



Additional guidance for Credit Institutions related to specific reporting aspects

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Disclaimer: The guidance provided in this document is not intended as an interpretation of the Implementing Technical Standards (ITS) on supervisory reporting developed by the European Banking Authority (EBA). The information disclosed by the Commission de Surveillance du Secteur Financier (CSSF) in this document takes into consideration the guidance provided by the EBA Q&As so far, nonetheless the EBA could adopt a different position in future answers to Q&As that may result in the need to amend the checks and this note accordingly.

<u>Date</u>	<u>Version</u>	<u>Type</u>	<u>Changes</u>
<u>17 October 2019</u>	<u>Version 1.0</u>	<u>Final version</u>	<u>Initial version</u>
<u>19 December 2019</u>	<u>Version 2.0</u>	<u>Final version</u>	<u>Typos: sometimes the terminology "institution-specific Capital Conservation Buffer" has been used instead of "institution-specific Countercyclical Buffer"</u> <u>Addition of the example of bank B with no P2R and no P2G</u>
<u>21 January 2020</u>	<u>Version 3.0</u>	<u>Final version</u>	<u>Addition of guidance related to FINREP F 22 reporting</u> <u>Reformulation of the part related to the reporting of interest income on liabilities and interest expense on assets in an environment of negative interest rates</u> <u>Addition of a table of contents</u>
<u>05 February 2020</u>	<u>Version 4.0</u>	<u>Final version</u>	<u>Small wording adjustments in Part 2, Section 2.2.</u>
<u>02 June 2020</u>	<u>Version 5.0</u>	<u>Final version</u>	<u>Content correction in Part 1, Section 1.1</u>
<u>16 October 2020</u>	<u>Version 6.0</u>	<u>Final Version</u>	<u>Addition of guidance related to COREP C 33.00 template and FINREP F 13.00 and F 18.00 templates</u> <u>Translation to English of Part 2, Section 2.2</u>

<u>02 December 2020</u>	<u>Version 7.0</u>	<u>Final Version</u>	<u>Addition of guidance related to FINREP</u> <u>F 04.03.1, F 04.04.1 & F 07.01 templates</u> <u>(Past-due exposure amounts)</u>
<u>1 July 2021</u>	<u>Version 8.0</u>	<u>Final Version</u>	<u>Addition of guidance related to the reporting of POCIs in FINREP taxonomy 3.0</u>
<u>08 July 2021</u>	<u>Version 9.0</u>	<u>Final Version</u>	<u>Addition of guidance related to COREP C 09.04 template – calculation of institution-specific countercyclical capital buffer rate</u>
<u>04 November 2021</u>	<u>Version 10.0</u>	<u>Final Version</u>	<u>Addition of guidance related to LEVER C 40.00 & C 47.00 templates</u> <u>Addition of guidance related to LAREX C 27.00 template – correct usage of codes</u>
<u>06 July 2022</u>	<u>Version 11.0</u>	<u>Final Version</u>	<u>Addition of guidance related to reclassification of financial assets from “Hold to collect and sell” to “Hold to collect” in FINREP – IFRS 9</u>
<u>25 October 2022</u>	<u>Version 12.0</u>	<u>Final Version</u>	<u>Update of guidance related to COREP C 03.00 template - new requirements regarding the composition of the Pillar 2 resulting from CRD V</u>
<u>2 February 2023</u>	<u>Version 13.0</u>	<u>Final version</u>	<u>Change in the guidance related to FINREP F 22.02 reporting:</u> <u>Rows 0020 (Collective investment), 0030 (Pension funds) and 0050 (Other investment vehicles), and by extension row 0010 summing up rows 0010 to 0050, of F 22.02 template shall also include assets that belong directly to the customers and that are managed by credit institutions on a non-discretionary basis, in addition to assets managed on a discretionary basis.</u>

			<u>BANKS ARE REQUIRED TO APPLY THIS CHANGE STARTING WITH Q1 2023 FINREP REPORTING.</u>
<u>3 April 2023</u>	<u>Version 14.0</u>	<u>Final version</u>	<u>In the FINREP Part 2, Section 2.7 has been added to provide guidance on how to report overnight deposits at central banks.</u>
<u>1 September 2023</u>	<u>Version 15.0</u>	<u>Final version</u>	<u>Addition of guidance related to FINREP F 22.02 reporting: precision on assets to be included in row 0070 Custody assets: collective investment</u>
<u>14 October 2024</u>	<u>Version 16.0</u>	<u>Final version</u>	<p><u>Addition of details on how to report countercyclical buffer in Part 1, Section 1.3 COREP C 09.04 template</u></p> <p><u>Addition of clarification for 'on demand deposits' in Part 2, Section 2.7, Subsection 2.7.2</u></p> <p><u>Addition of Part 2, Section 2.8 with guidance on interest from cash, cash balances and central banks</u></p> <p><u>Addition of guidance on LAREX counterparties/ groups of connected clients identification in Part 3, Sections 3.2 and 3.3</u></p>

TABLE OF CONTENTS

1. COREP Reporting.....	7
1.1. COREP C 03.00 template	7
1.1.1. Introduction	7
1.1.2. Illustrative examples	8
1.2. COREP C 33.00 template	11
1.3. COREP C 09.04 template	12
1.3.1. Introduction	12
1.3.2. Illustrative example.....	13
2. FINREP Reporting	15
2.1. FINREP F 02.00 - Environment of negative interest rates - Interest income on liabilities and interest expense on assets	15
2.2. FINREP F 22 - Asset management, custody and other service functions	15
2.2.1. Assets involved in services related to management functions (F 22.02).....	16
2.2.1.1. 0010 Asset management (by type of customer).....	16
2.2.1.2. 0060 Custody assets (by type of customer)	17
2.2.1.3. 0070 Custody Assets: Collective investment.....	18
2.2.1.4. 0100 Central Administration Services for Collective Investment (UCI)	19
2.2.1.5. 0110 Fiduciary Transactions	19
2.2.2. Income stemming from services related to management functions (F 22.1).....	19
2.2.3. Accuracy and reliability of data related to management functions (F 22.01 and F 22.02)	20
2.3. F 13.01 – F 18.00: Collateral and financial guarantees received.....	20
2.4. FINREP F 04.03.1 & F 04.04.1 vs F 07.01 – Past-due exposure amounts.....	21
2.5. FINREP F 04.03.1, F 04.04.1, F 07.01, F 09.01.1, F 12.01 and F 18.00 - Purchased or originated credit-impaired financial assets (POCIs)	21
2.6. FINREP – IFRS 9: Fixed rate debt securities–Increase in interest rates: Is an entity required to reclassify financial assets from “Hold to collect and sell” to “Hold to collect”, if the entity decided to hold the assets	22
2.7. FINREP – Loans and advances to central banks vs. Cash, cash balances at central banks, other demand deposits until they mature?.....	24
2.7.1. Cash balances with central banks	24
2.7.2. Other demand deposits	25
2.8. FINREP – F 02.00 and F 16.01 Interest income from cash, cash balances and central banks and other demand deposits	25
3. LAREX Reporting	27
3.1. LAREX C 27.00 template	27
3.2. Identification of the counterparties/groups of connected clients	28
3.2.1. Identification of individual counterparties	28
3.2.2. Identification of groups of connected clients	28
3.3. Validation rule V_CSSF047.....	30
4. LEVER Reporting	31
4.1. LEVER C 40.00 template	31
4.2. LEVER C 47.00 template	31

1. COREP Reporting

1.1. COREP C 03.00 template

1.1.1. Introduction

The objective of this part of the guidance is to give concrete examples (with illustrative figures) on how to properly fill in COREP template C 03.00 which content has been amended following the release of EBA taxonomy V2.8 (taxonomy to be used starting reference period 12/2018 onwards).

While the first 6 rows (rows 0010 - 0060) remained unchanged and straightforward as they only request the reporting of the 3 main regulatory capital ratios and the corresponding surplus/deficit of capital compared to the minimum CRR requirement¹, the memorandum items to be reported rows 0130 to 0210 might be less obvious.

C 03.00 - CAPITAL RATIOS AND CAPITAL LEVELS (CA3)			
Rows	ID	Item	Amount
0010	1	CET1 Capital ratio	
0020	2	Surplus(+)/Deficit(-) of CET1 capital	
0030	3	T1 Capital ratio	
0040	4	Surplus(+)/Deficit(-) of T1 capital	
0050	5	Total capital ratio	
0060	6	Surplus(+)/Deficit(-) of total capital	
Memorandum Items: Total SREP Capital Requirement (TSCR), Overall Capital Requirement (OCR) and Pillar 2 Guidance (P2G)			
0130	13	Total SREP capital requirement (TSCR) ratio	
0140	13*	TSCR: to be made up of CET1 capital	
0150	13**	TSCR: to be made up of Tier 1 capital	
0160	14	Overall capital requirement (OCR) ratio	
0170	14*	OCR: to be made up of CET1 capital	
0180	14**	OCR: to be made up of Tier 1 capital	
0190	15	OCR and Pillar 2 Guidance (P2G)	
0200	15*	OCR and P2G: to be made up of CET1 capital	
0210	15**	OCR and P2G: to be made up of Tier 1 capital	
0220	16	Surplus(+)/Deficit(-) of CET1 capital considering the requirements of Article 92 CRR and 104a CRD	
Memorandum Items: Capital ratios without application of the transitional provisions on IFRS 9			
0300	20	CET1 Capital ratio without application of the transitional provisions on IFRS 9	
0310	21	T1 Capital ratio without application of the transitional provisions on IFRS 9	
0320	22	Total capital ratio without application of the transitional provisions on IFRS 9	

These memorandum items gather 3 concepts:

- The Total SREP Capital Requirement (TSCR) ratio
- The Overall Capital Requirement (OCR) ratio
- The Pillar 2 Guidance (P2G)

¹ Surplus(+)/Deficit(-) of CET1 capital = current CET1 capital amount - (4.5% * total Risk Weighted Assets),
 Surplus(+)/Deficit(-) of T1 capital = current T1 capital amount - (6% * total Risk Weighted Assets) and
 Surplus(+)/Deficit(-) of total capital = current total capital amount - (8% * total Risk Weighted Assets), where
 total Risk Weighted Assets = {COREP C 02.00, r0010, c010}.

New requirements regarding the composition of the Pillar 2 imposed by CRD V

Following the latest revision of the Capital Requirements Directive (CRD V) applicable since June 2021, banks are allowed to partially use capital instruments that do not qualify as Common Equity Tier 1 (CET1) capital, for example Additional Tier 1 or Tier 2 instruments, to meet the Pillar 2 Requirements (P2R), in compliance with CRD V Article 104 (a) if not decided differently by the competent authority and communicated to the bank:

"The institution shall meet the additional own funds requirement imposed by the competent authority under point (a) of Article 104(1) with own funds that satisfy the following conditions:

(a) at least three quarters of the additional own funds requirement shall be met with Tier 1 capital;

(b) at least three quarters of the Tier 1 capital referred to in point (a) shall be composed of Common Equity Tier 1 capital.

By way of derogation from the first subparagraph, the competent authority may require the institution to meet its additional own funds requirement with a higher portion of Tier 1 capital or Common Equity Tier 1 capital, where necessary, and having regard to the specific circumstances of the institution."

This means that the composition of the P2R has to be reflected in rows 0130, 0140 and 0150 of C 03.00 template according to the following formulas:

- C.03.00 r0130 = 0.08 + P2R
- C.03.00 r0140 = 0.045 + (P2R * 0.5625)
- C.03.00 r0150 = 0.06 + (P2R * 0.75)

1.1.2. Illustrative examples

Let's take two examples: Bank A and Bank B.

a. Hypothesis

- Bank A has been notified by a CSSF official letter that it needs to hold **2% of additional Capital in the form of CET1 as Pillar 2 Requirement (P2R) following the SREP.**
- **The Capital Conservation Buffer (CCB) of 2.5%** that applies to all banks obviously also applies to Bank A.
- In addition, since Bank A has relevant exposures towards countries where designated authorities have already set a countercyclical capital buffer rate (for instance Norway or Sweden), the bank has an **institution-specific Countercyclical Buffer² of 0.05%** (percentage chosen randomly).
- Bank A has also been notified officially that it needs to hold an extra **1% of capital in the form of CET1 as Pillar 2 Guidance (P2G).**
- Bank B has **no additional Pillar 2 Requirement (P2R) and no Pillar 2 Guidance (P2G)** to hold. It is subject to the same **Capital Conservation Buffer of 2.5%** common to all banks but has an **institution-specific Countercyclical Buffer of 0.15%** to hold.

² CSSF Regulation N° 15-01 on the calculation of institution-specific countercyclical capital buffer rates, transposing Article 140 of Directive 2013/36/EU : http://www.cssf.lu/fileadmin/files/Lois_reglements/Legislation/RG_CSSF/RCSSF_No15-01eng.pdf

Only the example of Bank A will be extensively presented throughout this guidance. For bank B, only the resulting C 03.00 template will be shown at the end of part II.

b. Total SREP Capital Requirement (TSCR) ratio

The **Total SREP Capital Requirement (TSCR) ratio** to be reported in row 0130 of C 03.00 shall be composed of:

- i) the minimum own funds requirements (8%) as specified in Article 92(1)(c) of CRR;
- ii) the additional own funds requirements (Pillar 2 Requirements – P2R) determined through the SREP³.

If no additional pillar 2 capital requirements were imposed and communicated by the CSSF, then only point (i) should be reported.

In our example, this means that the TSCR ratio to be reported by Bank A in row 0130 of template C 03.00 is 10%, composed of 8% of minimum total capital ratio imposed by the CRR + the 2% of additional capital resulting from the P2R.

Then Bank A will be asked in the following two rows (0140 and 0150) to indicate which part of its TSCR ratio has to be made up of CET1 capital and which part has to be made up of T1 capital.

As Bank A is asked to hold the additional Pillar 2 own funds requirement of 2% composed of a minimum of 56.25% of CET1 capital and of a minimum of 75% of Tier1 capital:

- the TSCR: to be made up of CET1 capital (row 0140) is equal to **5.63%**, composed of 4.5% minimum CET ratio imposed by the CRR and the 2% of additional capital resulting from the P2R multiplied by 56,25% as required by CRD V.
- the TSCR: to be made up of Tier 1 capital (row 0150) is equal to **7.50%**, composed of 6% minimum Tier 1 ratio imposed by the CRR and the 2% of additional capital resulting from the P2R multiplied by 75% as required by CRD V.

c. Total Overall Capital Requirement (OCR) ratio

The **Overall Capital Requirement (OCR) ratio** to be reported in row 0160 of C 03.00 shall be composed of:

- i) The TSCR ratio (row 0130 of C 03.00);
- ii) The Combined buffer requirement ratio⁴ referred to in Article 128 point (6) of CRD. In our example, this means that the OCR ratio to be reported by Bank A in row 0160 of template C 03.00

³ Any new or amended pillar 2 capital add-on communicated to the bank until end of year N (applicable as of 1st of January of year N+1) shall be reflected in the March COREP of year N+1.

⁴ The Combined buffer requirement is broken down in rows 0750 to 0810 of COREP template C 04.00 and is principally composed of:

- i) the Capital conservation buffer (CCB = C 04.00 row 0750 / C 02.00 row 0010 = 2.5%) to be reported in row 0750
- ii) the institution-specific Countercyclical buffer (CCyB) to be reported in row 0770
- iii) the Other Systematically Important Institution buffer (OSII buffer)) to be reported, if applicable, in row 0810).

Rows 0760, 0780 and 0800 are currently not applicable for Luxembourgish credit institutions

is 12,55%, composed of 10% of TSCR ratio, 2.5% of Capital Conservation Buffer and 0.05% of institution-specific Countercyclical Buffer.

Similarly to what it did before, Bank A will be asked in the following two rows (0170 and 0180) to indicate which part of its OCR ratio has to be made up of CET1 capital and which part has to be made up of T1 capital.

As Bank A is asked to hold the additional Pillar 2 own funds requirement of 2% composed of a minimum of 56.25% of CET1 capital and of a minimum of 75% of Tier1 capital:

- the OCR: to be made up of CET1 capital (row 0170) is equal to **8.18%**, composed of 4.5% minimum CET ratio imposed by the CRR, 2% of additional capital resulting from the P2R multiplied by 56,25% as required by CRD V, 2.5% of Capital Conservation buffer and 0.05% of institution-specific Countercyclical buffer.
- the OCR: to be made up of Tier 1 capital (row 0180) is equal to **10.05%**, composed of 6% minimum Tier 1 ratio imposed by the CRR, the 2% of additional capital resulting from the P2R multiplied by 75% as required by CRD V, 2.5% of Capital Conservation buffer and 0.05% of institution-specific Countercyclical buffer.

d. Overall Capital Requirement (OCR) ratio and P2G

The **Overall Capital Requirement (OCR) ratio and P2G** to be reported in row 0190 of C 03.00 shall be composed of:

- i) The OCR ratio (row 0160 of C 03.00);
- ii) where applicable, the Pillar 2 Guidance (P2G) as defined in the EBA SREP Guideline.

If no additional P2G was imposed and communicated by the CSSF, then only point (i) should be reported.

In our example, this means that the OCR ratio and P2G to be reported by Bank A in row 0190 of template C 03.00 is 13,55%, composed of 10% of TSCR ratio, 2.5% of Capital Conservation Buffer, 0.05% of institution-specific Countercyclical Buffer and 1% of P2G.

Again, Bank A will be asked in the following two rows (0200 and 0210) to indicate which part of its OCR and P2G ratio has to be made up of CET1 capital and which part has to be made up of T1 capital.

As Bank A is asked to hold the extra 1% of P2G in the form of CET1 and since the Tier 1 capital is the sum of the CET1 capital and the Additional Tier 1 capital:

- the OCR and P2G: to be made up of CET1 capital (row 0200) is equal to **9.18%**, composed of 4.5% minimum CET ratio imposed by the CRR, 2% of additional capital resulting from the P2R multiplied by 56,25% as required by CRD V, 2.5% of Capital Conservation buffer, 0.05% of institution-specific Countercyclical buffer and 1% of P2G.
- the OCR and P2G: to be made up of Tier 1 capital (row 0210) is equal to **11.05%**, composed of 6% minimum Tier 1 ratio imposed by the CRR, the 2% of additional capital resulting from the P2R multiplied by 75% as required by CRD V, 2.5% of Capital Conservation buffer, 0.05% of institution-specific Countercyclical buffer and 1% of P2G.

Finally, hereafter is how the Memorandum Items of COREP C 03.00 will look like for Banks A and B.

Bank A:

C 03.00 - CAPITAL RATIOS AND CAPITAL LEVELS (CA3)			
Rows	ID	Item	Amount
Memorandum Items: Total SREP Capital Requirement (TSCR), Overall Capital Requirement (OCR) and Pillar 2 Guidance (P2G)			
0130	13	Total SREP capital requirement (TSCR) ratio	10%
0140	13*	TSCR: to be made up of CET1 capital	5,63%
0150	13**	TSCR: to be made up of Tier 1 capital	7,50%
0160	14	Overall capital requirement (OCR) ratio	12,55%
0170	14*	OCR: to be made up of CET1 capital	8,18%
0180	14**	OCR: to be made up of Tier 1 capital	10,05%
0190	15	OCR and Pillar 2 Guidance (P2G)	13,55%
0200	15*	OCR and P2G: to be made up of CET1 capital	9,18%
0210	15**	OCR and P2G: to be made up of Tier 1 capital	11,05%
0220	16	Surplus(+)/Deficit(-) of CET1 capital considering the requirements of Article 92 CRR and 104a CRD	

Bank B:

C 03.00 - CAPITAL RATIOS AND CAPITAL LEVELS (CA3)			
Rows	ID	Item	Amount
Memorandum Items: Total SREP Capital Requirement (TSCR), Overall Capital Requirement (OCR) and Pillar 2 Guidance (P2G)			
0130	13	Total SREP capital requirement (TSCR) ratio	8%
0140	13*	TSCR: to be made up of CET1 capital	4,50%
0150	13**	TSCR: to be made up of Tier 1 capital	6,00%
0160	14	Overall capital requirement (OCR) ratio	10,65%
0170	14*	OCR: to be made up of CET1 capital	7,15%
0180	14**	OCR: to be made up of Tier 1 capital	8,65%
0190	15	OCR and Pillar 2 Guidance (P2G)	10,65%
0200	15*	OCR and P2G: to be made up of CET1 capital	7,15%
0210	15**	OCR and P2G: to be made up of Tier 1 capital	8,65%
0220	16	Surplus(+)/Deficit(-) of CET1 capital considering the requirements of Article 92 CRR and 104a CRD	

1.2. COREP C 33.00 template

The semi-annual COREP C 33.00 reporting template on *General Government exposures by country of the counterparty* has been introduced by the EBA as of reference date 31/03/2018 (taxonomy 2.7) and is intended to give an overview on the exposures towards *General Governments* as defined in paragraph 42 (b) of Annex V (EBA FINREP instructions).

Reporting entities will find below more instructions as regards the content and the scope of C 33.00 template:

- *Central Bank* exposures **should not** be included in the definition of *General Governments* as defined in paragraph 42 (b) of Annex V; therefore, those exposures **should not** be included in the C 33.00 template, as this has been confirmed by [EBA Q&A 2021 5825](#) published on 10. September 2021.
- Exposures towards *Multilateral Development Banks* (European Investment Bank for example) as listed and described in CRR article 117 **should not** be considered as exposures towards *General Governments*; hence, they **should not** be reported in the C 33.00 template.

- Due to the weak quantity of EBA validation rules developed until now in the C 33.00 template, reporting entities should comply with the following basic rules until the implementation of intuitive validation rules by the EBA:
 - o Columns 0010, 0020, 0290 and eventually column 0300 should **never** be empty as long as the reporting entity has something to report.
 - o Exposures should all be classified according to the accounting portfolio they belong to (columns 0030 to 0120).
 - o The breakdown of total exposures by residual maturity (rows 0170 to 0230) should **always** be performed by the reporting entities.
 - o The total index ("x1") should never be missing and should always be equal to the sum of the exposures by country.
 - o The total exposures in row 0010 shall be equal to the sum of exposures under the credit risk framework (row 0020) and the exposures under the market risk framework (row 0160) which shall in turn be equal to the sum of rows 0170 to 0230 (breakdown per maturity).
- In terms of consistency across reportings, COREP C 33.00 reporting shall be in line or at least comparable with:
 - o Large exposures reporting (considering notification thresholds⁵)
 - o BCL S2.5 reporting on "quarterly statistical balance sheet" (except for exposures towards *Public-sector entities* and *International Organizations* where the scope often differs).
- Reporting entities should carefully **read and comply** with article 5(b), paragraph 3 of the ITS by monitoring the 1% "General Governments threshold" (a) and report the country breakdown if necessary (see (b) and (c) in the same paragraph).

For your information, the list of EU public-sector entities treated in exceptional circumstances as exposures to the central government, regional government or local authority for the purpose of risk-weight calculation (but that should clearly be identified as an exposure towards a public-sector entity as in C 33.00) is published on the EBA's website following this [link](#).

1.3. COREP C 09.04 template

1.3.1. Introduction

This table has been implemented in order to receive additional information regarding the constitutive elements of the institution specific countercyclical capital buffer (CCyB).

The objective of this part of the guidance is to give a concrete example (with illustrative figures) on how to correctly fill in COREP template C 09.04 in order to properly calculate the institution-specific countercyclical capital buffer rate.

⁵ CRR article 392 for consolidated reporting and CSSF Circular 14/593, section IV, paragraph 10 for individual reporting.

C 09.04 - BREAKDOWN OF CREDIT EXPOSURES RELEVANT FOR THE CALCULATION OF THE COUNTERCYCLICAL BUFFER BY COUNTRY AND INSTITUTION-SPECIFIC COUNTERCYCLICAL BUFFER RATE (CCB)

Country:			
		Amount	Percentage
		0010	0020
			Qualitative information
			0030
Relevant credit exposures - Credit Risk			
0010	Exposure value under the Standardised Approach		
0020	Exposure value under the IRB Approach		
Relevant credit exposures – Market risk			
0030	Sum of long and short positions of trading book exposures for standardised approaches		
0040	Value of trading book exposures for internal models		
Relevant credit exposures – Securitisation			
0055	Exposure value of securitisation positions in the banking book		
Own funds requirements and weights			
0070	Total own funds requirements for CCB		
0080	Own funds requirements for relevant credit exposures - Credit risk		
0090	Own funds requirements for relevant credit exposures - Market risk		
0100	Own funds requirements for relevant credit exposures - Securitisation positions in the banking book		
0110	Own funds requirements weights		
Countercyclical capital buffer rates			
0120	Countercyclical capital buffer rate set by the Designated Authority		
0130	Countercyclical capital buffer rate applicable for the country of the institution		
0140	Institution-specific countercyclical capital buffer rate		
Use of 2 % threshold			
0150	Use of 2 % threshold for general credit exposure		
0160	Use of 2 % threshold for trading book exposure		

Reporting entities will find below the calculation method of the Institution-specific countercyclical capital buffer rate (row 0140; 'total sheet') in accordance with Article 140(1) of CRD:

The institution-specific countercyclical capital buffer rate is calculated as the weighted average of the countercyclical buffer rates that apply in the jurisdictions where the relevant credit exposures of the institution are located or are applied for the purposes of Article 140 by virtue of Article 139 (2) or (3) CRD. The relevant countercyclical buffer rate is reported in [r0120; c0020; 'country sheet'], or [r0130; c0020; 'country sheet'] as applicable.

The weight applied to the countercyclical buffer rate in each country is the share of own funds requirements in total own funds requirements and is reported in [r0110; c0020; 'country sheet'].

It's important to note that row 0130 shall be filled in only in case where the country of residence of the reporting institution applies a different countercyclical buffer rate for a given country than the one reported in row 0120, set by the Designated Authority of that country. Both rows 0120 and 0130 shall remain empty for the 'Total' of all countries. To the contrary, row 0140 shall only be reported for the 'Total' of all countries and not for each country separately.

1.3.2. Illustrative example

Let's take as example a hypothetical bank that has exposures in 6 countries:

Row number	Country	A	B = A*Risk Weight	C = B*0.08	D = row (1,2,...,6) /row 7 (column C)	E = ESRB/BIS list or NCA decision	F = D*E
		Relevant credit exposures	Risk weighted assets (*)	Own funds requirements	Own funds requirements weights	CCyB rate applicable in country	CCyB rate
		r0010-r0055 c0010		r0070-r0100 c0010	r0110 c0020	r0120 or r0130 c0020	r0140 (Total only)
row 1	LU	1,400,000,000	1,000,000,000	80,000,000	53.19%	0.50%	0.27%
row 2	DE	2,000,000,000	400,000,000	32,000,000	21.28%	0.00%	0.00%
row 3	FR	550,000,000	250,000,000	20,000,000	13.30%	0.00%	0.00%
row 4	HK	100,000,000	80,000,000	6,400,000	4.26%	1.00%	0.04%
row 5	NO	90,000,000	50,000,000	4,000,000	2.66%	1.00%	0.03%
row 6	SE	100,000,000	100,000,000	8,000,000	5.32%	0.00%	0.00%
row 7	Total	4,240,000,000	1,880,000,000	150,400,000	100.00%		0.34%

(*) Risk weighted assets are not reported in C09.04

In column **A**, we can see the **relevant credit exposures** by country (rows 0010-~~0060~~0055, column 0010; 'country sheet').

In column **BC**, we get the **own funds requirements** for the relevant credit exposures by multiplying risk weighted assets stemming from these exposures by 8% (rows ~~0080~~0070-0100, column 0010; 'country sheet'). Please note that risk weighted assets do not appear in template C 09.04.

In column **ED**, we calculate **own funds requirements weights** (row 0110, column 0020; 'country sheet') by dividing the total own funds requirements that relates to the relevant credit exposures in the country in question (row 0070; 'country sheet'), by total own funds requirements that relate to the sum of all relevant credit exposures (row 0070; 'total sheet'). For country "LU", this will be $80.000.000/150.400.000 = 53.19\%$, for example.

In column **DE**, we can observe the relevant **countercyclical buffer rates** applied in each country (reported in row 0120 or row 0130, column 0020 as applicable; 'country sheet') that can be found under the following links:

- ESRB: [Countercyclical capital buffer \(europa.eu\)](https://www.esrb.europa.eu/en/press/pr/2013090101)
- BIS: [Countercyclical capital buffer \(CCyB\) \(bis.org\)](https://www.bis.org/cyber/cyber/capital/capital.htm)

Those rates have to be multiplied by the own funds requirements weights (result in column **ED**) and finally have to be summed up, the result of which being the CCyB:

$$(53.19\% * 0.50\%) + (21.28\% * 0\%) + (13.30\% * 0\%) + (4.26\% * 1\%) + (2.66\% * 1\%) + (5.32\% * 0\%) = 0.34\% = \text{CCyB of our hypothetical bank.}$$

Regarding countercyclical buffer rates, reporting entities sometimes use the wrong CCyB country rates. We highly recommend reporting entities to open the CCyB excel worksheets at the bottom of the above-mentioned websites, that include all information needed about application dates.

For more details, please refer to CSSF Regulation N° 15-01 on the calculation of institution-specific countercyclical capital buffer rates, transposing Article 140 of Directive 2013/36/EU:

https://www.cssf.lu/wp-content/uploads/RCSSF_No15-01eng.pdf

2. FINREP Reporting

2.1. FINREP F 02.00 - Environment of negative interest rates - Interest income on liabilities and interest expense on assets

Nowadays, banks can experience an environment of negative interest.

With the objective to improve data quality in template F 02.00 "Statement of profit or loss" within the FINREP reporting, we want to provide banks with guidance on how to report interest expense on financial assets with a negative yield (such as cash balances at central banks, government bonds or other debt securities) and interest income on financial liabilities with a positive yield.

According to Annex 5 (FINREP Instructions) of Commission Implementing Regulation No ~~680/2014~~2021/451 (commonly referred to as "ITS on Reporting"), the following principles are to be applied:

- In case of interest expense on financial assets, row 0145 of template F 02.00 shall be reported in accordance with paragraph 39 of part 2 of the same annex:

"39. Under IFRS [...], interest in relation to financial assets with a negative effective interest rate shall be reported in 'Interest expense on assets'. These assets and their interests give rise to a negative yield for an institution."

- Inversely, in case of interest income on financial liabilities, row 0085 of template F 02.00 shall be reported in accordance with paragraph 37 of part 2 of the same annex:

"37. Under IFRS [...] interest in relation to financial liabilities with a negative effective interest rate shall be reported in 'Interest income on liabilities'. These liabilities and their interests give rise to a positive yield for an institution."

Moreover, interest expense on financial assets with a negative yield and interest income on financial liabilities with a positive yield are to be reported separately in template F 16.01 "Interest income and expenses by instrument and counterparty sector" of the FINREP reporting.

2.2. FINREP F 22 - Asset management, custody and other service functions

FINREP reporting table F 22.02 includes information on the management functions for which the institution may be held liable for negligence or failure to fulfil its obligations; FINREP reporting table F 22.01 includes information on income from services provided in this area.

In accordance with Circular CSSF 19/729, all institutions *must* fill in table F 22.2 on a quarterly basis, irrespective of the applicable FINREP version (full, simplified-extended or over-simplified).

The CSSF *requires* institutions to report table F 22.2 irrespective of whether they are above or below the threshold for net fee and commission income defined in Implementing Regulation (EU) No ~~680/2014~~2021/451, Articles 4 and 9(2)(f).

Details regarding the reporting of certain management functions, namely asset management, asset custody, central administration for UCIs and fiduciary transactions, are provided below.

2.2.1. Assets involved in services related to management functions (F 22.02)

2.2.1.1. 0010 Asset management (by type of customer)

"Asset management" means assets belonging to customers for which the institution is providing management (i.e assets that the institution manages on a discretionary or on a non-discretionary basis).

Discretionary asset management is a form of professional investment management under which buy and sell decisions are made by a portfolio manager on behalf of customers); **non-discretionary** asset management is a form of investment consulting under which customers benefit from the investment advice of the institution, while taking their own decisions.

Asset management (line 0010) must be broken down according to the status of the customer:

- Undertakings for collective investment (line 0020);
- Pension funds (line 0030);
- Customer portfolios managed on a discretionary basis (line 0040): customers that are private customers, natural or legal persons;
- Other investment vehicles (line 0050).

Asset management (line 0010) includes:

- Assets managed are:
 - (i) securities (equity, bonds and UCI units/shares) that are the legal ownership of the customers and
 - (ii) cash deposited by the customers with the institution.

Cash can result, for instance, from the sale or redemption of managed assets and is to be used to acquire new securities.

- Assets managed may include (speculative or hedging) derivative instruments.

Notes:

- Assets managed for undertakings for collective investment (line 0020), pension funds (line 0030) and other investment vehicles (line 0050) are assets managed on a discretionary basis as well as assets managed on a non-discretionary basis. Assets managed for customers (line 0040) include only assets managed on a discretionary basis, whereas assets managed on a non-discretionary basis are not to be considered.
- Assets managed for UCIs (line 0020) are assets (cash, securities and others) recorded in the UCIs' balance sheet assets.
- Assets managed for UCI investors (private customers, UCIs, pension funds and other investment vehicles) are UCI units/shares belonging to them.
- Securities deposited by customers other than UCIs must be reported, in principle, in line 0080 "Custody assets: other customers" of table F 22.2; cash deposited by customers that

the institution manages on a discretionary basis is registered in the balance sheet liabilities (table F 1.2: Financial liabilities measured at amortised cost: deposits).

Asset management (line 0010) does not include:

- Assets managed under fiduciary contracts.

Fiduciary transactions must not be reported in line 0010 "Asset management" of table F 22.2, but **exclusively** in line 0110 "Fiduciary transactions" of table F 22.2 (Implementing Regulation (EU) No ~~680/2014~~[2021/451](#) - FINREP Guidance: Part 2, point 285.d).

Reporting value of assets managed:

- Assets managed must be reported at their market value at the reporting date.
- Debit accounts and loans granted by the institution to the customer must not be deducted from the value of the managed portfolio.

2.2.1.2. 0060 Custody assets (by type of customer)

"**Custody assets**" are assets belonging to customers, kept by the institution under a contract on deposit-taking.

Custody assets (line 0060) must be broken down according to the status of the customer:

- **Undertakings for collective investment** (line 0070);
- **Other customers** (line 0080): private customers (natural and legal persons), clearing or settlement institutions, credit institutions, investment firms, pension funds, insurance undertakings, other investment vehicles, commercial or industrial undertakings which trade on the financial markets on a professional basis or international public organisations operating in the financial sector.

Custody assets (line 0060) include:

- Financial instruments that are the legal ownership of third parties and on deposit (open access deposit or pledged deposit) with the institution, i.e.:
 - o financial instruments that can be physically delivered to the institution;
 - o financial instruments that cannot be physically delivered to the institution and where all of the following conditions are fulfilled:
 - they are transferable securities including those embedding derivatives, money market instruments or UCI units/shares;
 - they may be registered or held in an account directly or indirectly in the name of the institution.
- Precious metals that are the legal ownership of third parties and on deposit with the institution (open access deposit or pledged deposit).
- Shares that are the legal ownership of third parties deposited with the institution in view of the general meeting.
- Financial instruments (transferable securities, including those embedding derivatives, money market instruments or UCI units/shares) deposited with the institution by customers other than UCIs that are managed on a discretionary basis (to be reported in line 0080 - Other customers).
- Financial instruments (transferable securities, including those embedding derivatives, money market instruments or UCI units/shares) that have been entrusted to the institution

for safekeeping (sub-custodian) by other entities (custodians) (to be reported in line 0080 - Other customers).

- Values (foreign notes and coins, securities and coupons, cheques and items) collected by the institution without direct credit to the beneficiary (in which case the institution will credit the customer's account only after having received the counter-value in cash) (to be reported in line 0080 - Other customers).
- Financial instruments (transferable securities, including those embedding derivatives, money market instruments or UCI units/shares) that have been entrusted by the institution (custodian) to other entities (sub-custodians) for safekeeping (to be reported in line 0090 - Including: entrusted to other entities).

Notes:

Assets deposited by the UCIs (line 0070) are financial instruments (transferable securities, including those embedding derivatives, money market instruments or UCI units/shares) recorded in the UCIs' balance sheet assets.

Assets deposited by UCI investors (private customers, UCIs, pension funds and other investment vehicles) are UCI units/shares belonging to them.

Custody assets (line 0060) do not include:

- Cash deposited by the customers.
Cash deposited is registered in the balance sheet liabilities (table F 1.2: Financial liabilities measured at amortised cost: deposits).
- Assets held in custody under fiduciary contracts.
Assets held in custody for fiduciary transactions must not be reported in line 0060 "Asset management" of table F 22.2, but exclusively in line 0110 "Fiduciary transactions" of table F 22.2 (Implementing Regulation (EU) No [680/2014/2021/451](#) - FINREP Guidance: Part 2, point 285.d).
- Financial instruments which, in accordance with applicable national law, are only directly registered in the name of the UCI with the issuer itself or its agent.

2.2.1.3. 0070 Custody Assets: Collective investment

Not all categories of assets entrusted by Undertakings for Collective Investment (UCIs) to a depositary bank for safekeeping are to be reported in line 0070 "Custody Assets: Collective investment" of table F 22.2 (cf. Implementing Regulation (EU) No [680/2014/2021/451](#) - FINREP Guidance: Part 2, point 285.b) and Commission Delegated Regulation (EU) No 231/2013 for AIFMs: article 88).

The following principles are to be applied:

- Assets belonging to UCIs which are in the scope of the custody duties of the depositary are reported in line 0070 of table F 22.2. The assets referred to are mainly transferable securities, such as bonds, shares, money market instruments (treasury bills) or UCI units/shares.
- Assets belonging to UCIs which are outside of the scope of the custody duties of the depositary are neither included in line 0070 of table F 22.2, nor shown elsewhere in FINREP. The assets referred to are mainly items, such as cash, loans, private equity, real estate, timber, movable property or crypto assets.

Reporting value of custody assets:

Custody assets must be reported at their market value at the reporting date.

2.2.1.4. 0100 Central Administration Services for Collective Investment (UCI)

The “**central administration services for collective investment**” are administrative services that the institution provides to UCIs.

Central administration services for collective investment notably include:

- transfer agent services;
- drawing-up of accounting documents (including prudential reporting);
- preparation of prospectuses, financial reports and other documents for investors;
- handling of correspondence (i.e. the distribution of financial reports and of any other documents to the investors);
- organisation of issues and redemptions;
- maintenance of the investor register;
- calculation of the net asset value (NAV).

Reporting value of central administration services for collective investment:

Central administration services provided to UCIs must be reported at the market value of the assets (cash, securities and others) recorded in the UCIs’ balance sheet assets.

2.2.1.5. 0110 Fiduciary Transactions

“**Fiduciary transactions**” are operations in which the institution intervenes in its own name, but for the account and at the risk of its customers. In this context, the institution may provide services such as asset custody to structured entities or the discretionary management of portfolios.

Reporting of fiduciary transactions:

All the fiduciary transactions must be exclusively reported in line 0110 “Fiduciary transactions” of table F 22.2, whether or not the institution provides additional services to the customer, such as discretionary management or asset custody (Implementing Regulation (EU) No [680/2014/2021/451](#) – FINREP Guidance: Part 2, point 285.d).

Reporting value of fiduciary transactions:

Fiduciary transactions must be reported at the market value of the assets composing the fiduciary patrimony.

2.2.2. Income stemming from services related to management functions (F 22.1)

Income stemming from services provided under asset management, asset custody, central administration for UCIs and fiduciary transactions must be reported in the relevant lines of table F 22.1, i.e.:

- line 0070 (asset management) shows commissions relating to managed assets (F 22.2: line 0010);
- line 0080 (custody assets) shows commissions relating to custody assets (F 22.2: line 0060);
- line 0110 (central administration for UCIs) shows commissions relating to central administration services for collective investment (F 22.2: line 0100);
- line 0120 (fiduciary transactions) shows commissions relating to fiduciary transactions (F 22.2: line 0110).

2.2.3. Accuracy and reliability of data related to management functions (F 22.01 and F 22.02)

Accuracy and reliability of data related to management functions that institutions provide in the FINREP reporting (tables F 22.1 and F 22.2) are of paramount importance.

Institutions must take into account the following principles to guarantee the quality of the FINREP reporting:

- The following verifications should be made at each reporting date:
 - o ensure consistency between the categories of management functions used to report income in table F 22.1 (lines 0070, 0080, 0110 and 0120) and those used to report the assets concerned in table F 22.2 (lines 0010, 0060, 0100 and 0110);
 - o perform reconciliations of the amounts relating to management functions stated in table F 22.2 and the information provided in this respect in other reports submitted to the CSSF.
- It is necessary to have in place internal control procedures that allow making the relevant verifications.

2.3. F 13.01 – F 18.00: Collateral and financial guarantees received

Two new columns have been introduced in the FINREP F 18.00 template as of June 2020 reference period (taxonomy 2.9):

- *Column 201: Collateral received on performing exposures*
- *Column 205: Financial guarantees received on performing exposures*

This means that the collateral and the financial guarantees received on loans and advances reported in FINREP F 18.00 can now be perfectly reconciled with the ones reported in FINREP F 13.01 template (except for FINREP *Over-Simplified* reporters⁶):

- Collateral received:
 $\{F\ 13.01; R0010; C0010 + C0020 + C0030 + C0031 + C0032 + C0041\} = \{F18.00; R0070 + R0191 + R0221; C0200 + C0201\}$
- Financial guarantees received:
 $\{F\ 13.01; R0010; C0050\} = \{F18.00; R0070 + R0191 + R0221; C0205 + C0210\}$

The collateral and financial guarantees received on loans and advances reported in row 0010 of F 13.01 template are not limited to the type of counterparties displayed in rows 0020, 0030 and 0040.

⁶ See CSSF Circular 14/593 as amended

For example, exposures towards credit institutions secured by collateral and/or financial guarantees are fully part of the “total” reported in row 0010.

Because an EBA validation rule has not been introduced yet, reporting entities are invited to comply with those two rules and to correct their Q2 2020 figures if the above-mentioned rules have been violated.

Furthermore, whether it be inside the F 13.01 or F 18.00 template, the collateral and financial guarantee amount should not exceed the **carrying amount** of the related exposure.

When visioning the F 18.00 template, one can notice that two different references to the EBA instructions coexist in the columns 0200, 0201, 0205 and 0210:

- The first one pointing to Annex V Part 2.119
*For financial guarantees received, the ‘maximum amount of the guarantee that can be considered’ shall be the **maximum amount** the counterparty could have to pay if the guarantee is called on.*
- And the second one pointing to Annex V Part 2.239
*The sum of the amounts reported for both collateral and guarantees shall be capped at the **carrying amount** or nominal amount after deduction of provisions of the related exposure.*

Please be informed that both paragraphs should be read together in a sequential way and that - in the end – paragraph 239 should prevail over paragraph 2.119 of Annex V.

2.4. FINREP F 04.03.1 & F 04.04.1 vs F 07.01 – Past-due exposure amounts

According to paragraph 94 (Part 2) of Annex V Instructions on the Reporting on Financial information, template FINREP F 07.01 shall contain “the carrying amount of debt instruments that are included in the accounting portfolios subject to impairment” and “**only if they are past-due**”.

Therefore, it is not required to report the full exposure amount towards debt instruments in F 07.01 (as it is the case in F 04.03.1 and F 04.04.1) but only the exposure amounts that are considered as “past-due” by the reporting entity.

Furthermore, and based on the conclusions above, it is extremely unlikely that Stage 1 past-due exposure amounts reported in F 07.01 (columns 0010, 0020 and 0030) are very close or equal to the Stage 1 exposure amounts reported in both F 04.03.1 and F 04.04.1 (columns 0015 and 0050).

Please note that the above statement is true only for reporting entities subject to FINREP F 07.01 reporting (see CSSF circular 14/593).

2.5. FINREP F 04.03.1, F 04.04.1, F 07.01, F 09.01.1, F 12.01 and F 18.00 - Purchased or originated credit-impaired financial assets (POCIs)

Note:

- **As per v 2.9 EBA taxonomy (applicable up to March 2021)**, purchased or originated credit-impaired financial assets (POCIs), as defined in IFRS 9 Appendix A, have been

reported at initial recognition within Stage 3 Assets (credit-impaired assets) in the FINREP templates F 04.03.1, F 04.04.1, F 07.01, F 09.01.1, F 12.01 and F 18.00.

In rare cases, where POCIs have ceased to meet the definition of credit-impaired financial assets as a result of favourable changes in the credit risk level, the assets have been reported within Stage 2 Assets (assets with significant increase in credit risk since initial recognition but not credit-impaired), but never within Stage 1 Assets (assets without significant increase in credit risk since initial recognition), as 12-month ECL measurement is never applied to these assets.

- **As per v 3.0 EBA taxonomy (applicable from June 2021)**, purchased or originated credit-impaired financial assets (POCIs), as defined in IFRS 9 Appendix A, are to be reported in a specific asset category entitled "Purchased or originated credit-impaired financial assets", which is outside the Stage 3 Assets or Stage 2 Assets, in the FINREP templates F 04.03.1, F 04.04.1, F 07.01, F 09.01.1, F 12.01 and F 18.00.

In rare cases, where POCIs cease to meet the definition of credit-impaired financial assets as a result of favourable changes in the credit risk level, the assets continue to be included in the specific asset category entitled "Purchased or originated credit-impaired financial assets" (without any possible transfer to Stage 2 Assets).

The v 3.0 EBA taxonomy introduces specific columns and rows in the FINREP templates F 04.03.1, F 04.04.1,

F 07.01, F 09.01.1, F 12.01 and F 18.00 relative to the reporting of POCIs.

As impairment on POCIs is subject to a specific approach (IFRS 9.5.5.13), the reason is in particular to show accumulated impairment (i.e. cumulative changes in lifetime expected credit losses since initial recognition) on these assets separately from impairment on Stage 3 or Stage 2 Assets.

Therefore, and as for June 2021 reporting onwards, POCIs should not be reported anymore within Stage 2 or Stage 3 Assets, nor within Stage 2 or Stage 3 Accumulated Impairment (as it was the case up to March 2021), but only in the specific columns and rows added in the FINREP templates F 04.03.1, F 04.04.1, F 07.01,

F 09.01.1, F 12.01 and F 18.00.

Reporting entities are invited to take care not to report POCIs twice (e.g. column 0041 of template F 04.04.1 is a "separate" column and not an "of which" sub-category of column 0040).

Note also that in FINREP template F 12.01, new rows that are distinct from Stage 2 and Stage 3 Allowances are added to report movements in allowances for credit losses on POCIs.

2.6. FINREP – IFRS 9: Fixed rate debt securities–Increase in interest rates: Is an entity required to reclassify financial assets from "Hold to collect and sell" to "Hold to collect", if the entity decided to hold the assets

Due to the recent increase in interest rates, the fair value of most fixed-rate debt instruments has significantly decreased. When those instruments are held within a 'Hold to Collect and Sell' business model and measured at fair value through other comprehensive income, those changes in fair value have been reflected in the revaluation

reserve⁷ and have reduced prudential own funds (through the computation of Common Equity Tier 1).

Some institutions may thus consider revising their holding intentions concerning those assets and decide to hold them until maturity (in a 'Hold to Collect cash flows' intent).

But is this change to be regarded as a change in 'business model' requiring a reclassification of the underlying instruments?

Under IFRS 9, instruments might only be reclassified if the entity changes its business model for managing financial assets. The approach is not optional; if the business model has changed, the instruments must be reclassified.

The IFRS 9 application guidance provides for the following additional details:

IFRS 9 B4.4.1

Paragraph 4.4.1 requires an entity to reclassify financial assets if the entity changes its business model for managing those financial assets. Such changes are expected to be very infrequent. Such changes are determined by the entity's senior management as a result of external or internal changes and must be significant to the entity's operations and demonstrable to external parties. Accordingly, a change in an entity's business model will occur only when an entity either begins or ceases to perform an activity that is significant to its operations; for example, when the entity has acquired, disposed of or terminated a business line. Examples of a change in business model include the following:

- (a) An entity has a portfolio of commercial loans that it holds to sell in the short term. The entity acquires a company that manages commercial loans and has a business model that holds the loans in order to collect the contractual cash flows. The portfolio of commercial loans is no longer for sale, and the portfolio is now managed together with the acquired commercial loans and all are held to collect the contractual cash flows.
- (b) A financial services firm decides to shut down its retail mortgage business. That business no longer accepts new business, and the financial services firm is actively marketing its mortgage loan portfolio for sale.

IFRS 9 B4.4.2

A change in the objective of the entity's business model must be effected before the reclassification date. For example, if a financial services firm decides on 15 February to shut down its retail mortgage business and hence must reclassify all affected financial assets on 1 April (i.e. the first day of the entity's next reporting period), the entity must not accept new retail mortgage business or otherwise engage in activities consistent with its former business model after 15 February.

IFRS 9 B4.4.3

The following are not changes in business model:

- (a) a change in intention related to particular financial assets (even in circumstances of significant changes in market conditions).
- (b) the temporary disappearance of a particular market for financial assets.
- (c) a transfer of financial assets between parts of the entity with different business models.

⁷ Unless the instruments are hedged against interest rate risk and hedge accounting is applied.

This guidance clarifies in particular the following aspects:

- a change in business model is considered to be very infrequent;
- a change in business model (i) must have been decided by senior management (ii) as a result of external or internal changes, (iii) must be significant to the entity's operations and (iv) demonstrable / evident and clearly visible to external parties.

A change in business model will thus only occur if the entity starts or ceases an activity which is significant to its operations.

The standard includes two examples of changes in business model. The CSSF is of the opinion that those examples provide a high hurdle for changes in business model and are particularly explicit and illustrative about the exceptional nature of the conditions justifying such a change.

Finally, the standard also explicitly states that a change in intention for particular financial assets (even in circumstances where market conditions change significantly) is not to be considered as a change in business model.

In light of the above elements, the CSSF expects that, in practice:

The conditions justifying a change in business model will rarely be met, as this would indeed require a fundamental change in the entity's activities. A mere change in the entity's intentions about the holding period of certain financial instruments is unlikely to trigger the requirements of the standard regarding reclassification. Further, the CSSF is of the opinion that changes in market conditions cannot, by themselves, justify a reclassification of financial assets, even if the related impacts on prudential ratios are significant.

Accordingly, the CSSF considers that, in the case described in the introduction of this Q&A, it is highly unlikely that the entity could conclude and demonstrate that a change in business model has occurred and that the underlying assets have to be reclassified.

2.7. FINREP – Loans and advances to central banks vs. Cash, cash balances at central banks, other demand deposits until they mature?

2.7.1. Cash balances with central banks

Some institutions report overnight deposits as loans and advances to central banks instead of classifying them as Cash, cash balances at central banks, other demand deposits. However, overnight deposits should be reported as Cash, cash balances at central banks, other demand deposits (not as loans and advances to central banks) for the following reasons:

ITS Annex V Part 2 (1) (1.1)(2) specifies " 'Cash balances at central banks' shall include 'loans and advances' that are balances receivable on demand at central banks."

Two EBA Q&As clarify that overnight deposits at central banks should be reported in "Cash balances at central banks":

- [EBA Q&A 2013 180](#) "Demand deposits at central banks should be reported as "Cash balances at central banks".

- [EBA Q&A 2013 235](#) "In F 01.01, overnight balances receivable by the reporting institution are reported in the items 'Cash balances at central banks ' and 'Other demand deposits ', depending on the sector of the counterparty."

[ITS Annex V Part 2 \(5\)\(85\)\(a\)](#) as well as [EBA Q&A 2016 2970](#) clarify that compulsory reserves with central banks are also considered as 'on demand' although their maintenance periods is longer.

In the EBA-NCAs Reporting Forum, the EBA clarified in the end of December 2022 that:

"[...] 'overnight deposits' should be reported as 'Cash balances at central banks' as suggested by the Q&As 180 and 235. The changes made to the instructions were to clarify some definitions but not to modify the instructions. Indeed, although 'overnight deposits at central banks' meets the definition of 'loans and advances' and they may be allocated in an accounting portfolio for financial statements purpose, it was decided to put them in 'Cash balances at central banks' for FINREP reporting purposes. [...]"

Institutions shall ensure to report 'overnight deposits' with central banks (including the funds placed in the Eurosystem's overnight deposit facility) as 'Cash balances at central banks' in line with the Q&As 180 and 235. Deposits with central banks with longer maturity than on demand/ overnight as well as reverse repos should be reported as loans and advances to central banks [in the applicable valuation portfolio](#).

2.7.2. Other demand deposits

[ITS Annex V Part 2 \(1\)\(1.1\)\(3\)](#) provides that 'Other demand deposits' shall include 'loans and advances' that are balances receivable on demand with credit institutions. [EBA Q&A 2013 180](#) also clarifies that on demand deposits at credit institutions, should be reported as "Other demand deposits".

[ITS Annex V Part 2 \(5\)\(85\)\(a\)](#) specifies that current accounts and overdrafts are also to be considered as on demand.

[Institutions shall ensure to report 'overnight deposits' with credit institutions as 'Other demand deposits' \(F01.01 row 0040\).](#)

[Deposits with longer maturity than on demand/ overnight as well as reverse repos should be reported as loans and advances to credit institutions in the applicable valuation portfolio in F01.01.](#)

2.8. FINREP – F 02.00 and F 16.01 Interest income from cash, cash balances and central banks and other demand deposits

[Some institutions are classifying interest income from overnight and on demand deposits with central banks and credit institutions as interest from loans and advances in FINREP template F16.01 and in respective valuation portfolio \(i.e Financial assets designated at amortized cost\) in F02.00.](#)

[ITS Annex V Part 2 \(2\)\(36\) and \(15\)\(15.1\)\(187\)\(a\) specify that interest income related to cash, cash balances at central banks and other demand deposits shall be reported under 'Interest income – Other assets'.](#)

[In addition, EBA published EBA Q&A 2014 1001 and Q&A 2022 6388 with specific details on how to report such positions in P&L templates F02.00 and F16.01.](#)

Consequently, institutions shall ensure to report **interest income and expense** stemming **from cash, cash balances with central banks and other demand deposits** as follows:

- Interest income
 - o F02.00 row 0080 column 0010 Interest income – Other assets
 - o F16.01 row 0150 column 0010 Income – Other assets
- Interest expense in case of negative interest rates
 - o F02.00 row 0145 column 0010 Interest expense – Interest expense on assets
 - o F16.01 row 0150 column 0020 Expense – Other assets

For more information on items included in Cash, cash balances with central banks and other demand deposits please refer to Part II Chapter 7 of present guidance.

3. LAREX Reporting

3.1. LAREX C 27.00 template

The objective of this part of the guidance is to provide further instructions on how to properly use the counterparty codes in LAREX template C 27.00 which content has been amended following the release of EBA taxonomy V3.0 (taxonomy to be used starting reference period 06/2021 onwards).

The main change consists in the reporting of the LEI code. Until March 2021, institutions had to report the LEI code in column 030 "LEI code". From June 2021, the new EBA Large Exposures' instructions state that the LEI code shall now be reported in **column 011 "Code"**, or if not available, a national code (i.e. column 030 was deleted and replaced by column 011). Please note that the LEI code should not be mixed with any other (internal) code of the institution. For example, if LEI code is "ABC123" and the internal code is "G645000000", then the code in column 011 should not be "G645000ABC1230000". The code shall always have a value.

Furthermore, two new columns were added:

In **column 015 "Type of code"**, according to the EBA instructions (Annex IX), *the institutions shall identify the type of code reported in column 011 as a "LEI code" or "Non-LEI code"*. However, the DPM only allows the following two values to be reported in this column: "LEI code type" or "National code type". Reporting entities are invited to interpret the wording "National code type" as a "Non-LEI code" until the EBA releases a corrected version of the 3.0 DPM⁸. The type of code shall always be reported.

In **column 035 "National code"**, *institutions may additionally report the national code when they report LEI code as identifier in the "Code" column*. But since there is no credit register in Luxembourg, the CSSF expects this column to remain empty in order to avoid any confusion.

C 27.00 – Before EBA taxonomy V3.0

C 27.00 - Identification of the counterparty (LE 1)						
COUNTERPARTY IDENTIFICATION						
Code	Name	LEI code	Residence of the counterparty	Sector of the counterparty	NACE code	Type of counterparty
010	020	030	040	050	060	070

C 27.00 – EBA taxonomy V3.0

C 27.00 - Identification of the counterparty (LE 1)							
COUNTERPARTY IDENTIFICATION							
Code	Type of code	Name	National code	Residence of the counterparty	Sector of the counterparty	NACE code	Type of counterparty
011	015	021	035	040	050	060	070

⁸ See [document](#) published on the CSSF's website relating to DPM issues on 3.0 EBA taxonomy

3.2. Identification of the counterparties/groups of connected clients

The objective of this section is to clarify a misunderstanding on codes that shall be used to identify individual counterparties and groups of connected clients in LAREX reporting module and template C 27.00 in particular.

3.2.1. Identification of individual counterparties

The institutions shall ensure that the code used for identification of individual counterparties, must follow the requirements in the ITS Annex 9 Part II Section 5.1, whether the counterparty is reported as part of the group in C 29.00 or individual client in C 28.00:

- The code as part of a row identifier must be unique for each reported entity;
- For **institutions and insurance undertakings**, the code **shall be the LEI code**;
- For other entities the code shall be the LEI code, or if not available, a national code (i.e. business register code).

“Non-LEI code” value in column 015 and national code in column 011 of template C 27.00 are expected to be reported **only** in case LEI code is not available. The LEI codes can be checked on the Global Legal Entity Identifier Foundation (GLEIF) website.

3.2.2. Identification of groups of connected clients

ITS Annex 9 Part II Section 6.1 provides specifications for codes to be used to identify a group of connected clients:

i) if a unique code is available at national level (national reporting system), this code shall be reported as the code of the group of connected clients;

ii) if there is no unique code at the national level, the code shall be the code of the parent company, or of the individual entity which is considered by the institution as the most significant within the group of connected clients.

Q&A 2016 2888 and Q&A 2020 5487 published by the EBA give further clarification.

The CSSF as competent authority for Luxembourg doesn't provide a national system with codification for groups of connected clients. Consequently, **the entities shall report under case ii)** – the code of the parent company, or of the most significant individual entity in the group. **No internal codes**, from bank internal system or concatenation of LEI with other characters, shall be used to identify the groups of connected clients.

As the national rules for Luxembourg do not foresee specific identification for the groups, columns 040 (residence of the counterparty) and 050 (Sector of the counterparty) in template C 27.00 shall always be filled in as clarified in EBA Q&A 2020 5487.

Practical case 1

Bank A has an exposure towards a group of connected clients XYZ:

- Credit institution X with LEI 506700AB1C29325DE363 which is head of the group;
- Insurance company W with LEI 506289PR4W32455LZ267;
- Ancillary services undertaking S with business registry code B123456.

These exposures shall be reported as follows:

- Template C 28.00 – as there is no national reporting system providing national codes for groups of connected clients, the group exposure will be reported with the code of its parent company, in this case bank X LEI.

COUNTERPARTY	
Code	Group (2) or individual (1)
010	020
506700AB1C29325DE363	2

- Template C 29.00 – group code reported in column 020 shall be the one reported in C 28.00 column 010. The identification of individual counterparties which are part of the group shall be LEI code, where available, or other code, if LEI is not available.

COUNTERPARTY	
Code	Group code
010	020
506700AB1C29325DE363	506700AB1C29325DE363
506289PR4W32455LZ267	506700AB1C29325DE363
B123456	506700AB1C29325DE363

- Template C 27.00 – in absence of national system for groups identification no group code shall be reported. Only individual codes of counterparties which are part of the group and to which the entity has exposure are to be reported. The LEI of bank X, serving as group code in C 28.00 and C 29.00, is thus present only once. No internal code such as GROUP 506700AB1C29325DE363 shall be used.

COUNTERPARTY IDENTIFICATION						
Code	Type of code	Name	National code*	Residence of the counterparty	Sector of the counterparty	NACE code
011	015	021	035	040	050	060
506700AB1C29325DE363	LEI code type	X		FR	Credit institutions	
506289PR4W32455LZ267	LEI code type	W		FR	Other financial corporations (excluding investment firms)	K65
B123456	National code type	S		LU	Non-financial corporations	M

* National code may be left empty

Practical case 2

In case where the reporting institution doesn't have individual exposure towards the head of the group.

Bank B has an exposure towards a group of connected clients XYZ:

- Credit institution H with LEI 5439MT1QSG3YUJY5683;
- Insurance company W with LEI 506289PR4W32455LZ267;
- Ancillary services undertaking S with business registry code B123456.

The head of the group is bank X with LEI 506700AB1C29325DE363, but the reporting institution doesn't have the exposure towards it.

These exposures shall be reported as follows:

- Template C 28.00 – the LEI code of bank X which is parent of the group.

COUNTERPARTY	
Code	Group (2) or individual (1)
010	020
506700AB1C29325DE363	2

- Template C 29.00 – group code reported in column 020 shall be the one reported in C 28.00 column 010. Codes reported in column 010 are those of the clients to which the reporting entity has an exposure.

COUNTERPARTY	
Code	Group code
010	020
5439MT1QSG3YUJY5683	506700AB1C29325DE363
506289PR4W32455LZ267	506700AB1C29325DE363
B123456	506700AB1C29325DE363

- Template C 27.00 – the LEI code of the head of the group parent is additionally reported, although there is no individual exposure towards it.

COUNTERPARTY IDENTIFICATION						
Code	Type of code	Name	National code*	Residence of the counterparty	Sector of the counterparty	NACE code
011	015	021	035	040	050	060
506700AB1C29325DE363	LEI code type	X		FR	Credit institutions	
5439MT1QSG3YUJY5683	LEI code type	H		LU	Credit institutions	
506289PR4W32455LZ267	LEI code type	W		FR	Other financial corporations (excluding investment firms)	K65
B123456	National code type	S		LU	Non-financial corporations	M

* National code may be left empty

3.3. Validation rule V CSSF047

In order to check the compliance with ITS requirements the CSSF has implemented since August 2024 new validation rule V CSSF047 for LAREX reporting: if type of code reported in column 015 is "LEI code", column 011 of C27.00 template is checked to represent a valid LEI code.

Starting with September 2024 COFFBX feedback files for LAREX reporting module will contain in "CSSF FEEDBACK" sheet the validation results related to this rule, even for resubmissions of previous periods since 12/2021. While the CSSF does not require to correct the submissions for periods prior to December 2024, the reporting institutions are expected to change the counterparties identification progressively by reference period 12/2024.

Finally, please note that similar checks on LEI format are implemented within:

- FINREP F 40.01 template (column 0011) – v cssf048
- FINREP F 40.02 template (columns 0021 and 0031) – v cssf049
- COREP C 06.02 template (column 0021) – v cssf050.

4. LEVER Reporting

4.1. LEVER C 40.00 template

There are some specific fields in table C 40.00 that require special attention either because they are new with respect to the table preceding 30 June 2021 or because the ITS instruction on the field has to be carefully read:

Item	Field	Remarks
Derivatives – Accounting balance sheet value	{0010, 0010}	All exposures whose counterparty credit risk was computed in table C 47.00 under “derivative transactions”, and that are recognized in the accounts, credit or financial derivatives, in both the credit and trading books.
Other assets – Accounting balance sheet value	{0090, 0010}	The nominal value of off-balance sheet items does not have to be reduced by credit risk adjustments or conversion factors.
Off-balance sheet items	{0090, 0075}	The nominal value of off-balance sheet items does not have to be reduced by credit risk adjustments or conversion factors.
Central bank exposures - Accounting balance sheet value	{0380; 0010}	It might not include all effective exposures to central banks (read conditions in the instructions). The exposures reported here may be exempted from the LR calculation until 31 March 2022. In this case, they were also reported in C 47.00, row 0255.
The central bank exposures value used for the calculation of the adjusted LR requirement in Article 429a (7) CRR	{0390, 0010}	This figure is the one used to compute the value reported in the row 0420 of table C 47.00 (adjusted LR Pillar 1 requirement).
The central bank exposures value used for the calculation of the adjusted LR requirement in Article 429a (7) CRR	{0400, 0010}	This figure is the sum of the total LR exposure and any exposures to central bank that the entity may have excluded from the leverage computation (as reported in C 47.00, row 0255), if applicable.
Total assets	{0410, 0010}	Value provided in FINREP for total assets

4.2. LEVER C 47.00 template

Since 30 June 2021, the table C 47.00 has dramatically changed. Its section “Leverage Exposure” appears remarkably enlarged by incorporating new items and fields as a result of the new CRR2

provisions. On the other hand, a new table section "Requirements" has been added. Let us have a closer look to some important aspects of these two table sections.

Table section "Leverage Exposure"

"Subsection" according to nature of exposure		Rows	Remarks
A	Securities Financial Transactions	0010 to 0050	To be reported: cash received or any security that is provided to a counterparty via the aforementioned transactions and is not retained on the balance sheet (i.e. no accounting recognition). Recognised accounting assets have to be reported instead in row 0190 (under "other assets", E)
B	Counterparty Credit Risk (CCR) of Derivative Transactions	0061 to 0140	GENERAL CASE: Modified version of the Standardised Approach (SA) method to compute CCR → rows 0061 to 0093 Specific cases: <ul style="list-style-type: none"> • If the entity uses the Simplified SA method of art. 281 CRR2 in the solvency framework, it can still use this method in the leverage framework → rows 0101 to 0104 • If the entity uses the Original Exposure method of art. 281 CRR2 in the solvency framework, it can still use this method in the leverage framework → rows 0110 to 0120 (fields 0130 & 0140 refer to written credit derivatives)
C	Regular-way purchases and sales awaiting settlements	0185 to 0189	Type of exposure well defined in art. 429g CRR. Open Q&A on whether this type of exposures may refer to securities only or any financial asset (i.e. currencies).
D	Off-balance Sheet items not included in A, B or C	0150 to 0180	The CCFs assigned to the different off-balance sheet item categories from Annex I CRR2 are the same as in the Standardised Approach in the solvency framework except for "Low-Risk Items", which are here weighted with a CCF of 10%.
E	On-balance Sheet items not included in A, B or C ("other assets")	0190 & 0193 to 0235	Row 0190 is the principal field. Rest of rows are related to particular items that can be deducted from the figure reported in 0190.
F	(-) Regulatory Exclusions of exposures	0240 to 0267	Row 0240: fiduciary assets that are recognised in the balance sheet but can be derecognized according to IFRS 9 (see reporting instructions for further details) Row 0255: Until 31 March 2022, the entity is allowed to exclude exposures to central banks specified in the ECB

			Decision 2021/1074 (applicable for SIs) or the CSSF Covid FAQ, Question 21 (applicable for LSIs).
G	(-) General Credit Risk Adjustments that were deducted to Tier 1 Capital	0181 & 0191	NA
H	(-)(+) Asset amount deducted or added to Tier 1 Capital	0270 & 0280	NA
SUM	Total Leverage Ratio Exposure	0290 & 0300	NA

Table section "Requirements"

Subsection	Rows	Remarks
Requirements: Amounts		
<ul style="list-style-type: none"> Pillar 2 requirement (P2R) to address risks of excessive leverage 	0350 & 0360	Note that in the 2021 SREP exercise only P2R for SIs at highest consolidation level are planned.
<ul style="list-style-type: none"> G-SII leverage ratio buffer 	0370	Currently not applicable for any entity in Luxembourg.
<ul style="list-style-type: none"> Pillar 2 guidance (P2G) to address risks of excessive leverage 	0380 to 0400	No P2G for all entities (SIs & LSIs) planned for 2021.
Requirements: Ratios		Calculation of ratios are well-specified in the instructions.
<ul style="list-style-type: none"> Pillar I Leverage Ratio requirement 	0410	Entities that exclude exposures to the central bank (as reported in row 0255 of this table C 47) have to report the Adjusted Leverage Ratio requirement as per Art. 429a (7) CRR2.
<ul style="list-style-type: none"> Total SREP leverage ratio requirement (TSLRR) 	0420 & 0430	See remarks for rows 0350 to 370
<ul style="list-style-type: none"> Overall leverage ratio requirement (OLRR) 	0440	Since the G-SII buffer (row 0380) is zero for all entities in Luxembourg, the figure in 0460 is identical to that in 0430.
<ul style="list-style-type: none"> Overall leverage ratio requirement (OLRR) and Pillar 2 Guidance (P2G) ratio 	0450 to 0470	See remark for rows 0390 to 0410