



European Commission
ESRB
EBA
Member States

19. May 2014 No 3.1/313

Notification of the intention to set a systemic risk buffer rate in accordance with Article 133 of Directive 2013/36/EU of 26 June 2013

Dear Colleagues

This letter is to notify you of the intention of Eesti Pank, the macro-prudential authority of Estonia, to require all credit institutions licensed in Estonia to maintain a systemic risk buffer requirement of 2% starting from 1 August 2014. The systemic risk buffer is to be established under Article 133 of the Directive 2013/36/EU and will apply to all credit institutions licensed in Estonia.

The Estonian economy is small and open and Estonian experience has shown that any unexpected deterioration in the economic environment can lead to significant debt servicing problems in the non-financial sector, and that consequently the need for credit institutions to make additional provisions for non-performing loans can increase very suddenly. As long as these structural vulnerabilities remain, it is important that appropriate macro-prudential tools be applied to reinforce the resilience of the credit institutions operating in this environment.

Member States are asked to recognise the systemic risk buffer rate set in Estonia and to require institutions authorised in their jurisdiction to maintain additional own funds for the exposures in Estonia.

In accordance with Article 133 of Directive 2013/36/EU please also find attached a more detailed explanation of the reasons why Eesti Pank considers it appropriate to apply the systemic risk buffer requirement for credit institutions operating in Estonia.

In addition to the systemic risk buffer Estonia has chosen to require credit institutions licensed in Estonia to maintain a 2.5% capital conservation buffer, without a transitional period, starting from 19 May 2014.

Yours sincerely

Ardo Hansson
Governor

Annexes:

1. Notification of the intended measure according to the template of the ESRB
2. Background analysis for the implementation of the Systemic Risk Buffer as a macro-prudential measure in Estonia