



Overview of the CSSF Annual Report 2022: Credit Institutions

This newsletter marks the second publications of a six-part series, offering an overview of the CSSF Annual Report for the year 2022. This edition of this series is dedicated to the key highlights for Credit Institutions.

On the 25 August 2023, the CSSF published its annual report focusing on the overview of the CSSF activities and initiatives in 2022. This publication aims to provide valuable information to assist relevant entities in gaining an understanding of areas requiring attention based on the CSSF observations.

In the previous publication, we focused on highlighting the outcomes of on-site inspections.

In this and future publications, we provide an overview of the key institutions under CSSF's supervision, offering insights into various aspects of CSSF's supervisory practices. Additionally, we highlight significant past and forthcoming priorities, along with key findings from off-site inspections. Secondly, our focus will shift to the noteworthy regulatory changes that unfolded in 2022, providing a glimpse into anticipated developments for the years ahead.

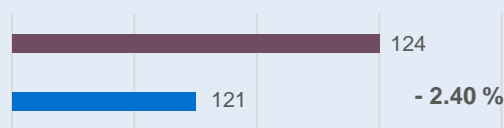


Credit institutions

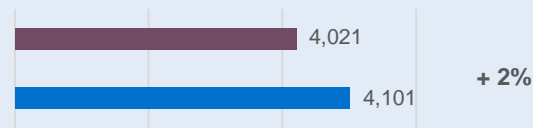
Legend

- 2021
- 2022

Number of Authorized Entities



Net Results (EUR million)



Banking Supervision Practice

Responsibilities for prudential supervision vary depending on the type of Credit Institution and primarily encompass Solvency, Liquidity, and Internal Governance Oversight. The CSSF scope of supervision covers the following areas:

- **Prudential Supervision** of Less Significant Institution (LSIs);
- Supervision of compliance with professional obligations related to **AML/CTF**;
- Supervision of regulations related to **Consumer Protection**, such as MiFID, laws governing mortgage and consumer credits; **Market Integrity**, including EMIR, SFTR, Benchmark Regulation (BMR), and covered bonds directive;
- **Supervision of Obligations** arising from **Sectoral laws** concerning UCIs, notably those related to the role of the depositary bank for UCIs, **European or national regulations**, such as PSD2 and Directive NIS1.

Prudential Supervision Priorities in 2022

The CSSF priorities for prudential supervision in 2022 included the following:

- **Credit Risk** including Russian exposures and non-performing consumer loans outside Luxembourg;
- **Conduct Risk** including AML/CTF;
- **Profitability Risk**;
- **Operational Risk** including ML/TF risk, IT risk with cyber risks for instance, resilience risk (business continuity) and risks related to the use of sub-depositary institutions and outsourcing;
- **Interest Rate Risk**;
- **ICT Risks** following the accelerated digitalisation of banking services caused by the COVID-19 pandemic;
- **Climate Change and Environmental Risks** including an exercise aimed to outline the state of play of the level of the banking sector's alignment with the CSSF expectations set out in Circular CSSF 21/773;
- **Intra-Group Credit Risk** including the following the accelerated digitalisation of banking services caused by the COVID-19 pandemic.

Finalization of Basel III



The primary objective of the Basel III agreement and its implementing act in Europe, the Capital Requirements Regulation (CRR) and Directive (CRD), is to enhance the robustness of the EU banking sector. This enhancement aims to enable the sector to effectively absorb economic shocks while also ensuring that banks remain capable of financing economic activity and fostering growth.

In the context of the finalization of Basel III, in the following years, **new rules and regulations** regarding the resilience of the banking sector might be introduced.



NEW - CSSF Circular 22/828



CSSF Circular 22/828 updates CSSF Circular 20/750 by introducing a standard Payment Service Providers (PSPs) ICT Assessment form. This form helps PSPs evaluate IT and security risks related to payment services. It ensures consistency and comparability in PSPs' assessments by providing clear guidance on information expectations set by CSSF.

Publication Timeline

This newsletter, the **second** in a series of 6 publications.



On-site Inspections

Published 13/09/2023



Credit Institutions

By 20/09/2023



IFMs and UCIs

By 27/09/2023



PFS

By 04/10/2023



Payment, Electronic Money Institutions and VASPs

By 11/10/2023



Challenges for the next years

By 18/10/2023

Why Mazars for you?

Joined-up Mazars engagement team



As a truly integrated partnership and firm, we operate seamlessly across borders. Our commitment to clients is absolute – we furnish you with a seasoned senior team well-versed in the intricacies of the field. You will benefit of senior leaders ‘on the ground’, poised to deliver not just insights but transformative, value-enhancing recommendations.



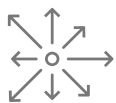
Tailored, pragmatic, joined-up approach



In these challenging times, Mazars is committed to support you navigating the regulatory challenges. As a service provider, our work is practical, and our conclusions and action plans will be pragmatic and fine-tuned to our clients’ needs. We will tailor our approach to ensure our work meets each and every client's specific requirements.



Personal and personable approach



We strongly believe that this sets us apart from the competition. Our commitment is to invest time and effort in truly understanding the unique environment of each entity we engage with. We approach every interaction with a willingness to listen, to empathize, and to adapt.

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