Version of 19 February 2020

Q&A Circular CSSF 18/703

Questions and Answers on Circular CSSF 18/703

This Q&A document summarises replies to questions received regarding Circular CSSF 18/703.

Question 1: What is to be reported as new exposures at each reporting date?

Date of publication: 9 April 2019

On the reporting date of **15 April of a given year**,

- For new exposures, all the new exposures that were issued between 1 July and 31 December of the previous year should be reported;
- For outstanding exposures, all outstanding exposures up until 31 December of the previous year should be reported.

On the reporting date of **15 October of a given year**,

- For new exposures, all the new exposures between 1 January and 30 June of the same year should be reported;
- For outstanding exposures, all outstanding exposures up until 30 June of the same year should be reported.

Question 2: Under what circumstances do banks need to report?

Updated on 19 February 2020

In principle, banks that issue real estate credit as defined in the scope section of Circular 18/703 are required to report. A bank is excluded from reporting if its total outstanding exposure amount to eligible residential real estate credit does not exceed EUR 10 million.

If banks do not grant loans secured by residential real estate and for the purpose of purchasing real estate, it is not required to send a "zero report" to the CSSF. Banks should not report to the CSSF if they do not have exposures that fall into the scope as defined by the Circular.

Question 3: Where can the template be found?

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The template can be found under the "Surveillance macroprudentielle – Borrower-based measures" heading on the CSSF website.

The template can also be found under "Banques – Reporting legal – Rapports ad hoc".

Question 4: How should the LTV-C be computed for loans connected to house saving contracts?

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For the purpose of calculating LTV-C relating to the stock of loans, the bank may take into account the amounts saved through the house savings contract in order to determine the outstanding amount of the loan.

This means that if a loan of EUR 100,000 has been granted to a client for a duration of 30 years and the amount saved through the house savings contract amounts to 40,000 at the time of the reporting period, the bank should take into account this amount to compute the outstanding loan amount. The outstanding loan amount would then be EUR 60,000.

Question 5: Into which amortization category should loans contracted via a real estate savings' plan be considered? Which maturity should be reported for these loans?

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Since these loans imply a regular payment of capital into a fund or to the lender, we recommend to classify these loans as 'amortizing' loans. This is also in line with the obligation of considering these payments in the computation of the loan service (LS) or debt service (DS) amounts. The loan should remain in the same amortization category over its entire duration. The bank should mention the total maturity of the loan even though these loans are split into two phases.

Question 6: How should loans for renovation be taken into account?

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Loans that are granted to finance the renovation of a real estate property and that are secured by a real estate property are part of the scope of the reporting. Therefore, such loans should be taken into account when calculating the 'L' in an LTV ratio or in the LS and LSTI ratios. In case of a renovation loan being granted in addition to a loan for purchasing a real estate property, one LTV should be computed, with the L including both loan amounts.

Question 7: Do employees' loans have exactly the same reporting requirements?

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Previous discussions with the industry revealed that for some institutions there are difficulties in including employees' loans in the template's tables where income ratios are requested due to privacy concerns. We will allow banks to exclude employees' loans from income related tables under the condition that the reporting bank provides written assurance to the CSSF that the employees' share in total new loans is marginal and their exclusion does not significantly bias the relative share of income buckets nor the levels of the concerned ratios in the loan portfolio. The written assurance can be provided via email to the macroprudential policy division of the CSSF's SSM coordination department (macropru@cssf.lu). Employees' loans should be included in all non-income related tables.