

Imposition of an administrative penalty on AS LHV Group

The EUROPEAN CENTRAL BANK,

decided on 24 September 2025 to impose an administrative penalty on AS LHV Group in the amount of EUR 405,000. This penalty is imposed in respect of a breach at consolidated level of Article 430(1)(a) of Regulation (EU) No 575/2013 of the European Parliament and of the Council¹, committed with serious negligence by reporting inaccurate information on its risk-weighted exposure amount and own funds requirements for foreign-exchange risk, and consequently on its capital ratios, for eight consecutive reporting periods from 30 June 2022 to 31 March 2024, resulting from the undue inclusion of an intragroup GBP-denominated equity exposure as a short position in the calculation of the overall net foreign-exchange position of the supervised entity.

This decision was made pursuant to Article 18(1) of Council Regulation (EU) No 1024/2013².

When determining an administrative penalty, the ECB follows the principles set out in the ECB's Guide to the method of setting administrative pecuniary penalties pursuant to Article 18(1) and (7) of Regulation (EU) No 1024/2013. In accordance with the Guide, the ECB considered all the relevant circumstances of the case, in particular the impact of the breach, the degree of the misconduct of AS LHV Group, the size of the supervised entity and the applicable mitigating factors.

The ECB assessed the impact of the breach as 'medium' based on the effect that the breach had on the prudential situation of AS LHV Group and its effective supervision, as well as its duration. The effect of the breach was determined on the basis of the importance of reporting obligations for day-to-day supervision, the extent to which the reported figures differed from the actual prudential situation of AS LHV Group and the deviation this represented in its total capital ratio. These elements prevented the ECB from obtaining a comprehensive view of the AS LHV Group's risk profile in the relevant periods.

The degree of AS LHV Group's misconduct was assessed as 'medium'. The breach was considered to be committed with serious negligence in view of the clear and unambiguous requirement that was misinterpreted by AS LHV Group and the significant deficiencies in the risk management and internal controls of the supervised entity, which prevented AS LHV Group from detecting and correcting the breach. This led to the miscalculation of the entity's overall net foreign-exchange position, of the risk weighted exposure amount and of the corresponding own funds requirements.

¹ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1, ELI: <http://data.europa.eu/eli/reg/2013/575/oj>).

² Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions (OJ L 287, 29.10.2013, p. 63, ELI: <http://data.europa.eu/eli/reg/2013/1024/oj>).

Out of the severity categories 'minor', 'moderately severe', 'severe', 'very severe' and 'extremely severe' the ECB classified the breach as 'moderately severe' since the impact and the misconduct were determined as 'medium'.

In addition, the ECB considered as mitigating circumstances the remedial actions implemented by the supervised entity to remedy the breach and to prevent similar breaches from occurring in the future, as well as its financial situation.

The administrative penalty is published in accordance with with Article 18(6) of Council Regulation (EU) No 1024/2013 and Article 132 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17)³.

The ECB's decision to impose an administrative penalty on AS LHV Group may be challenged before the Court of Justice of the European Union under the conditions and within the time limits provided for in Article 263 of the Treaty on the Functioning of the European Union.

³ Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1, ELI: <http://data.europa.eu/eli/reg/2014/468/oj>).