

Imposition of an administrative penalty on Banque et Caisse d'Epargne de l'Etat, Luxembourg

The EUROPEAN CENTRAL BANK,

pursuant to Article 18(1) of Council Regulation (EU) No 1024/2013, decided on 31 January 2022 to impose an administrative penalty on Banque et Caisse d'Epargne de l'Etat, Luxembourg in the amount of EUR 3,755,000. This penalty is imposed in respect of a breach of Article 430(1)(a) of Regulation (EU) No 575/2013 of the European Parliament and of the Council for having provided inaccurate information on risk-weighted assets and capital ratios in the quarterly individual reporting on own funds and own funds requirements for seven consecutive reporting periods from 30 June 2017 to 31 December 2018.

When determining an administrative penalty, the ECB follows the principles set out in the ECB's Guide to the method of setting administrative pecuniary penalties pursuant to Article 18(1) and (7) of Regulation (EU) No 1024/2013. In determining the amount of the administrative penalty, the ECB considered all the relevant circumstances of the case, in particular the impact of the breach, the degree of the misconduct of Banque et Caisse d'Epargne de l'Etat, Luxembourg, the size of the entity and the applicable mitigating factors.

The ECB assessed the impact of the breach as 'high' based on the effect that the breach had on the prudential situation of the entity and its effective supervision, as determined on the basis of the importance of reporting obligations for day-to-day supervision, the extent to which the reported figures differed from the actual prudential situation of the entity and the duration of the breach, which prevented the ECB from obtaining a comprehensive view of the risk profile of the entity for more than one and a half years. The degree of the entity's misconduct was assessed as 'medium' taking into account the significant deficiencies in its internal controls, including those related to the assessment of the accuracy of the internal models' data inputs, and to the validation and review of the estimates of the risk parameters, allowing an inaccurate calibration of the probability of default for exposures to institutions which led to the miscalculation of own funds requirements to remain undetected during that period. The entity should have foreseen that those significant deficiencies in its internal controls could potentially result in a failure to report accurately on its own funds requirements. As the impact and the misconduct were determined, respectively, as 'high' and 'medium', the ECB classified the breach as 'severe'. In addition, the ECB considered certain mitigating circumstances, in particular, the cooperation shown with the ECB and the remedial actions taken on its own initiative, also to prevent similar breaches from occurring in the future.

The administrative penalty is published in accordance with Article 18(6) of Council Regulation (EU) No 1024/2013 and Article 132 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17).

The ECB's decision to impose an administrative penalty on Banque et Caisse d'Epargne de l'Etat, Luxembourg may be challenged before the Court of Justice of the European Union under the conditions and within the time limits provided for in Article 263 of the Treaty on the Functioning of the European Union.