

Brussels, 10 January 2018

**NOTICE TO ALL ACCREDITED AUDITORS**

**NOTICE 2017-10**

Dear members,

On a six-monthly basis, the Management Board of IRAIF/IREFI informs its members of main highlights or attention points which could impact your work.

The following overview is structured according to the relevant working groups of IRAIF/IREFI.

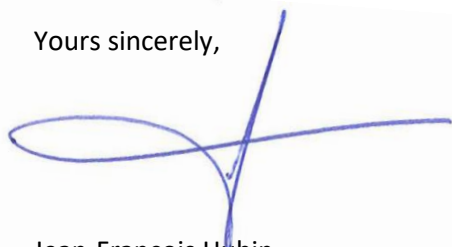
The FSMA and the NBB also provided their key attention points.

On the 23th of January the semi-annual Capita Selecta training session will be held at the IBR/IRE in cooperation with the NBB explaining some of the main topics mentioned in this notice such as Data Quality, Cost allocation under Solvency II and the new Anti-Money Laundering Legislation.

Due to regulatory changes, the templates for prudential reporting towards the NBB and the FSMA are currently being reviewed and will be released in respectively January and March 2018.

Should you have any questions regarding this document, please do not hesitate to contact me, any member of the Management Board of IRAIF/IREFI or Ingrid De Poorter.

Yours sincerely,



Jean-François Hubin  
President IRAIF/IREFI

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## **I. General regulatory changes**

### **a) Data quality**

The NBB issued on 12 October 2017 the Circular NBB\_2017\_27 including the expectations of the NBB on data quality of the prudential financial reporting issued by amongst others the financial institutions, insurance companies and payment institutions.<sup>1</sup>

The NBB indicates that the quality of the data comprises the following dimensions:

- accuracy
- reliability
- completeness
- consistency
- plausibility
- timeliness

In this circular the NBB also defined its prudential expectations regarding the internal organization surrounding data quality. These expectations are described in detail based on three principles:

- **Governance:** a solid and documented governance framework for the prudential reporting to the NBB including, amongst others, roles and responsibilities and the provision of sufficient human resources;
- **Technical capacity:** an adequate data-architecture and IT infrastructure ensuring amongst others that instructions are always respected and timely detection and remediation of errors and inconsistencies;
- **Processes:** documentation of existing processes including, amongst others, the involved persons with their roles and responsibilities and the key controls in place.

This circular shall apply immediately. However, a lead-in period shall be allowed in order to provide institutions with sufficient time to take the measures necessary to be in line with the expectations included.

In a first stage, the institutions subject to this circular have to prepare for the Q4 2017 prudential reporting a self-assessment of the extent to which the company already meets the expectations of the NBB as described in the Circular.

As from the Q2 2018 prudential reporting, it is expected that the companies comply with the provisions of the Circular.

Accredited auditors shall incorporate this self-assessment in the assessment performed by them in the context of their report on the 2017 year-end figures.

They shall perform an initial verification of the requested documents regarding the prudential expectations in their assessment of the financial situation as of 30 June 2018.

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<sup>1</sup> Circular NBB\_2017\_27/ Circular on the Bank's expectations as regards quality of reported prudential and financial data: <https://www.nbb.be/en/articles/circular-nbb201727-circular-banks-expectations-regards-quality-reported-prudential-and>

### **b) Non-financial information statement**

The new article 96 §4 of the Belgian Company Code (BCC) requires public interest entities that meet certain criteria as defined by the BCC to include in their annual report of the Board of Directors a non-financial information statement to the extent necessary to understand the changes in business, performance, the company's situation and the impact of its activities.

The statement must at least provide information on the following themes:

- Social and personnel issues,
- Environmental issues, and
- Respect for human rights and the fight against corruption.

For each of these points, the company must include the following information in its statement:

- A brief description of the business of the corporation;
- A description of the company's policies, including duty of care procedures put in place;
- The results of these policies;
- The main risks associated with these themes;
- Non-financial performance indicators for these specific themes.

It is advisable that the accredited auditor follows-up if the credit institutions or insurance companies meet the criteria as defined by the BCC and, when applicable, comply with these new requirements.

### **c) Other regulatory changes**

General Data Protection Regulation (GDPR) is applicable as from 25 May 2018. The objective is to introduce a regulation on the protection of consumer data. Non-compliance with the law could lead to reputational damages. The regulation also foresees financial penalties (potentially significant) for companies which would not comply (in addition to the reputational damages).

Anti-Money Laundering Law of 20 July 2017 on the prevention of money laundering, terrorist financing, and on the limitation of the use of cash (AML) is applicable as from October 2017. The law introduces a risk based approach for the duty of vigilance with respect to AML and a national Ultimate Beneficial Owners Register for Companies and other legal entities. AML is considered as a key priority for the NBB.

## **II. Main attention points regarding Rules of Conduct**

### **a) MiFID II & MiFIR (hereafter “MiFID II”)**

MiFID II is composed of Level 1 texts (Directive 2014/65/EU and Regulation 600/2014), Level 2 texts (Commission Delegated Regulations and Commission Delegated Directive, Regulatory Technical Standards and Implementing Technical Standards) and Level 3 texts (mainly ESMA guidelines).<sup>2</sup> This regulation has entered into force on 3 January 2018 and its application is limited to the Credit Institutions and the Investment Firms (not applicable to the insurance sector).

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<sup>2</sup> For more information: see <https://www.fsma.be/nl/mifid-ii>.

As of today the transposition in Belgian legislation has not yet been finalised and guidelines from the ESMA on key topics are still expected. As long as the texts are not transposed, in Belgium they are formally not applicable.

On 18 July 2017, the FSMA has issued a communication (FSMA 2017-11) to the Credit Institutions and to the Investment Firms to draw the attention on the nearby entry into force of MiFID II and on the necessity to have an action plan with the decisions and measures to be taken to be compliant with MiFID II.<sup>3</sup>

As the provisions of MiFID II have a significant impact on the organization and the internal control of the financial institutions it is necessary that the accredited auditors discuss with the institutions the measures that are taken and identify key attention points.

We may expect that the FSMA will provide an update of the MiFID working programs that are available to be compliant with the MiFID II requirements.

#### **b) Insurance Distribution Directive (IDD)**

The Insurance Distribution Directive 2016/97 introduces new obligations to insurance companies and intermediaries in view of reinforcing the protection of the clients.<sup>4</sup> The main topics that are in the scope of the Directive are the following: governance and monitoring of products; information and transparency; obligation to give advice; professional capacity and training; compensation and conflict of interests. This Directive is applicable as from February 2018 but on EU level a proposal might still be adopted delaying the application date to 1 October 2018. Many issues of the directive are similar to those of MiFID II (eg. product governance).

#### **c) PRIIPs**

The PRIIPs (Packaged Retail and Insurance-based Investment Products) are insurance and non-insurance based products that are “packaged” and where the amounts repayable to the investor are subject to fluctuations linked to an underlying factor.<sup>5</sup>

This PRIIPs Regulation nr. 1286/2014 and Delegated Regulations aim to improve retail investor protection by:

- Providing basic pre-contractual information via introduction of the KID (Key Information Document);
- Improving the quality and comparability of information on the key features of investments products (in particular on risk, performance and costs).

This regulation entered into force on 1 January 2018.

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<sup>3</sup> Dutch version: FSMA, Mededeling 2017\_11 over de voorbereiding van de inwerkingtreding van de MiFID II-richtlijn (voor de aspecten in verband met de gedragsregels); French version: Communication relative à la préparation à l'entrée en vigueur de la directive MiFID II (pour les aspects liés aux règles de conduite) ; see <https://www.fsma.be/nl/mifid-ii>.

<sup>4</sup> For more information: see <https://www.fsma.be/nl/idd>.

<sup>5</sup> For more information: see <https://www.fsma.be/nl/priips>.

### **III. Main attention points regarding REITs**

In accordance with article 17 of the Law of 12 May 2014, the REITs (GVV/SIR) have to put in place an appropriate internal control structure.

Paragraph 7 of the aforementioned article states that the effective leaders of the REIT have to report once a year on the compliance of the REIT with the organizational requirements as identified in paragraphs 1 till 5 of this article.

In addition, the accredited auditor has to evaluate the internal control measures taken by the REIT in accordance with article 60 §1, paragraph 1, 1° of the same Law and has to report hereon towards the FSMA.

Based upon CBFA Circular 2011\_7 of 14 February 2011,<sup>6</sup> the REIT has to provide its reporting on internal control to the FSMA and the accredited auditor at the latest one month after the closing of the financial year. Nevertheless, based upon article 17, § 7, last paragraph, the FSMA has accepted that this reporting can be submitted by the REIT to the FSMA and the accredited auditor ultimately one month before the general assembly of the REIT.

The deadline for the reporting of the accredited auditor remains however unchanged: the accredited auditor has to provide his/her reporting on the evaluation of the internal control measures to the FSMA at the latest 15 working days before the General Assembly.

### **IV. Main attention points regarding institutions of occupational retirement provision (IORP's)**

The FSMA confirms that it expects accredited auditors to devote particular attention to the prudence with which the technical provisions are calculated, and especially to the discount rate(s) used.

In addition to the attention points the FSMA indicated in part IX of this letter it is important to draw your attention to the fact that the FSMA has submitted to IRAIF/IREFI a number of attention points they expect accredited auditors to address in their reporting. IRAIF/IREFI template reports will be amended to include such attention points, which will bring this reporting fully in line with the FSMA circular on the duty of cooperation of accredited auditors. Updated template reports will be made available by IRAIF/IREFI by the end of March 2018.

Furthermore, the FSMA emphasizes that the accredited auditors should respect the deadlines for submission of their reporting. These deadlines are published in the yearly Reporting Circular. In the exceptional case where a deadline cannot be respected, the FSMA wishes to be informed on the reasons of the late reporting.

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<sup>6</sup> Dutch version: Circulaire CBFA\_2011\_07 dd. 14 februari 2011 inzake de verslaggeving van de effectieve leiding van zelfbeheerde ICB's met een veranderlijk aantal rechten van deelneming en van beheervenootschappen van ICB's inzake de beoordeling van het intern controlesysteem en de verklaring van de effectieve leiding van ICB's met een veranderlijk aantal rechten van deelneming inzake de periodieke verslagen en statistieken; French version: Circulaire CBFA\_2011\_07 du 14 février 2011 concernant Rapport de la direction effective d'un OPC autogéré à nombre variable de parts ou d'une société de gestion d'OPC concernant l'évaluation du système de contrôle interne et déclaration de la direction effective d'un OPC à nombre variable de parts concernant les rapports périodiques et les statistiques.

## V. The Belgian Deposit Guarantee Scheme (DGS)

During a recent meeting with the IRAIF/IREFI, the guarantee fund (which manages the Belgian DGS) mentioned that they observed that several credit institutions encounter practical difficulties to gather the information needed to determine their yearly contributions to the Belgian DGS, as the covered deposits are sometimes difficult to measure (indivisions, factual associations, clients holding accounts in foreign branches...).

Today the guarantee fund has not yet decided whether it will make use of the articles 13/2 §2 and 24 of the Royal decree of 16 March 2009, which allows the guarantee fund to include the accredited auditor in the verification of:

- the procedure manual that each bank must have to identify the covered deposits,
- the IT listing of the covered deposits, that each bank must be able to produce at short notice (in case of a bankruptcy), and/or
- the basis for the calculation of the yearly contribution (i.e. the covered deposits at year-end).

The guarantee fund will assess in the coming months whether they will involve the auditors therein as well as some other modifications (especially, the fact that the contributions will be calculated in the future based on the average of the quarterly positions in covered deposits, instead of the position at year-end).

## VI. Main attention points for the Insurance Sector

### a) Low interest rate environment

Despite the increase since Q4 2016, market interest rates remain low. As a consequence the attention points reported in earlier communications remain valid.

We expect that accredited auditors assess the impact of the continued low interest rate environment on the strategic asset allocation (market risk), the potential duration / yield gap between assets and liabilities and its effect on the liability adequacy test to be executed for BGAAP and IFRS reporting purposes.

### b) Loss Absorbing Capacity (LAC) of deferred taxes

As already reported in the attention points of Q2 2017, the Circular NBB\_2017\_14 on the loss absorbing capacity of the deferred taxes<sup>7</sup> further completes the guidelines of the circular NBB\_2016\_21.<sup>8</sup> This circular introduces a maximum limit for the loss absorbing capacity of deferred taxes in the case that the loss absorbing capacity of deferred taxes is larger than the deferred tax liabilities in the Solvency II balance sheet.

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<sup>7</sup> French version: Circulaire NBB\_2017\_14 relative à la capacité d'absorption de pertes des impôts différés; dutch version: Circulaire NBB\_2017\_14 betreffende het verliescompensatievermogen van uitgestelde belastingen.

<sup>8</sup> French version: Circulaire NBB\_2016\_21 relative à la capacité d'absorption de pertes des provisions techniques et des impôts différés; dutch version: Circulaire NBB\_2016\_21 betreffende de richtsnoeren voor het verliescompensatievermogen van technische voorzieningen en uitgestelde belastingen.

It is expected that the insurance companies perform an internal recoverability test after the shocks. For these recoverability tests it is expected that the going concern business plans are adjusted for the impact of the stress scenarios.

We recommend the accredited auditors to verify if the maximum limit for the loss absorbing capacity of deferred taxes as defined in the circular is not exceeded. As the recoverability test is highly subjective we expect that the NBB will analyze this matter critically.

## **VII. Main attention points for payment institutions and E-money institutions**

On 5 October 2017, the NBB organized an information session for the actors in the sector (and their accredited auditors) on the transition to PSD2.

PSD2 was initially expected to enter into force on 13 January 2018 in Belgium and the Transposition Law will repeal and replace the Law of 21 December 2009. Based on information received from the NBB in December, we understand that the draft law has been sent to the State Council on 27 October 2017 and the State Council requested an extension of the deadline for review. It is estimated that the law will be voted in Parliament within the month of January 2018 and that the publication of the Transposition Law will therefore be delayed by approximately one month.

It is important to note that PSD2 removes the currently existing payment service number 7 and introduces the following two new payments services:

- Payment initiation service : a service to initiate payment order at the request of the payment service user with respect to a payment account held at another payment service provider, and
- Account information service: an online service to provide consolidated information on one or more payment accounts held by the payment service user with either another payment service provider or with more than one payment services provider.

The NBB has published on its website an application guide for Belgian payment institutions and institutions for electronic money which will be adapted once the transposition of PSD2 into Belgian Law is completed.<sup>9</sup>

However, the application guide already summarizes some additional requirements of PSD2 based on the draft Guidelines which are available on the EBA website.<sup>10</sup>

Finally, we would like to draw your attention to the following main attentions points for the sector:

### **a) Transition to PSD 2**

The PSD1 license remains active until 13 July 2018 (6 months after the PSD2 enters into force) except for the institutions having a “light” license (the “exempted” institutions) where the license remains active until 13 January 2019 (one year after the PSD2 enters into force). The file with the grandfathering requirements under PSD2 should be submitted at the latest one month following the publication of the Transposition Law.

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<sup>9</sup> [https://www.nbb.be/doc/cp/eng/2017/application\\_guide\\_payment\\_institutions.pdf](https://www.nbb.be/doc/cp/eng/2017/application_guide_payment_institutions.pdf).

<sup>10</sup> <https://www.eba.europa.eu>.



If the file is completed upon publication of the Transposition Law, the PSD2 license will either be granted within two months or the PSD1 license will be revoked. If no file is submitted before the deadline, the PSD1 license will be definitively revoked (here, it is important to mention that the NBB needs two months at least to analyze the application file).

#### **b) New waiver regime – Limited License**

With the Transposition Law, the institutions having a “light” license known as “exempted institutions” will become “limited license institutions”.

Moreover, the previous limit of 3 million EUR as defined in article 48 of the Law of 21 December 2009 in respect of the average of the total amount of payment transactions for the previous twelve months that the applicant has to fulfill to be waived will be reduced to (i) 1 million EUR for the payment transactions and (ii) 1,5 million EUR for the e-money transactions. The objective of these new limits is to attribute a temporary character to the new waiver regime.

Finally, the payment institutions operating money remittance (activity 6) will not be authorized anymore to benefit from the new waiver regime.

As a consequence and in addition to the grandfathering requirements, the previous institutions having a “light” license will be obliged to comply with the “full” license requirements (governance, internal control, outsourcing, etc.) in the cases indicated above.

#### **c) Going concern issues**

Due to the introduction of the new waiver regime, certain institutions having a “light” license might face difficulties in fulfilling the requirements of the “full” license and especially in creating new functions (compliance officer, internal auditor, risk manager, etc.) involving additional costs which have not been necessarily foreseen in their initial business plan.

As most of these institutions operate with a very small structure and have limited revenues, the principles of “proportionality” and “level playing field” are crucial for them to ensure the continuity of their business.

Accordingly, it is important that the accredited auditors assess the impact that this situation may have on their audit diligences in accordance with ISA 570 (Going concern) and ISA 700 (Forming and opinion and reporting on financial statements) revised.

Finally, we would like to draw your attention to the relevant following articles:

- Amended Article 144 of the Belgian Company Code which sets the minimum content of the auditor’s report (and especially in case of going concern issues) ;
- Article 28 of the Royal Decree of 30 January 2001 which sets the responsibilities of the management in the assessment of the business continuity.

#### **d) Capital requirements**

The capital requirements foreseen in the regulation of the CBFA dated 19 January 2010 will not change with the Transposition Law and the calculation methods A, B and C will still be applicable.

**e) Reporting harmonization and clarification**

The NBB clarified that the reporting of payment statistics has to be done year-to-date (and not per quarter). The NBB expects that the IN & OUT flows in terms of amounts should be equal, although insignificant differences may occur due to remaining transactions to be cleared. IN & OUT flows in terms of number of transactions might vary due to bundled transactions. If only one flow is relevant it is expected to be the OUT-flow.

The calculation of own fund requirements was also clarified by the NBB and more specifically the definition of the payment volume:

- The NBB considers the payments volume to represent the total amount of payment transactions executed by the payment institution in the preceding accounting year (as closed on 31/12 of the preceding year);
- start-ups in their first accounting year will report the cumulated year-to-date payments volume of this first accounting year;
- the NBB considers payment volume to consist of one OUT flow.

**f) Safeguarding of assets**

The regulatory requirements on safeguarding of assets remains an important attention point for the NBB. Appropriate legal clauses are to be included in the contracts with the depository banks. If this would not be the case it is highly recommended that the accredited auditor should mention this in the reporting to the NBB.

**g) AML/CTF**

The NBB mentioned AML/CFT as a key attention point for this sector and as such the AML team will be more active within the sector, in particular for the money remittance businesses.

**VIII. Main attention points regarding IFRS**

**a) Tax reform**

On 22 December 2017, the Belgian Parliament approved the major corporate tax reform announced in July. This tax reform will impact the valuation of deferred tax assets (DTA's) and deferred tax liabilities (DTL's) under IFRS. The main elements to be considered in assessing DTA's and DTL's are amongst others: the impact of the reduced nominal tax rates on the measurement of DTA's and DTL's, the need to determine more accurately the year in which DTA's and DTL's will be realised in order to take into consideration the decreasing character of the nominal tax rate and the potential impact of certain measures on the recoverability of DTA's.

**b) Disclosure of new IFRS that have been issued but are not yet effective**

IAS 8.30 and 31 requires to disclose the fact and the known or reasonably estimable information relevant to assessing the possible impact that the application of new IFRS will have on an entity's financial statements in the period of initial application. We remind that IFRS 9 "Financial Instruments" and IFRS 15 "Revenue from Contracts with Customers" will become applicable as from 2018 and hence that financial institutions are expected to disclose the possible impact of these two standards.

**IX. Main attention points of the FSMA related to the 31 December 2017 audit<sup>11</sup>**

Generally, the FSMA wants to highlight the following attention points:

- Regulation (EU) 2017/1131 of 14 June 2017 on money market funds;
- The FSMA asks the auditors to pay specific attention whether the remarks that the FSMA has made in the past have been taken into account in the reports of the institutions.

As for the audits of institutions of occupational retirement provision (IORP) specifically, the FSMA confirms that it expects accredited auditors to devote particular attention to the prudence with which the technical provisions are calculated, and especially to the discount rate(s) used. The FSMA wishes, furthermore, to remind the following points:

1. generally speaking, greater clarity is expected in the annual reports submitted to the FSMA as regard the aspects examined by the accredited auditor, in order to give assurance that the absence of a remark about a given point means that that point was indeed verified by the accredited auditor but that the latter had no particular remark to make;
2. the information in the "P40" reporting (on the governance and on the activities and financial structure of the IORPs) presenting inconsistencies vis-à-vis the information at the disposal of the accredited auditor;
3. the valuation of the unlisted investments;
4. the codification of the investments in securities of the IORPs based on the FSMA circular on reporting (Circular FSMA\_2016\_01 of 26 January 2016 on the communication of annual accounts, statistics and related documents for the 2015 financial year);
5. the impact of the amendments to the Law of 28 April 2003 on Supplementary Pensions (LPC/WAP) introduced by the Law of 18 December 2015 to guarantee the sustainability and social nature of supplementary pensions and to reinforce their supplementary nature in comparison to occupational pensions; and
6. article 51 of the Law of 28 April 2003, pursuant to which accredited auditors "must bring to the FSMA's attention any fact or decision they may have become aware of in the course of their audit mission and that constitutes an infringement of the provisions" of the LPC/WAP and its implementing decrees.

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<sup>11</sup> Attention points provided by the FSMA.

**X. Main attention points of the NBB related to the 31 December 2017 audit<sup>12</sup>**

**a) General**

- Data quality of prudential reporting (cfr. Circular 2017-27 on data quality): given the increase of the complexity of the reporting framework, and the shift towards a more data-driven approach, quality of the prudential reporting is a permanent attention point. Auditors are expected to pay attention to this broad issue covering IT systems, expertise, governance processes, ...
- Use of the signal function: The NBB expects of the auditors that they intensify their signal function or use a more pro-active communication on different domains.
- Digitalisation/Fintech: digitalization initiatives in the financial sector create a series of new risks or accentuate existing risks. The use of new/innovative technologies and the emergence of new business models may lead to strategic risks, cyber risks, compliance risks, outsourcing risks, operational risks, ... Auditors should pay special attention to the internal controls developed to tackle each of these risks.
- New regulations: preparedness and implementation issues around PSD II, EMIR requirements and GDPR. Although the latter is not a direct responsibility of the NBB, failure to comply with these new regulations can result in significant reputational and financial risks.
- The NBB will also pay specific attention to the audit plan 2018 expected from each accredited auditor and intends in this respect to meet with the accredited auditors of the biggest undertakings as well as the ones coping with specific difficulties.

**b) Insurance undertakings**

The attention points mentioned in the last letter remain of importance for the NBB.

- Best estimate (ESG included): the dialogue between de NBB and the accredited auditors shall continue, notably taking account of the last information required from the biggest undertakings.
- LAC DT (notably recovery test condition): the importance of this dimension is confirmed by the impact of the LAC DT when considering the result of the last Stress Tests exercise.

**c) Banks**

- Interest rate risk: in the context of the low interest rate environment and the predominance of non-maturity deposit funding, interest rate risk is a continuous attention point for the NBB. Auditors should pay special attention to the reporting produced by institutions on their interest rate risk positions (table 90.30).
- Monitoring of conditions regarding the derogation to art.36bis of the Royal Decree of 23 September 1992: it is important for the NBB to ensure that the derogation conditions are being complied with in practice.
- Hedge effectiveness under IAS 39, taking into account the prepayment / renegotiation wave over the past three years.

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<sup>12</sup> Attention points provided by the NBB.

- Impairment levels: even in this relatively uncertain and difficult economic environment, the NBB noticed that the cost of risk remains relatively low. In this context, the NBB expects that the auditors will investigate possible understatements of the impairments on loans.
- Fair value hedge adjustments associated with (portfolio) fair value hedging (FVH)

A recurrent question was raised regarding the prudential treatment of the changes in fair value of hedged instruments included in macro fair value hedge operations.

IAS39 makes a distinction between micro hedging relations and hedging of a portfolio of financial assets. In the case of a micro hedge, IAS39.89 requires the carrying amount of the hedged item to be adjusted for the change in its (fair) value attributable to the hedged risk and the gain or loss is recognised in P&L. As a result, the net carrying amount (and the EAD used for the RWA calculation) of the hedged instrument would be the sum of its amortised cost value and the change in its fair value attributable to the hedged risk.

In case of hedging of a portfolio of financial assets (IAS39.89A) the net gain or loss attributable to the hedged items is presented in a single separate line item of the balance sheet, within assets or liabilities (depending on whether the hedged items are assets or a liabilities). This separate line item must be presented next to the assets/liabilities line items to which it refers.

Under the prudential framework, the hedged assets and the hedging instruments should be weighted. There arises the question as to how the separate line item containing the fair value changes of the hedged portfolio should be weighted for the calculation of capital requirements.

Articles 112 and 147(2) CRR are clear in requiring that each exposure shall be assigned to one of the exposure classes, including the assets/exposures representing the accumulated fair value changes related to portfolio hedges. In this regard, the NBB position is that a risk weight should be calculated.

To this end, institutions should calculate the risk weight of the net hedged assets based on the following method: the separate line on the asset side should be assigned to the underlying exposures of the hedged portfolio proportionally to the risk-weighted exposure amount of each individual exposure of the hedged portfolio before this assignment.

<u>Acronyms</u>	
AICB	Alternative Undertakings for Collective Investments
AIFMD	Alternative Investment Fund Managers Directive
AML/CTF	Anti-Money Laundering Legislation
APM	Alternative Performance Measures
BCC	Belgian Company Code
BE	Best Estimate
BGAAP	Belgian Generally Accepted Accounting Principles
CBF(A)	<b>FR:</b> Commission Bancaire, Financière et des Assurances <b>NL:</b> Commissie voor het Bank-, Financie- en Assurantiewezen Banking, Finance and Insurance Commission
CCP	Central counterparty
CIS	Collective Investment Schemes
COREP	Common Reporting
CSSF	Commission for the Supervision of the Financial Sector
DGS	Deposit Guarantee Scheme
DTA	Deferred Tax Assets
DTL	Deferred Tax Liabilities
EAD	Exposure At Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EL	Expected Losses
ELMI	Electronic Money Institutions
EMIR	European Market Infrastructure Regulation
ESG	Economic Scenario Generator
ESMA	European Securities and Markets Authority
FiMiS	Financial Institutions and Markets Information System
FINREP	Financial Reporting
FSMA	Financial Services and Markets Authority
FVH	Fair Value Hedging
GDPR	General Data Protection Regulation
GVV/SIR	<b>NL:</b> Gereguleerde Vastgoed Vennootschap <b>FR:</b> Société Immobilière Réglementée Regulated Real Estate Company
ICB	<b>NL:</b> Instelling voor Collectieve Belegging Undertakings for Collective Investment (UCI)
IDD	Insurance Distribution Directive
IFRS	International Financial Reporting Standards
IORP	Institutions for Occupational Retirement Provision
IRAIF/IREFI	<b>FR:</b> Institut des Réviseurs Agréés pour les Institutions Financières <b>NL:</b> Instituut van de Revisoren Erkend voor de Financiële Instellingen
LAC DT	Loss Absorbing Capacity and Deferred Tax
LAC TP	Loss Absorbing Capacity of Technical Provisions
LPC/WAP	Law of 28 April 2003 on Supplementary Pensions
LPF	Level Playing Field
MiFID	Markets in Financial Instruments Directive (2014/65/EU)
MiFIR	Markets in Financial Instruments Regulation (600/2014)
NBB	National Bank of Belgium

OPC	<b>FR:</b> Organisme de Placement Collectif Undertaking for Collective Investment (UCI)
OTC	Over The Counter
PB	Participation bénéficiaire
PI	Payment Institution
PIE	Public Interest Entity
PRIIP	Packaged Retail and Insurance-based Investment Products
PSD	Payment Services Directive
QRT	Quantitative Reporting Templates
REIT	Real Estate Investment Trust (GVV/SIR - NL: Gereguleerde Vastgoed Vennootschap; <b>FR:</b> Société Immobilière Réglementée)
RWA	Risk Weighted Asset
SFTR	Securities and Financing Transactions Regulation
SII	Solvency II
SPPI	Solely Payment of Principal and Interest
UCI	Undertakings for Collective Investment
UCITS	Undertakings for Collective Investment in Transferable Securities