

## **Frequently Asked Questions**

**On**

**Banque centrale du Luxembourg regulation 2011/N°9 dated 4 July 2011 relating to the collection of data on payment instruments and operations**

**(For information purposes only)**

**Banque centrale du Luxembourg**

|  |    |
|--|----|
| General .....  | 4  |
| 1. What is the difference between the direct collection on payment data and the reporting of the Balance of Payment? .....               | 4  |
| 2. Who is concerned by the reporting on payment data? .....  | 4  |
| 3. Do institutions have to report payments executed via an intermediary? .....   | 4  |
| 4. What payment instruments are covered by this reporting? .....   | 4  |
| 5. What payments are excluded from the scope of the reporting? .....   | 5  |
| 6. Does the reporting cover interbank payments? .....  | 5  |
| 7. Does a bank using nostro accounts for payments have to report? .....  | 5  |
| 8. Are operations on investment funds included in the scope of the reporting? .....  | 6  |
| 9. What date should the report be based on? .....  | 6  |
| 10. What is the currency of the reporting? .....   | 6  |
| 11. In what format should the data be sent? .....  | 6  |
| 12. What exchange rate should be used for transactions executed in another currency than the accounting currency? .....                  | 7  |
| 13. What should be reported in the case of “no transaction”? .....   | 7  |
| 14. How are foreign exchange operations to be dealt with in this reporting? .....  | 7  |
| Questions on the reporting of credit transfers (tables V1.1 / V1.2) .....  | 7  |
| 15. What credit transfers have to be reported? .....   | 7  |
| 16. Are interbank transfers based on a Swift MT202COV included in the reporting? .....   | 7  |
| 17. Do “own account operations” have to be reported? .....   | 8  |
| 18. Do transfers transmitted via Multiline have to be reported? .....  | 8  |
| 19. How should a bank report interbank payments when not using the Swift messaging system? .....   | 8  |
| 20. How do commissions to brokers have to be reported? .....   | 8  |
| 21. Are payments within our books to be reported? .....  | 8  |
| 22. Do transactions initiated by the customer via the internet (web banking) covered by the reporting? .....                             | 8  |
| 23. Are operations with parent companies covered by the reporting? .....   | 8  |
| 24. Are funding operations included in the reporting? .....  | 9  |
| 25. How to report common treasury operations at head office level? .....   | 9  |
| 26. Are securities transactions covered by the reporting? .....  | 9  |
| 27. How should Free of Payment (FOP) transactions be reported? .....   | 10 |
| 28. Are minimum reserve operations covered by the reporting? .....   | 10 |
| 29. How to identify the settlement channel? .....  | 10 |
| Questions on the reporting of direct debit transactions (table V1.3) .....   | 10 |
| 30. Are legacy direct debits covered by the reporting? .....   | 10 |
| 31. Are SEPA direct debits covered by the reporting? .....   | 11 |
| 32. Is the settlement of payment cards balances covered by the reporting? .....  | 11 |
| Questions on the reporting of payment cards (table V1.4 / V1.5 / V1.6) .....   | 12 |
| 33. What kind of payment cards are concerned by the reporting? .....   | 12 |
| 34. What specific data have to be reported regarding prepaid cards? .....  | 12 |
| 35. Issuing or distributing payment cards? .....   | 12 |
| 36. Does the number of payment cards in circulation have to be reported? .....   | 12 |
| 37. Do issuing and cardholder banks have to report transactional data on payment cards (issuing activity, not acquiring activity)? ..... | 13 |

|  |    |
|--|----|
| 38. How to report payment cards that are not in a plastic form? .....  | 13 |
| 39. How to report transactions initiated by mobile devices? .....  | 13 |
| Questions on the reporting of check transactions (table V1.7) .....  | 13 |
| 40. What should be reported for the ‘Country of reception’ and the ‘Sending country’<br>if this data is not available? ..... | 13 |
| Questions on the reporting of e-money (table V1.8 / V1.9).....   | 14 |
| 41. Who is subject to e-money reporting?.....  | 14 |
| Questions on the reporting of OTC transactions (Table V1.11) .....   | 14 |
| 42. What is the scope of reporting of table V1.11?.....  | 14 |
| Questions on the reporting of table V1.12 .....  | 14 |
| 43. What is the scope of reporting of table V1.12?.....  | 14 |
| Questions on the reporting of book entries (tables V1.13 / V1.14).....   | 14 |
| 44. What is the scope of reporting of book entries? .....  | 14 |
| 45. How to report negative “interest payment by the bank”?.....  | 14 |

## **General**

### **1. What is the difference between the direct collection on payment data and the reporting of the Balance of Payment?**

The reporting of the BOP focuses on cross-border transactions (contact: [reporting.bop@bcl.lu](mailto:reporting.bop@bcl.lu)).

The direct collection on payment data (contact: [market\\_infrastructures@bcl.lu](mailto:market_infrastructures@bcl.lu)) focuses on domestic and cross-border payment transactions. The reporting covers payment transactions from/to a Luxembourgish account, regardless of the country of residence of the account holder.

### **2. Who is concerned by the reporting on payment data?**

Banks (i.e. any institution active in the field of payments: credit institutions, payment institutions, e-money institutions, the post office) and branches of banks active in the area of payments have to report on payment data.

### **3. Do institutions have to report payments executed via an intermediary?**

Yes, each institution has to report its payments even in the case the payments are executed by a correspondent or a Payment Service Provider (PSP). In such a case, payments will be reported twice: once by the institution and once by the correspondent (if located in Luxembourg).

The BCL will manage the double reporting of operations (the transactions will be reported in different tables).

### **4. What payment instruments are covered by this reporting?**

The reporting notably aims at the payment instruments covered by the PSD<sup>1</sup>.

For instance, the following customer payments are **included** in the reporting (list not exhaustive):

- Transfers of funds executed by the bank upon customer instruction, either via a payment system or via a PSP
- Transfers of funds executed by the bank initiated by the customer through the internet (web banking)
- Credit transfer executed by the bank for the payment of invoices received from service providers

---

<sup>1</sup> See Annex 1 of BCL regulation 2011/N°9 dated 4 July 2011 and 2015/N°20 dated 24 August 2015, under: Introduction / Scope of the reporting on payment data.

- Direct debit relative to customer invoices (ex: electricity invoices, settlement of payment cards balance)
- Sales transactions paid with payment cards
- Cash withdrawals at an ATM with a payment card
- Cash withdrawal at the bank counter
- Credit operation executed by the merchant on the payment card
- Transfers of funds initiated by the customer in its own favor (DNO = BEN)
- E-money issuance and transactions
- Customer and interbank transfers between a payment account and other accounts (e.g. savings account, fixed term deposit account), also when the DNO and the BEN are the same.

## 5. What payments are excluded from the scope of the reporting?

### ❖ Period January 2012 – December 2016:

Book entries, securities transactions and customer loans operations are not covered by the monthly reporting. An annual survey will be conducted to estimate these payments.

### ❖ Starting January 2017:

All payment transactions have to be reported:

- All transactions to / from all payment accounts opened by the reporting agent for its customers.
- Payments executed by the reporting agent for its own use.
- Book entries, the cash leg of securities transactions and customer loans operations are covered by the monthly reporting

## 6. Does the reporting cover interbank payments?

Yes, the reporting covers both customer and interbank payments.

## 7. Does a bank using nostro accounts for payments have to report?

Yes, all payments initiated from or received to any account of the bank should be reported, whether the account is held at the parent company or in another bank, in Luxembourg or abroad.

Banks using an intermediary bank or payment services providers will indicate the settlement channel: “PSP LU” or “PSP non-LU”.

## **8. Are operations on investment funds included in the scope of the reporting?**

### ❖ Period January 2012 – December 2016:

Operations on investment funds (subscriptions, redemptions), as well as securities transactions (purchases, sales), are excluded from the scope of this reporting (for the cash leg).

If an investment fund is a customer of a bank, the investment funds payments have to be included in this reporting as for any other customer.

### ❖ Starting January 2017:

The cash leg of operations on investment funds (subscriptions, redemptions), as well as securities transactions (purchases, sales), have to be reported.

If an investment fund is a customer of a bank, the investment funds payments have to be included in this reporting as for any other customer.

## **9. What date should the report be based on?**

Banks are free to decide to select payment date to be reported based on any convenient criteria as long as it is applied consistently. This can be:

- the transaction date
- the settlement date / value date
- the transmission date of the payments into the payment system/ to the Payment Service Provider.

## **10. What is the currency of the reporting?**

The value of payment data is to be reported in the accounting currency of the institution.

## **11. In what format should the data be sent?**

The payment data are to be reported in the following format:

- Separator of thousands:

There is no separator of thousands in the reporting.

- Number of decimals:

The data can be reported with a maximum of 5 figures after the separator of decimals.

The separator of decimals is the point (“.”).

**12. What exchange rate should be used for transactions executed in another currency than the accounting currency?**

Banks are free to decide on a conversion method as long as it is applied consistently. Conversions can be made using daily rates or monthly exchange rates.

**13. What should be reported in the case of “no transaction”?**

All tables and sub-tables have to be reported.

In the case “no transaction” has to be reported for a table, the empty table respectively the empty sub-tables will be sent. The file will only include the header.

This is a current practice of the reporting to the BCL.

**14. How are foreign exchange operations to be dealt with in this reporting?**

Foreign exchange transactions are reported as transactions on the customers’ payment account

Foreign exchange transactions are reported as transactions on the customers’ payment account in the V-tables relating to book entries (tables V1.13 and V1.14)..

Forex transactions processed by the way of a credit transfer fall under the scope of the report V1.1.

Foreign exchange transactions for which bank notes are exchanged against bank notes in another currency (over-the-counter) do not fall under the scope of the report V1.11.

***Questions on the reporting of credit transfers (tables V1.1 / V1.2)***

**15. What credit transfers have to be reported?**

- interbank transfers : all payment transactions to and from other banks. In order to facilitate the selection, interbank transfers can be based on Swift messages of the category 2. However cover messages will be excluded (MT202cov). MT204 will be handled as direct debits.

- customer transfers : all payment transactions processed through the payment chain of the institution. Some customer transfers can be executed via Swift (ex: operations on behalf of investment funds).

**16. Are interbank transfers based on a Swift MT202COV included in the reporting?**

Payments based on a Swift MT202COV are excluded of the reporting in order to avoid double counting.

**17. Do “own account operations” have to be reported?**

Yes, own account operations have to be reported.

E.g.: customer transfers (typically the payment of invoices) or interbank payments (typically treasury operations).

**18. Do transfers transmitted via Multiline have to be reported?**

Multiline is an e-banking service enabling corporates to send payment instructions to several banks. This service may also be used by banks in their capacity as a corporate.

A bank sending payment instructions via Multiline to another bank for their execution is considered as a customer (‘Donneur d’ordre’ or ‘DNO’) and will not report these payments.

The executing bank (‘Banque DNO’) will report these payments.

**19. How should a bank report interbank payments when not using the Swift messaging system?**

Institutions not using the Swift messaging system will choose, in coordination with the BCL, an equivalent criterion.

**20. How do commissions to brokers have to be reported?**

Commissions to brokers should be reported as customer transfers. They should not be reported as interbank payments as brokers do not have the banking status.

**21. Are payments within our books to be reported?**

Transfers initiated by a customer (DNO), in favor of another customer (BEN) of the same bank have to be reported. They are considered as “on-us payments”.

**22. Do transactions initiated by the customer via the internet (web banking) covered by the reporting?**

Yes, all payment transactions have to be reported independently of the way they have been initiated.

**23. Are operations with parent companies covered by the reporting?**

Yes, the following operations have to be reported:

- Interbank transfers initiated by the reporting bank in favor of parent companies
- Interbank transfers initiated by parent companies in favor of the reporting bank
- Customer and interbank transfers of the reporting bank executed by parent companies, the latter acting as the PSP of the reporting bank



## 24. Are funding operations included in the reporting?

Funding operations are payment transactions whereby a bank transfers funds from its account with Bank A to its account with Bank B.

Yes, funding operations should be reported under interbank transfers. In the case both accounts are held at the same bank (Bank A or Bank B), the settlement channel of this in-house transfer will be reported as “Nostro-Loro”.

The bank issuing the instructions will report as an issued credit transfer and as a received credit transfer.

Bank A and bank B should report as intermediate credit transfers.

## 25. How to report common treasury operations at head office level?

Example: LU Bank A has an account with its head office. The head office offers joint treasury operations in order to place the money.

The reporting depends on the legal nature of the operations. If the end of day balance of the account is remunerated without transfer to a dedicated account, no credit transfer should be reported. If on the other hand the end of day balance is transferred to a dedicated account to benefit from remuneration, a credit transfer should be reported, independently of who initiates the transfer.

## 26. Are securities transactions covered by the reporting?

Securities transactions processed on customers’ payment accounts have to be reported. It includes customers that are investment funds. Securities transactions processed by the bank for its own account are not in the scope of the collection.

Payments executed without any instruction from the customer/investment fund (internal process) are reported as book entries (table V1.13 for a credit and V1.14 for a debit).

Payments executed on the basis of a payment instruction from the customer/investment fund have to be reported as credit transfers (table V1.1.1 for a transfer sent and V1.1.2 for a transfer received).

### Example 1 - Retail bank:

Payments relating to securities transactions are usually processed without any payment instruction from the customer: the customer instructs the securities/investment fund transaction in his webbanking or other form. His payment account is debited/credited by the way of an internal process. In this case, the movements on the payment account are reported as book entries.

### Example 2 - Depository bank:

The investment activity (buy and sell of securities) is generally processed through a securities instruction but without any payment instruction from the investment fund (internal process) and is therefore reported as book entries. However, if an external agent acts as an

intermediary in the securities transaction, the related payment is generally processed by the way of an instruction; in this case, a credit transfer is reported.

Subscriptions and redemptions are generally processed by the way of a transfer from/to another bank and are therefore reported as a credit transfer received (subscriptions) and a credit transfer sent (redemptions) in the table V1.1. The payment of invoices by the investment fund (ex: audit fees) have to be reported as a credit transfer sent.

## **27. How should Free of Payment (FOP) transactions be reported?**

The reporting of interbank payments is based on Swift messages of category 2 whereas interbank securities transactions (DVP transactions) are based on Swift messages of the category 5. DVP transactions are therefore excluded from the reporting.

FOP transactions usually involve a payment which will be included in the category 2 messages and will be included in the reporting of interbank credit transfers.

## **28. Are minimum reserve operations covered by the reporting?**

Transfers from and to the minimum reserve accounts should be included in the reporting of interbank credit transfers, regardless of the payment message used.

## **29. How to identify the settlement channel?**

The settlement channel to report will depend on whether the bank is connected or not to a settlement system.

If the bank is connected to a settlement system, the settlement channel to report will either be the name of the system used (example: Target2) or ‘Relation Nostro/Loro’ (“Relation Nostro/Loro” is to be indicated if the settlement is not done via the settlement system).

If the bank is not connected to a settlement system, the settlement channel to be indicated will be ‘PSP LU’ or ‘PSP non-LU’ depending on where the PSP is based.

## ***Questions on the reporting of direct debit transactions (table V1.3)***

### **30. Are legacy direct debits covered by the reporting?**

Yes, legacy direct debits in currencies other than the euro have to be reported.

According to regulation (EU) N°260/2012 of the European Parliament and of the Council of 14 March 2012, direct debits in euro have to be SEPA compliant. No legacy direct debits in euro should consequently be processed anymore.

Only settled transactions have to be reported.

### **31. Are SEPA direct debits covered by the reporting?**

Yes, SEPA direct debits are covered by the reporting.

According to regulation (EU) N°260/2012 of the European Parliament and of the Council of 14 March 2012, direct debits in euro have to be SEPA compliant. Direct debits in euro consequently have to be reported as SEPA direct debits.

### **32. Is the settlement of payment cards balances covered by the reporting?**

Yes. The sub-table V1.3.2 is dedicated to the settlement of payment cards balances.

#### **- Debit cards:**

No reporting in the table V1.3 relating to direct debits.

Debit cards transactions (for issued debit cards) have to be reported in the table V1.5.

#### **- Prepaid cards:**

No reporting in the table V1.3 relating to direct debits.

The following reporting has to be done regarding prepaid cards:

- Prepaid cards transactions (table V1.5)
- Fundings and withdrawals on prepaid cards (V1.4.2)

#### **- Credit cards and deferred debit cards:**

In case of a monthly direct debit on the customer account:

Yes, the monthly settlement of credit cards balances should be reported in the sub-table V1.3.2, when the amount is debited from the cardholder's account without an instruction issued by the account holder.

Data regarding the monthly settlement of credit cards balances may only be reported in the table dedicated to legacy direct debits (table V1.3.1) or in the tables dedicated to SEPA Direct debits / reporting as debtor bank (table V1.3.3) if they can not be isolated from other legacy direct debits.

- In case of a credit transfer by the customer to its bank:

No reporting in the sub-tables V1.3.1 & V1.3.2.

The credit transfer sent has to be reported (sub-table V1.1.1)

## **Questions on the reporting of payment cards (table V1.4 / V1.5 / V1.6)**

### **33. What kind of payment cards are concerned by the reporting?**

Data regarding all types of payment cards issued have to be reported: debit cards, credit cards or cards with a delayed debit function, mixed cards, prepaid cards, one-off cards, cards which give access to e-money stored on a software based e-money account, other cards.

### **34. What specific data have to be reported regarding prepaid cards?**

The following specific data have to be reported regarding prepaid cards:

- the float at the end of the month (table V1.4.1)
- funding operations (table V1.4.2 ; “chargement”)
- withdrawal operations (table V1.4.2 ; “déchargement”)

### **35. Issuing or distributing payment cards?**

We distinguish the issuer from the distributor/cardholder bank.

#### 1) Issuer or card issuing activity:

We consider as an issuer the entity that issues payment cards on the basis either of its own license or on the basis of a co-owned license.

The issuer provides cards to its direct customers or to customers of other banks (cardholder banks) that outsource their card issuing activity.

Issuers may have recourse to technical processors to handle operations linked to the issuing activity (e.g. card production, card mailing, authorization process, etc.). We do not consider this practice as outsourcing the issuing activity because the issuer retains the financial risk on the issued cards.

#### 2) Distributor/ cardholder bank:

We consider as a card distributor/ cardholder bank the entity that provides payment cards to its customers without being the issuer of these cards, this activity being outsourced to an issuing bank.

### **36. Does the number of payment cards in circulation have to be reported?**

Yes, every bank should report the number of payment cards it has put in circulation to its customers or to customers of cardholder banks.

These two different volumes should be reported separately.

**37. Do issuing and cardholder banks have to report transactional data on payment cards (issuing activity, not acquiring activity)?**

Yes, all banks should report transactional data on payment cards.

Cardholder banks which do not issue cards may however be exempted from this reporting if the issuing bank reports this activity.

It is the responsibility of the cardholder bank to ensure that the issuing bank includes transactional data related to the cardholder bank's activity in its reporting to BCL.

**38. How to report payment cards that are not in a plastic form?**

Virtual payment cards, in paper form (or other) instead of plastic, should also be reported:

- Virtual cards issued for example for e-commerce transactions have the same characteristics as traditional credit cards. They should thus be reported as “credit cards”.
- Virtual cards issued for the purpose of one single transactions should be reported as “one-off cards”.

That applies to the reporting of stocks (V1.4.1) and flows (V1.5 and V1.6).

In the CDDP collection, the “payment type of instrument” named “one-off cards” includes all payment instruments that replace a payment card issued for a specified transaction. This would include for example: the withdrawal solution “Quick money”, where a QR code (token) replaces the payment card to make an ATM withdrawal.

**39. How to report transactions initiated by mobile devices?**

These payments should be reported in the table relating to the underlying payment instrument of the transaction: according to the mobile application, the transaction may be a card payment transaction, an e-money transaction or a credit transfer.

The initiation mode to be reported is “single – web banking”.

Remark regarding the use of contactless technologies (e.g. NFC): a transaction initiated with a credit card should be reported under the “payment instrument = credit card” even in the case of NFC technology used.

***Questions on the reporting of check transactions (table V1.7)***

**40. What should be reported for the ‘Country of reception’ and the ‘Sending country’ if this data is not available?**

If this data is not available, « XX » should be reported.

## ***Questions on the reporting of e-money (table V1.8 / V1.9)***

### **41. Who is subject to e-money reporting?**

All the entities subject to the reporting should report for all the instruments they issue or acquire; any institution issuing or acquiring e-money, whether hardware-based or software-based should report on this instrument.

## ***Questions on the reporting of OTC transactions (Table V1.11)***

### **42. What is the scope of reporting of table V1.11?**

- Cash withdrawals over-the-counter are in the scope of table V1.11.
- Foreign exchange transactions for which bank notes are exchanged against bank notes in another currency (over-the-counter) do not fall under the scope of the V1.11 report.

## ***Questions on the reporting of table V1.12***

### **43. What is the scope of reporting of table V1.12?**

The purpose of the collection of transactions performed / initiated via telecommunication, digital or IT device is to comply with the requirements of the Payment Services Directive (PSD). Payment institutions are mainly concerned by this type of transactions.

In the PSD 2, these transactions have been removed.

In Luxembourg, this may for example concern the following transactions:

- Pay by SMS & receive ringtone on mobile
- Pay by SMS & receive bus ticket on mobile phone
- Buy a paper certificate (sent by post) from Ville de Luxembourg & payment on the mobile phone bill

Table V1.12 does not cover payment instructions initiated via DigiCash or web-banking-apps.

## ***Questions on the reporting of book entries (tables V1.13 / V1.14)***

### **44. What is the scope of reporting of book entries?**

Only book entries performed on customers' payment accounts are to be reported.

### **45. How to report negative "interest payment by the bank"?**

Interest payment by the bank –when positive - should be reported in the table V1.13 (credit to the account by simple book entry), under the item "Interest payment by the bank".

Negative interest payment by the bank should be reported in the table V1.14 (debit from the account by simple book entry), under the item “Other”.