

Luxembourg, 3 October 2011

To all credit institutions

## **CIRCULAR BCL 2011/228**

Ladies and Gentlemen,

The recent financial crisis has been the starting point for a fundamental reform of the organisational framework of the prudential supervision of the financial markets and its actors within the European Union. This work has been concluded on 21 November 2010 when the European Parliament and the Council adopted regulation (EU) 1092/2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board (ESRB).

This new regulation completes the institutional framework of the financial supervision in the European Union by creating a European Systemic Risk Board that is fully integrated in the European System of Financial Supervision (ESFS) that is composed of the ESRB, the European Supervisory Authority (European Banking Authority), European Supervisory Authority (European Insurance and Occupational Pensions Authority), the European Supervisory Authority (European Securities and Markets Authority), the Joint Committee of the European Supervisory Authorities (Joint Committee) and the competent or supervisory authorities in the Member States as specified in the Union acts referred.

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The same context, the recent financial crisis has also underlined that the supervisory authorities lack useful information for the supervision of the financial markets and their actors. This lack of information is mainly due to the fact that the information collected on the basis of the European Central Bank regulation 2008/32 concerning the consolidated balance sheet of the monetary financial institutions sector foresees exemptions for credit institutions of modest size.

Therefore the authorities do not have detailed information on assets and liabilities that are necessary for an in-depth financial stability and macro-prudential analysis for a certain number of credit institutions. However, it is vital to have detailed information on all the actors of the sector in order to run appropriate stress tests for credit institutions as well as to ensure the task of macro-prudential supervision.

It is also important to mention that in order to limit the global reporting burden on credit institutions the Luxemburgish authorities fully cooperate and use, as much as possible, the whole set of data collected for statistical and for supervisory purpose in order to run their prudential analysis.

Therefore, taking into consideration the aforementioned developments, the BCL has decided to modify its statistical data collection system in order to take into consideration data needs for prudential supervision and stress testing. Indeed, the update should allow covering also data needs for prudential supervision and financial stability analysis and thus avoid specific data collection in these areas.

## **1 Principal modifications**

Compared to the current statistical data collection, the modifications concern the following main points:

- repeal of the derogations currently granted to small size credit institutions for reports S 1.4 and S 1.5
  - update of the security by security report with data on the balance sheet of credit institutions (SBS-BBS)
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The first modification that consists of repealing the exemptions granted for the submission of reports S 1.4 «Information on valuation effects on the balance sheet of credit institutions» and S 2.5 «Quarterly statistical balance sheet of credit institutions» will allow avoiding the introduction of a new similar data collection in order to analyse claims and liabilities broken down by country, currency and economic sector of the counterpart.

Therefore, the exemptions foreseen by circular BCL 2009/225 and confirmed by mail, dated 13 January 2011 (ref.: C2.11-0038) that have been granted to a certain number of credit institutions are repealed. Thus, all credit institutions must submit the aforementioned reports as from March 2012 at the latest.

The second modification concerns the inclusion of additional information in the security by security report that refers to the balance sheet data of credit institutions. Indeed, for the purpose of data analysis is important to have information on securities other than shares broken down by type of portfolio distinguishing between:

- financial assets held for trading
- financial assets designated at fair value through profit or loss
- available-for-sale financial assets
- loans and receivables
- held-to-maturity investments

The combination of this information on the classification of securities other than shares by type of portfolio with the information on country and economic sector of the issuer is vital for the conduct of stress tests. Thus, it makes obsolete the additional information requests that the BCL has addressed to credit institutions during the past two years.

The new layout of the Security by security - Balance sheet data (SBS-BBS) will be applicable as from March 2012.

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## 2 The statistical reporting of the BCL

On the basis of the information provided above, the statistical reporting of credit institutions consists of the following reports:

- S 1.1 «Monthly statistical balance sheet of credit institutions»
- S 1.4 «Information on valuation effects on the balance sheet of credit institutions»
- S 1.5 «Information on interest rates in EUR»
- S 1.8 «Information on securitisation transactions launched by credits institutions»
- Security by security - Balance sheet data (SBS-BBS)
- Security by security - Information on assets held on behalf of third parties (SBS-BOB)
- S 2.5 «Quarterly statistical balance sheet of credit institutions»
- S 2.8 «Credits granted for buildings located in Luxembourg »
- S 2.9 «Staff»
- S 4.1 «Non balance sheet information»

Finally, it is also worth mentioning that the instructions for establishing the statistical reporting are published and may be downloaded from the BCL's website by using the following links:

<http://www.bcl.lu/fr/reporting/banques/index.html>

<http://www.bcl.lu/en/reporting/banques/index.html>

### 2.1 Entities subject to reporting

Since some credit institutions are exempted from the obligation to submit report S 1.5, the BCL shall inform each institution that is has to submit this report.

In this context, it is important to mention that the BCL's letter of 13 January 2011 (ref: C2.11-0038) remains applicable as far as concerns the submission of report S 1.5 as from June 2011.

## 3 Quality of the data transmitted

We should like to stress the importance of the quality of the data transmitted to the BCL and the necessity to submit the data to the verification rules detailed in the technical documentation. Only a rigorous control undertaken during data production will allow to

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respect the quality requirements as well as the reporting delays. This point is all the more important since the data collected will be checked by the ECB before aggregating it with the data of the other Member states. Any error or important negligence will have harmful repercussions on the reputation of the whole community of the Luxembourg monetary financial institutions.

#### **4 Respect of the reporting deadlines**

The BCL established publishes on its website a list of the exact reporting dates at which the monthly and quarterly statistical returns must be submitted to BCL.

Credits institutions are reminded that BCL must transmit monthly statistics to the ECB within 15 working days and quarterly statistics within 28 working days following the end of the period which data relates to. Therefore, it is absolutely necessary that reporting agents scrupulously respect the reporting deadlines defined in the present circular in order to allow the BCL to respect its engagements in the framework of the ESCB.

Yours sincerely,

BANQUE CENTRALE DU LUXEMBOURG  
La direction

Pierre BECK

Serge KOLB

Yves MERSCH

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