

In case of discrepancies between the French and the English text, the French text shall prevail.

Luxembourg, 27 March 2018

To all credit institutions and CRR investment firms incorporated under Luxembourg law and to the Luxembourg branches of credit institutions and investment firms having their registered office in a third country

CIRCULAR CSSF 18/687

Re: Adoption of the EBA Guidelines on uniform disclosures under Article 473a¹ of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01)

Ladies and Gentlemen,

The purpose of this circular is to draw attention to the guidelines of the European Banking Authority (**EBA**) on uniform disclosures under Article 473a¹ of Regulation (EU) No 575/2013² as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds (EBA/GL/2018/01) ("**Guidelines**") which the CSSF intends to comply with³.

¹ On 12 December 2017, the European Union adopted Regulation (EU) 2017/2395 of the European Parliament and of the Council amending Regulation (EU) No 575/2013 of 26 June 2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds.

² Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (**CRR**).

³ "Significant Supervised Entities", as defined in Article 2(16) of Regulation (EU) No 468/2014 of the European Central Bank (**ECB**) of 16 April 2014 ("SSM Framework Regulation"), shall refer to the ECB's rules in this respect, where required.

These transitional arrangements allow mitigating the impact resulting from the implementation of the IFRS 9 new impairment model (expected credit losses), on own funds, capital ratios and leverage ratios of institutions.

In this context, the main objective of these Guidelines is improving consistency and comparability regarding the disclosure requirements applicable to the relevant institutions and implementing the new Pillar 3 requirements⁴ of the Basel Committee on Banking Supervision (BCBS) relating to the impact of the transitional arrangements, when recognising expected credit loss accounting in accounting, on the capital and leverage ratios.

The Guidelines shall apply to the institutions which are required to comply with all or part of the disclosure requirements referred to in Part Eight of the CRR in accordance with Articles 6, 10 and 13 of this Regulation and which fulfil at least one of the following criteria (in accordance with paragraph 1 of Article 473a of the CRR):

- Institutions that prepare their accounts according to the international accounting standards in accordance with Article 6(2) of Regulation (EC) No 1606/2002⁵;
- Institutions effecting the valuation of assets and off-balance sheet items and the determination of own funds in conformity with the international standards adopted in accordance with paragraph 2 of Article 6 of Regulation (EC) No 1606/2002⁵;
- Institutions effecting the valuation of assets and off-balance sheet items by applying the accounting standards in accordance with Directive 86/635/EEC, and using an expected credit loss model that is identical to that used in the international accounting standards adopted in accordance with the procedure laid down in paragraph 2 of Article 6 of Regulation (EC) No 1606/2002⁵.

This concerns, in particular, parent institutions in the European Union, institutions that do not draw up consolidated accounts, O-SIIs (“Other Significant Institutions”), G-SIIs (“Globally Significant Institutions”) and subsidiaries of material significance for local markets.

The Guidelines supplement the disclosure requirements of Part Eight of the CRR⁶ and specify the information to be added by the institutions for the transitional arrangements relating to IFRS 9.

The Guidelines require the institutions having chosen to apply the transitional arrangements relating to IFRS 9 to fill in the quantitative template contained in Annex I of the Guidelines. Those institutions that choose not to apply the transitional arrangements should disclose a narrative commentary in a flexible format.

These Guidelines shall apply from 20 March 2018 to 31 December 2022 in accordance with paragraph 6 of Article 473a of the CRR. The Guidelines are available on the EBA website at:

https://www.eba.europa.eu/documents/10180/2084799/Guidelines+on+uniform+disclosure+of+IFRS+9+transitional+arrangements_EN.pdf/302d6722-c37b-4869-ba12-6d3b4a1092fb

⁴ <https://www.bis.org/bcbs/publ/d400.htm>.

⁵ <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2002:243:0001:0004:en:PDF>.

⁶ Cf. in this respect Circulars CSSF 17/673 and CSSF 18/676.

This circular shall apply with immediate effect.

Yours faithfully,

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

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