

**COMMISSION de SURVEILLANCE
du SECTEUR FINANCIER**

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

Luxembourg, 23 May 2011

To payment institutions
incorporated under Luxembourg
law

CIRCULAR CSSF 11/511

Re: Periodic reporting scheme for payment institutions

Ladies and Gentlemen,

This circular defines the modalities for the periodic reporting applicable to the payment institution sector referred to in Article 1(18) of the law of 10 November 2009 on payment services, the activities of electronic money institutions and on the settlement finality in payment and securities settlement systems (the "Law").

This periodic reporting is intended for the Commission de Surveillance du Secteur Financier (the "CSSF") and shall ensure the latter's mission as competent authority for the supervision of payment institutions as provided for in Article 31 of the Law.

Payment institutions shall transmit to the CSSF a detailed financial position and figures drawn up in accordance with the modalities and instructions defined in Annexes I and II of this circular.

Considering that payment institutions represent a new activity sector subject to the CSSF's supervision, the reporting requirements defined hereafter are likely to be adapted according to the specificities of this sector and to the supervisory needs.

This circular comes into force with immediate effect.

Yours faithfully,

COMMISSION DE SURVEILLANCE DU SECTEUR FINANCIER

Claude SIMON
Director

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Annexe I: Content of the periodic reporting of payment institutions

The periodic reporting includes both the periodic reporting relating to the solvency of payment institutions and the financial periodic reporting relating to these institutions.

The periodic information to be transmitted to the CSSF shall include the following tables:

Table Z 1.1: Balance sheet

Table Z 1.2: Identification of third-party funds held and incorporated in the balance sheet

Table Z 1.4: Capital adequacy of payment institutions

Table Z 2.1: Profit and loss account

The financial information scheme as well as comments and/or explanations relating to the above-mentioned tables are included in Annexes III to VI.

As regards the methods for transmission of the above-mentioned tables to the CSSF, it should be referred to Circular CSSF 08/344 on the provisions relating to the transmission of reporting files to the CSSF.

A copy of the relevant reporting tables shall be transmitted to the Luxembourg Central Bank in order to allow it to fulfil its task of ensuring the efficiency and safety of payment systems and securities settlement systems, as well as the safety of payment instruments.

Annexe II: Reporting on an individual basis

Luxembourg payment institutions with branches abroad must provide specific periodic information in three different versions, one for the sole head office in Luxembourg (version L), the other for the global institution, including branches (version N). In addition, the head office in Luxembourg shall provide periodic information of each branch abroad in a different version (separated figures of the branch) (version S).

Luxembourg payment institutions which do not have branches abroad provide periodic information in one single version (version L).

Luxembourg payment institutions with branches abroad

Table codification	Table name	Periodicity	Deadline for submission to the CSSF¹	Version²
Z 1.1	Balance sheet	Monthly	20 th of the following month	L, S and N
Z 1.2	Identification of third-party funds held and incorporated in the balance sheet	Monthly	20 th of the following month	L, S and N
Z 1.4	Capital adequacy of payment institutions	Quarterly	20 th of the month after the end of the quarter	N
Z 2.1	Profit and loss account	Quarterly	20 th of the month after the end of the quarter	L, S and N

Luxembourg payment institutions without branches abroad

Table codification	Table name	Periodicity	Deadline for submission to the CSSF³	Version⁴
Z 1.1	Balance sheet	Monthly	20 th of the following month	L
Z 1.2	Identification of third-party funds held and incorporated in the balance sheet	Monthly	20 th of the following month	L
Z 1.4	Capital adequacy of payment institutions	Quarterly	20 th of the month after the end of the quarter	L
Z 2.1	Profit and loss account	Quarterly	20 th of the month after the end of the quarter	L

¹ The CSSF shall be informed beforehand of any delay

² L = head office in Luxembourg; S = branch; N = global institution (including its branches)

³ The CSSF shall be informed beforehand of any delay

⁴ L = entity established in Luxembourg

Annexe III: Table Z 1.1: Balance sheet

Content

Payment institutions shall transmit to the CSSF a balance sheet drawn up according to the scheme included below *on a monthly basis*.

Scheme

No. line	Assets	Amount (in €)
1.	Formation expenses	
2.	Fixed assets	
2.1	Intangible assets	
2.2	Tangible assets	
2.3	Financial assets	
2.3.1	Shares in affiliated undertakings	
2.3.2	Amounts owed by affiliated undertakings	
2.3.3	Participating interests	
2.3.4	Amounts owed by undertakings with which the company is linked by virtue of participating interests	
2.3.5	Investments held as fixed assets	
2.3.6	Other financial fixed assets	
3.	Current assets	
3.1	Cash in hand and in post office giro	
3.2	Loans and advances to credit institutions	
3.2.1	Loans and advances over one year	
3.2.2	Loans and advances up to one year	
3.2.2.1	Separate account in a credit institution according to the provisions of Article 14(1)(a) of the Law.	
3.3	Loans and advances to customers	
3.3.1	Loans and advances over one year	
3.3.2	Loans and advances up to one year	
3.4	Securities included in the trading book and investment portfolio	
3.4.1	Segregated assets in a credit institution according to the provisions of Article 14(1)(a) of the Law.	
3.5	Others	
4.	Accruals and deferred income	
5.	Loss for the financial year	
6.	Total of the item Assets (1. + 2. + 3. + 4. + 5.)	

	Liabilities	Amount (in €)
1.	Capital and reserves	
1.1	Subscribed capital or endowment capital	
1.2	Share premium account	
1.3	Revaluation reserve	
1.4	Legal reserve	
1.5	Other reserves	
1.6	Profit or loss brought forward	
2.	Provisions for liabilities and charges	
2.1	Provisions for pensions and similar obligations	
2.2	Provisions for taxation	
2.3	Other provisions	
3.	Debts	
3.1	Amounts owed to credit institutions	
3.2	Other debts	
4.	Funds received for the execution of payment transactions	
4.1	Funds received from payment service users	
4.2	Funds received through other payment service providers	
5.	Prepayments and accrued income	
6.	Profit for the financial year	
7.	Total of the item Liabilities (1.+2.+3.+4.+5.+6.)	

	Off-balance sheet	Amount (in €)
1.	Possible liabilities	
1.1	Guarantees	
1.2	Others	
2.	Commitments	
2.1	Forward purchases of assets	
2.1.1	among which: securities	
2.2	Forward sales of assets	
2.2.1	among which: securities	
2.3	Settlement of spot transactions	
2.4	Others	
3.	Transactions linked to exchange rates, to interest rates and to other market rates	

3.1	Transactions linked to exchange rates	
3.2	Transactions linked to interest rates	
3.3	Transactions linked to other market rates	
4.	Total of the item Off-balance sheet (1. + 2. + 3.)	

Annexe IV: Table Z 1.2: Identification of third-party funds held and incorporated in the balance sheet

Content

Payment institutions shall transmit to the CSSF a table identifying the third-party funds held and incorporated in the balance sheet at the closing of the report period according to the scheme included below *on a monthly basis*.

Article 14(1) of the Law sets out that in case of a payment institution which undertakes business activities other than the provision of payment services in accordance with Article 10(1)(c), the funds which have been received either directly from the payment service users or through other payment service providers for the execution of payment transactions shall:

- a) be separately identifiable in its accounting and never be commingled with other funds of persons other than the payment service users for the account of which the funds are held, and
- b) be deposited in a separate account (global or individual) in a credit institution or invested in secure, liquid and low-risk assets, where these funds are still held by the payment institution and were not delivered to the payee or transferred to another payment service provider by the end of the business day following the day when the funds have been received. These segregated funds are not part of the payment institution's own assets.

or be covered by an insurance according to the methods laid down in Article 14(1)(b) of the Law.

Table Z 1.2 aims to identify such funds when they are incorporated in the balance sheet of the payment institution and allows verifying that the segregation of these funds complies with the above-mentioned requirements. The reporting only applies to funds still held at the date of the closing of the report period.

Scheme

No. line		Amount (in €)
1.	Funds received for the execution of payment transactions	
1.1	Funds received directly from payment service users	
1.2	Funds received through other payment service providers	
2.	Investment of the received funds	
2.1	With credit institutions <i>Name of the credit institution 1</i> <i>Name of the credit institution 2</i> <i>Name of the credit institution 3</i> ...	
3.	Funds covered by an insurance <i>Name of the insurer 1</i> <i>Name of the insurer 2</i> <i>Name of the insurer 3</i> ...	

Annexe V: Table Z 1.4: Capital adequacy of payment institutions

Content

Payment institutions shall transmit to the CSSF a table accounting for their capital adequacy as compared to the standards set out in Article 17(1) of the Law *on a quarterly basis*. This information is provided based on table Z 1.4 the scheme of which is included below.

Payment institutions shall have at all times own funds calculated according to one of three methods set out in Article 17(1) of the Law. Only the lines corresponding to the method chosen by the payment institution shall be filled in in the scheme below.

It should also be referred to Circular CSSF 10/462 relating to the definition and calculation of own funds for payment institutions.

Scheme and explanatory comments

No. line		Comments	Amount (in €)
1.	Subscribed and paid up capital		
2.	Share premium account		
3.	Reserves and benefits brought forward		
4.	Interim profits	1)	
5.	(-) Own shares held, stated at their carrying amount		
6.	(-) Loss for the financial year and losses brought forward		
7.	(-) Intangible assets whatever their nature		
8.	Total of own funds		
9.	Minimum own funds legally required	2)	
10.	Capital requirements according to the general expenses ("Method A")	3)	
11.	Capital requirements according to the payment volume ("Method B")	4)	
12.	Full amount of payment transactions of the preceding financial year	5)	
13.	Payment volume	6)	
14.	First slice	7)	
15.	Second slice	8)	
16.	Third slice	9)	
17.	Fourth slice	10)	
18.	Fifth slice	11)	
19.	Scaling factor k	12)	
20.	Capital requirements according to	13)	

	an indicator ("Method C")		
21.	Interest income	14)	
22.	(-) Interest expenses	15)	
23.	Commissions and fees received	16)	
24.	Other operating income	17)	
25.	Applicable indicator	18)	
26.	First slice	19)	
27.	Second slice	20)	
28.	Third slice	21)	
29.	Fourth slice	22)	
30.	Fifth slice	23)	
31.	Scaling factor k	24)	
32.	Specific capital requirements	25)	
33.	Capital requirements with respect to the standard approach for credit risk	26)	

Comments:

- 1) Interim profits may be taken into account provided that:
 - they are determined after accounting for all charges relating to the period and after allocations to amortisation accounts, provisions and value adjustments;
 - they are calculated net of foreseeable tax charges and interim dividends or proposed dividends; and
 - they are subject to review by the *réviseur d'entreprises* (statutory auditor).
- 2) The minimum own funds legally required as applicable to the payment institution according to the provided payment service(s) shall be indicated in line 9. (cf. Article 15 of the Law).
- 3) The payment institutions which calculate solvency requirements according to "**Method A**" referred to in Article 17(1) of the Law shall indicate 10% of the general expenses of the preceding financial year in line 10.
- 4) The payment institutions which calculate solvency requirements according to "**Method B**" referred to in Article 17(1) of the Law shall indicate the solvency requirements (after multiplication by the scaling factor k, cf. point 12 below) in line 11.
- 5) The full amount of the payment institution's payment transactions for the preceding financial year shall be indicated in line 12.
- 6) The payment volume, i.e. one twelfth of the full amount of the payment transactions executed by the payment institution during the preceding financial year shall be indicated in line 13.
- 7) The result of the application of the percentage defined under Method B, point (a) in Article 17(1) of the Law shall be indicated in line 14.

- 8) The result of the application of the percentage defined under Method B, point (b) in Article 17(1) of the Law shall be indicated in line 15.
- 9) The result of the application of the percentage defined under Method B, point (c) in Article 17(1) of the Law shall be indicated in line 16.
- 10) The result of the application of the percentage defined under Method B, point (d) in Article 17(1) of the Law shall be indicated in line 17.
- 11) The result of the application of the percentage defined under Method B, point (e) in Article 17(1) of the Law shall be indicated in line 18.
- 12) The scaling factor k as defined in Article 17(2) of the Law shall be indicated in line 19.
- 13) The payment institutions which calculate solvency requirements according to "**Method C**" referred to in Article 17(1) of the Law shall indicate the solvency requirements (after multiplication by the scaling factor k , cf. point 12 below) in line 20.
- 14) to 17) The respective components of the applicable indicator shall be indicated in line 21 to 24. The line 23 shows a negative amount if the fees received are higher than the commissions received.
- 18) The applicable indicator which corresponds to the sum of the lines 21 to 24 shall be indicated in line 25. The calculation is based on the twelve months of the preceding financial year. Nevertheless, own funds calculated according to Method C of Article 17(1) of the Law shall not fall below 80% of the average of the previous three financial years for the relevant indicator.
- 19) to 23) The results of the application of the multiplier determined under the Method C, point (b) in Article 17(1) of the Law in accordance with the different slices shall be indicated in the lines 26 to 30.
- 24) The scaling factor k as defined in Article 17(2) of the Law shall be indicated in line 31.
- 25) The amount determined in one of the lines 10, 11 or 20 according to the calculation method chosen by the payment institution to determine its capital requirements shall be indicated in line 32. In principle, payment institutions may freely choose one of the three calculation methods set out in Article 17(1) of the Law. However, the payment institutions shall justify their choice having regard to the risks linked to the exercised activities and prove that they are able to apply the chosen method.
- 26) Capital requirements with respect to the standard approach for credit risk and which relate to the credits granted by the payment institutions in accordance with Article 10(3) of the Law shall be indicated in line 33. In this context, it should be referred to Part VII, Chapter 2 of Circular CSSF 06/273 as amended by Circulars CSSF 10/475, 10/496 and 10/497.

Annexe VI: Table Z 2.1: Profit and loss account

Content

Payment institutions shall transmit to the CSSF a profit and loss account drawn up according to the scheme included below *on a quarterly basis*.

Scheme

No. line	Item		Amount (in €)
1.	Interests received	+	
2.	Interests paid	-	
3.	Commissions received	+	
4.	Commissions paid	-	
5.	Other operating income	+	
6.	Gross profit or loss		
7.	Income from securities	+	
7.1	Income from participating interests or shares in affiliated undertakings		
7.2	Income from other securities		
8.	General administrative expenses	-	
8.1	Staff costs		
8.2	Other administrative expenses		
9.	Value adjustments on:	-	
9.1	tangible and intangible assets		
9.2	Value adjustments in respect of financial fixed assets and of investments held as current assets		
9.3	Others		
10.	Value re-adjustments	+	
11.	Provisions for general risks	-	
12.	Tax on income resulting from ordinary activities	-	
13.	Profit or loss on ordinary activities after tax	+/-	
14.	Extraordinary income	+	
15.	Extraordinary charges	-	
16.	Extraordinary profit or loss	+/-	
17.	Tax on extraordinary profit or loss	-	
18.	Other taxes	-	
19.	Result for the financial year	+/-	