



Commission de Surveillance
du Secteur Financier

Circular 20/755

RE: ADOPTION OF 1) THE GUIDELINES ON SUPERVISORY REPORTING AND DISCLOSURE REQUIREMENTS IN COMPLIANCE WITH THE CRR 'QUICK FIX' IN RESPONSE TO THE COVID-19 PANDEMIC (EBA/GL/2020/11) AND 2) THE GUIDELINES AMENDING GUIDELINES EBA/GL/2018/01 ON UNIFORM DISCLOSURES UNDER ARTICLE 473A OF REGULATION (EU) No 575/2013 (CRR) ON THE TRANSITIONAL PERIOD FOR MITIGATING THE IMPACT OF THE INTRODUCTION OF IFRS 9 ON OWN FUNDS TO ENSURE COMPLIANCE WITH THE CRR 'QUICK FIX' IN RESPONSE TO THE COVID-19 PANDEMIC (EBA/GL/2020/12) AND 3) AMENDMENT OF CSSF CIRCULAR 18/687

Circular 20/755

Re: Adoption of 1) the Guidelines on supervisory reporting and disclosure requirements in compliance with the CRR 'quick fix' in response to the COVID-19 pandemic (EBA/GL/2020/11) and 2) the Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic (EBA/GL/2020/12) and 3) amendment of CSSF Circular 18/687

Luxembourg, 28 October 2020

Ladies and Gentlemen,

To all credit institutions designated as Less Significant Institutions under the Single Supervisory Mechanism and to all branches of non EU credit institutions

The purpose of this circular is to inform you that the CSSF, in its capacity as Competent Authority applies 1) the Guidelines of the European Banking Authority (EBA) on **supervisory reporting and disclosure requirements in compliance with the CRR "quick fix"**¹ in response to the COVID-19 pandemic (Ref. EBA/GL/2020/11) (the **Guidelines**) and 2) **the Guidelines amending Guidelines EBA/GL/2018/01 on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 (CRR) on the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds to ensure compliance with the CRR 'quick fix' in response to the COVID-19 pandemic** (Ref. EBA/GL/2020/12) (the **amending Guidelines**), (together **the CRR "quick fix" Guidelines**) of 11 August 2020. The CSSF has integrated the CRR "quick fix" Guidelines into its regulatory approach and administrative practice with a view to promote supervisory convergence in this field at European level. **All Less Significant Institutions² and branches of non EU credit institutions** that fall within the scope of application of this circular (**In-Scope Entities**) shall duly comply with them.

¹ Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in respect to the Covid-19 pandemic

² "Significant supervised entities" as defined in Article 2, point 16 of Regulation (EU) No 468/2014 of the European Central Bank (ECB) of 16 April 2014 (SSM Framework Regulation) shall refer to the relevant ECB rules.

The EBA/GL/2018/01 were implemented via Circular CSSF 18/687 on the Adoption of the EBA Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds. Therefore the purpose of this circular is also to amend Circular CSSF 18/687 as presented in tracked changes in the Annex.

The EBA/GL/2020/11 are available on the EBA website at:

<https://eba.europa.eu/regulation-and-policy/supervisory-reporting/guidelines-supervisory-reporting-and-disclosure-requirements-compliance-crr-“quick-fix”-response>

The EBA/GL/2020/12 are available on the EBA website at:

<https://eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/guidelines-amend-disclosure-guidelines-ebagl201801>

1. The CRR “quick fix” Guidelines

The CRR “quick fix” is part of a series of measures taken by the European co-legislators to mitigate the impact of the COVID-19 pandemic on credit institutions across EU Member States and introduces amendments to the regulatory requirements of the CRR. The CRR “quick fix” Guidelines specify how these measures shall be reflected by In-Scope Entities in their supervisory reporting and Pillar III disclosures.

The **Guidelines** define how credit institutions shall reflect the effects of CRR “quick fix” measures in the:

- Reporting of their credit risk, market risk, own funds and of their leverage ratio; and
- Disclosure of their leverage ratio in their disclosure requirements in Part Eight of the CRR, as specified in Articles 6, 10 and 13 thereof (Pillar III report).

The Guidelines are put forward strictly in the context of the COVID-19 crisis and are applicable until 28 June 2021.

The **amending Guidelines** specify the quantitative and/or narrative information to be provided by In-Scope Entities in accordance with the disclosure requirements included in the CRR “quick fix”. These disclosure requirements relate to the extension of the transitional period for mitigating the impact of IFRS 9 in accordance with Article 473a CRR and to the new disclosure requirement regarding the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income in accordance with Article 468 CRR.

2. Scope of application

Reporting requirements

The level of application of the reporting requirements introduced by the Guidelines follows the level of application of the regular COREP. In-Scope Entities shall reflect the impact of the CRR “quick fix” measures in their quarterly reporting templates on credit risk, market risk, and own funds and on the leverage ratio, at the individual and consolidated levels for the reporting reference dates of 31 December 2020 and 31 March 2021.

[In-Scope Entities who have chosen to apply certain or all measures of the CRR quick fix are invited to \(re-\)submit their COREP and leverage ratio reporting templates as at 30 September 2020 where the application of quick fix measures has a material impact on the reported figures.](#)

Disclosure requirements

The disclosure requirements of the CRR “quick fix” Guidelines shall apply to In-scope Entities required to comply with some or all of the disclosure requirements in Part Eight of the CRR, as specified in Articles 6, 10 and 13 thereof (Pillar III report).

These In-Scope Entities shall disclose relevant information as follows:

- Information with regard to the leverage ratio shall be disclosed according to the Guidelines on a semi-annual frequency until **28 June 2021**;
- Information with regard to the IFRS 9 transitional arrangements shall be provided by using the template in Annex 1 of the amending Guidelines until the end of the transitional period referred to in paragraphs 6 and 6a of Article 473a CRR (until **31 December 2024**);
- Information with regard to the application of Article 468 CRR shall be disclosed by using the template in Annex 1 of the amending Guidelines until the end of the transitional period referred to in paragraph 1 of Article 468 CRR (until **31 December 2022**).

3. Date of application

This circular shall apply with immediate effect.

Yours faithfully,

Claude WAMPACH
Director

Marco ZWICK
Director

Jean-Pierre FABER
Director

Françoise KAUTHEN
Director

Claude MARX
Director General

Annex

Circular 18/687 as amended by Circular 20/755

Re: Adoption of the EBA Guidelines on uniform disclosures under Article 473a 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) **as amended by the EBA/GL/2020/12.**

To all credit institutions designated as Less Significant Institutions under the Single Supervisory Mechanism and to all branches of non EU credit institutions ~~and GRR 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~~

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.

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 recognizing 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):~~

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. On the 24 June 2020, the European Union adopted Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June 2020 amending Regulations (EU) No 575/2013 and (EU) 2019/876 as regards certain adjustments in response to the COVID-19 pandemic.~~

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

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

- ~~• 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 **credit** institutions in the European Union, **credit** 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 Eight⁶ of the CRR and specify the information to be added by ~~the credit~~ institutions for the transitional arrangements relating to IFRS 9.

The Guidelines require ~~the credit~~ 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 until the end of the transitional periods referred to in paragraph 1 of Article 468 and in paragraphs 6 and 6a of Article 473a of Regulation (EU) No 575/2013.

~~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

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.



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<https://eba.europa.eu/regulation-and-policy/transparency-and-pillar-3/guidelines-amend-disclosure-guidelines-ebagl201801>

This circular shall apply with immediate effect.

Yours faithfully,

Claude WAMPACH
Director

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