Brussel, 28 June 2016

NOTICE TO ALL ACCREDITED AUDITORS
NOTICE 2016-5

Dear members,

On a six-monthly basis, the Board of Directors of IRAIF/IREFI informs its members of main highlights or attention points which could impact your work.
The following overview is categorized in function of the relevant working groups of IRAIF/IREFI.
The FSMA and the NBB also provided their key attention points, which are included respectively in chapters VII and VIII of this notice.
Should you have any questions regarding this document, please do not hesitate to contact me, any Board Member of IRAIF/IREFI or Ingrid De Poorter.

Yours sincerely,

Jean-François Hubin
President IRAIF/IREFI

Content

Attachment: ECB, '*Instructions for completing the total assets and total risk exposure templates for completing fee factors*', April 2016.

I. Main attention points regarding Rules of Conduct

The FSMA is responsible for supervising financial institutions regarding compliance with the MiFID rules of conduct.

Since 2013, the FSMA has asked the auditors for assistance in performing MIFID related inspections in order to perform its mission. The possibility for auditors to participate to these assignments was conditional upon the participation of a 3 days training organised in 2013 jointly by the FSMA and the IRE/IBR.

As that process had a validity of 3 years, it was necessary to renew this in 2016.

Beside this aspect, it appears also necessary to give the additional training on MiFID for auditors who are willing to assist the FSMA in executing inspections within insurance companies.

Therefore a 3 days training course is being organized in September 2016 jointly by the FSMA and the IRE/IBR regarding MiFID (for further details, see chapter VI).

Participating at this training is required for auditors who in the future want to tender to assist the FSMA in performing MIFID related assignments on behalf of the FSMA within banks, insurance companies, stockbrokers or asset management companies.

II. Main attention points regarding IFRS

1) Accounting for Irrevocable Payment Commitments to the European Single Resolution Fund by Credit Institutions

In addition to the cash payment, the 2016 contributions of Credit Institutions to the European Single Resolution Fund can partly take the form of an irrevocable payment commitment.

Under IFRS, IFRIC 21 applies to cash payments and provide guidance related to their accounting treatment. However, the accounting treatment of the Irrevocable Payment Commitment requires careful analysis and documentation.

2) Accounting by credit institutions for the ECB TLTRO II

On 10 March 2016, in pursuing its price stability mandate, the ECB's Governing Council decided to launch a new series of four targeted longer-term refinancing operations (TLTROs-II), with the aim of further easing private sector credit conditions and stimulating credit creation. The TLTROs-II are intended to strengthen the transmission of monetary policy by further incentivising bank lending to the non-financial private sector, i.e. households and non-financial corporations, in Member States whose currency is the euro. This measure is not intended to support bank lending to households for the purposes of house purchases. In conjunction with other non-standard measures in place, the TLTROs-II aim to contribute to a return of inflation rates to levels below, but close to, 2 % over the medium term.

The key features of the program are:

- Banks participating will be able to borrow from the ECB an amount of up to 30 % of their eligible loan portfolio.
- The new operations will be conducted from June 2016 to March 2017 at a quarterly frequency.
- All the new operations will have a four-year maturity, with the possibility of repayment after two years.
- The interest rate applied to the operations will be fixed at the rate applied in the main refinancing operations (MROs) – currently at 0%.

- If the bank's eligible net lending[1] for the period between February 2016 and January 2018 exceeds its benchmark outstanding amount by 2.5%, the interest will be reduced to the lower deposit facility rate (currently at -0.4%) for the entire term of the operation.
- If the bank exceeds its benchmark outstanding amount of eligible loans but by less than by 2.5 % as at 31 January 2018, the interest rate to be applied is graduated linearly depending on the percentage by which the banks exceeds its benchmark outstanding amounts of eligible loans.

3) New banking tax

On 13 May 2016, the Council of Ministers approved the new banking tax. This new banking tax replaces multiple taxes and levies and increases the total amount to be contributed by the sector by 55 million EUR as well as the allocation rules to the different banks.
The accounting treatment and impact on the June 30th figures will depend on the final text of the law and the date of its enactment.

III. Main attention points regarding the Credit Institutions

1) Derogation of Article 36bis of the Royal Decree of 23 September 1992

In its letter dated 22nd December 2015, the NBB detailed its new policy with respect to the derogation of Article 36bis of the Royal Decree of 23 September 1992.

We remind the accredited auditors that transactions concluded as from 1 January 2016 and which fulfil the conditions of the derogations which were applicable before the new policy, require specific documentation and a quarterly effectiveness test. The documentation of this effectiveness test is expected to be communicated to the accredited auditor on a quarterly basis and the accredited auditor is expected to report exceptions to the NBB.

In addition, the credit institutions provided the NBB with their answers to the questionnaire that was attached to the letter by the NBB sent on 22 December 2015. We understand that the NBB is analysing the answers received. If additional clarification or detail need to be provided, the NBB will inform the concerned credit institution and the accredited auditor is requested to follow up on this point in the context of his/her reporting to the NBB on the situation as at 30 June 2016.

2) Data Quality

As reflected in the attention points of the NBB (for further details, see chapter VII), data quality in the prudential reporting process is of major importance for the NBB.

As you may know,

- the prudential reporting prepared by a Significant Institution (hereinafter 'SI') is subject to certain validation rules (included in an ITS). These are "hard rules". These rules are numerous and also complemented by plausibility and reasonableness checks performed by the NBB-ECB.

[1] As in the first series of TLTROs, eligible loans are defined as those to euro area non-financial corporations and households excluding loans to households for house purchase.

These additional checks might lead to the identification of significant changes between periods or basic errors in the reporting;

- the validation rules are carried out by the EBA-ECB but – for efficiency reasons – the ECB does process the reporting prior to the formal validation that takes place later;
- once the rules have been verified, various exceptions are identified and the NBB contacts the institution (and the accredited auditor normally receives a copy of the message).

In this context, the NBB requests from the accredited auditors to pay explicit attention to this communication, its follow up and remediation going forward if required.

In the future, in order to move forward and define the involvement of accredited auditors in this process on a more detailed basis, IRAIF/IREFI agreed with the NBB to

(a) analyze the information and tools available at the level of the supervisory authorities;
(b) better understand the hard and additional soft rules that are performed;
(c) identify the key supervisory reporting priorities;
(d) take into consideration where and if possible the timing applied to the validation process as applied by the NBB and
(d) define a modus operandi (including for instance the design of MDA framework, a proposed work program, etc.).

3) <u>Persistent low interest rate environment and mortgage books</u>

Taking into consideration the low interests rate environment and the relating implied risks, interest rate risk relating to the mortgage book as well as the hedging strategies in place (including the assumption regarding prepayment risk) are receiving full attention from the supervisory authorities. In this context, the accredited auditor is requested to comment on these items in his periodic report on the situation as of 30 June 2016.
In accordance with IAS 39, the portfolio hedges are accounted for as a macro fair value hedge on a bucket of similar mortgage loans with fixed interest rates in order to reduce the P&L volatility. Given the continued stream of refinancing of mortgage loans (due to the decrease of market interest rates), the accredited auditor should take into consideration whether any impairment/derecognition/inefficiency should be recognised on the currently recognised fair value hedge adjustments of macro fair value hedge models of banks reporting under IFRS as endorsed by the EU on top of the ineffectiveness which was recognised in every period on the hedging of the change in fair value of those mortgage loans.

4) <u>Anti-money Laundering and the compliance function</u>

The Brussels attacks of 22 March 2016, as well as the disclosure of the so-called Panama papers, have underlined again the importance of adequate anti-money laundering processes and supervision. Extra resources within the NBB should provide extra support for inspections and off site supervision of compliance with the Belgian Anti-Money Laundering Legislation.

Further discussion with the NBB will be organized in the near future to see whether additional instructions need to be defined and sent to the accredited auditors. In the meantime, the accredited auditor is requested to discuss the evolution in these matters with the compliance officer of the institution and include in his/her reporting on the situation as of 30 June 2016 significant development.

5) <u>The importance of a preparatory phase IFRS 9</u>

Two Belgian Significant Institutions (SI's) have conducted an impact assessment regarding the implementation of IFRS 9. The concerned accredited auditors will be informed of the outcome. The results will be discussed with Febelfin and IRAIF/IREFI.
The same impact assessment will be conducted for a small number of Belgian Less Significant Institutions.

6) Prudent valuation (solvency reporting)

The NBB would like to be informed and to understand the significant differences between fair values under IFRS (prepared in the context of the financial statements) and the prudential reporting (primarily for solvency purposes)? What about the various fair value adjustments recorded under IFRS (FVA…) and the AVA?
The NBB expects that the accredited auditor comments on the key differences in the context of the 30th June reporting. In addition, if the complexity requires additional clarification, the IRAIF/IREFI suggests to explain the fair valuation process in IFRS in the 30 June reporting to ensure transparency and avoid misunderstanding with the practical implementation of the RTS.

7) Instructions for completing Supervisory fee templates

In April 2016, the ECB published '*Instructions for completing the total assets and total risk exposure templates for completing fee factors*' (see attachment) describing the instructions to complete both templates. The extent of accredited auditor's verification is described on pages 10 and 11 of the document:

" The auditor must undertake an engagement to report on a specific element, account or item of the total assets.

The auditor must undertake the following tasks in respect of the following supervised entities and supervised groups.

- *Regarding the method set out for "type of institution" (5), the auditor must express its opinion as to whether statistical data on the basis of which the total assets fee factor is derived give a true and fair view in accordance with the relevant financial reporting framework. In fact, in the event that the total assets of a fee-paying branch are calculated on the basis of statistical data reported pursuant to Regulation (EU) No 1071/2013 of the European Central Bank (ECB/2013/33), an auditor shall certify the total assets of the fee-paying branch by carrying out appropriate verification of its financial accounts (Art. 7(2)(c) Decision (EU) 2015/530). This requirement may be satisfied by an auditor confirming the total assets based on agreed-upon procedures.*
- *Regarding the method set out for "type of institution" (6) and (7), the auditor must express its opinion as to whether the relevant reporting packages from which the total assets amount is derived give a true and fair view in accordance with the relevant financial reporting framework.*
- *Regarding the method set out for "type of institution" (8), the auditor must express its opinion as to whether the relevant reporting packages from which the total assets amount is derived give a true and fair view in accordance with the relevant financial reporting framework. Where a fee debtor uses statutory financial statements, the auditor's tasks should be limited to confirming the correctness of the calculation of the*

> *total assets. In addition, an auditor must express its opinion as to whether the calculation of a total assets figure arrived at through aggregation complies with the methodology established in Article 7(3)(b) of Decision ECB/2015/7.*"

These data must be provided to the NBB by 1 July 2016.
According to the NBB, the accredited auditor's report is not be included in the data submitted to the NBB, but should be available at the credit institution at any time.

IV. Main attention points for the Insurance Sector

1) Solvency II

Based on the new Control Law, Solvency II is in force as from 2016 onwards for all Belgian (re)insurance undertakings. The new Belgian Control Law 13 March 2016 introduced Solvency II regime into Belgian legislation. This Law replaces the Control Law of 9 July 1975 and implements the Solvency II EU Directives into Belgian law.

Circulars relating to the conversion of the set of EIOPA guidelines into Belgian supervisory regulation have been published to ensure an harmonized implementation of the principles of the EU Delegated Acts. These Circulars consist of a complete adoption of the EIOPA guidelines and can be consulted on the website of the NBB.

The periodical financial information now consists of the Solvency II QRT's, replacing the former D231 reporting. Based on the articles 332 and 333 of the new Control Law, the accredited auditor is required to perform limited review procedures (limited assurance) on the half-year Solvency II reporting and to perform audit procedures (reasonable assurance) on the year-end Solvency II reporting.

A new NBB Circular is expected on the collaboration on the prudential supervision between the NBB and the accredited auditors clarifying the expectations from the NBB. Based on our ongoing discussions with the NBB we expect that:

- All QRT's reported by the (re)insurance undertakings will be in scope for our limited review/audit procedures. The scope will also be limited to the QRT's and will not include other reported information in the context of Solvency II;
- (Partial) internal models are subject to validation by the NBB. As such the accredited auditors will not be expected to provide an opinion on the model itself. The role of the accredited auditor will be focused on the data quality aspects of the internal model (i.e. validation of the data and assumptions into the (partial) internal model and validation of the output of the (partial) internal model into the relevant QRT's).
- The procedures to be performed for the purpose of expressing a limited review/audit opinion have to be based on the latest set of the Solvency II working programs that have been developed by the IRAIF/IREFI/IRAIF in collaboration with the NBB, tailored to the specific circumstances of the (re)insurance undertaking and taking into account key observations and findings obtained during the Preparatory Phase and Day-One reporting.
- In absence of an update of the Circular regarding the collaboration in de prudential supervision with the NBB, the first deadline for reporting by the accredited auditors on the QRT's to be submitted per period-end June 30, 2016 is September 15, 2016. However, the NBB has advised

for the first deadline one week after the remittance date of QRT’s by the (re)insurance undertakings (i.e. based upon EIOPA remittance deadlines).
Deadlines for reporting by the (re)insurance undertakings are August 25, 2016 (solo) or September 6, 2016 (group).

The reporting template for the half-year and year-end Solvency II reporting by the accredited auditors will be developed by IRAIF/IREFI.

2) <u>Impact of the terror attacks of March 22, 2016</u>

The two terror attacks on the Brussels Airport and the Brussels subway station, Maalbeek, on March 22, 2016 triggered the intervention of the non-for-profit organization TRIP (Terrorism Reinsurance and Insurance Pool). According to the terms and conditions of the TRIP, all claim declarations related to terror attacks are reported by the member firms to the TRIP. The TRIP will apportion the validated claim costs between its member firms up to a maximum of EUR 300 million per year, based upon their respective market share. In the case that the total annual claim costs exceed EUR 300 million, the reinsurers of the TRIP will compensate the part exceeding EUR 300 million until the next level of EUR 900 million.

It is expected that insurance companies account for the case-by-case reserves related to their declared claims in accordance with their own insurance policies. In the case of a higher market share in the costs pooled by the TRIP it is expected that the insurance undertaking will account for an additional IBNR reserve for the difference between the recorded case-by-case reserves and its expected market share. In the case of a lower market share it is expected that the insurance undertaking accounts for a receivable on the TRIP for the expected recoverable amount to the extent that its recoverability is virtually certain based on communications by the TRIP of the total expected claim charge.

Accredited auditors should also pay sufficient attention to the validity of the declared claims to the TRIP as well as to the impact of the intervention by the reinsurance treaties of the insurance undertaking following the above mentioned terror attacks.

3) <u>Accounting of flashing light reserves</u>

All insurance undertakings received in March 2014 a letter from the NBB stating that no exemptions for the recording of flashing light reserves would be granted for the years 2014 and 2015. Consequently, all insurance undertakings were obliged to record additional flashing light reserves in their local statutory accounts. Following the introduction in 2016 of the Solvency II, it is expected that the insurance undertaking exposure to interest rate risk is covered through the Solvency II capital requirements in the periodical financial information. Awaiting further clarification from the NBB on the future treatment of the flashing light reserves as well as on the exemption criteria (i.e. level of SCR, etc.), the existing flashing light reserves should be maintained in the local statutory accounts and an additional dotation (pro rata) should be considered as per June 30, 2016.

4) <u>EIOPA stress tests</u>

The major Belgian insurance companies have been requested to participate in the 2016 EIOPA stress test exercise. Submission deadline for the insurance companies towards the national supervisory authorities is mid July 2016. Disclosure of the results of the stress test analysis by EIOPA is expected by

December 2016. We recommend the accredited auditors to discuss with management the outcome of the stress tests.

5) Low interest rate environment

Market interest rates remain extremely 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) and the potential duration / yield gap between assets and liabilities.

6) New medical index

On March 25, 2016 a new Royal Decree has been published modifying the Royal Decree of February 1, 2010 on the medical index. This Royal Decree redefines the modalities for the reporting of the statistical information to the FSMA and the application of the medical index. The major changes compared to the prior Royal Decree relate to:

- Insurance undertakings can now increase premiums and deductibles to a maximum of the medical index multiplied by a factor of 1.5, but with a maximum increase following the application of a factor of 200 bp.
- Statistical information only has to be reported on an annual basis in April instead of quarterly, with publication of the yearly medical index on July 1st.

We expect that accredited auditors pay sufficient attention to the modelling of these future premium increases in the context of the Solvency II actuarial best estimate of technical provisions and ageing reserves for individual health products.

V. Impact of the BREXIT

Auditors should examine to which extent ‘Brexit’ could have an impact on the financial situation of their clients (valuation of goodwill, hedging of exchange rate risk, need to make specific disclosures in the notes…).

VI. Planned trainings in the second half of 2016

Topic	Date	Registration
FSMA permanent training	20/10/2016	Save the date, registrations not yet possible
FSMA Mifid training	12, 16 and 19/9/2016	6 sessions, registration via IBR/IRE website
Financial sector Capita Selecta	18/10/2016	Registration via IBR/IRE website
Process of loans	20/9/2016	Registration via IBR/IRE website
Banks: COREP/FINREP	15/11/2016	Registration via IBR/IRE website

VII. Main attention points provided by the NBB in view of the communication of IRAIF/IREFI related to the 30 June 2016 limited review

1) Data Quality

The quality of the financial data remains a very important issue. This isn't new, but the NBB wishes to emphasise that this is an essential aspect of the accredited auditor's task. It is clear that the accredited auditor can deliver a significant added value here.

Background: Prudential data (FINREP and COREP and other ad hoc reports) is not only used at national level (NBB) but also at ECB-SSM and EU (EBA) levels, for both micro- and macro-prudential and resolution purposes.
The ECB (both the JSTs and the statisticians) takes data quality very seriously and has implemented processes with NCAs to foster improvements in the quality of bank's reporting, including a "name and shame" policy for this: first vis-à-vis the countries and then vis-à-vis the institutions.
The NBB itself conducts data quality assessments in the sequential approach and gives feedback on this to the institutions (now only Significant Institution highest) and their accredited auditors within 10 working days. The NBB can share validation rules with institutions and accredited auditors.

2) Appointment / renewal of the accredited auditor's mandate

Prior approval, before the due date, of the appointment / renewal of the accredited auditor, by the NBB is required. This is also cited in the reminder letter that NBB has sent out at the beginning of the year:
"We remind you that the general meeting of your company, in accordance with the Companies Code, is responsible for the appointment or reappointment of a statutory auditor, accredited auditor, after advance approval of the National Bank of Belgium, such as required by article 223 /xxx of the Act of 25 April 2014 on the status and supervision of credit institutions".

Yet, there are still (Belgian) Financial Institutions awaiting approval of the appointment of the accredited auditor by their general meeting and only then apply for the approval by the NBB.

For branches there is no real due date included in the Belgian legislation. The agreement (with the Banking Commission (CBFA) and later NBB) was: appointment / renewal must be approved before the BSD (balance sheet date) + 3 months. The latest prudential report of the accredited auditor must be submitted to the NBB within 3 months after BSD. The "new" accredited auditor was designated and approved before the "old" accredited auditor left, in order to ensure the continuity. The IRAIF/IREFI confirms that the target date for a request by the branch is 28/02, after which the NBB has 1 month to react.

Information on the accredited auditor's remuneration is also not always automatically being sent by the institutions to the NBB.

The duration of an accredited auditor's mandate is legally restricted to 3 years. Yet, each year, the NBB observes that there are institutions that make requests for a different term.

3) Preparation to IFRS 9 by the institutions and training and preparation by the accredited auditors.

4) Fintech – important innovations

The NBB has created five working groups in order to identify the changes and impact of (disruptive) innovative automatized technologies in the financial sector:

I. WG Impact for the financial and insurance sector on their business model
II. WG Impact for the financial market sector on their business model
III. WG Impact on Blockchain
IV. WG Monetary Impact
V. WG on how Fintech could enhance the NBB's activities.

Although the NBB still has to define a prudential framework, the accredited auditor is requested to inform the NBB of significant projects within the individual financial and insurance institutions.

5) Insurance sector:

Semi-annual (limited review) – annual (full review).
It is reminded that, in addition to the certification on the annual data, the accredited auditor must provide a table with the follow-up of the issues highlighted during the preparatory phase (and in the day one reporting) and the related recommendations (at least still for 2016).
As highlighted in notice 2016-1 of IRAIF/IREFI regarding the accredited auditor's review of day-one reporting, in principle the work and report to the NBB will be similar to the work performed during the preparatory phase.

The deadline for the communication of the audit report with respect to the 2016 semi-annual periodic reporting is under discussion. Awaiting further guidance from the NBB (through an amendment of the circular regarding the collaboration between the NBB and the accredited auditors), accredited auditors are encouraged to send their report as soon as possible after the Solvency II Q2 remittance date and in any event before the 15th of September, which is the due date pursuant to the current circular.

VIII. Main attention points provided by the FSMA in view of the communication of IRAIF/IREFI related to the 30 June limited review

1) Attention points for the audits of the institutions of occupational pensions

While awaiting the examination of the annual reports regarding the 2015 financial year, it would seem useful to confirm the importance of the attention points that resulted from the examination of the annual reports sent to the FSMA by the accredited auditors regarding the 2014 financial year and which were communicated in the previous communication of IRAIF/IREFI[2], i.e.:

1. greater clarity, in the annual reports to the FSMA, concerning the aspects examined by the accredited auditor, in order that one can deduce with certainty from the absence of any finding on a point that said point was indeed verified by the accredited auditor, but simply did not give rise to any particular comment on his/her part;
2. the information in the "P40" reporting (on the governance and on the activities and financial structure of the institutions of occupational pensions) presenting incoherencies vis-à-vis the information available to the accredited auditor;

[2] IRAIF/IREFI, Notice to all certified auditors, Notice 2016-1, 25 January 2016.

3. the prudence of the calculation of the technical provisions (continuation of what the accredited auditors did for the audit work 2014);
4. the valuation of the unlisted investments;
5. the codes of the investments in securities of the institutions of occupational pensions with regard to the circular FSMA_2015_02 of 20 January 2015 on the reporting[3].

A 6th point relating to the legislative changes is to be added:

6. the impact of the modifications of the Act of 28 April 2003 on Supplementary Pensions introduced by the Act of 18 December 2015 aimed at guaranteeing the continuity and the social character of supplementary pensions and strengthening their complementary character in relation to retirement pensions.

2) <u>Attention points for the management companies</u>

The attention points for the auditors of the management companies are the following:

- the systems for managing liquidity risk used by managers of collective investment undertakings;
- the integration of IT risks in the internal audit programmes;
- with respect to the regulated real-estate companies (RRECs), the reporting on hedging for all RRECs.

3) <u>Attention points for the undertakings for collective investment</u>

a) Concerning the internal control reporting:

Were the comments made in the past taken into account? Are there still open points that require monitoring or action within the company and which were derived from comments formulated before (by the auditor as well as the FSMA)?

b) Concerning the (half)year report:

Were the comments made (by the auditor as well as the FSMA) in the past taken into account?

[3] Circular FSMA_2015_02 of 20 January 2015 on the communication of the annual accounts, statistics and documents relating to financial year 2014

Instructions for completing the total assets and total risk exposure templates for collecting supervisory fee factors

April 2016

1 General instructions for both templates[1]

- "Name", "MFI code" and "LEI code" refer to the fee debtor.
- "MFI code" should be filled in where applicable, and "LEI code" is compulsory except where the fee debtor is a branch and the LEI code is not available.
- The amounts for total assets and total risk exposure should be expressed in euro.
- The "comments" column included in both templates should be used by the supervised entities to report any additional information that may be used to interpret the data or any other information to be shared with the NCA.

Sign convention

The data values in both templates should be provided in absolute amounts.

Data quality controls

The data quality process – the controls implemented to compare the "total risk exposures" and "total assets" figures with the regulatory reporting at the ECB's disposal – will be explained in the following sections.

2 Instructions for the “total risk exposure” (TRE) template

The applicable yellow cells in the template must be filled out. Entities are listed in individual rows from item 1021 (Entity 1) to item 1320 (Entity 300).

The following information is contained in the headers:

[1] The table texts are available in national languages at: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015D0007 (Annex I & II).

- Reference period: for TRE the only possible value is 31/12/2015
- Date (submission date): this is a mandatory field and must be filled with the day of submission of the report
- Name of the institution or banking group: this is a mandatory field and must be filled with the name of the fee debtor (the fee-paying credit institution/branch/entity nominated as fee debtor for a whole group)
- MFI code of the fee debtor: this is a mandatory field
- LEI code of the fee debtor: this field must be left empty for the branches

Cells on row 010 must be completed by institution type as follows:

(a) Type of institution = 1: a supervised group that does not have subsidiaries established in non-participating Member States or third countries must use the methodology set out in Article 7(1)(a) of Decision ECB/2015/7. "Risk exposure amount" is a mandatory field.

In terms of the data quality process, the risk exposure amount will be compared with the latest TRE acquired by the ECB via regulatory reporting (submitted to the ECB). If there are material differences, a request will be made for these differences to be explained.

Example

	CALCULATION OF FEES TOTAL RISK EXPOSURE	Reference period	31/12/2015	NAME	Institution A
		Date	30/06/2015	MFI Code	IT0000000001
				LEI code	ABCDEFGHIK1234567890

Item		Type of institution 010	Source for risk exposure amount 020	Risk exposure amount 030	Comments 040
010	TOTAL RISK EXPOSURE	1	COREP C 02.00 , row 010	1000000	Comment on submitted data
020	CONTRIBUTION OF SUBSIDIARIES in non-participating Member States or third countries		COREP C06.02 , col 250 (SUM)		
1021	Entity 1				
1022	Entity 2				
...	...				
1320	Entity 300				
030	TOTAL RISK EXPOSURE AMOUNT of the supervised group deducting the CONTRIBUTION OF SUBSIDIARIES in non-participating Member States or third countries: Item 030 is equal to 010 minus 020				

(b) Type of institution = 2: fee-paying credit institutions that are not part of a supervised group must use the methodology set out in Article 7(1)(c) of Decision ECB/2015/7. "Risk exposure amount" is a mandatory field.

In terms of the data quality process, the risk exposure amount will be compared with the latest TRE acquired by the ECB via regulatory reporting

(submitted to the ECB). If there are material differences, a request will be made for these differences to be explained.

(The example above is also applicable, with the difference that the cell in row 010/column 010 will contain “2”.)

(c) Type of institution = 3: total risk exposure must be stated for fee-paying branches; however, their total risk exposure is considered to be zero in accordance with Article 10(3)(a)(ii) of Regulation (EU) No 1163/2014 (ECB/2014/41). The "risk exposure amount" must be set to 0 in this case.

Example

	CALCULATION OF FEES TOTAL RISK EXPOSURE	Reference period	31/12/2015	NAME	Branch A
		Date	30/06/2015	MFI Code	IT0000000002
				LEI code	

Item		Type of institution 010	Source for risk exposure amount 020	Risk exposure amount 030	Comments 040
010	TOTAL RISK EXPOSURE	3	COREP C 02.00 , row 010	0	
020	CONTRIBUTION OF SUBSIDIARIES in non-participating Member States or third countries		COREP C06.02 , col 250 (SUM)		
1021	Entity 1				
1022	Entity 2				
...	...				
1320	Entity 300				
030	TOTAL RISK EXPOSURE AMOUNT of the supervised group deducting the CONTRIBUTION OF SUBSIDIARIES in non-participating Member States or third countries: Item 030 is equal to 010 minus 020				

(d) Type of institution = 4: a supervised group that has subsidiaries established in non-participating Member States or third countries must use the methodology set out in Article 7(1)(b) of Decision ECB/2015/7.

- Data on the contribution of subsidiaries established in non-participating Member States are required in cases where the reported amount in row 020/column 030 includes subsidiaries established in non-participating Member States or third countries that were not already included in COREP template C06.02 (Group Solvency) reported at the relevant year-end. The risk exposure amount of each subsidiary may be reported in row(s) 1021-N/column 030.

- The row(s) 1021-N Entity 1/Entity N should be filled in with the name of the entity (in the example below, the two included entities belonging to “Institution C” are “Group C1” and “Group C2”).

- Row 030 is equal to row 010 minus row 020.

Example

CALCULATION OF FEES TOTAL RISK EXPOSURE	Reference period	31/12/2015	NAME	Institution C
	Date	01/07/2015	MFI Code	IT0000000003
			LEI code	ABCDEFGHIK1234567899

Item		Type of institution 010	Source for risk exposure amount 020	Risk exposure amount 030	Comments 040
010	TOTAL RISK EXPOSURE	4	COREP C 02.00 , row 010	1000	
020	CONTRIBUTION OF SUBSIDIARIES in non-participating Member States or third countries		COREP C06.02 , col 250 (SUM)	100	
1021	Group C1			10	
1022	Group C2			20	
...	...				
1320	Entity 300				
030	TOTAL RISK EXPOSURE AMOUNT of the supervised group deducting the CONTRIBUTION OF SUBSIDIARIES in non-participating Member States or third countries: Item 030 is equal to 010 minus 020			900	

In the example above, the total risk exposure for the supervised group is €1,000 (TRE row 010/column 030).

However, there are subsidiaries outside the SSM: some of those are included in COREP C06.02 templates but two are not included (Group C1 and Group C2).

For the latter two, the list of risk exposure amount (REA) contributions is reported on an entity level (in rows 1021 and 1022, with TRE of €10 and €20, respectively). The total REA for entities outside the SSM and not reported in COREP is €30 in total.

The cell TRE row 020/column 030 should be filled in with the sum of the REA of entities outside the SSM and reported in COREP and the REA of entities outside the SSM and not reported in COREP. In this example, the sum is €100, which is the total deduction (consequently, the REA of entities outside the SSM and reported in COREP is €70).

The total risk exposure taken into account when determining the fee factor is given as the TRE in row 030/column 030. It is the result of deducting cell TRE row 020/column 030 from the original TRE in cell TRE row 010/column 030 (in the example above, the result of this calculation means that the TRE taken into account when determining the fee factor is €900).

The original total risk exposure amount (€1,000 in the example above) will be compared with the latest TRE acquired by the ECB via the regulatory reporting for data quality purposes.

If there are differences compared with regulatory data (submitted to the ECB), a request will be made for these differences to be explained.

3 Instructions for the “total assets” (TA) template

The applicable yellow cells of the template must be filled out.

The following information is contained in the headers:

- Reference period: accounting year-end
- Date (submission date): this field is linked with the corresponding TRE field
- Name of the institution or banking group: this field is linked with the corresponding TRE field
- MFI code of the fee debtor: this field is linked with the corresponding TRE field
- LEI code of the fee debtor: this field is linked with the corresponding TRE field

Cells in row 010 must be completed by institution type, as follows:

- Where the institution submits a total assets figure corresponding to the amount of total assets stipulated in Article 51 of Regulation (EU) No 468/2014 of the European Central Bank (SSM Framework Regulation) (ECB/2014/17)[2], it must use one of the following methods to complete row 010 for the “type of institution” column.

  (a) Type of institution = 1, if the supervised entity is part of a supervised group, the total value of its assets must be determined on the basis of the year-end prudential consolidated reporting for the supervised group in accordance with applicable law (see **Article 51(1)** of Regulation (EU) No 468/2014 (ECB/2014/17)).

  The "total assets" field is mandatory. This amount will be compared with the latest total assets acquired by the ECB within the regulatory reporting, and if there are material differences, a request will be made for an explanation/resubmission of regulatory reporting to the ECB.

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2 Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1).

Example

(also valid for options 2, 3 and 4, by changing the “type of institution” entry)

CALCULATION OF FEES	Reference period	31/12/2015	NAME	Bank A
TOTAL ASSETS	Date	28/07/2016	MFI Code	IT0000000001
			LEI code	ABCDEFGHIK1234567890

Item		Type of institution 010	Confirmation of auditor's verification (Yes/No) 020	Total assets 030	Comments 040
010	TOTAL ASSETS in accordance with Article 51 of Regulation (EU) No 468/2014 (ECB/2014/17)	1	YES	1000	
020	TOTAL ASSETS in accordance with Article 7(2)(a) or (b) of this Decision				
030	TOTAL ASSETS in accordance with Article 7(3)(b) of this Decision: Item 030 is equal to 031 minus 032 plus 033 minus 034				
031	Total assets of all group entities established in participating Member States				
032	Intragroup positions among supervised entities established in participating Member States (from reporting packages used for the elimination of balances for group reporting purposes) - **optional**				
033	Goodwill included in the consolidated financial statements of the parent undertaking of a supervised group - **obligatory**				
034	Goodwill allocated to subsidiaries established in non-participating Member states or third countries - **optional**				
040	Total assets for a supervised entity or supervised group classified as less significant on the basis of an ECB decision made in accordance with Article 6(4) of Regulation (EU) No 1024/2013 in conjunction with Article 70(1) and Article 71 of Regulation (EU) No 468/2014 (ECB/2014/17) and Article 10(3)(d) of Regulation (EU) No 1163/2014 (ECB/2014/41).				

(b) Type of institution = 2, if total assets cannot be determined on the basis of the data referred to in point (a), the total value of assets (mandatory) must be determined on the basis of the most recent audited consolidated annual accounts prepared in accordance with International Financial Reporting Standards (IFRS) as applicable within the Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council[3] and, if those annual accounts are not available, the consolidated annual accounts prepared in accordance with applicable national accounting laws (see **Article 51(2)** of Regulation (EU) No 468/2014 (ECB/2014/17)).

(c) Type of institution = 3, if the supervised entity is not part of a supervised group, the total value of assets must be determined on the basis of the year-end prudential individual reporting in accordance with applicable law (see **Article 51(3)** of Regulation (EU) No 468/2014 (ECB/2014/17)).

The "total assets" field is mandatory. This amount will be compared with the latest total assets acquired by the ECB within the regulatory reporting, and if there are material differences, a request will be made for an explanation/resubmission of regulatory reporting to the ECB.

(d) Type of institution = 4, if total assets cannot be determined using the data referred to in point (c), the total value of assets (mandatory) must be

[3] Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002 on the application of international accounting standards (OJ L 243, 11.9.2002, p. 1).

determined on the basis of the most recent audited annual accounts prepared in accordance with the IFRS, as applicable within the Union in accordance with Regulation (EC) No 1606/2002 and, if those annual accounts are not available, the annual accounts prepared in accordance with applicable national accounting laws (see **Article 51(4)** of Regulation (EU) No 468/2014 (ECB/2014/17)).

(e) Type of institution = 5, if the supervised entity is a branch of a credit institution which is established in a non-participating Member State, the total value of its assets must be determined on the basis of the statistical data reported pursuant to Regulation (EC) No 25/2009 of the European Central Bank (ECB/2008/32)[4] (see **Article 51(5)** of Regulation (EU) No 468/2014 (ECB/2014/17)).

Example

CALCULATION OF FEES TOTAL ASSETS				
Reference period	31/12/2015	NAME	Branch A
Date	01/07/2015	MFI Code	IT0000000001
		LEI code	

Item		Type of institution 010	Confirmation of auditor's verification (Yes/No) 020	Total assets 030	Comments 040
010	TOTAL ASSETS in accordance with Article 51 of Regulation (EU) No 468/2014 (ECB/2014/17)	5	YES	1000	
020	TOTAL ASSETS in accordance with Article 7(2)(a) or (b) of this Decision				
030	TOTAL ASSETS in accordance with Article 7(3)(b) of this Decision: Item 030 is equal to 031 minus 032 plus 033 minus 034				
031	Total assets of all group entities established in participating Member States				
032	Intragroup positions among supervised entities established in participating Member States (from reporting packages used for the elimination of balances for group reporting purposes) - optional				
033	Goodwill included in the consolidated financial statements of the parent undertaking of a supervised group - obligatory				
034	Goodwill allocated to subsidiaries established in non-participating Member states or third countries - optional				
040	Total assets for a supervised entity or supervised group classified as less significant on the basis of an ECB decision made in accordance with Article 6(4) of Regulation (EU) No 1024/2013 in conjunction with Article 70(1) and Article 71 of Regulation (EU) No 468/2014 (ECB/2014/17) and Article 10(3)(d) of Regulation (EU) No 1163/2014 (ECB/2014/41).				

- Where the institution submits a total assets figure in accordance with Article 7(2)(a) or (b) of Decision ECB/2015/7, it must complete row 020 of the "type of institution" column as follows.

(f) Type of institution = 6, a supervised group that only has subsidiaries established within the participating Member States must use the methodology set out in Article 7(2)(a) of Decision ECB/2015/7[5].

[4] Regulation (EC) No 25/2009 of the European Central Bank of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (ECB/2008/32) (OJ L 15, 20.1.2009, p. 14).

[5] Decision ECB/2015/7 of the European Central Bank of 11 February 2015 on the methodology and procedures for the determination and collection of data regarding fee factors used to calculate annual supervisory fees.

(g) Type of institution = 7, a fee-paying credit institution that is not part of a supervised group but has a parent established in a non-participating Member State or a third country must use the methodology set out in Article 7(2)(b) of Decision ECB/2015/7.

Example

(for institution type "6", but a similar example (by modifying the type of institution) is also valid for type "7")

CALCULATION OF FEES
TOTAL ASSETS

Reference period	31/12/2015	NAME	Bank A
Date	01/07/2015	MFI Code	IT0000000001
		LEI code	ABCDEFGHIK1234567890

Item		Type of institution 010	Confirmation of auditor's verification (Yes/No) 020	Total assets 030	Comments 040
010	TOTAL ASSETS in accordance with Article 51 of Regulation (EU) No 468/2014 (ECB/2014/17)				
020	TOTAL ASSETS in accordance with Article 7(2)(a) or (b) of this Decision	6	YES	1000	
030	TOTAL ASSETS in accordance with Article 7(3)(b) of this Decision: Item 030 is equal to 031 minus 032 plus 033 minus 034				
031	Total assets of all group entities established in participating Member States				
032	Intragroup positions among supervised entities established in participating Member States (from reporting packages used for the elimination of balances for group reporting purposes) - optional				
033	Goodwill included in the consolidated financial statements of the parent undertaking of a supervised group - obligatory				
034	Goodwill allocated to subsidiaries established in non-participating Member states or third countries - optional				
040	Total assets for a supervised entity or supervised group classified as less significant on the basis of an ECB decision made in accordance with Article 6(4) of Regulation (EU) No 1024/2013 in conjunction with Article 70(1) and Article 71 of Regulation (EU) No 468/2014 (ECB/2014/17) and Article 10(3)(d) of Regulation (EU) No 1163/2014 (ECB/2014/41).				

- Where the institution submits a total assets figure in accordance with Article 7(3)(b) of Decision ECB/2015/7, it must complete row 030 in the "type of institution" column as follows.

(h) Type of institution = 8, a supervised group that has subsidiaries established in non-participating Member States and/or third countries must use the method set out in Article 7(3)(b) of Decision ECB/2015/7.

Example

TOTAL ASSETS

Date	01/07/2015	MFI Code	IT0000000001
		LEI code	ABCDEFGHIK1234567890

Item		Type of institution 010	Confirmation of auditor's verification (Yes/No) 020	Total assets 030	Comments 040
010	**TOTAL ASSETS in accordance with Article 51 of Regulation (EU) No 468/2014 (ECB/2014/17)**	1	YES	1000	
020	**TOTAL ASSETS in accordance with Article 7(2)(a) or (b) of this Decision**				
030	**TOTAL ASSETS in accordance with Article 7(3)(b) of this Decision: Item 030 is equal to 031 minus 032 plus 033 minus 034**	8	YES	1110	
031	Total assets of all group entities established in participating Member States			1200	
032	Intragroup positions among supervised entities established in participating Member States (from reporting packages used for the elimination of balances for group reporting purposes) - **optional**			100	
033	Goodwill included in the consolidated financial statements of the parent undertaking of a supervised group - **obligatory**			50	
034	Goodwill allocated to subsidiaries established in non-participating Member states or third countries - **optional**			40	
040	**Total assets for a supervised entity or supervised group classified as less significant on the basis of an ECB decision made in accordance with Article 6(4) of Regulation (EU) No 1024/2013 in conjunction with Article 70(1) and Article 71 of Regulation (EU) No 468/2014 (ECB/2014/17) and Article 10(3)(d) of Regulation (EU) No 1163/2014 (ECB/2014/41).**				

In this case, TA row 030/column 030 (total assets) does not have to be filled in (it will contain an automatic formula, which is TA row 031/column 030 - TA row 032/column 030 + TA row 033/column 030 - TA row 034/column 030). This figure represents the total assets that will be taken into account when determining the fee factor.

The original total assets of the whole group (i.e. with a value of €1,000 in the example above) will be used in the data quality process. This amount will be compared with the latest total assets acquired by the ECB within the regulatory reporting, and if there are material differences, a request will be made for an explanation/resubmission of regulatory reporting to the ECB.

- Where the institution submits the total assets figure for a supervised entity or supervised group classified as "less significant" on the basis of an ECB decision made in accordance with Article 6(4) of Regulation (EU) No 1024/2013 in conjunction with Article 70(1) and Article 71 of Regulation (EU) No 468/2014 (SSM Framework Regulation) (ECB/2014/17) and Article 10(3)(d) of Regulation (EU) No 1163/2014 (ECB/2014/41), it must complete row 040 of the "type of institution" column as follows.

  (i) Type of institution = 9, the fee factor of total assets will not exceed €30 billion for supervised entities or supervised groups classified as "less significant" on the basis of an ECB decision as described in the previous paragraph.

Example

CALCULATION OF FEES
TOTAL ASSETS

Reference period	31/12/2015	NAME	Bank A
Date	01/07/2015	MFI Code	IT0000000001
		LEI code	ABCDEFGHIK1234567890

Item		Type of institution 010	Confirmation of auditor's verification (Yes/No) 020	Total assets 030	Comments 040
010	TOTAL ASSETS in accordance with Article 51 of Regulation (EU) No 468/2014 (ECB/2014/17)	1	YES	50123456789	
020	TOTAL ASSETS in accordance with Article 7(2)(a) or (b) of this Decision				
030	TOTAL ASSETS in accordance with Article 7(3)(b) of this Decision: Item 030 is equal to 031 minus 032 plus 033 minus 034				
031	Total assets of all group entities established in participating Member States				
032	Intragroup positions among supervised entities established in participating Member States (from reporting packages used for the elimination of balances for group reporting purposes) - **optional**				
033	Goodwill included in the consolidated financial statements of the parent undertaking of a supervised group - **obligatory**				
034	Goodwill allocated to subsidiaries established in non-participating Member states or third countries - **optional**				
040	Total assets for a supervised entity or supervised group classified as less significant on the basis of an ECB decision made in accordance with Article 6(4) of Regulation (EU) No 1024/2013 in conjunction with Article 70(1) and Article 71 of Regulation (EU) No 468/2014 (ECB/2014/17) and Article 10(3)(d) of Regulation (EU) No 1163/2014 (ECB/2014/41).	9		30000000000	

Further reporting requirements

Institutions submitting a total assets figure using the method set out for "type of institution" (8) or (9) must also report (in row 010/column 010) the total assets in accordance with Article 51 of Regulation (EU) No 468/2014 (SSM Framework Regulation) (ECB/2014/17).

Column 020 "Confirmation of auditor's verification" should be completed by the supervised entities to confirm whether the figures provided are audited.

Auditor verification (column 020)

The auditor must undertake an engagement to report on a specific element, account or item of the total assets.

The auditor must undertake the following tasks in respect of the following supervised entities and supervised groups.

- Regarding the method set out for "**type of institution**" (**5**), the auditor must express its opinion as to whether statistical data on the basis of which the total assets fee factor is derived give a true and fair view in accordance with the relevant financial reporting framework. In fact, in the event that the total assets of a fee-paying branch are calculated on the basis of statistical data reported pursuant to Regulation (EU) No 1071/2013 of the European Central Bank (ECB/2013/33)[6], an auditor shall certify the total assets of the fee-paying branch by carrying out appropriate verification of its financial accounts (Art. 7(2)(c) Decision (EU) 2015/530). This requirement may be satisfied by an auditor confirming the total assets based on agreed-upon procedures.

- Regarding the method set out for "**type of institution**" (**6**) and (**7**), the auditor must express its opinion as to whether the relevant reporting packages from which the total assets amount is derived give a true and fair view in accordance with the relevant financial reporting framework.

- Regarding the method set out for "**type of institution**" (**8**), the auditor must express its opinion as to whether the relevant reporting packages from which the total assets amount is derived give a true and fair view in accordance with the relevant financial reporting framework. Where a fee debtor uses statutory financial statements, the auditor's tasks should be limited to confirming the correctness of the calculation of the total assets. In addition, an auditor must express its opinion as to whether the calculation of a total assets figure arrived at through aggregation complies with the methodology established in Article 7(3)(b) of Decision ECB/2015/7.

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[6] Regulation (EU) No 1071/2013 of the European Central Bank of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33) (OJ L 297, 7.11.2013, p. 1).