



Press release

15 November 2024

ECB sanctions Banque et Caisse d'Epargne de l'Etat, Luxembourg for misreporting capital requirements

- ECB imposes penalties amounting to €1.685 million on Banque et Caisse d'Epargne de l'Etat, Luxembourg
- Bank breached market and credit risk reporting rules

The European Central Bank (ECB) has imposed two administrative penalties amounting to a total of €1.685 million on Banque et Caisse d'Epargne de l'Etat, Luxembourg for misreporting calculated risk-weighted assets for market and credit risk.

Between 2018 and 2022, for 17 consecutive quarters, Banque et Caisse d'Epargne de l'Etat, Luxembourg understated its risk-weighted assets connected to foreign exchange exposures by failing to accurately capture its USD-denominated positions in the own funds requirement for foreign exchange risk in accordance with prudential requirements.

Furthermore, between 2021 and 2023, for eight consecutive quarters, the bank understated its risk-weighted assets by not considering an indirect equity position when calculating the exposure amount of qualifying holdings outside the financial sector. As a result, the bank neither deducted the relevant exposure amount from its own funds nor applied the correct risk weighting prescribed by the applicable framework.

Risk-weighted assets are a measure of the risks a bank has on its books. They serve as a basis for banks to calculate their capital requirements. Underestimating risk-weighted assets means the bank did not calculate its capital requirements properly and reported higher capital ratios than it should have. This prevents the ECB from obtaining a comprehensive view of the bank's risk profile. Capital ratios are key indicators of a bank's capital strength and its ability to absorb losses.

When deciding on the level of penalties, the ECB applies its [public guide](#). In this case, the ECB has classified the breaches as “moderately severe”.

European Central Bank

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More details on imposed sanctions are available on [the ECB's banking supervision website](#).

The bank may challenge the ECB's decision before the Court of Justice of the European Union.

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Notes

- The ECB's power to impose sanctions stems from Article 18(1) of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.
- The Decision imposing a sanction 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.

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