

Zaventem, 21 June 2021

**NOTICE TO THE ACCREDITED AUDITORS**  
**NOTICE 2021 / 06**

Dear Members,

On a six-monthly basis, the Management Board of the IRAIF / IREFI informs the accredited auditors of main highlights or attention points, which could influence their work.

The NBB, the FSMA the different IREFI / IRAIF Working Groups and the IREFI Technical Director have contributed to this letter, by providing and drafting the enclosed attention points.

The attention points have been compiled in the context of the current legal and regulatory framework of cooperation of the accredited auditors to the prudential supervision by the FSMA and NBB. Although the IREFI's work is ongoing to draft a new standard for the cooperation of accredited auditors to the prudential supervision by the NBB, the current framework still applies until further notice.

On 30 June 2021, a digital "*Capita Selecta*" session is scheduled at the IBR/IRE. It will be held in cooperation with the NBB and the FSMA, and some of the topics mentioned in the current letter will be further detailed during this training session.

The IRAIF / IREFI Working Group "*Model Reports Templates*" is currently finalizing the templates for prudential reporting to the NBB and the FSMA. The updated versions should be released before the end of June 2021.

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

Yours sincerely,

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Olivier Macq  
President IRAIF / IREFI

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**Institut des Réviseurs Agréés**  
**pour les Institutions Financières**  
Institut Royal  
Union professionnelle reconnue

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**Instituut van de Revisoren Erkend**  
**voor de Financiële Instellingen**  
Koninklijk Instituut  
Wettig erkende beroepsvereniging

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## **INTRODUCTION**

The attention points marked by an asterisk (\*) are those for which the Supervisory Authorities (National Bank of Belgium (NBB) and/or the FSMA) have informed us that accredited auditors should perform a follow up in the context of their half-year 2021 reviews and explicitly report upon in their reporting to the Supervisory Authorities.

Attention points without an asterisk are points for information of the accredited auditors but some of these points may be connected to issues (new or not) on which the accredited auditors were already expected to report to the Supervisory Authorities in the past. The accredited auditors will use their professional judgment and decide, based on facts and circumstances, whether these attention points need to be explicitly addressed in the semi-annual reports to the prudential authorities.

*Texts in italics have been provided by Supervisory Authorities.*

### **1. ATTENTION MATTERS APPLICABLE TO ALL FINANCIAL INSTITUTIONS**

#### **1.1. COVID-19 PANDEMIC RELATED MATTERS**

Based on the specificities of the different financial institutions and their professional judgment, the accredited auditors will remain alert to the possible / relevant impacts of the Covid-19 pandemic in the context of the half year review.

It is also suggested to the accredited auditors to refer to the attention points addressed in the IREFI Attention Points letters as at 30 June 2020 and 31 December 2020 as the major part of these attention points remains relevant for all the financial sectors under the supervision of the NBB and the FSMA.

#### **1.2. PSD II INCIDENTS AND DORA**

*Reliance on IT systems and digital solutions, outsourcing towards third parties, Covid-19, distributed value chains result in increasing possibilities of operational or cyber incidents to have a significant impact on the functioning of financial institutions individually and the sector as a whole.*

*In this context, supervised institutions by the National Bank of Belgium are subject to multiple incident reporting frameworks such as:*

- (i) PSD II Major Incident Reporting<sup>1</sup> according to the NBB Circular NBB\_2018\_14 – EBA Guidelines on incident reporting, transposing the EBA Guidelines on major incidents reporting under PSD2 ([https://www.nbb.be/doc/cp/fr/2018/20180309\\_nbb\\_2018\\_14.pdf](https://www.nbb.be/doc/cp/fr/2018/20180309_nbb_2018_14.pdf));*
- (ii) the SSM cyber incident reporting framework requiring all directly supervised institutions (significant institutions) to report significant cyber incidents to ECB Banking Supervision as soon as they are detected.*

*It is further noted that the upcoming European DORA regulation (Digital Operational Resilience Act) will most likely further extend (but also harmonize) requirements for major incident reporting. There is also the reporting under the framework of operational crisis management for critical players in the sector via the NBBs OCCO (“Operationele crisis – Crise opérationnelle”) and the NBB acts as the sectoral point of contact under the law on network and information system security (NIS), but these reportings are of a non-prudential nature and as such can be considered out of scope for accredited auditors.*

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<sup>1</sup> The PSD II Major Incident Reporting is applicable for all payment service providers including credit institutions

*In practice, it is observed that there are divergent practices amongst supervised institutions potentially leading to under-reporting and in some cases also to over-reporting, reducing the efficiency and effectiveness of these supervisory tools.*

*As part of the review of the internal control framework, the NBB invites the accredited auditors to discuss the adherence of institutions reporting practices with the requirements<sup>2</sup> as defined in the relevant applicable reporting frameworks and report on any practices which are deemed non-compliant. Accredited auditors are also invited to inform the NBB of incidents of which they have gained knowledge during the execution of their work for the half-year 2021 reporting and which have not been reported by the institution under the applicable reporting framework. The context and the expectations of NBB will be shared with the IREFI during the “Capita Selecta” that will take place on 30 June 2021.*

### **1.3. SPECIAL MECHANISMS**

*The Law of 2 June 2021 containing various financial provisions to fight against fraud (hereafter “the law”) has been published in the Belgian Gazette on 18 June 2021. This law clarifies the obligation for the accredited auditors to report to the supervisory authorities of the financial sector (FSMA and NBB) if, in the course of their audit mandates, they come across specific evidence of special mechanisms.*

*The law also imposes on accredited auditors, as an extension of their existing early warning function, a new obligation to issue an annual statement regarding special mechanisms. This attention point summarizes the contours of this new law, the context in which it applies, as well as its impact on accredited auditors.*

#### **Context – Supervision of Special Mechanisms before the Law**

*Although the supervisory authorities of the financial sector have no powers in respect of tax matters<sup>3</sup>, they were competent, before the law, to order certain types of financial institutions to put a stop to “special mechanisms”. This applied only to the entities that are subject to the prudential supervision of the FSMA<sup>4</sup> and the NBB<sup>5</sup> (hereafter “the Supervised Entities”).*

*The concept of a special mechanism was not legally defined until now. It was explained in greater detail, however, in two circulars issued by the Banking and Finance Commission dated 18 December 1997<sup>6</sup> and one circular issued by the Control Service for Insurances<sup>7</sup>.*

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<sup>2</sup> EBA Guidelines on major incident reporting under Directive (EU) 2015/2366 (PSD2) and especially Guideline 1 on the criteria and thresholds for the classification as major incident and Guideline 2 on the notification process.

<sup>3</sup> Article 46, first paragraph of the Law of 2 August 2002 on the supervision of the financial sector and on financial services; article 36/4 of the Law of 22 February 1998 establishing the organic statute of the National Bank of Belgium.

<sup>4</sup> Portfolio management and investment advice company, undertakings for collective investment (UCI) (investment companies), management companies of UCIs as well as management companies of alternative investment funds (AIFs).

<sup>5</sup> Credit institutions, investment firms with the status of stockbroking firm, insurance companies, reinsurance companies, mutual insurance associations, central counterparties, settlement institutions, institutions equivalent to settlement institutions, payment institutions, electronic money institutions, central securities depositories, institutions providing support to central securities depositories and custodian banks.

<sup>6</sup> Circular D1 97/9 - D4 97/4/ Special mechanisms  
[https://www.fsma.be/sites/default/files/legacy/sitecore/media%20library/Files/fsmafiles/circ/fr/1997/d4\\_97\\_4.pdf](https://www.fsma.be/sites/default/files/legacy/sitecore/media%20library/Files/fsmafiles/circ/fr/1997/d4_97_4.pdf) ;  
[https://www.fsma.be/sites/default/files/legacy/sitecore/media%20library/Files/fsmafiles/circ/nl/1997/d4\\_97\\_4.pdf](https://www.fsma.be/sites/default/files/legacy/sitecore/media%20library/Files/fsmafiles/circ/nl/1997/d4_97_4.pdf)

<sup>7</sup> Communication D. 207 of 30 November 2001: [Bijzondere mechanismen | nbb.be](https://www.nbb.be/bijzondere-mechanismen)

*If a supervised entity failed to comply with an order to put a stop to special mechanisms, the supervisory authorities of the financial sector could impose administrative remedial measures. This power was justified from a prudential perspective, given that setting up special mechanisms could damage the reputation of the supervised entity and hence its financial position.*

*Beyond the provisions that fall within the administrative status of the supervision of supervised entities, the supervisory authorities of the financial sector were also, before the law, already required to report to the judicial authorities any special mechanisms set up by a supervised entity, the aim or result of which is to promote tax fraud by third parties, where it was aware of the fact that those special mechanisms constitute a tax offence punishable by criminal sanctions on the part of the third party and the supervised entity itself as perpetrator, joint perpetrator or accessory<sup>8</sup>.*

*After the work carried out by the Special Committee on “International tax fraud / Panama Papers”, as well as the work by the Parliamentary Inquiry Committee tasked with examining the causes of the bankruptcy of Optima Bank, a set of recommendations was drawn up with a view to relaxing the conditions for applying the obligation on the part of supervisory authorities of the financial sector to report special mechanisms to the judicial authorities.*

### **New legislative measures**

*In response to these recommendations, the measures taken by the law are as follows:*

*First, the concept of a “special mechanism” has now been defined in law:*

*“By special mechanism, we mean a procedure that cumulatively fulfils the following conditions:*

*1° its aim or result is to make possible or promote tax fraud by third parties;*

*2° the initiative for setting it up was taken by the institution itself, or there is every evidence that it involved the active cooperation of the institution or else resulted from manifest negligence by the institution;*

*3° it involves a set of behaviors or omissions;*

*4° it is of a particular nature, that is, that the institution knew or ought to have known that the mechanism was not in line with normal standards and usage as regards banking, insurance and financial transactions.”*

*New circulars on this matter will be issued soon by the FSMA and the BNB.*

*A legal provision is further inserted into the various laws governing the supervision of financial entities, with a view to prohibiting, explicitly, the setting up of special mechanisms. This provision is inserted among the provisions that deal with the administrative organization of these entities. As a result, these entities will henceforth be subject to an explicit principle of prohibition of setting up a special mechanism for all their activities.*

*These supervision laws are also amended by the law in order to impose criminal sanctions on the setting up of such a special mechanism. Once the FSMA or the NBB has specific evidence that a supervised entity has set up a special mechanism that is prohibited by financial legislation, it will now be required to report it to the judicial authorities without needing to establish that the supervised entity has in fact ignored its tax obligations, provided the special mechanism in question could have such an aim or result.*

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<sup>8</sup> Version of Article 46, second paragraph of the Law of 2 August 2002 on the supervision of the financial sector and on financial services prior to the Draft Law; version of article 36/4 of the Law of 22 February 1998 establishing the organic statute of the National Bank of Belgium, prior to the law.

*Lastly, the early warning function of accredited auditors has been supplemented by an obligation to issue an annual statement specifying whether (or not) they have identified, in the course of their audit mandates, any evidence of prohibited special mechanisms<sup>9</sup>.*

**Impact for accredited auditors: Early Warning function and obligation to issue an annual statement**

*By virtue of their general function, accredited auditors by the FSMA or the NBB must ensure that the supervised entity where they perform their tasks complies with the applicable legislation.*

*Specifically, in keeping with their early warning function, accredited auditors are required to take the initiative to report to the FSMA or the NBB any decisions or actions they observe that may constitute infringements of supervisory legislation applicable to the sector. As mentioned, infringements of the law henceforth include the principle of prohibition against setting up a special mechanism, as established by the law. In order to increase the visibility of the amendments made to the normative framework that applies to special mechanisms, from now on it is explicitly stated that all accredited auditors who carry out mandates at the supervised entities are required to report to the FSMA or the NBB, depending on the type of entities concerned, if, in the course of performing their tasks, they have concrete elements of special mechanisms that are prohibited by financial legislation<sup>10</sup>.*

*Without prejudice to the foregoing, accredited auditors are also required to issue an annual statement specifying whether (or not) they have identified, in the course of their audit mandates, any evidence of prohibited special mechanisms. These statements are to be sent to the NBB or to the FSMA, depending on the type of entity concerned.*

*If evidence of special mechanisms is reported, the FSMA or the NBB is to notify the judicial authorities if the conditions for such a notification are met, and they can draw the consequences for their supervision, taking appropriate administrative measures.*

The IREFI working group “AML / Special Mechanisms” is presently (i) analyzing the NBB draft circulars on special mechanisms and on tax fraud prevention, (ii) preparing a list of procedures to be implemented by the accredited auditors and (iii) working on the text of the new yearly statement by the accredited auditors. Once the working group has finalized its work, the IREFI Board will issue a specific communication on this.

## **2. MAIN ATTENTION POINTS FOR THE CREDIT INSTITUTIONS**

### **2.1. IFRS 9 CREDIT RISK**

The persistence and the magnitude of the Covid-19 pandemic make it necessary for the accredited auditors to remain highly alert to the risks to which the financial sector is exposed, in particular the credit risk and its measurement in the financial and prudential periodic reporting as of half-year 2021.

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<sup>9</sup> See Articles 106, §1, first paragraph, 5° and 247, §1, first paragraph, 5° of the Law of 3 August 2012 on undertakings for collective investment meeting the conditions of Directive 2009/65/EC and undertakings for investment in receivables, Article 357, §1, first paragraph, 6° of the Law of 19 April 2014 on alternative investment funds and their managers, Article 225, 6° of the Law of 25 April 2014 on the status and supervision of credit institutions and stockbroking firms, Article 335/1 of the Law of 13 March 2016 on the statute and supervision of insurance and reinsurance undertakings and Article 115, §6/1 of the Law of 11 March 2018 on the status and supervision of payment institutions and electronic money electronic money, access to the business of payment service providers and to the activity of issuing electronic money, and access to payment systems, as inserted by the law.

<sup>10</sup> See Article 76, second paragraph of the Law of 2 August 2002 on the supervision of the financial sector and on financial services and Article 35/3, second paragraph of the Law of 22 February 1998 establishing the organic statute of the National Bank of Belgium, as inserted by the law.

The lockdown measures might have an important impact on the economy and consequently on the credit worthiness of some business sectors. The accompanying national measures (moratoria & state guarantees) have mitigated and are still mitigating this impact but the inevitably coming end of these measures should be duly and timely considered to avoid a “cliff effect”.

## **2.2. MORATORIA AND PUBLIC GUARANTEES**

On 29 January 2021, the EBA published additional clarifications on the application of the prudential framework in response to issues raised as a consequence of the Covid-19 crisis (EBA/REP/2021/02). This Report on the implementation of selected Covid-19 policies provides clarifications on the implementation of (i) the EBA guidelines on legislative and non-legislative moratoria on loan repayments applied in the light of the Covid-19 crisis (consolidated version of 2 December 2020) (EBA/GL/2020/02) and (ii) the EBA guidelines on Covid-19 reporting and disclosures

The EBA guidelines on moratoria (EBA/GL/2020/02) clarified that whereas eligible moratoria must not automatically trigger forbearance classification and the assessment of distressed restructuring<sup>11</sup>, institutions must continue to adequately identify those situations where obligors may face longer term financial difficulties and classify them in accordance with the existing regulation (i.e. IFRS 9 staging, unlikeliness-to-pay (UTP) classification).

The EBA report on the implementation of selected Covid-19 policies includes additional technical clarifications on the application of the guidelines on moratoria related to the recent re-activation of the EBA guidelines on payment moratoria. In particular, the EBA has provided clarifications on the functioning of the 9-month cap, which limits the period of time for which payments on a certain loan can be suspended, postponed or reduced as a result of the application (and reapplication) of general payment moratoria. These clarifications explain how to apply the guidelines on moratoria when assessing forbearance classification and how to determine whether there is a diminished financial obligation in relation to moratoria applied to loans exceeding the 9-month cap.

As regards reporting and disclosure, the updated report covers the treatment of loans and advances subject to expired moratoria. In particular, it clarifies that when a moratorium expires, the loans and advances subject to this expired measure should be reported, regardless of whether they are subject to another measure.

In February 2021, it was also decided in Belgium to authorize the second charter for business credit deferral for due dates up until 30 June 2021, and to grant additional credit deferral to sound enterprises/ organizations that already benefited from a maximum credit deferral of 9 months under the first and/or second Charter for business credit deferral (see the third charter for business credit deferral). Consequently, the NBB updated the Q&A - *Moratorium and guarantee scheme* on 19 February 2021 to highlight these new changes. (<https://www.nbb.be/en/financial-oversight/prudential-supervision/areas-responsibility/credit-institutions/qas-moratorium>).

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<sup>11</sup> in all other cases the assessment must be done on a case-by case basis

## **2.3. PRUDENTIAL REPORTING - AMENDMENTS<sup>12</sup>**

### **2.3.1. AMENDMENTS TO EU REPORTING FRAMEWORKS**

#### **2.3.1.1. UPDATE OF THE ITS ON SUPERVISORY REPORTING (REGULATION (EU) 2021/451) – CRR II IMPLEMENTATION**

*From reference period June 2021 onwards, the applicable European reporting framework will be amended. The amended framework is in line with the regulatory changes to CRD<sup>13</sup> and CRR<sup>14</sup>.*

*Different areas of reporting framework were impacted by these amendments, e.g., own funds, credit risk, counterparty credit risk, large exposures, leverage ratio, net stable funding ratio, FINREP and G-SII indicators. In addition, institutions considered as “Small and non-complex institutions” (in accordance with art. 4 (145) of the CRR) can benefit from enhance proportionality measures.*

*The European Commission adopted these amendments to the reporting framework on 17 December 2020 by Regulation (EU) No 2021/451<sup>15</sup>. This new regulation replaces the existing reporting obligations laid down in Regulation (EU) 680/2014 and enters into force on 28 June 2021*

#### **2.3.1.2. AMENDMENTS TO THE ECB FINREP REGULATION (REGULATION (EU) 2015/534 OF THE ECB) AND THE NBB'S FINREP SOLO MAPPING**

*As a result of Regulation (EU) 2021/451, the ECB also published an amendment to the ECB FINREP Regulation. These amendments to the ECB FINREP Regulation were adopted and published by ECB Regulation ECB/2021/24 of 14 May 2021. As a consequence, the NBB published on 1 June 2021 an updated circular and mapping (reference NBB\_2021\_10).*

*This circular NBB\_2021\_10 specifies certain rules for the implementation in Belgium of Regulation (EU) 2015/534 on reporting of supervisory financial information, as amended. With a view to the implementation of FINREP on an individual basis as required by this Regulation, a mapping, which institutions reporting their FINREP Solo in accordance with Belgian GAAP Standards can use, has been established to make the link between Belgian banking accounting law applicable at individual level (under Belgian GAAP) and the European framework for reporting supervisory financial information (FINREP). Under the CRR and Regulation (EU) No 2021/451, Belgian credit institutions are already subject to (IFRS) FINREP reporting on a consolidated basis. In Belgium, the impact of the ECB Regulation is essentially that FINREP reporting is now also imposed on a solo basis for Belgian credit institutions. The new ECB Regulation does not replace national reporting on a solo basis (Schema A), which therefore continues to apply in addition to FINREP reporting on an individual basis as required by the ECB.*

*This circular is applicable as from 30 June 2021*

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<sup>12</sup> This section is for information purposes only.

<sup>13</sup> Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended.

<sup>14</sup> Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, as amended.

<sup>15</sup> Commission Implementing Regulation (EU) 2021/451 of 17 December 2020 laying down implementing technical standards for the application of Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to supervisory reporting of institutions and repealing Implementing Regulation (EU) No 680/2014.

### **2.3.2. AMENDMENTS TO NATIONAL REPORTING FRAMEWORKS**

*In the context of new international statistical requirements by the BIS and ECB, and national legislation the NBB amended the Schema A reporting framework via circular NBB\_2021\_01 of 14 January 2021 and NBB\_2021\_11 of 3 June 2021. The latter introduces the new Regulation (EU) 2021/379 of the ECB of 22 January 2021 on the balance sheet items of credit institutions and of the monetary financial institutions sector (ECB/2021/2) and the effects of the Law of 22 April 2016 modifying and introducing new provisions on consumer and mortgage loans.*

Besides the regulatory changes of the above mentioned regulations and laws, the circular provides guidance on the reporting, in the Scheme A, about some important topics such as (i) negative interests in the balance sheet and in the income statement, (ii) regulated and non-regulated saving products, (iii) changes in contractual provisions in the framework of the Belgian moratoria granted in the Covid-19 context.

*Some parts of the amendments enter in to force from reference period August 2021, other amendments will be applicable as from reference period January 2022.*

### **2.4. TLTRO-III – IFRIC STATEMENT**

The IFRIC is currently preparing a statement on the accounting treatment applicable to the TLTRO-III transactions. As of the date of this letter, this statement is not yet available. The IREFI – IRAIF recommends its members to closely follow up on the publication of this IFRIC statement and ensure proper application of the accounting treatment decided on these TLTRO-III transactions and report deviations, if any, in their financial and prudential reporting to the NBB.

### **2.5. EXPECTATIONS REGARDING DIVIDEND POLICY AND REMUNERATION POLICY AS OF 2 JANUARY 2021 AND UNTIL 30 SEPTEMBER 2021**

Following the statements and recommendations issued by the EBA, the ECB and the ESRB, the NBB reiterated in its communication NBB\_2020\_049 dated 22 December 2020 its expectations on dividend policy and remuneration policy, with effect as from 2 January 2021. On 15 December 2020 both the ECB and the ESRB (taken up as annexes to the communication of the NBB) issued a new recommendation on credit institutions' dividend policy for the period from 2 January 2021 to 30 September 2021. The NBB considers the own funds margin available above own funds requirements (taking into account each institution's specific risk profile and the level of uncertainty) as an important assessment factor.

The accredited auditors will remain alert to this matter and report observed deviations in case of non-compliance with the requirements as taken up in the different above mentioned communications.

### **3. MAIN ATTENTION POINTS FOR THE INSURANCE SECTOR**

#### **3.1. ATTENTION POINTS TAKEN UP IN PRIOR COMMUNICATIONS**

In the context of the ongoing Covid-19 crisis and the attention points addressed in the Attention Points Letter as at 31 December 2020, the IREFI draws the attention of its members on the fact that the topics relating to (i) guidance regarding the treatment of the deferred taxes and loss absorbing capacity of deferred taxes (LACDT) and (ii) the Flashing Light Reserve remain applicable as of 30 June 2021.

#### **3.2. EXPECTATIONS REGARDING DIVIDENDS, VARIABLE REMUNERATIONS AND PROFIT SHARING**

Further to the recommendations of the EIOPA and ESRB issued in 2020, the NBB issued on 26 January 2021 the circular NBB\_2021\_005 - *Distributions of dividends and variable remunerations in the context of the Covid-19 crisis*, which replaces the circular NBB\_2020\_034 dated 15 August 2020. The NBB specifies in this new circular its expectations regarding dividends, variable remunerations and profit sharing distributions in the context of the Covid-19 crisis.

In this circular, the NBB stresses the point that, given the current uncertainties on the Covid-19 crisis and its impact on the economy and financial position of the insurances companies, the distribution of dividends should be temporarily suspended up to 30 September 2021 (the situation will be re-examined after that date). Regarding the distributions of variable remunerations and profit sharing, the NBB recommends to adopt a prudent approach and even to postpone these distributions in case the financial situation of the insurance company is too uncertain.

Regarding the distribution of dividends, the NBB has established a decision tree including criteria and categories of insurance companies that needs to be followed in order to determine if dividends may or may not be distributed. Intention to distribute dividends should have been communicated to NBB before 12 February 2021.

The accredited auditors will follow up on the application of this circular and report to the NBB in case of observed non-compliance issues.

#### **3.3. NBB STRESS TESTS FOR 2021**

Following the Covid-19 pandemic and the subsequent impact on financial markets, the NBB has cancelled the 2020 Stress Test Exercise. In 2021, the Belgian insurance sector will be subject to a stress test consisting of two scenarios (a “low yield” scenario and an “EIOPA scenario”). The transmission to the participants of technical specifications, technical information and templates was organized by the NBB early April 2021.

#### **4. PAYMENT INSTITUTIONS AND E-MONEY INSTITUTIONS**

##### **4.1. COMPLIANCE WITH OWN FUNDS REQUIREMENTS**

Due to the fact that quite a few payment institutions and electronic money institutions build a scalable business which eventually results in significant growth in volumes of payment, the IREFI - IRAIF draws the attention of the accredited auditors on the own funds requirements for the institutions calculating their own funds requirements under method B. As required under article 33 of the Law of 11 of March 2018, the institutions should comply at all times with the own funds requirements. In accordance with circular NBB\_2018\_31 under method B the own funds requirements are calculated based on prior year volumes (exceptions apply when the institution did not operate a full year).

In case of a growth in the volumes year on year, special attention needs to be given to the own funds' requirements for the next accounting year since they will increase as of day one due to the increase in the volumes.

Therefore, accredited auditors are invited to focus on the compliance with the regulatory requirements by discussing the institution anticipated growth in the volumes based on their business plans and the impact on the own funds requirements and report their findings, if any, to the NBB in their prudential reporting on 30 June 2021 or by the use of the early warning function if a risk of insufficient own funds / capital might exist or if other important issues are identified.

##### **4.2. COMPLIANCE WITH THE REPORTING WITH REGARD TO THE OPERATIONAL AND SECURITY RISKS**

*The NBB is of the opinion that too many payment and electronic money institutions are not sufficiently complying with the reporting obligation with regard to operational and security risks of payment services, as provided for in circular NBB\_2020\_24 dated 16 June 2020<sup>16</sup>.*

*The NBB has therefore developed an IT risk questionnaire for payment institutions and electronic money institutions, following the example of what is already common for credit institutions (Supervisory Review and Evaluation Process) and has been in use for some time for various insurance companies and stockbroking firms. This questionnaire, if correctly completed, will provide the information intended by the aforementioned reporting obligation, and should enable these institutions to comply with it more easily. The NBB therefore intends to amend circular NBB\_2020\_24 in such a way that, starting from reporting year 2021, this questionnaire becomes the instrument to be used to comply with the reporting obligation. Regarding the reporting year 2020, those institutions that have not or insufficiently complied with the reporting obligation will still be asked to complete this questionnaire.*

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<sup>16</sup> Circular NBB\_2020\_24 – Reporting on operational and security risks of payment services to be submitted by payment institutions and electronic money institutions:  
[https://www.nbb.be/doc/cp/eng/2020/20200616\\_nbb\\_2020\\_24en.pdf](https://www.nbb.be/doc/cp/eng/2020/20200616_nbb_2020_24en.pdf)

## **5. INSTITUTIONS OF OCCUPATIONAL RETIREMENT PROVISION (IORP'S)**

### **5.1. REPORTING DEADLINES SHORTENING – ORA – SRD DISCLOSURES REQUIREMENTS**

Referring to the message of the FSMA of 9 April 2021 on the prudential reporting of IORP's, the IREFI - IRAIF draws the attention of the accredited auditors on the fact that the reporting deadlines for the yearly reporting by the IORP will be gradually shortened from 18 weeks after balance sheet date in 2021 (6 May 2021) to 16 weeks in 2022 (22 April 2022) till finally 14 weeks in 2023 (8 April 2023). The IORP's will need to plan accordingly their year-end work and reporting preparation in close collaboration with their service providers in order to be comply with these new strict deadlines.

Following the communication FSMA\_2019\_03 dated 8 January 2019 on the transposition of the IORP II Directive in Belgian regulation, the IORP's also need to submit, for the first time, their Own Risk Assessment (ORA) report by 13 January 2022. This ORA exercise needs to be repeated at least on a 3 years basis or sooner in case of significant changes to the key documents or organization of the IORP's.

Finally, the IREFI - IRAIF refers to the communication FSMA\_2020\_07, dated 30 June 2020 which relates to the transposition of the Shareholders Rights Directive (SRD). The FSMA expects that the IORP's disclose in their annual reports how they have executed their engagement policy. In case the IORP's align their engagement policy with the one of the asset managers, they have to refer in their annual reports to the website where their asset managers disclose their voting policy. The SRD also requires that IORP's disclose to the public how their equity investment strategy is aligned with the profile, the duration of their liabilities, and how it contributes to the medium to long-term performance of their assets.

| <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  |
| BE GAAP         | Belgian Generally Accepted Accounting Principles  |
| CIS             | Collective Investment Schemes   |
| CIU             | Collective Investment Undertakings  |
| COREP           | Common Reporting  |
| CRD             | Capital Requirements Directive  |
| CRR             | Capital Requirements Regulation   |
| DTA             | Deferred Tax Assets   |
| DTL             | Deferred Tax Liabilities  |
| EAD             | Exposure at Default   |
| EBA             | European Banking Authority  |
| ECB             | European Central Bank   |
| ECL             | Expected Credit Loss  |
| EIOPA           | European Insurance and Occupational Pensions Authority                                    |
| ESG             | Economic Scenario Generator   |
| FINREP          | Financial Reporting (templates requested by the ECB)                                      |
| FSMA            | Financial Services and Markets Authority  |
| GDPR            | General Data Protection Regulation  |
| GVV             | Gereguleerde Vastgoed Vennootschap  |
| ICAAP           | Internal Capital Adequacy Assessment Processes  |
| ICB             | NL: Instelling voor Collectieve Belegging<br>Undertakings for Collective Investment (UCI) |

|             |  |
|-------------|--|
| IFRIC       | IFRS Interpretation Committee  |
| IFRS        | International Financial Reporting Standards  |
| ILAAP       | Internal Liquidity Adequacy Assessment Processes   |
| IORP        | Institutions for Occupational Retirement Provision   |
| IPC         | Irrevocable Payment Committee  |
| IRAIF/IREFI | <b>FR</b> : Institut des Réviseurs Agréés pour les Institutions Financières<br><b>NL</b> : Instituut van de Revisoren Erkend voor de Financiële Instellingen |
| IRB         | Internal Ratings Based   |
| IRRBB       | Interest Rate Risk in the Banking Book   |
| LAC DT      | Loss Absorbing Capacity and Deferred Tax   |
| LGD         | Loss Given Default   |
| LPC/WAP     | Law of 28 April 2003 on Supplementary Pensions   |
| LSI         | Less Significant Institution   |
| LTRO        | Long-Term Refinancing Operation  |
| MiFID       | Markets in Financial Instruments Directive (2014/65/EU)  |
| MMF         | Money Market Funds   |
| NAV         | Net Asset Value  |
| NBB         | National Bank of Belgium   |
| NPL         | Non-Performing Loans   |
| OPC         | <b>FR</b> : Organisme de Placement Collectif<br>Undertakings for Collective Investment (UCI)   |
| ORA         | Own-Risk Assessment  |
| P2G         | Pillar 2 Guidance  |
| PD          | Probability of Default   |
| PSD         | Payment Services Directive   |
| QRT         | Quantitative Reporting Templates   |

|       |   |
|-------|---|
| REIT  | Real Estate Investment Trust (see also GVV and SIR)               |
| RICS  | Royal Institute of Chartered Surveyors                            |
| RSR   | Regulatory Supervisory Report                                     |
| RWA   | Risk Weighted Asset   |
| SFCR  | Solvency and Financial Condition Report                           |
| SI    | Significant Institution   |
| SICR  | Significant Increase in Credit Risk                               |
| SIR   | Société Immobilière Réglementée                                   |
| SME   | small and medium-sized enterprises                                |
| SPPI  | Solely Payment of Principal and Interest                          |
| SRB   | Single Resolution Board   |
| SREP  | Supervisory Review and Evaluation Process                         |
| SRF   | Single Resolution Fund  |
| SSM   | Single Supervisory Mechanism                                      |
| TCWG  | Those Charged With Governance                                     |
| TLTRO | Targeted Longer-Term Refinancing Operations                       |
| TRIM  | Targeted Review of Internal Models                                |
| UCI   | Undertakings for Collective Investment                            |
| UCITS | Undertakings for Collective Investment in Transferable Securities |