

Luxembourg, 8 June 2009

To all credit institutions

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

CIRCULAR BCL 2009/225

Modification of the statistical data collection of credit institutions

Ladies and Gentlemen,

On 19 December 2008 and 31 March 2009 the Governing Council of the European central bank (ECB) adopted regulation ECB/2008/32 concerning the consolidated balance sheet of the monetary financial institutions sector and regulation ECB/2009/7 concerning statistics on interest rates applied by monetary financial institutions to deposits and loans vis-à-vis households and non-financial corporations. These regulations complete the existing framework of the ECB's statistical activities that are necessary to allow the European system of central banks (ESCB) to carry out its functions by defining the physical and moral persons subject to reporting obligations, the regime of confidentiality and the necessary execution and sanctioning provisions, according to article 5.4 of the statute of the European system of central banks and the European central bank.

The complete set of the ECB's requirements in the field of statistical reporting of credit institutions obeys three essential rules.

First of all, the ECB must receive comparable, reliable and up to date statistical information, collected in similar conditions throughout the whole euro area.

Furthermore, the obligations defined in the regulations must respect the principles of transparency and legal security. The regulations are therefore restrictive and apply directly within the whole euro area. They directly impose obligations to physical and moral persons and allow the ECB to impose sanctions on them if they do not fulfil the reporting requirements imposed on them by the ECB.

The statistical information subject to reporting according to the requirements of the ECB and the minimal norms to be respected are detailed within the aforementioned ECB guideline and regulations. According to regulations ECB/2008/32 and ECB/2009/7, the National Central Banks (NCBs):

- shall define and implement the reporting arrangements to be followed by the actual reporting population in accordance with national characteristics
- shall exercise the right to verify or collect information which reporting agents are required to provide pursuant to the aforementioned ECB regulations

On the basis of the aforementioned regulations, BCL has developed a data collection system for money market funds and investment funds that is detailed in the present circular.

1 Objectives

On the basis of regulations ECB/2009/32 and ECB/2009/7 of the ECB, BCL has developed a data collection system that is supposed to obey the following objectives.

- complete coverage of the foreseeable requirements of the European central bank in the field of monetary and financial statistics.
- minimisation of the workload for reporting agents
- consistency with data collected for supervisory purpose.

This consistency, that is not possible for all the information which will be collected, allows the use of supervisory data within the compilation process of the data to be submitted to the ECB and contributes to the quality checking of the data that is collected.

- comparability with the standard ESA 95 (European System of National Accounts 1995). The compliance of the collected data with ESA 95 facilitates its use in the fields of national accounts and balance of payments and should allow avoiding additional inquiries.

2 Principal innovations

Compared to the current statistical data collection, the innovations foresee the reporting of additional details on various items of the monthly and quarterly statistical reports as well as the introduction of information requests on securitisation transactions launched by credit institutions and non balance sheet information.

A second major innovation consists of the integration of the security by security reporting, introduced in January 2009, in the statistical data collection. Due to this integration it will be possible to abandon the collection of the various breakdowns currently requested for items referring to securities reported under assets and liabilities in the statistical reports S 1.1 and S 2.5. In addition, it will also allow to abandon the collection of information on valuation effects on securities and thus, allow to considerably reduce the size of report S 1.4. Indeed, the ECB regulation allows the estimation of valuation effects on securities by national central banks (NCBs) provided that the latter collect monthly outstanding amounts of securities through a security by security reporting. The BCL anticipated this opportunity to derive valuation effects on securities and therefore introduced a monthly security by security

reporting of stocks. It is however important to notice that this approach requires credit institutions to remit their security by security reporting (only the report TPTBBS Security by security reporting of credit institutions – Balance sheet data) within 10 working days.

The third major innovation consists in abandoning the off-balance sheet of report S 2.5. On the one hand, the security by security reporting provides the BCL with the bulk of information on assets held on behalf of third parties that is necessary for the compilation of balance of payments and financial accounts. On the other hand, the introduction of the accounting standards IAS/IFRS request the on-balance sheet reporting of financial derivatives whereas the information on credit lines can be assessed on the basis of the supervisory reporting.

A fourth major innovation consists of the implementation of the flexibilities foreseen by the ECB regulations ECB/2008/32 and ECB/2009/7 that allow NCBs to exempt small size credit institutions from the statistical reporting. Indeed, the aforementioned ECB regulations foresee the possibility to exempt small size reporting agents. The exemptions are granted on the basis of the credit institutions' share in the aggregated balance sheet total of all resident credit institutions. Exemptions are granted provided that the coverage of data collection is above 95% of the aggregated balance sheet of all resident credit institutions. Therefore, the BCL will exempt small size credit institutions from submitting reports S 1.4 and S 2.5. However, report S 1.1 remains mandatory for all resident credit institutions since it allows the compilation of the reserve requirement and the grossing-up of quarterly data.

Finally, a last innovation consists of the layout of the reporting instructions. Indeed, in contrast to the previous approach consisting to describe the whole bulk of definitions and concepts such as the description of the items and the various breakdowns in the instructions of each statistical report, the latter are now regrouped in a single document entitled «Definitions and concepts for the statistical reporting of credit institutions». The instructions for the statistical reports will be limited to briefly describe the information to be provided in a given report.

3 Integration of the new ECB requirements in the BCL's existing statistical reporting

Since the new requirements of the ECB don't have a fundamental impact on the existing architecture of 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» and S 2.5 «Quarterly statistical balance sheet of credit institutions», the BCL decided to maintain these reports and to add the additional information requests.

In addition, two new statistical reports have been created in order to collect the information requested on securitisation operations launched by credit institutions (S 1.8) and the non balance sheet information (S 4.1).

3.1 Principal modifications of report S 1.1

The major modification is due to the need for more detailed information on credits granted to euro area residents that are the counterparts of the monetary aggregates.

The BCL opted to insert these modifications on report S 1.1 in order to keep report S 2.5 almost unchanged.

3.1.1 Abandon of breakdowns for the items containing securities

As indicated above the integration of the security by security reporting with the statistical reporting allows abandoning the breakdowns for the security items. Hence, the statistical report S 1.1 does no longer request breakdowns for securities held since these breakdowns are compiled by the BCL through the enrichment of report S 1.1 with the information stemming from the security by security reporting. Therefore, only a total amount has to be reported for each balance sheet item containing securities.

However, it is worth mentioning that for the item securities issued, the breakdown by initial maturity must be reported. Indeed, since these amounts are taken into consideration for the compilation of the reserve base and reserve requirement, the BCL has opted to maintain these details in order to avoid any doubt on the exact minimum reserve to be held by credit institutions.

3.1.2 New items for assets and liabilities

The following items, that contain additional details on the existing items, have been added to report S 1.1.

- credits secured with real estate
- revolving credits and overdrafts
- credit via delayed debit cards
- extended credit via credit cards
- credits with an initial maturity over 12 months that have a remaining maturity of less than 12 months and an interest rate reset during the remaining period of the credit
- credits with an initial maturity over 24 months that have a remaining maturity of less than 24 months and an interest rate reset during the remaining period of the credit

It is worth mentioning that the information request on these items is limited to the credits granted to euro area non financial corporations and households and non profit institutions serving households.

In addition, the following items have also been added:

- syndicated credits
For this item, information on the participation in syndicated credits granted to the main economic sectors must be reported.
- claims under reverse repos
For claims under reverse repos, information on activity with central counterparts is requested.
- the items shares and participating interests have been split in order to distinguish between quoted and unquoted securities
- transferable deposits
- syndicated borrowings
- short sale of securities
- debt securities issued with a nominal capital guarantee below 100%
- financial derivatives

3.1.3 Breakdowns by economic sector

The following breakdowns have been added.

- the sector of sole proprietors for the item other credits granted to households

- the sector of securitisation vehicles for deposit items
- the sector of central counterparts for sale and repurchase agreements

3.2 Principal modifications of report S 1.4

The major modifications are due to the integration of the security by security reporting with the statistical reporting and to the fact that the BCL will compile the valuation effects that are due to exchange rate fluctuations. In addition, small size credit institutions will be exempted from submitting report S 1.4.

3.2.1 Abandon of security items

As indicated above, the integration of the security by security reporting with the statistical reporting allows abandoning the information request for valuation effects on security items.

3.2.2 Abandon of information request on valuation effects due to exchange rate fluctuations

Since the BCL has a detailed currency breakdown of the major balance sheet items, it is in a position to derive valuation changes that are due to the fluctuation of exchange rates. Hence, this information must no longer be provided by credit institutions.

However, as far as concerns credit items, credit institutions must continue to report information on write-offs of credits.

3.2.3 New items for assets and liabilities

The following items, for which the BCL does not have the necessary information to derive valuation transactions and/or neutralise valuation effects of adjustments, have been added.

- financial derivatives
- fixed assets

3.3 Principal modifications of report S 1.5

The major modification is due to the need for more detailed information as far as concerns credits granted to euro area residents and that are the counterparts of the monetary aggregates.

3.3.1 New request for outstanding amounts

The following items, that contain additional information on the existing items, have been added to report S 1.5.

- revolving credit and overdrafts
- extended credit via credit cards

3.3.2 New request for new businesses

The following items, that contain additional details on existing items, have been added to report S 1.5.

- for new credits interest rates must be provided for the total amounts of new credits as well as for the amounts of new credits that are guaranteed
- credits to non financial corporations, up to now split into credits of up to and more than 1 million euro, are now split into three categories, namely:
 - less than or equal to 0,25 million euro
 - over 0,25 million euro and less than or equal to 1 million euro
 - over 1 million euro
- for other credits granted to households and non profits institutions serving households, separate information is requested for sole proprietors

3.4 New statistical report S 1.8

Alongside regulation ECB/2008/30 concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions, regulation ECB/200(/32 also requests information on securitisation transactions launched by credit institutions.

It is worth mentioning that this report is only applicable to credit institutions that have launched securitisation transactions.

3.4.1 New monthly data request

The following information is requested:

- net flows of credits securitisations that have an impact on the balance sheet of the credit institution by means of a:
 - securitisation vehicle in Luxembourg
 - securitisation vehicle in another euro area country
 - securitisation vehicle outside the euro area (rest of the world)
- net flows of credits securitisations that do not have an impact on the balance sheet of the credit institution
- outstanding amounts of securitised credits that remain on the balance of the credit institution, of which:
 - total
 - securitised through a securitisation vehicle in the euro area

3.4.2 New quarterly data request

The following information is requested:

- net flows of credits securitisations that have an impact on the balance sheet of the credit institution by means of a:
 - securitisation vehicle in Luxembourg
 - securitisation vehicle in another euro area country
 - securitisation vehicle outside the euro area (rest of the world)

This information must be provided:

- for credits granted to non financial corporations split according to their initial maturity
- for consumer credits, credits for house purchase and other credits granted households
- outstanding amounts of securitised credits that remain on the balance of the credit institution, of which:
 - total
 - securitised through a securitisation vehicle in Luxembourg, in another euro area country and outside the euro area (rest of the world)

This information must be provided:

- for credits granted to the general government

- for credits granted to non financial corporations split according to their initial maturity
- for consumer credits, credits for house purchase and other credits granted households

In this context, it is worth mentioning that the BCL has opted for a unique monthly statistical report that also foresees the quarterly information request of the ECB. Indeed, since the quarterly information request is not very important, the BCL deemed it preferable to work with a unique report rather than with two different reports that are very similar.

3.5 Principal modifications for report S 2.5

The major modification consists in abandoning the off-balance sheet since and the exemption for small size credit institution.

3.5.1 Abandon of the off-balance sheet

As indicated above the integration of the security by security reporting with the statistical reporting, the reporting of financial derivatives on-balance sheet as well as the security by security reporting allows to discontinue the reporting of the off-balance sheet.

3.5.2 Abandon of breakdowns for the security items

As indicated above the integration of the security by security reporting with the statistical reporting allows abandoning the breakdowns for the security items. Hence, the statistical report S 2.5 does no longer request breakdowns for securities held and issued since these breakdowns are compiled by the BCL through the enrichment of report S 2.5 with the information stemming from the security by security reporting. Therefore, only a total amount has to be reported for each balance sheet item containing securities.

3.5.3 New items for assets and liabilities

The following items, of which some contain additional details on existing items, have been added to report S 2.5.

- short sales of securities
- the items remaining assets and liabilities have been split in order to isolate accrued but not yet due interest
- financial derivatives

3.5.4 New breakdowns for the economic sector

In order to avoid multiple modifications when additional countries join the euro area, the breakdown by economic sector of the counterparts shall be standardised and will thus be independent from the country of residence of the counterpart.

3.6 New statistical report S 4.1

Regulation ECB/2008/32 also requests some information on the number of transferable accounts opened by customers and distinguishes between traditional accounts and Internet accounts.

4 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»
- S 2.5 «Quarterly statistical balance sheet of credit institutions»
- S 2.8 «Credits granted for buildings located in Luxembourg »
- S 2.9 «Staff»

In this context, it is worth mentioning that report S 3.1 «Operations on gold and securities» is abolished with immediate effect. Indeed, due to the changes at European level as far as concerns the calculation of the value added tax this report became useless.

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>

4.1 Entities subject to reporting

Since small size credit institutions are exempted from reports S 1.4, S 1.5 and S 2.5, the BCL shall inform each institution by separate mail of its reporting obligations.

5 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 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.

6 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.

7 Setting up of the new data collection

The transmission of this information is mandatory from December 2009 and June 2010.

The first reporting according to the new instructions shall begin with data for June 2010 except for report S 1.8 «Information on securitisation transactions launched by credits institutions» that will begin with data for December 2009.

8 Test phase

The integration of the security by security reporting and the monthly and quarterly statistical reporting is a major innovation whose objective is to avoid a double reporting and to increase the quality of the data while avoiding additional data gathering. However, this integration also presents a major risk; indeed, any delay or quality problem will have as a consequence that the BCL will not be in a position to satisfy its obligations vis-à-vis the ECB.

In order to avoid problems when the new reporting requirements enter into production, each credit institution must participate to a test phase. The latter starts in April 2010 when credit institutions will have to submit the whole set of reports for March 2010. The BCL shall inform each credit institution of the results of the test and ask, if necessary, additional tests in order to solve any quality problems.

Yours sincerely,

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