Dear Sir/Madam,

With effect from 1 January 2014, your institution is included in the scope of the new Capital Requirements Directive (‘CRD IV’) and the Capital Requirements Regulation (‘CRR’). CRD IV and the CRR, together with a large number of implementing provisions, such as the Binding Technical Standards (BTS) of the EBA, constitute the prudential framework familiarly referred to as the ‘CRD’. The CRD is also the basis on which the Single Supervisory Mechanism (SSM) will operate.

Even in 2014, institutions do well to actively monitor developments in the context of the CRD. By this sectoral briefing, De Nederlandsche Bank (DNB) draws your attention to the main topics affecting your firm in the coming months.

We hope you will find it useful in implementing CRD IV.

Yours faithfully,

De Nederlandsche Bank NV

Georg Bulsink
Head of Department, Banking Supervision Division
1 EMBEDMENT IN REGULATORY PROVISIONS AND POLICIES

1.1 Reviewed versions of CRD IV and the CRR

In November 2013, the European Commission published the reviewed text of the CRD and CRR. The textual changes in the CRD are presented as ‘corrigenda’ to the existing document. The CRR appears as an entirely new version (also referred to as ‘corrigendum (2)’, which includes corrigendum (1)). The currently applicable text of the CRD IV consists of the previous version with limited alterations.

The updated CRD texts are to be found on:
- or via DNB’s Open Book on Supervision at: [http://www.toezicht.dnb.nl/7/50-229561.jsp](http://www.toezicht.dnb.nl/7/50-229561.jsp)

1.2 Act Implementing the Capital Requirements Directive and Regulation (Implementatiewet richtlijn en verordening kapitaalvereisten)

The amendments to Dutch national legislation in line with CRD IV have been sent to the Second Chamber of Parliament for deliberation on 14 April. The draft amendment is entitled ‘Voorgestelde wijziging van de Wet op het financieel toezicht en enige andere wetten ter implementatie van richtlijn 2013/36/EU’ The amendment will have consequences for banks and for certain investment firms. It provides for a prohibition against disbursements that undermine the capital buffer, an increased maximum fine amount, introduction of a bonus ceiling, limitation of the DNO obligation to reductions of CET1 capital, amplification of DNB’s range of enforcement measures and changes in the maximum numbers of positions that executive and supervisory directors of significant banks and investment firms are allowed to hold. The draft also includes an obligation for banks and certain investment firms to have resolution plans in place. This obligation set out in CRD IV is to be enacted in the Decree on Prudential Rules for Financial Undertakings (Besluit prudentiële regels Wft or Bpr).

For more information, see:

1.3 Publication of Guidelines and Binding Technical Standards

DNB urges institutions to monitor relevant publications regarding elaborations of CRD IV and the CRR on the websites of the European Banking Authority (EBA) and in the EU Official Journal (OJ). Three European Supervisory Authorities ESAs) are drafting a large number of implementation documents detailing specific elements of the new CRD. These implementation documents can take any of several legal forms, in particular Implementing Technical Standards (ITS), Regulatory Technical Standards (RTS) and Guidelines. Which form is used depends on the principle set out in the CRD texts. Guidelines are most easily found on the EBA website. ITS and RTS are published in the Official Journal and are most easily accessed with the search engine of EurLex (hint: search for Year = 2013, Number = 575 and Type = Regulation).
1.4 Regulation providing specific rules regarding CRD IV and the CRR

In mid-December 2013 DNB finished implementing necessary amendments to a number of supervisory regulations as set out in its Regulation providing specific rules regarding CRD IV and the CRR.

This Regulation lays down specific choices regarding the options and discretions which the CRR provides to national competent authorities. Implementing authority regarding the CRR has been conferred on DNB in Section 2 of the Decree on the Implementation of EU Regulations regarding Financial Markets. The CRR’s options and discretions for Member States will be implemented for the Netherlands by the Minister of Finance. Whether it falls to DNB to fill in options and discretions arising from CRD IV will depend on its implementation in Dutch legislation, more in particular the Financial Supervision Act (Wet op het financieel toezicht or Wft) and the subsidiary Decree on Prudential Rules for Financial Undertakings (Besluit prudentiële regels or Bpr). Not until the implementation Act and subsidiary legislation have been finalised will DNB know what scope it has to regulate further matters in the Regulation (in addition to what has already been included).

For more information, please refer to:
- Open Book on Supervision http://www.toezicht.dnb.nl/4/4/2/50-229534.jsp

1.5 Regulation on Statements of Financial Undertakings under the Wft & Policy Rule amending policy rules pursuant to the CRD

Very little time (7–14 March 2014) will be allotted to the public consultation on proposed amendments to the Regulation on Statements of Financial Undertakings under the Wft. This Regulation has to be adjusted to prevent overlap and conflicts between it and the CRR. The adjustment records formally that henceforth only a handful of statements (reports) are to be collected at the national level: those in respect of liquidity risk, interest rate risk and sector concentration risk. The amended Regulation also lays down national responsibility for certification requirements. It does not entail any new policy decisions: those were made earlier and disclosed in the fact sheet on supervisory reporting (OBT).

Relevant links on DNB’s Open Book on Supervision:
- Fact sheet on reporting for credit institutions: http://www.toezicht.dnb.nl/2/50-229858.jsp
- News release on the consultation: http://www.toezicht.dnb.nl/7/50-230133.jsp
1.6 European Commission Services publishes current state of reporting templates

On 8 January 2014 the European Commission published its draft Implementing Technical Standards (ITS) on Reporting. DNB will in any case use the reporting templates presented in these publications for reports on the first and second quarters of 2014, and so will the EBA and its membership. The associated validation rules included in these templates deserve specific attention (see Section 2.3). DNB will inform the banks when and if the ITS is finally adopted, mentioning any relevant changes made plus the dates, if any, from which they will take effect.

Above-mentioned publications may be found here:
- Open Book on Supervision: [http://www.toezicht.dnb.nl/7/50-229725.jsp](http://www.toezicht.dnb.nl/7/50-229725.jsp)

2 REPORTING: STANDARDS AND SUBMISSION

2.1 Enforcement policy on reporting; fines and cease-and-desist orders under CRD IV

As announced earlier in the Banking News Letter of September 2013, DNB intends to tighten its enforcement policy regarding the timely submission and the quality of banks’ financial reporting (formal term: ‘statements’). As regards quality, DNB will initially focus on banks’ “8028” liquidity statements. The template for the 8028 statement will not be affected by CRD IV, since it is a national-level statement and will be used unchanged throughout 2014. Depending on the experience with the 8028 liquidity reports, DNB will also develop and introduce tightened policies for other statements.

2.2 e-Line form sets

From end-March 2014, new or modified reports will be successively introduced in the production environment of e-Line DNB. The following new form sets will be introduced for statements on periods ending 31 March 2014:
- COREP, consolidated and stand-alone
- COREP, sub-consolidated
- COREP, solo
- Leverage ratio, consolidated and stand-alone
- Leverage ratio, solo
- Stable Funding, consolidated and stand-alone
- Stable Funding, solo
- LCR, consolidated and stand-alone
- LCR, solo

The consolidated form sets apply also to “stand-alone” institutions (i.e. those without either a parent or subsidiaries in the Netherlands). Some existing form sets will be continued, including the 8028 and 8029 liquidity assessments, FinRep (banks IFRS and banks ‘Title 9’) and interest rate risk. For the benefit of parallel reporting, the “CoRep CRD III” form set will be shown for the last time in e-Line DNB. On the information page of e-Line DNB, we will present a full
listing of all form sets, providing banks with an overview of their reporting requirements throughout the year.

2.3 Validation rules under CRD IV reports
As stated before, the EBA validation rules, which are binding on banks, will not be included “ex ante” in e-Line DNB. Instead, DNB will apply the EBA validation rules on statements “ex post”, after all statements have been received through e-Line DNB. Banks will receive a semi-system-generated email from DNB listing validation triggers activated at DNB and requesting resubmission of the statement(s) in question.

However, there is a possibility that EBA-published validation rules may be incorrect. Banks are expected to submit correct statements, even if this means that a validation trigger is activated (correct reporting takes precedence over observance of validation rules). If a bank is of the opinion that a validation trigger is activated erroneously, it must demonstrate convincingly that this is so. Some validation rules exceed the scope of a form set, for instance because they link two sets together. DNB is as yet unable to perform automatic checks on such validation rules.

DNB will shortly specify on the e-Line DNB information page which EBA validation rules are not applied (“switched off”) by DNB. Since such rules are inactive, a bank may still meet its reporting obligation even if such a rule is triggered. If a bank finds that a specific validation rule is incorrect, it is asked to report the error to its DNB reporting account manager, even if the error is not relevant in the bank’s specific case.

2.4 Plausibility rules
DNB’s internal audit of banks’ statements will also include (automatic) plausibility rules. These rules are less ‘hard and fast’ than the EBA validation rules. DNB will email detailed outcome reports to the banks. According to expectations, the number of plausibility rules will initially be limited but increase in successive periods. When a plausibility rule is triggered, the reporting entity will be asked for an explanation. This process will also be conducted by email, as usual. An explanation may entail a re-reporting request.

2.5 Other CRD IV reporting issues: XBRL and trial reports.
For now, and at least for all of 2014, DNB does not support XBRL reporting. Submission of statements will, as usual and until further order, be conducted in XML form or through manual completion of forms via e-Line DNB.

2.6 Trial reports
A number of banks have agreed to submit trial reports. DNB will make further arrangements with these banks regarding deadlines and the form set or sets to be included. The trial will not involve a test on EBA validation rules.
2.7 Explanatory fact sheet on reporting by banks / credit institutions

Apparently, many institutions still have difficulty finding their way around their reporting requirements. DNB has therefore published a comprehensive overview of all reporting requirements, stating the level of consolidation applicable to each. The overview also shows which forms have been discontinued as of 1 January 2014. For banks, these include the 8040 form containing the ‘management’s statement’.

Relevant links on DNB’s Open Book on Supervision:
- Banks - explanatory notes: http://www.toezicht.dnb.nl/2/50-229858.jsp
- Banks - table: http://www.toezicht.dnb.nl/2/50-229614.jsp
- Investment firms: http://www.toezicht.dnb.nl/2/50-229608.jsp

2.8 Circular on applicable consolidation levels:

In January of this year, DNB sent a letter to all banks requesting to report the level of consolidation applicable to them (solo, sub-consolidated, consolidated). One important technical reason for this request is that e-Line uses the applicable consolidation levels to set the correct reporting requirements for each institution. Thus the combination of the applicable consolidation level and reporting elements for an institution determines the range of form sets to be completed. Also, DNB has the impression that the documentation of some institutions on the circumstances relative to consolidation could be improved. Some institutions appear to be insufficiently aware of the relevant elements of the CRR or are unable to readily identify all relevant affiliated parties.

Relevant links on DNB’s Open Book on Supervision:
- News bulletin: http://www.toezicht.dnb.nl/2/50-229754.jsp
- Explanatory fact sheet: http://www.toezicht.dnb.nl/2/50-229854.jsp

3 SPECIFIC POLICY WITH REGARD TO NOTIFICATIONS AND APPLICATIONS

3.1 CRD IV – methodology underlying the implementation of options and discretions

On its ‘CRD IV fact sheet – notes on implementation of options and discretions under CRD IV and CRR’, DNB provides an overview of the application of the options and discretions offered in the renewed Capital Requirements Directive (CRD IV) and the Capital Requirements Regulation (CRR). The options and discretions that were already provided by the CRD have been largely harmonised in CRD IV. As only CRD IV is to implemented in national legislation – the CRR will operate directly – an overall summary of options and discretions applying in the Netherlands no longer exists. The fact sheet explains where and how the options and discretions under CRD IV and the CRR are reflected by the regulatory framework.

Relevant links on DNB’s Open Book on Supervision:
- Fact sheet: http://www.toezicht.dnb.nl/2/50-229884.jsp
- Tabular overview: http://www.toezicht.dnb.nl/2/50-229888.jsp
3.2 CRD IV/CRR options and discretions notification form

CRD IV and the CRR offer institutions a number of explicit options and discretionary choices. Such options and discretions may take any of several forms (see Section 3.1 above). In DNB’s view, the use by institutions of options and discretions that are explicitly left open to them by CRD IV and the CRR but are at the same time bound to specific restrictions, should be recorded. The discretions and options are identified in Section 1:6 of the Regulation on specific provisions of CRD IV and the CRR (Regeling specifieke bepalingen CRD IV en CRR, see under 1.4 above). A notification form is available on DNB’s Open Book on Supervision pages. This form must be used to notify the use of any such option or discretion to DNB. Failure to do so in time will constitute an act of non-compliance with the said Regulation.

Relevant links on DNB’s Open Book on Supervision:
- Fact sheet on options and discretions: http://www.toezicht.dnb.nl/2/50-229610.jsp
- Notification form: http://www.toezicht.dnb.nl/2/50-229816.jsp
- Fact sheet on the implementation methodology http://www.toezicht.dnb.nl/2/50-229884.jsp

3.3 Review of waivers

The last CRD circular announced the lapse, under CRD IV and the CRR, of a large share of the waivers (or dispensations) previously issued by DNB under Dutch legislation. The most prominent among these waivers is the ‘solo waiver’ exempting an institution, by request, from solo supervision and solo reporting and including it, for supervision and reporting purposes, with the parent at the consolidated level.

Except through individual letters, information on the possibility to apply for new waivers, the application procedure and the documentation to submit has been provided via Open Book on Supervision. A large number of institutions has used this opportunity. In December, DNB considered several dozen applications from institutions that wished to be certain, before the entry into force of the CRR on 1 January, about whether they qualified for a waiver.

DNB wishes to emphasise that it cannot at this point in time predict what the impact will be of banking supervision as exercised, in future, through the ECB under the Single Supervisory Mechanism (SSM). Recently extended waivers have, therefore, been granted in light of current circumstances and under the proviso that they may be reviewed if circumstances change – as after the launch of the SSM.

Finally, it should be noted that the CRR offers several kinds of waivers. Institutions are referred to the Q&As on waivers in the Open Book on Supervision. Alternatively, you may submit your question to DNB by email to CRDwaiver@dnb.nl.
4 OTHER CRD IV-RELATED PUBLICATIONS.
The introduction of CRD IV and the CRR on 1 January 2014 led to a large number of changes in
the documentation on the Open Book on Supervision. The maintenance work is to continue for
some time to come. New publications directly related to CRD IV implementation are announced
under ‘CRD IV - News’ on the CRD IV / CRR pages of Open Book on Supervision. Occasionally, in-depth commentaries are published on the CRD IV Academy page. DNB’s CRD
IV Academy intends to explain the CRD in a comprehensible and factual manner.

Overviews on Open Book on Supervision:
• CRD IV and CRR home page: http://www.toezicht.dnb.nl/4/1/50-203922.jsp
• CRD IV Academy: http://www.toezicht.dnb.nl/4/1/50-228882.jsp