75 % |
| 2. | Capital coverage ratio | (K2) | ...–1.0000 | 200 % | 12.5 % | (β2) |
| 1.0001–1.1999 | 180 % |
| 1.2000–1.2999 | 160 % |
| 1.3000–2.4999 | 140 % |
| 2.5000–2.9999 | 120 % |
| 3.0000–4.9999 | 100 % |
| 5.0000–... | 75 % |
| Liquidity ratios: | 3. | Liquidity coverage coefficient | (L1) | 109.99 %–... | 200 % | 6.0 % | (β3) |
| 110.00 –119.99 % | 180 % |
| 120.00 %–124.99 % | 160 % |
| 125.00 %–129.99 % | 140 % |
| 130.00 %–149.99 % | 120 % |
| 150.00 %–599.99 % | 100 % |
| 600.00 %–... | 75 % |
| 4. | Net stable financing ratio | (L2) | ...–99.99 % | 200 % | 12.0 % | (β4) |
| 100.00 %–104.99 % | 180 % |
| 105.00 %–107.99 % | 160 % |
| 108.00 %–109.99 % | 140 % |
| 110.00 %–149.99 % | 120 % |
| 150.00 %–199.99 % | 100 % |
| 200.00 %–... | 75 % |
| Business model and risk management ratio: | 5. | Business model and risk management assessment | (P1) | 3.21–... | 200 % | 26.0 % | (β5) |
| 3.01–3.20 | 180 % |
| 2.81–3.00 | 160 % |
| 2.41–2.80 | 140 % |
| 2.01–2.40 | 120 % |
| 1.21–2.00 | 100 % |
| 1.00–1.20 | 75 % |
| Large exposure ratios: | 6. | Total large exposures/Tier 1 capital | (R1) | 400.00 %–... | 200 % | 6.5 % | (β6) |
| 350.00 %–399.99 % | 180 % |
| 300.00 %–349.99 % | 160 % |
| 200.00 %–299.99 % | 140 % |
| 120.00 %–199.99 % | 120 % |
| 50 %–119.99 % | 100 % |
| ...–49.99 % | 75 % |
| 7. | Loan portfolio of the largest economic sector/Loan portfolio | (R2) | 50.00 %–... | 200 % | 6.5 % | (β7) |
| 42.50 %–49.99 % | 180 % |
| 35.00 %–42.49 % | 160 % |
| 27.50 %–34.99 % | 140 % |
| 20.00 %–27.49 % | 120 % |
| 5.00 %–19.99 % | 100 % |
| ...–4.99 % | 75 % |
| Loan portfolio quality indicators: | 8. | Non-performing loans/  Loan portfolio | (Q1) | 15.00 %–... | 200 % | 12.0 % | (β8) |
| 13.00 %–14.99 % | 180 % |
| 11.00 %–12.99 % | 160 % |
| 8.00 %–10.99 % | 140 % |
| 5.00 %–7.99 % | 120 % |
| 4.00 %–4.99 % | 100 % |
| ...–3.99 % | 75 % |
| 9. | Provisions for non-performing loans/Non-performing loans | (Q2) | ...–19.99 % | 200 % | 6.0 % | (β9) |
| 20.00 %–24.99 % | 180 % |
| 25.00 %–29.99 % | 160 % |
| 30.00 %–39.99 % | 140 % |
| 40.00 %–49.99 % | 120 % |
| 50.00 %–79.99 % | 100 % |
| 80.00 %–... | 75 % |
| Adjustment coefficient applicable to a credit institution’s contribution β = β1 + β2 + β3 + … + β9 | | | | | | | |

Governor of Latvijas Banka M. Kazāks

**Annex 3**

Latvijas Banka’s Regulation No. 263

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**Adjustment Coefficient Applicable to a Credit Union’s Contribution to the Deposit Guarantee Fund**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Variables affecting the adjustment coefficient | Variable | | | Variable interval | Risk weight | Significance | Adjustment coefficient, % (4 x 5) |
| 1 | 2 | | | 3 | 4 | 5 | 6 |
| Capital adequacy ratio | 1. | Own funds/Total assets and off-balance sheet items | (K) | ...–7.99 % | 200 % | 25 % | (β1) |
| 8.00 %–8.99 % | 180 % |
| 9.00 %–9.99 % | 160 % |
| 10.00 %–10.99 % | 140 % |
| 11.00 %–14.99 % | 120 % |
| 15.00 %–19.99 % | 100 % |
| 20 %–... | 75 % |
| Liquidity ratio | 2. | Highly liquid assets/  Total assets | (L) | ...–0.0499 | 200 % | 25 % | (β2) |
| 0.0500–0.0699 | 180 % |
| 0.0700–0.0899 | 160 % |
| 0.0900–0.0999 | 140 % |
| 0.1000–0.1499 | 120 % |
| 0.1500–0.2499 | 100 % |
| 0.2500–... | 75 % |
| Large exposure ratio | 3. | Total large exposures/Own funds | (R) | 600.00 %–... | 200 % | 25 % | (β3) |
| 500.00 %–599.99 % | 180 % |
| 450.00 %–499.99 % | 160 % |
| 400.00 %–449.99 % | 140 % |
| 200.00 %–399.99 % | 120 % |
| 50.00 %–199.99 % | 100 % |
| ...–49.99 % | 75 % |
| Loan portfolio quality indicator | 4. | Loans past due over 30 days/Loan portfolio | (Q) | 80.00 %–... | 200 % | 25 % | (β4) |
| 60.00 %–79.99 % | 180 % |
| 40.00 %–59.99 % | 160 % |
| 30.00 %–39.99 % | 140 % |
| 20.00 %–29.99 % | 120 % |
| 0.01 %–19.99 % | 100 % |
| = 0 | 75 % |
| Adjustment coefficient applicable to a credit union’s contribution β = β1 + β2 + β3 + … + β4 | | | | | | | |

Governor of Latvijas Banka M. Kazāks