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– Zentrale –

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Recast ECB regulations concerning monthly balance sheet statistics, euro-area MFI interest rate statistics and the external status of banks (MFIs)

Final version of the explanatory notes on the new items and reporting templates

Regulation ECB/2008/32 of 19 December 2008 recast the reporting requirements for the bank balance sheet statistics. The Deutsche Bundesbank subsequently issued Bundesbank regulation No 8001/2009, which was published in the electronic edition of the Federal Gazette (*Bundesanzeiger*) on 24 February 2009. By publishing this document, the Bundesbank is going one step further towards ensuring the timely notification of German reporting entities concerning the implementation of banks' statistical reporting requirements.

Back at the end of October 2008, we provided rough drafts of the amended reporting templates for the monthly balance sheet statistics (BISTA), the euro-area MFI interest rate statistics (interest rate statistics) and banks' external status (external status) on our website. First explanatory notes on the item "Loan securitisations and other loan sales/purchases" followed on 23 December 2008. Later drafts of this document and the first version of the "Preliminary explanatory notes" were provided on 4 February 2009, 23 March 2009, 7 April 2009, 4 June 2009 and 19 June 2009. The presented final version is identical with the last draft of 19 June 2009.

In principle, reports will first have to be submitted using the new reporting templates for the June 2010 reporting date. However, this does not apply to data on "Securitisations and other loan sales/purchases" (see item 1.2.1), which will have to be reported for the first time on the December 2009 reporting date, and for data on "Syndicated loans" (see item 1.2.2), which will have to reported for the first time on the December 2011 reporting date. Adjustments to the reporting of bank statistics as a result of the Act Modernising Accounting Law (*Bilanzrechtsmodernisierungsgesetz*) will have to be implemented as from the December 2010 reporting date, see item 1.1.

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1 Monthly balance sheet statistics (BISTA)

1.1 Impact of the Act Modernising Accounting Law on the reporting of banking statistics

The *Bundestag*, or lower house of parliament, passed the Act Modernising Accounting Law (*Bilanzrechtsmodernisierungsgesetz*) on 26 March 2009. Germany's upper house, the *Bundesrat*, approved the act on 3 April 2009. The law was announced in the electronic edition of the Federal Gazette on 28 May 2009.[1]

The accounting rules pursuant to Germany's Commercial Code (*Handelsgesetzbuch*) and the Accounting Regulation for Banks and Financial Services Institutions (*Verordnung über die Rechnungslegung der Kreditinstitute und Finanzdienstleistungsinstitute*) as recast in the light of the Act Modernising Accounting Law **must first be applied for the December 2010 reporting date**.

Individual items and concepts and how they are reported in the BISTA or bank's external position are analysed below.

Financial instruments in the trading portfolio

Section 340e (3) sentence 1 of the Commercial Code stipulates what valuation rules credit institutions must apply to financial instruments in the trading portfolio. In addition, the Act Modernising Accounting Law lays down that inclusion in the trading portfolio is a defining feature or classification criterion for Template 1 of the Accounting Regulation for Credit Institutions and Financial Services. This partially revokes the previous balance sheet classification of balance sheet positions by instrument category (loans and advances, debt securities, shares etc). Depending on a balance sheet item's use, it must, for the purposes of the annual accounts pursuant to the Commercial Code, in future be classified either as part of the non-trading portfolio by instrument category (eg loans and advances) or alternatively as belonging to the trading portfolio. The notes to the annual accounts (section 35 of the Accounting Regulation for Banks and Financial Services Institutions) list what financial instruments must be detailed.

For the purposes of banks' statistical reports, the "instrument-based approach" used up to now is being maintained. Financial instruments that are allocated to the trading portfolio must therefore still be reported in the same "instrument category" as before. The "trading portfolio" contained in the balance sheet total (HV11 180 and HV21 330) must be reported under the new items HV12 196 ("Trading portfolio") and HV22 480. Sections of the trading portfolio must be broken down in the new

[1] In the Federal Law Gazette I/28 of 28 May 2009 (p 1102 ff), the Act Modernising Accounting Law was announced as a law with effect from 25 May 2009 (Link: http://www.bgbl.de/Xaver/start.xav?startbk=Bundesanzeiger_BGBl).

items HV12 700, HV12 701, HV12 702 and HV12 703 or HV22 524, HV22 525 and HV22 526. This allows a rudimentary “bridging“ of the gap between a bank’s (MFI’s) single-entity annual accounts according to the Commercial Code and the corresponding BISTA report.

”Derivative financial instruments” in the trading portfolio must be reported under the new items HV12 186 or HV22 505. The Act Modernising Accounting Law contains no definition of the term “derivate financial instrument”. The explanatory memorandum to the act includes a reference to section 1 (11) sentence 4 in conjunction with sentence 1 of the German Banking Act (*Kreditwesengesetz*); for the purposes of banking statistics, we also refer to the definition given there. However, we would point out that **securitised warrants**, which also come under this definition, must be reported not under item HV12 186, but as “Other securities” in item E2 100 04 (or in sub-holdings within this item).

The expected **valuation-related fluctuations** in the portfolio positions for balance sheet assets that are not attributable to transactions must be reported using the existing **BISTA valuation correction templates**; this does not apply to “Derivative financial instruments”, which are reported under HV12 176 or HV21 326.

Further notes on asset and liability positions (where these do not relate to the trading portfolio)

Assets

- “Deferred tax assets” (within the meaning of section 274 of the Commercial Code (in the version as amended by the Act Modernising Accounting Law))
  must be reported under item HV12 185, which will be available from the June 2010 reporting date (see item 1.3.1.1).
- The following assets must also be listed under item HV11 176.
  - “Internally generated intangible fixed assets”
  - “Internally generated industrial and similar rights and assets”
  - “Purchased concessions, industrial and similar rights and assets, and licences in such rights and assets”
  - Goodwill
  - Prepayments
  - Pension cover surplus
- HV11 051 (“Bills eligible for refinancing with the Deutsche Bundesbank”)
  This item is eliminated.

- HV11 160 “own shares”
  - To avoid impairing data consistency with the securities deposit statistics etc, this position is being maintained for BISTA purposes. The fact that the associated gross reporting is being maintained deviates from the changes to the Accounting Regulation for Banks and Financial Services Institutions regulations necessitated by the Act Modernising Accounting Law.
    - HV12 161 “Nominal value of own shares” is also maintained.

Liabilities

- “Deferred tax liabilities” (within the meaning of section 274 of the Commercial Code (in the version as amended by the Act Modernising Accounting Law)) must be allocated to item HV21 326.
- HV21 270 ➔ “Special tax-allowable reserve”
  This position is dropped.

1.2 Selected elements of the recast BISTA

1.2.1 Data on securitisations and other loan sales/purchases

1.2.1.1 HV12 179, HV12 181, HV12 182 and the newly introduced annexes on loan sales, purchases and securitisations (O1, O2, P1, S1)

General information

Reporting item HV12 179 “Management of loans underlying asset-backed securities (ABS)” has been included in the monthly balance sheet statistics since mid-1997. Under this position, the total of the book values of loans underlying ABS in the broader sense had to be reported where the reporting institution (MFI) as the originator continues to act as the service agent even after the off-balance true sale. These transactions will still have to be reported here, although the name and the definition of the reporting item will be changed to “Loans underlying ‘traditional off-balance securitisations’ where the reporting institution is the originator and servicer”. Transactions where only “servicing” is provided (without the reporting institution being the “originator”) will, in future, have to be reported at their book value under the new item HV12 181.Another novelty is that securitisation transactions must be reported under reporting item HV12 182 where the reporting institution acts as the originator, but which are on-balance true sales according to the opinion of the Institute of External Auditors on accounting rule “IDW RS HFA 8”[2] or a comparable

[2] The circular issued by the Institute of External Auditors (IDW RS HFA 8 of 1 October 2002; amendment of 9 December 2003) clarifies that even when accounting according to the German Commercial Code is

rule. No account is taken here of "**synthetic securitisations**",[3] where the reporting institution does not economically transfer the loans to the "securitisation transaction" but only sells it the "credit risk" in the form of credit derivatives, guarantees or the like.

Under the new version of the ECB regulations, items HV12 179, HV12 181 and HV12 182 have to be broken down on annexes **P1 and** S1.

Net changes within the respective reporting period must be entered in the annexes O1 and O2. Net change refers to the difference between sold and purchased loans. Information on the loan portfolio sold must be entered on reporting template O2 for a traditional securitisation. **A separate reporting template O2**, which includes a detailed breakdown of the loan portfolio sold at the **time of the sale**[4] (adjusted for any buybacks), **must be drawn up for every securitisation transaction.**

Loans that are not intended as a reference portfolio for a securitisation transaction, but are transferred through a **"non-securitised" loan sale/purchase**, must be listed on **annex O1 (aggregated)**; two aggregate figures must be given according to the category flagged in item 905 (with an impact on the balance sheet or with no impact on the balance sheet).[5] [6]

Where an institution, either as the originator or as a pure "servicer" without being the originator itself, performs the servicing function for a securitisation transaction that must be reported for these statistics, the **updated holdings** of the "securitised" loan portfolio in question for which this service function is undertaken must be reported on a separate reporting template S1 for each securitisation transaction. In the case of an on-balance true-sale securitisation transaction, the holdings of the respective "securitised" loan portfolio must always be reported on reporting template P1 (regardless of whether the institution performs servicing itself).

The net changes and/or holdings that must be reported on annexes O1, O2, P1 and S1 must be broken down by maturity and obligor sector.

Holdings of securitised portfolios based on transactions that were carried out prior to the first reporting date of December 2009 need not be recorded as transaction reports on the BISTA annexes O2, but do need to be reported as holdings in BISTA annexes S1 and P1 provided the requisite reporting requirements are met.

applied, credit receivables (which are transferred to a financial vehicle corporation for securitisation) may still have to be shown on the balance sheet of the originating institution (on-balance true sale).

[3] For instance, securitisations undertaken via the KfW banking group's two securitisation platforms (PROMISE and PROVIDE), the securitisation programmes of the cooperative banking sector (VR-Circle, WGZ-Loop) or the savings bank sector (Kreditbaskets) in their current guise.

[4] This also applies to sections of the portfolio for this securitisation transaction that are later sold under replenishment agreements.

[5] If both categories are flagged in item "905", annex O1 would have to be submitted twice (with aggregate figures given for the two categories).

[6] IDW RS HFA 8 (or a comparable rule) defines business transactions where loan (portfolios) may not be derecognised also for "non-securitisation transactions".

Loan sales concluded between banks (MFIs)[7] do not need to be included on reporting templates O1, O2, P1 or S1 and consequently do not need to be included in items HV12 179, HV12 181 und HV12 182 on the main template.

The European System of Central Banks (ESCB) is planning to use collected data several times. The Bundesbank will, for example, use the data on all securitisation transactions reported using annexes P1 and S1 to fill in the asset side of the aggregated balance sheet for financial vehicle corporations (FVC) engaged in securitisation transactions domiciled in Germany; ECB regulation ECB/2008/30 (in Germany, Bundesbank notice 8002/2009) will require that all such corporations submit statistical reports from the end of 2009. In addition, the ECB's reporting concept envisages that information on securitisation transactions will be exchanged between the affected “home” central banks within the euro area.

Please also refer to the final version of the document “Notes and examples on reporting securitisation transactions and other loan sales/purchases in BISTA – final version “, which is available on the Bundesbank website at “Reporting system” > “Monthly balance sheet statistics” > “Recast of the ECB-Regulations”).

The first reporting date for the above-mentioned HV12 items and annexes O1, O2, P1 and S1 is the December 2009 BISTA reporting deadline.

Definition of the term “securitisation transaction” for the purposes of these statistics

In a classic, traditional securitisation, the loan seller (= the reporting MFI) usually sells the portfolio to be securitised to an FVC, which was established with the sole purpose of carrying out this securitisation transaction (**special purpose vehicle (for one transaction)**)). The sale of the securitised portfolio and any buyback from the securitised portfolio associated with this transaction (including the sale or buyback of those sections of the portfolio that are transferred (later) in a replenishment period, must be reported on the O2 template. It should be noted that sales and purchases that relate to the same securitised portfolio and are conducted within one reporting period are netted for the purposes of the O2 reporting requirements and the net change recorded.

Where an FVC engaged in securitisation transactions undertakes several different securitisation transactions (“**multi-purpose securitisation programme”**, eg master-trust structures), sales and buybacks (or the resulting balance) of the securitised portfolios are reported on reporting template O2 broken down by individual securitisation transaction.

[7] i.e. banks domiciled in the euro area with MFI status

Information allowing the unique **identification of the securitisation transaction in question** (uniformly documented securitisation programmes such as ABCP programmes must also be treated as securitisation transactions) must be given in items 901 to 909 on reporting template O2, P1 and/or S1.

Distinction between the definitions of the term "securitisation" for the purposes of the banking statistics and for prudential purposes

Bundesbank regulation 8001/2009 in conjunction with Article 1 of the Regulation ECB/2008/32 concerning balance sheet statistics defines the term "securitisation" as "a transaction which is either (a) a traditional securitisation as defined in Article 4 of Directive 2006/48/EC and/or (b) a securitisation as defined in Article 1 of Regulation (EC) No 24/2009 (ECB/2008/30), which involves the disposal of the loans being securitised to an FVC". We would like to make the following clarifications.

Reporting templates O2, P1 and S1 relate to "traditional" securitisations. This does not include synthetic securitisations, where the reporting institution does not economically transfer the loans to the FVC but only affects the transfer of the credit risk in the form of credit derivatives, guarantees or the like.

The main difference between the definition of securitisation as described in Article 1 No 2 of ECB Regulation 2008/30 for the purposes of balance sheet statistics and the definition set out in Article 4 No 37 of Directive 2006/48/EC, which was, for prudential purposes, transposed into national law in section 226 (1) of the Solvency Regulation (*Solvabilitätsverordnung*) is as follows.

For prudential purposes, section 226 (1) number 1 of the Solvency Regulation requires – unlike the ECB definition – that the securitised portfolio be divided into at least two tranches.

Provided the requirements of section 226 (2) of the Solvency Regulation are met, a traditional securitisation is, for prudential purposes, defined as the legal transfer of a securitised portfolio by an originator. The definition of Directive 2006/48/EC is assumed in a slightly modified form, in that a traditional securitisation is already considered to have taken place where a securitised portfolio is merely transferred legally, which is intended to ensure a simple and practical definition of traditional securitisations. The objective is to avoid possible difficulties in assessing whether an economic transfer of a securitised portfolio has taken place. According to the Solvency Regulation, the transfer of the securitised portfolio to a securitisation transaction (FVC) is not absolutely necessary for securitisation. By contrast, for the purposes of balance sheet statistics, the ECB Regulation explicitly demands the economic transfer of the securitised portfolio to a securitisation transaction.

For prudential purposes, effective risk transfer is considered to have taken place where the minimum requirements which section 232 of the Solvency Regulation stipulates for a significant and effective risk transfer have been fulfilled. If an originator does not, through a securitisation transaction, affect a significant and effective risk transfer, he must, for prudential purposes, recognise the securitised portfolio as though it were not securitised. For the purpose of balance sheet statistics, the significant and effective risk transfer is based on the requirements laid out in the Institute of External Auditors circular IDW RS HFA 8 of 1 October 2002, which was last amended on 9 December 2003. However, a securitisation which does not involve a significant and effective risk transfer does not remain unrecognised here, but must be recorded in the monthly balance sheet statistics as a securitisation transaction which does not involve derecognition by the originator (on-balance true sale).

To sum up, we can note that the two definitions of securitisation share many features, but are not identical.

As a general rule, it should be noted that a traditional securitisation according to the requirements of the Solvency Regulation is always also an ECB-compliant securitisation transaction with removal from the originator's balance sheet (off-balance true sale) if the securitised portfolio is legally transferred to a securitisation transaction and the requirements for a significant and effective risk transfer are fulfilled both in terms of section 232 of the Solvency Regulation and pursuant to IDW RS HFA 8.

Special case of loan portfolios that are bought and then completely sold within one reporting period without being on the bank’s books and needing to be reported on the reporting date

Such loan portfolios can be allocated according to the main focus (sector, maturity, country of domicile).

Example: a client (enterprise) of the reporting bank (MFI) would like to sell a loan portfolio with “thousands of individual loans” to an ABCP programme (usually a conduit). For tax and other reasons, the portfolio is initially bought by the bank (resulting in reporting requirement for annexes O1) and generally sold on to the ABCP programme on the same day (consequently reporting requirement annexes O2).

When reporting the transaction on annexes O2, item 907 must include separate memo items showing the amounts attributable to these loan portfolios, allowing unique identification of the section of the securitised portfolio which has no impact on the loan holdings reported in the last BISTA report.

Special case of pass-through loan portfolios

Loan portfolios of relevance to annexes O1 which, within a reporting period, are bought by “Counterparties without MFI status which do not relate to a securitisation transaction" and are subsequently completely resold to them for the same amount, and do not appear on the reporting bank's books on the reporting date, need not be reported on annex O1. “Counterparties without MFI status” (other counterparties) constitute non-MFIs within the euro area, and banks and non-banks outside the euro area.

1.2.1.2 Loans and advances and liabilities to FVCs

Annexes B1, B3, C1, C2, C3, C4, E1, E3, F2; building and loan associations B1, B2

Business relationships with FVCs must be reported separately in the relevant annexes. This applies regardless of whether the securitisation transactions are “traditional” or “synthetic”. For instance, own holdings of credit linked notes (CLN) that were issued by an FVC must be reported under the appropriate sub-item of annex E1 or E3.

In the case of an “on-balance true-sale” transaction (see above) according to IDW RS HFA 8 or a comparable rule, loans or other assets that were sold using “traditional securitisation” remain on the originator’s balance sheet. **The offsetting accounting entries must be listed under BISTA items C1/C3, lines 113 and 421, respectively (including the relevant sub-items). The ECB stipulations require that column 04 (more than 2 years) be used. Such transactions may no longer be listed under HV21 326 “Other liabilities” for statistical purposes, as hitherto preferred by some banks.**

The first reporting date for all information on loans and advances and liabilities to FVCs that are not described in item 1.2.1.1 is the June 2010 BISTA reporting date.

1.2.2 Syndicated loans

Main template HV22/annexes A1, B1, B3; building and loan associations A1, B1, B2

The ECB wants to examine the market for syndicated loans in more detail to determine to what extent financing via syndicated loans is used as a substitute for debt financing through the issuance of debt securities.

Syndicated loans are individual loan agreements in which several institutions are involved as lenders. Banks (MFIs) required to submit BISTA reports may be both lenders (BISTA annexes A1, B1, B3) and “final borrowers” (HV22 211).

On the asset side, only the amounts actually issued by the individual lending banks (MFIs) (= syndicate members) need to be treated as syndicated loans for statistical purposes (not the total credit facility). Syndicated loans included in items HV11 060 and HV11 070 of the main template must be reported in the above-mentioned annexes. The syndicated loan is generally arranged and coordinated by one institution (frequently called the lead manager), with the individual tranches being distributed by the various syndicate members. All participants, including the lead manager, report their share of the loan to the borrower (ie not vis-à-vis the lead manager).

On the liability side, the bank in question (as the “final borrower”) reports the syndicated loans it has taken out from other banks. This is only the case where the bank knows that the loan was extended by several lending banks.

The general reporting rules laid down in the bank statistics guidelines on “syndicated loans” (see section III: General reporting rules and other explanatory notes) continue to apply.

The first reporting date for syndicated loans is the December 2011 BISTA reporting date.

1.2.3 Gross reporting of negotiable bearer debt securities issued (HV11 083 and annexes E4 and F1)

Item HV11 083 “Own debt securities”, which features on the Accounting Regulation for Banks and Financial Services Institutions template, is being reopened[8] and must be broken down in the new annex E4. This improves consistency with the “Own holdings of securities” and “Securities issues” reported in the securities deposit statistics and issuance statistics.

The structure of this annex is based on that of annex F1. Annex E4 allows the securities in question to be recognised when drawing up the consolidated balance sheet for the MFI sector and when deriving the monetary aggregates.

The guidelines on items HV11 083, HV21 280 and HV22 432 are being amended as follows (new sections are underlined):

- HV11 083
  “Repurchased subordinated and non-subordinated negotiable debt securities issued by the institution itself must be reported here; holdings of non-negotiable own debt securities must be deducted from the liabilities items HV21 231 “Debt securities issued”, HV21 232 “Money market paper issued” or HV21 280 for subordinated liabilities at the value at which they are carried on the liability side.
  Holdings of debt securities issued by the institution’s subsidiaries abroad (see footnote x on page y) and carried on their books as a liability must, in the report for the bank’s domestic operations, be reported not here, but under item 081 “Money market paper” or 082 “Bonds and notes” and carried over into line 134 of annex E1 Securities.”
- HV21 280
  “All liabilities – securitised and unsecuritised – which are subordinated to other creditors’ claims in the event of liquidation or insolvency must be

[8] This item was suspended in mid-2002, because the maturity breakdown required to calculate net holdings of debt securities for the banking system’s consolidated balance sheet was not available. Consequently, the banks (MFIs) were sent a circular in December 2001 asking them to deduct debt securities bought back from debt securities in issue (according to item HV21 230).

reported here. Non-negotiable subordinated own paper that has been repurchased must be deducted at the value at which they are carried on the liability side."

- HV22 432

  "Subordinated debt securities issued with maturities of up to and including2 years contained in item 280 must be listed here.

  Repurchased non-negotiable subordinated debt securities issued must be deducted at the value at which they are carried on the liability side.

For the impact on annex H, see item 1.3.9.

For "Debt securities with a nominal guarantee of less than 100%", see item 1.3.8.

1.2.4 Reporting 'loans and advances' and liabilities from reverse repurchase transactions (reverse repos) and repurchase transactions (repos); including business relationships with "Central counterparties"

Annexes B1, B3, C1, C3, (A1, A2); building and loan associations B1, B2, (A1)

To date, the cash collateral (claims and liabilities) from (reverse) repo transactions contained in the "Total" column had to be given only as "*of which*" sub-items in annexes C1, C3 and A2. The decision to waive a separate breakdown by maturity was taken after consultations with the German banking industry; at the time, the Bundesbank view was shared that it was appropriate that claims and/or liabilities resulting from (reverse) repo transactions almost always be reported in the maturity band "up to and including one year (excluding overnight money)". In recent years plausibility checks on the submitted BISTA reports have shown that this assumption is no longer appropriate as market conventions have changed; since August 2005, the Bundesbank has taken due account of this by conducting a special survey on a monthly basis. The ongoing review of reporting regulations has now institutionalised a breakdown by maturity.

Reverse repos are the opposite of repo transactions. In other words, in a repo transaction, the reporting bank incurs a liability which is collateralised by securities, while the reverse is the case for a reverse repo transaction: the reporting bank grants a loan and receives securities as collateral.

The bank statistics guidelines "General guidelines" III General reporting rules and other explanatory notes, "Sales and repurchase transactions, securities and precious metal lending transactions" remain in place.

Since trading platforms for repo transactions have become established in the market, banks (MFIs) are increasingly conducting reverse repo and repo transactions via “Central counterparties”.[9] [10] As a result, these transactions are no longer represented as interbank transactions in the BISTA, but as business relations with the non-banking sector (ie in this case “Other financial intermediaries”). To be able to recognise such developments and take due account of them when analysing developments in monetary aggregates, (reverse) repo transactions with “Central counterparties” must be reported separately.

1.2.5 Liabilities with “agreed period of notice” and with “agreed maturity and period of notice”

Annexes A2, C1 to C4

Liabilities must be reported according to their agreed maturity or period of notice in annexes A2, and C1 to C4. When in doubt, the BISTA guidelines stipulate that liabilities be reported in the “shorter” maturity band in accordance with the general **principle of prudence** demanded by Germany's Commercial Code. **This principle will continue to apply.** What is **new** is the **introduction of “memo items”** (lines 200/300/400 (annex A2) and 600/700/800 (annexes C1 and C2) or 400/500/600 (annexes C3 and C4)). Their introduction appears appropriate due to regular surveys[11] and market observations; we believe their introduction makes sense. The evidence so far is that (a) the percentage of “Deposits redeemable at notice” is negligible, and that (b) individual “Deposit products”[12] are sold both with an agreed maturity and with an agreed period of notice.[13] The memo items are to allow the ongoing observation of both forms going forward. If they reach a significant volume in the next few years, the reporting regulations, which are based on the principle of prudence, would need to be modified in the next review of the BISTA reporting regulations, as the ECB regulation initially stipulates a classification by original maturity and by period of notice from the time notice is given, especially for the cases described under (b). If redeeming a liability with agreed maturity results in the amount being moved to the maturity band of the agreed period of notice, which would then be relevant for classification purposes, this would have to be statistically adjusted. Given the currently (as yet) small volume of relevant “Deposit products”, this complex reporting procedure[14] has been suspended in Germany, and the tried and tested BISTA reporting practice – which is based on the principle of prudence – has been maintained. The liability must initially be classified by agreed maturity and,

[9] Within the meaning of “central counterparty” pursuant to section 1 (31) of the German Banking Act.

[10] For example EurexRepo segment of Eurex Clearing AG, repo segment of LCH.Clearnet

[11] In the years 1996, 2002 and 2006.

[12] For instance, one-off investments with the option of premature termination; products for retail clients are frequently called growth saving products.

[13] In individual cases, with an additional non-calling period.

[14] Annexes A2 and C would have to be completely redesigned, which would result in an exponential increase in existing reporting requirements.

from termination[15] by agreed period of notice only in memo items in line 300/400 (annex A2) and 700/800 (annexes C1 and C2) or 500/600 (annexes C3 and C4).

Where partial amounts of liabilities with agreed maturity have been terminated, these must, from the time they are terminated, be reported by agreed period of notice as memo items in lines 400 (annex A2), 800 (annexes C1 and C2) or 600 (annexes C3 and C4) stating the level of the amount terminated. Partial amounts that have not yet been terminated must be reported by agreed maturity in the memo items in line 300 (annex A2), 700 (annexes C1 and C2) or 500 (annexes C3 and C4).

1.2.6 "Transferable liabilities"

Annexes: A3, C5

"Transferable liabilities" are overnight liabilities which are directly transferable on demand to make payments to other economic agents using customary payment instruments, such as credit transfer and direct debit, possibly also by credit or debit card, e-money transactions, cheques, or similar means, without noticeable delay, restriction or penalty. Liabilities subject to restricted availability[16] do not constitute transferable liabilities.

The "Overnight liabilities" reported in annexes A2 and C1 or C3 may currently include amounts that are used to settle payments and/or are *de facto* investments (in particular, "Higher-yielding overnight money" in annex C1). A clear-cut distinction between the two forms is not possible, and hybrids are conceivable. The concept of the new annexes A3 and C5 therefore isolates the "tangible" sub-component of "Transferable liabilities" that can be used for the purposes of payment statistics; the residual figure is likely to be sufficiently precise to make a trend estimate as to the percentage that "Higher-yielding overnight money" held for investment purposes constitutes in overnight liabilities[17] and to take this into due account when calculating the monetary aggregates.

Note: annex A3 asks only for business relationships with banks (MFIs), not with money market funds, which also have MFI status.

1.2.7 Percentage of "Financial auxiliaries" in "Other financial intermediaries" sector

Annexes B1, B3, C1, C3; building and loan associations: annexes: B1, B2

The European System of National and Regional Accounts (1995 ESA) differentiates between the sectors S.123 "Other financial intermediaries except insurance corporations and pension funds"[18] and S.124 "Financial auxiliaries"[19]. These two sectors have, to date, been summarised for the purposes of the BISTA. However, it

[15] In the sense of a creditor's right of termination.

[16] For example, (a) credit balances that can only be withdrawn in cash; (b) credit balances from which funds can only be transferred to a specific reference account.

[17] Without having to define the term "higher-yielding" deposits.

[18] This relates to the enterprises named under sector keys 64D, 64E, 64G and 64H in the customer classification.

[19] This relates to the enterprises named under sector key 660 in the customer classification.

is necessary to be able to distinguish between the two in future, particularly for the national financial accounts, for which the BISTA represents a key data source. That is why “*of which*” sub-positions will have to be filled in for "Financial auxiliaries”.

1.2.8 **Reporting derivative financial instruments** (not included in the trading portfolio)

Contrary to drafts of the guidelines and BISTA regulations, derivative financial instruments that do not belong to the trading portfolio will no longer be recorded. Items HV12 197 and HV22 511 will be deleted and turned into "blank items”.

It should, however, be noted that options not evidenced by securities and resulting from option dealings (paid option prices) as well as cover and adjustment payments for open futures market positions (security deposits, initial margins and variation margins) **which are not allocated to the trading portfolio** must be booked as “Intangible fixed assets” at historical cost and recorded under item HV12 177. Option prices received (options not evidenced by securities) where the option can still be exercised, as well as initial margins and variation margins received in respect of outstanding financial futures contracts **which are not allocated to the trading portfolio** must be booked as “Other liabilities” in item HV22 335 in the amount of the sum received.

1.3 Further changes to the BISTA requiring explanation

1.3.1 Main template sheets 1 to 4 (assets and liabilities)

1.3.1.1 Additional breakdown of “Other assets and liabilities” (HV11 176 and HV21 326)

- The items are broken down in more detail. This allows the ECB to collect data on the composition of the other assets and liabilities in future, largely without the reporting institutions having to respond to special surveys. Several “*of which*” sub-positions such as **prepaid expenses and deferred income, advance tax payments,**[20] **taxed general value adjustments** or received and/or paid **option prices and/or premiums** should be self-explanatory and will not be discussed in any more detail here.

- Calculated and booked **accrued interest** for asset and liability positions must be reported in the items **“Accrued interest on loans and securities”** (HV12 178, HV12 183, HV22 336 and HV22 337).

- **HV12 177** “Options not evidenced by securities and resulting from option dealings (paid option prices) as well as cover and adjustment payments for open futures market positions (security deposits, initial margins and variation margins paid)" which are not allocated to the trading portfolio and **HV22 335** option prices received (options not evidenced by securities) where the option can still be exercised, as well as initial margins and variation margins received in respect of outstanding financial futures contracts which are not allocated to the trading portfolio.

- ♦ **Liabilities arising from prepaid amounts** in the context of 'hardware-based' or 'software-based' **electronic money** (eg prepaid cards)
  - Pursuant to section 1 (14) of the German Banking Act, electronic money consists of units of value in the form of a claim against the issuing agency which are (1) stored on electronic data media, (2) issued against receipt of a sum of money, and (3) are accepted by third parties as a means of payment without being legal tender.
  - The existing item HV22 329 "**Amounts loaded onto prepaid cards"** is being supplemented by item HV22 501 "of which: denominated in euro", as the market now includes card-supported alternatives to products that are already common but not generally denominated in euro (eg travellers' cheques are increasingly being replaced by "prepaid travel cards").
  - "**Network money**" are prepaid electronic units of payment (other than amounts loaded onto prepaid cards), which the user stores on a computer hard disk and uses once or several times for "anonymous" payments; units of value are transferred from one hard drive to another.
    According to a convention,[21] liability-side payment units from **network money business and prepayments made in similar "software-based", ie not card-supported, payment schemes**, have, to date had to be reported under item HV21 222 and allocated to column 01 (overnight) and line 122 (employees) of annex C1 – if a sectoral breakdown was not possible.
    With the new version of the BISTA rules, all forms of electronic money that do not need to be listed under item HV22 329 will have to be reported separately under the new item HV22 502; reporting under item HV21 222 or in annex C1 will therefore no longer be necessary from the June 2010 BISTA reporting date.

[20] Including deferred tax assets and liabilities pursuant to section 274 of the Commercial Code.

[21] Bundesbank circular of December 1999.

1.3.1.2 Additional items on “Subordinated liabilities” (HV21 280)

To date, the Bundesbank has not broken down item HV21 280 “Subordinated liabilities” by euro amounts as required for ECB purposes; to improve the data situation, items HV22 284 and HV22 285 are now being introduced.

See also item 1.2.3.

1.3.1.3 Additional items below the bottom line

Individual items needed to meet ECB reporting requirements will have to be given.

- ♦ Securitisations and other loan sales/purchases, HV12 179, HV12 181 and HV12 182 ➔ see item 1.2.1

  For detailed descriptions, see the Deutsche Bundesbank’s webpage, path: Reporting system > Monthly balance sheet statistics > Recast of ECB-Regulations > Document “Notes and examples on reporting securitisation transactions and other loan sales/purchases in BISTA – final version”.

- ♦ Number of employees

  This indicator refers to the average number of employees in the reference year and must be given both as a headcount figure (HV22 473) and converted into “Full-time equivalents” (HV22 472).

1.3.2 Annex B3

Annex B3, which was introduced in 1999 with the launch of European monetary union and was designed according to the specifications in place at the time, did not include a breakdown for self-employed persons. The amended ECB regulation requires that such information be given for “Other loans”.

1.3.3 Annex B4

Annex B4, which was introduced in 2002 to implement Regulation ECB/2001/13 and was designed according to the specifications in place at that time, did not include a breakdown of households. The new ECB regulation now includes a more detailed breakdown of the “households” sector. Annex B4 takes this into account by the separate entry “employed persons and other households”. This also allows the percentage share that instalment loans[22] represent of consumer credit and other loans to be determined as an “of which” item.

1.3.4 Newly introduced annex B5 on “Collateralisation and intended purpose”

By determining the percentage of loans and advances to “Other enterprises” and “Households (including non-profit institutions)” that are secured by **real estate**

[22] As defined in the quarterly borrowers’ statistics.

collateral, the ECB wishes to determine how widespread the phenomenon of mortgage equity withdrawal (MEW) is in the euro area.[23]

The relevant data on domestic and euro-area loan collateralisation must therefore be entered in annex B5. Loans backed by real estate collateral must be broken down by intended purpose. A loan will be considered to be backed by real estate collateral where the amount of the real estate **collateral** entered in the **land register is at least equal to** the amount of the **loan being collateralised at the time the loan is paid out**. It should be noted that real estate collateral can only be recognised up to the amount at which the property is valued. Once a decision has been taken to classify a loan as "backed by real estate collateral", this must be maintained over time ("original collateralisation principle").

This reporting method differs from the prudential treatment of mortgage loans in that it is admissible, from a prudential point of view, to allow a loan backed by real estate collateral to "shrink" into the lending limit over time by splitting the mortgage loan into a mortgage loan and a personal loan. This principle is not taken into consideration for the purposes of annex B5.

Draft for the text of the explanatory notes:

Loans

– which, where the Credit Risk Standardised Approach (CRSA) is applied, are secured by residential real estate property which is or will be occupied or let by the owner or which, where the CRSA is used, are secured by commercial real estate property within Germany or in the territory of another European economic area (EEA) country which has chosen the option pursuant to Annex VI, part 1, 51 of Directive 2006/48/EC (see section 35 (1) sentence 1 number 2 of the Solvency Regulation), or
– which, where the Internal Ratings-Based Approach (IRBA) with supervisory loss given default (F-IRBA) is used, are secured by residential real estate property which is or will be occupied or let by the owner or by commercial real estate property,

are deemed to be collateralised by real estate provided all the following requirements are met:

1 Real estate collateral in at least the same value as the loan amount has been posted, pledged or assigned. For the purposes of the BISTA, the time the loan contract based on such collateralisation is concluded is decisive, even if the collateralisation effect is not yet legally effective at this time. In the case of overdrafts, revolving loans and extended credit card credit, the maximum agreed loan principal shall be deemed the loan amount. For the purposes of the banking statistics, such real estate collateral is recognised up to at most the market value

[23] MEW is understood to mean the following "hybrid" credit relationship with a client: real estate for which mortgage collateral usually has to be provided is used as collateral for a loan that is taken out for another purpose – eg a consumer loan – when the originally collateralised "mortgage loan" has been repaid. Capital which is, for the purposes of the survey, mapped to an asset is thus used to fund consumer spending, for example.

of the property pursuant to section 16 (2) sentence 4 of the Pfandbrief Act (*Pfandbriefgesetz*). As an alternative to the market value, the mortgage lending value pursuant to section 16 (2) sentences 1 to 3 of the Pfandbrief Act or a sustainably achievable value calculated in a different way that meets these requirements may be used.

2 The value of the real estate property does not materially depend upon the obligor’s credit assessment.

3 For residential property located outside Germany, the obligor’s solvency does not materially depend upon the economic development of the hypothecated property or on the project to which the property belongs and especially not on cash flows generated by the underlying property, and depends on its capacity to repay the debt from other sources. If the competent authorities in an EEA country have decided that the prerequisites pursuant to Annex VI part 1 number 49 of Directive 2006/48/EC (see also section 35 (2) sentence 2 of the Solvency Regulation) or Annex VIII part 1 number 16 of Directive 2006/48/EC (see section 159 (1) sentence 1 number 1 sentence 2 of the Solvency Regulation) are met in their territory, the requirement for real estate property located in that country shall be deemed to have been met.

4 In the case of commercial real estate property, the obligor’s solvency does not materially depend upon the economic development of the hypothecated property or on the project to which the property belongs and especially not on cash flows generated by the underlying property, and depends on its capacity to repay the debt from other sources. This requirement shall be deemed to have been met for commercial real estate property located in Germany, if the Federal Financial Supervisory Authority (BaFin) announces, pursuant to section 35 (4) sentence 1 of the Solvency Regulation, at least annually, that the maximum loss rates for counterparty credit risk (CCR) exposures secured by commercial real estate property have not been exceeded. This requirement shall be deemed to have been met for commercial real estate property located in another EEA country if this country has chosen the option pursuant to Annex VI part 1 number 58 of Directive 2006/48/EC (see also section 35 (3) sentence 3 of the Solvency Regulation) or the option pursuant to Annex VIII part 1 number 17 of Directive 2006/48/EC (see section 159 (1) sentence 1 number 2 clause 2 of the Solvency Regulation) and announces at least annually that the maximum loss rates for mortgages on commercial real estate property are met in that country.

For institutions that calculate their capital requirements according to the IRBA using own estimates of loss given default (A-IRBA), the loans are deemed to be secured by real estate collateral if real estate collateral in at least the same value as the loan amount has been posted, pledged or assigned. For the purposes of the BISTA, the time the loan contract based on such collateralisation is concluded is decisive, even if the collateralisation effect is not yet legally effective at this time. In the case of overdrafts, revolving loans and extended credit card credit, the maximum agreed loan principal shall be deemed the loan amount. For the purposes of the banking statistics, such real estate collateral is only recognised up to a maximum of the amount at which the property is valued (within the institution). This usually corresponds to the property’s market value.

Once a decision has been taken to classify a loan (which has been allocated to a purpose category) as “secured by real estate collateral”, this must be maintained over time (“**original collateralisation principle**”). Please note that this classification of real estate loans must be applied consistently for the purposes of both the balance sheet statistics and the interest rate statistics. As a consequence, all loans that are deemed to be secured by real estate for the purposes of the balance sheet statistics must also be reported as collateralised in the interest rate statistics provided they can be allocated to new interest rate business. The reverse is not true, however, as the definition of a collateralised loan differs significantly between the balance sheet statistics and the interest rate statistics. While only real estate collateral is recognised as loan collateral for the purposes of the balance sheet statistics, the definition of collateral for the interest rate statistics includes all protection instruments available under prudential regulations (see item 2.4).

Legally dependent domestic branches of foreign banks operating in Germany (ZaB) and other institutions required to report their balance sheet statistics, to which the above regulations of Directive 2006/48/EC and/or the Solvency Regulation do not apply, which choose not to use credit risk mitigation techniques or which are exempt from applying these regulations for other reasons, should report loans as “secured by real estate” if real estate collateral in at least the same value as the loan amount has been posted, pledged or assigned when the loan is granted.

Explanation

Annex II part 2 of Regulation ECB/2008/32 (balance sheet statistics regulation) states that “for the purpose of this reporting scheme, the breakdown of loans according to real estate collateral includes the total amount of outstanding loans which are collateralised in accordance with Annex VIII, Part 1, Sections 13-19 of Directive 2006/48/EC, with an outstanding loan/collateral ratio of 1 or below 1. If these rules are not applied by the reporting agent, the determination of the loans to be included in this breakdown is based on the approach chosen to comply with capital requirements.”

Annex VIII part 1 numbers 13 to 19 of Directive 2006/48/EC regulates the eligibility of real estate collateral for institutions that calculate their prudential capital requirements using supervisory loss given default pursuant to section 93 of the Solvency Regulation.

For institutions applying the Standardised Approach, eligibility is regulated *mutatis mutandis* by Annex VI part 1 numbers 45 to 60 of Directive 2006/48/EC.

In contrast to the rules laid down in Annex VIII part 1 number 13 of Directive 2006/48/EC (commercial real estate property under the F-IRBA), Annex VI part 1 number 51 read in conjunction with number 57 of Directive 2006/48/EC (commercial real estate property under the CRSA) only recognises commercial real estate located within the EEA as collateral. This is reflected in the first part of sentence 1 of the explanatory notes.

Sentence 1 number 1 deals with the valuation of collateral taking into account the condition, laid down in the table in Annex II part 2 of the BISTA regulation, that the value of the collateral may not be lower than the value of the loan. Valuation of real estate collateral is based on section 20a (5) of the German Banking Act.

Sentence 1 number 2 of the explanatory notes implements Annex VIII part 1 number 13a (residential and commercial real estate property under the F-IRBA), Annex VI part 1 number 48a (residential real estate property under the CRSA) and number 54a (commercial real estate property under the CRSA) of Directive 2006/48/EC.

Sentence 1 number 3 of the explanatory notes is based on the rules laid down in the Solvency Regulation and exercises the option pursuant to Annex VIII part 1 number 16 (residential real estate property under the F-IRBA) and pursuant to Annex VI part 1 number 49 (residential real estate property under the CRSA) of Directive 2006/48/EC, in that it waives the requirement of Annex VIII part 1 number 13 letter b (residential real estate property under the F-IRBA) or Annex VI part 1 number 48 letter b (residential real estate property under the CRSA), for real estate located in Germany.

Sentence 1 number 4 implements Annex VIII part 1 numbers 17 and 19 (commercial real estate property under the F-IRBA) and Annex VI part 1 number 54 letter b (commercial real estate property under the CRSA), while exercising the option pursuant to Annex VIII part 1 number 19 (commercial real estate property under the F-IRBA) and Annex VI part 1 number 58 (commercial real estate property under the CRSA) of Directive 2006/48/EC. The exercise of these options is in line with the transposition into national legislation through the Solvency Regulation.

The condition pursuant to Annex VIII part 1 number 18 (commercial real estate property under the F-IRBA) and Annex VI part 1 number 59 (commercial real estate property under the CRSA) is implemented in the form that, according to sentence 1 number 4 of the explanatory notes, the Federal Financial Supervisory Authority (BaFin), for commercial real estate located in Germany, or the competent supervisory authority, for commercial real estate property located in another EEA country, announces at least annually that the maximum loss rates for CCR exposures secured by commercial real estate property have not been exceeded. If no such announcement is made, it must be assumed that these requirements are no longer met, which means that the commercial real estate properties in question cannot be recognised as collateral until the competent supervisory authorities again confirm that the conditions pursuant to sentence 1 number 4 are met.

Sentences 2 and 3 of the notes deal with the eligibility of real estate collateral for institutions that calculate their prudential capital requirements using the A-IRBA. Directive 2006/48/EC provides no concrete rules here. As a result, this section is kept short.

Special regulations for the first-time classification of the affected loans and advances

Feedback from various institutions has informed us that classifying “legacy holdings” of loans and advances that must be reported in the new annex B5 by “real estate collateralisation” is problematic and very labour-intensive. We are therefore willing to allow an assessment as at the reporting date when the annex is first filled in. That means that any loan or advance will be considered as being “secured by real estate” if the conditions for real estate collateralisation set out above are met on the cut-off date (June 2010 reporting date). The real estate property will be recognised at a value reflecting the basis for the application of credit risk mitigation techniques pursuant to the Solvency Regulation on the reporting date. The classification undertaken for the respective “legacy” loan at this point in time must be maintained over time (“earmarking”).

We are assuming that real estate collateral, especially in the case of a broad declaration of purpose, will generally initially be allocated to real estate loans or housing loans. In our opinion, the percentage of consumer or other loans secured by real estate collateral and granted to households in particular will be relatively low.

Legally dependent branches of foreign banks operating in Germany (ZaB) and other institutions required to report balance sheet statistics, to which the above regulations of Directive 2006/48/EC and/or the Solvency Regulation do not apply, which choose not to use credit risk mitigation techniques or which are exempt from the application of these rules for other reasons, may use similar suitable measures to simplify the first-time classification of “legacy holdings”.

NB: This annex need only be submitted on a **quarterly** basis at the end of the quarter.

1.3.5 Newly introduced annex B6 on “Remaining maturity and interest rate adjustment”

Analytical interest in the data reported in annex B6 focuses on how “other enterprises” and “households (including non-profit institutions)” in Germany and the euro area are affected by changes to ECB interest rates, ie with what lag a change in key interest rates is passed through to what volume of loans and advances. A particular objective is to estimate the wealth effects of ECB interest rate decisions. To this end, euro-denominated loans must be classified by remaining maturity and interest rate adjustment dates.

The methods permitted for prudential reporting can be used to calculate remaining maturities. These stipulate that **remaining maturities** for each end-of-quarter reporting date must be based on actual calendar days. If this causes problems in individual cases, we are willing to accept the “30-day month method” to calculate remaining maturity. This method was outlined in Circular 18/1999[24] on Principle II, point 10, option 1 issued by the former Federal Banking Supervisory Office (*Bundesaufsichtsamt für das Kreditwesen*).

An interest rate adjustment must be understood as a change to a loan’s interest rate that is laid down in the loan agreement. Loans subject to interest rate adjustment include, *inter alia*, loans with interest rates that are revised regularly in line with an index (eg Euribor), loans with interest rates subject to continual revision (variable interest rate) and loans where interest rates can be adjusted at the bank’s (MFI’s) discretion.

Reporting is required in the following cases:

- Loans and advances with an original maturity of more than one year, but a remaining maturity of only up to a year, must be reported in column 01 of the reporting template.
- Loans and advances where the original and remaining maturity is more than one year must be reported (column 02) only if an interest rate adjustment can be made within the next 12 months.
- Loans and advances with an original maturity of more than two years, but a remaining maturity of only up to and including two years, must be reported in column 03 of the reporting template.
- Loans and advances where the original and remaining maturity is more than two years must be reported (column 04) only if an interest rate adjustment can be made within the next 24 months. The bands chosen in terms of the original maturities mean there is some overlap between columns 01/02 and 03/04, while other data do not feature at all.

NB: This annex need only be submitted on a **quarterly** basis at the end of the quarter.

1.3.6 Newly introduced annex B7 “Revolving loans, overdrafts and credit card credit”

For the purposes of the balance sheet statistics, the ECB differentiates between “Revolving loans and overdrafts” and “Credit card credit”, which do not overlap.[25] The holdings of these types of credit reported in annex B7 constitute a component of the item HV11 071 on the main template. They must be reported in annexes B1, B3,

[24] http://www.bafin.de/cln_109/nn_722552/SharedDocs/Veroeffentlichungen/DE/Service/Rundschreiben/ba__bis__042002/rs__9918__ba.html?__nnn=true

[25] Unlike the rules on interest rate statistics.

B4 and B5 under the short maturity band (up to and including one year).[26] Where these annexes demand a classification by purpose, such credit must be mapped to "Consumer credit". This also applies to the "Revolving loans, overdrafts and credit card credit" that are not denominated in euro, but these do not need to be entered in annex B7.

To date, it was not possible to differentiate between overdraft loans and other overnight loans in the maturity band up to and including one year in the balance sheet statistics. In the interest rate statistics, such loans have formed a separate category since they were introduced. To make it easier to compare data from these two surveys, these overnight loans (extended to include "revolving loans") are to be shown separately in annex B7.

Overdrafts granted on current accounts.[27] The total amount owed by the borrower is to be reported, irrespective of whether it is within or beyond any limit agreed beforehand between the lender and the borrower with regard the size and/or maximum period of the loan.

Revolving loans are loans that have all the following features: (1) the borrower may use or withdraw funds to a pre-approved credit limit without giving prior notice to the lender; (2) the amount of available credit can increase and decrease as funds are borrowed and repaid; (3) the credit may be used repeatedly; (4) there is no obligation of regular repayment of funds.

Revolving loans include the amounts obtained through a line of credit and not yet repaid (outstanding amounts). A line of credit is an agreement between a lender and borrower that allows a borrower to take advances, during a defined period and up to a certain limit, and repay the advances at his discretion before a defined date. Amounts available through a line of credit that have not been withdrawn or have already been repaid are not to be considered.

For us revolving loans also include **Call and global credit facilities** for which there is no contractually agreed regular minimum repayment rate.

Where **call and global credit facilities include contractual arrangements** stipulating that, if credit is granted, **regular minimum repayments** (eg a fixed monthly amount or a specified percentage of the outstanding credit amount) be deducted automatically from a given reference account, a fictitious maturity must be set for the purposes of the banking statistics at the time the facility is granted, which is calculated based on the maximum credit amount and the agreed monthly repayments. As soon as such a loan is drawn down, the amount must be reported in **annexes B1 and/or B3** (but not in annex B7) in the maturity band corresponding to the fictitious maturity.

[26] Reporting in annex B6 is not envisaged.

[27] For households, this also includes payroll and pension accounts.

Credit card debt is recorded on dedicated card accounts. credit card credit.

"**Convenience credit card credit**" is understood to mean the deferred payment of credit card debt which accrues during an invoicing period. Usually no interest is charged during this period. If the credit card holder invoiced and does not pay the invoiced amount by the due date and the outstanding balance remains on the credit card account, the convenience credit card credit becomes **extended credit card credit**. The appropriate interest rate is then levied on this credit, and often minimum instalments per month have to be made to at least partially repay extended credit. The counterpart to these forms of credit is the entity liable to eventually repay the amounts outstanding in accordance with the contractual agreement, which coincides with the cardholder in the case of privately used cards, but not in the case of company cards.

The total amount owed by the borrower is to be reported, irrespective of whether it is within or beyond any limit agreed beforehand between the lender and the borrower with regard the size and/or maximum period of the loan.

1.3.7 Annexes E1 to E3

Since European Monetary Union was launched in 1999, securities lending transactions must be reported in the balance sheet statistics in the same way as sales and repurchase transactions or repo transactions, ie the loaned securities must still be reported on the lender's and not the borrower's balance sheet. By contrast, securities that were sold on after lending[29] must, like pure **short sales**, be deducted from the appropriate asset item on main template sheet 1 (eg HV11 082 "Bonds and notes") and from the corresponding item in **annexes** E1, E2 or E3 (eg E1 124 columns 04 and 05), although they had not previously been booked there; if this yields a negative figure, this must be preceded by a minus sign.

When conducting plausibility checks on the changes in stocks and valuation adjustments previously reported in the BISTA and the external position status, the indistinguishable short selling positions contained in these items have frequently resulted in queries having to be made with the reporting institutions. In order to reduce the time and effort this entails and increase the meaningfulness of the data report and its consistency with the securities deposit statistics, an additional memo item column is being incorporated into the three reporting templates: gross holdings (included in columns x and y), in which the holdings of the relevant securities must be shown before deducting short sales.

Example of reporting gross holdings:

15 March	Own holdings of securities	€1,000

[28] Also referred to as charge card credit; this also covers delayed debit card credit, ie cards with a delayed debit function, which are not necessarily called credit cards.

[29] Or where lending has not yet taken place at the time of the onward sale.

17 March	Onward sale of borrowed securities (short selling)	€500
20 March	Sale from own holdings	€100
	BISTA holdings to be reported in annexes E1 to E3 as at reporting date of 31 March	€400
	Gross holdings to be reported in annexes E1 to E3 as at reporting date of 31 March	€900

Finally, the complete breakdown of the sector “Non-banks (non-MFIs)” (Germany, line 120, other euro-area member states, line 132) must be introduced in annex E2. Although this breakdown was already stipulated in balance sheet regulation ECB/2001/13, it was not, at the time, included in the reporting template.

Nominal figures, which have, to date, had to be quoted per holding at year-end and sent to the Bundesbank in a template-free form, will no longer be required in future.

1.3.8 Annex F1

The definition of the M3 monetary aggregate includes debt securities issued with a maturity of up to and including two years. Various institutions have, for some time now, reported in the corresponding maturity bands “hybrid” securities (listed under the item “**Debt securities with a nominal guarantee of less than 100%**”) whose value depends on the performance of other assets (underlyings) such as equities, indices, commodities and commodity baskets (eg “certificates” or credit linked notes (CLN)). In recent years, such instruments have become very widespread. According to German valuation rules, bearer debt securities issued pursuant to section 793 of the German Civil Code must, according to the principle of prudence, be reported at their redemption value. This redemption amount may differ more or less from actual market values. In the worst case for the investor, the paper will be worthless when it expires or will be redeemed at a mere symbolic value. This gap between the balance sheet value and the price that can actually be achieved means that the inclusion of these instruments at their balance sheet value overstates the M3 monetary aggregate. Such securities are therefore to be reported separately to allow a rough assessment of the degree to which M3 is overstated.

To this end, it is no longer sufficient merely to give one total figure for the subordinated negotiable debt securities on the main template. Annex F1 is being extended to meet ECB requirements on this issue.

Regarding annex E4, “Own debt securities”, see also item 1.2.3. Repurchased own “Debt securities with a nominal guarantee of less than 100%” must also be listed here.

1.3.9 Annex H

The calculation of required minimum reserves has been amended; for more details, see draft for annex H.

1.3.11 Reporting templates and items for which valuation adjustments must be reported

Changes resulting from valuation adjustments in the reporting period must be reported for annexes A1[30], B1[31], B3, B4[32], B5, B6, B7[32], E1, E2 and E3. For annexes B5 and B6, the reporting period for valuation adjustments relates to a quarter[33], for all other annexes to a month.

1.3.12 BISTA reporting date

Reports must be submitted to the Deutsche Bundesbank by close of business on the sixth business day following the end of each month (or quarter for annexes B5 and B6).

1.4 Special rules for building and loan associations

In principle, all new reporting requirements also apply to building and loan associations.

Annexes B4 and B7 need not be submitted (including the annexes on valuation adjustment B4B and B7B).

All existing reporting requirements remain in place unless they have been repealed explicitly.

1.5 Requirements for reports on balance sheet statistics for “foreign branches” and/or “Institutions as a whole”

In principle, all reporting templates for the revised (domestic) BISTA report must also be submitted for reports relating to foreign branches or the institution as a whole. This ensures that the balance sheet statistics can still be used as a monthly return pursuant to section 25 (1) sentence 3 of the German Banking Act. After consultation with BaFin, the following reporting templates must be submitted only for the institution’s domestic operations:

- Existing reporting templates

[30] Template A1 – Building and loan associations.

[31] Templates B1 – Building and loan associations and B2 – Building and loan associations.

[32] Need not be reported by building and loan associations.

[33] In other words, the sum of valuation adjustments for the three BISTA reporting months; see existing rules for quarterly borrower statistics.

    - Reporting templates B3, B4, C3, C4, E3, H
    - Reporting templates on valuation adjustments (see item “1.3.11”)
- New reporting templates A3, C5, B5, B6, B7, O1

1.6 Regional statistics and statistics on foreign banks that are majority owned by German banks (AUSLT)

Regional statistics

No new templates are planned; changes to annexes B1, C1 and C2 need not be incorporated into annexes B8, C8 and C9.

AUSLT (ie monthly balance sheet statistics on foreign subsidiaries)

No changes are planned. Regardless of that, adjustments will become necessary to foreign subsidiaries’ external status.

2 Interest rate statistics

2.1 Revolving loans and overdrafts

As the new regulations on bank statistics are aimed both at harmonising the treatment of credit products across countries and harmonising the statistics themselves, the category “Overdrafts” is being expanded and will, in future, be called "Revolving loans and overdrafts” and be reported under items ZB 12 and 23 of the reporting template for new business, with volumes for these positions to be reported as end-of-month holdings. Revolving loans are as defined in section 1.3.6. Moreover, for credit lines, only the loan amount that is actually drawn down need be reported as new business. Call and global credit facilities[34] for which no regular repayment is agreed must also be reported under these items. In existing business, the above-mentioned types of credit are mapped to the maturity bands with the shortest original maturity “up to 1 year”. For loans to households, this is item ZA 06 for housing loans and ZA 09 for consumer credit. For loans to non-financial corporations[35], the relevant item is ZA 12.

[34] By contrast, call and global credit facilities with fixed repayment are mapped to maturity bands according to the hypothetical maturities calculated, as in the BISTA.

[35] They are described as “Other non-banks” in the monthly balance sheet statistics.

2.2 Reporting credit card credit

To further harmonise the banking statistics, credit card credit is, in the interest rate statistics, divided into “convenience” and “extended” credit card credit as for the BISTA.[36] In terms of new business, only extended credit card credit to households and non-financial corporations (NFCs) is reported under items ZB 32 and 36. As with revolving loans and overdrafts, volumes are measured as end-of-month holdings and are drawn from the BISTA data. In terms of existing business, both extended and convenience credit card credit to households and NFCs are reported in items ZA 09 and 12 in the interest rate statistics.

2.3 Self-employed persons

As information on self-employed persons (also called sole proprietorships and partnerships without independent legal status in the new regulations on interest rate and balance sheet statistics) is particularly important for economic and financial analysis, separate data for these market players will be collected under the revised version of the regulations on bank statistics. This is intended to provide additional information on how unincorporated businesses without independent legal status fund themselves and make it easier to interpret general developments in terms of loans to households.

In section 2.76d of ESA 95, sole proprietorships and partnerships without independent legal status are defined as that sub-population of the “Households” (S.14) sector – other than those treated as quasi-corporations – whose main function is to produce goods and services for the market. According to Annex 2 part 3 of the regulation on balance sheet statistics ECB/2008/32, this includes unincorporated businesses, (partnerships of) lawyers, doctors, etc.

To record loans to the self-employed, “*of which*” positions are introduced under “Other loans to households” in new business, which are classified according to the initial fixed interest period (items ZB 33 to 35 under new business). These “*of which*” items are intended to capture those “Other loans” where the reporting credit institution can assume that self-employed households are, in the main, the recipients. Consequently, the explanatory notes on the banking statistics guidelines relating to “Self-employed persons” apply.[37]

2.4 Collateralisation

[36] For definitions of these terms, see section 1.3.6.

[37] See the section on the customer classification, Domestic sectors, II Domestic enterprises and households (including non-profit organisations), 2, a) second paragraph.

The reason "*of which*" items for loans to households and NFCs are being introduced, showing only collateralised loans, is to break down loans in new business into more homogeneous risk groups. The objective is to improve the information content of the statistics by taking credit risk into account and to allow more in-depth analyses as well as cross-country comparisons. To this end, collateralised loans in the relevant new business categories must be reported for all loans to households and NFCs, with the exception of credit card credit, revolving loans and overdrafts as well as other loans (see items ZB 55 to 79 as well as 81, 83 and 85 of the reporting template for new business).

For the purposes of the interest rate statistics, a loan is considered to be secured if collateral in at least the same value as the loan amount has been posted, pledged or assigned. The total value of the collateralisation can be calculated as the sum of all protection instruments provided for this loan that can be recognised when calculating the prudential capital requirements under the approach in use. The collateral must be recognised at the time the loan agreement concluded on the basis of such cover is signed, even if the collateralisation effect is not yet legally effective at this time.

Where the **Credit Risk Standardised Approach (CRSA)** and the **Internal Ratings Based Approach using supervisory loss given default ratios (F-IRBA)** are used,

the following collateral is to be recognised for the purposes of the interest rate statistics:

1. financial collateral pursuant to section 155 sentence 1 numbers 1 to 16 and section 156 sentence 1 numbers 1 and 2 of the Solvency Regulation;
2. real estate collateral according to the specifications outlined under "VII annex B5" in the "Guidelines on the annexes to the monthly balance sheet statistics";
3. unfunded credit protection provided by eligible providers of unfunded credit protection pursuant to section 163 (1) numbers 1 to 8 of the Solvency Regulation; section 163 (3) of the Solvency Regulation shall apply accordingly;
4. cash on deposit held with, or a certificate of deposit or similar instrument held by, a third-party institution in a non-custodial arrangement (recognition as eligible credit protection provided by the third-party institution);
5. life insurance policies (recognition as credit protection provided by the insurer);
6. debt securities which must be repurchased by the issuing third-party institution on request (recognition as funded credit protection provided by the issuer pursuant to section 171 of the Solvency Regulation).

Where the **F-IRBA** is applied, the following collateral assets are also to be recognised:

7. IRBA receivables assigned or pledged as collateral pursuant to section 160 numbers 1,2 and 3 of the Solvency Regulation;

8. other IRBA physical collateral pursuant to section 161 sentence 1 numbers 1, 2 and 3 of the Solvency Regulation; the treatment of lease exposures as collateralised by the leased asset is governed by section 161 sentence 2 of the Solvency Regulation);
9. for IRBA exposures with special recognition of unfunded credit protection pursuant to section 86 (3) of the Solvency Regulation, the rules set out in section 163 (4) and (5) of the Solvency Regulation shall apply.

Financial collateral may be recognised at its market value at most. Real estate collateral must be valued according to the specifications outlined under "VII annex B5" in the "Guidelines on the annexes to the monthly balance sheet statistics". The value of unfunded credit protection is calculated according to section 205 of the Solvency Regulation. Other physical collateral must be valued at the well-established and publicly available market prices as stipulated in section 161 (1) sentence 1 number 2 of the Solvency Regulation. IRBA receivables assigned as collateral must be recognised at their book value based on section 94 (7) number 1 of the Solvency Regulation.

For institutions that **calculate** their capital requirements according to the **IRBA using own estimates of loss given default (A-IRBA)**, the total value of the collateral is calculated as the sum of all protection instruments provided for this loan that are eligible for use under the A-IRBA. In terms of the recognition of guarantors, A-IRBA institutions must, pursuant to section 139 (1) of the Solvency Regulation, have clearly specified criteria for the types of guarantors they recognise. Under the A-IRBA, all protection instruments must be recognised at the value determined (by the institution).

Explanation

Annex II part 4 number 11 of the ECB Regulation ECB 2009/07 stipulates that reporting of collateralised loans for the purposes of interest rate statistics include the overall volume of loans for new business that are collateralised pursuant to Article 4 (31) and Annex VIII part 1 sections 6 to 25 of Directive 2006/48/EC and Article 4 (32) and Annex VIII part 1 sections 26 to 29 of Directive 2006/48/EC respectively. Please note that the value of the collateral or credit protection must be higher than or equal to the overall value of the loan. If these rules are not applied by the reporting agent, the determination of the loans to be included in this breakdown is based on the approach chosen to comply with capital requirements.

To ensure that contractually agreed, but not yet legally effective collateral is also recognised in line with the principle of original collateralisation, sentence 3 of the explanatory notes states that the time the contract is concluded is decisive for the recognition of collateral.

The reference in **sentence 4 number 1** of the explanatory notes to section 155 sentence 1 numbers 1 to 16 of the Solvency Regulation implements Annex VIII part 1 numbers 7, 8 and 9 of Directive 2006/48/EC. As with the transposition into national legislation of Directive 2006/48/EC, Annex VIII part 1 number 10 of Directive 2006/48/EC is not implemented as eligible external credit assessment institutions (ECAIs) are not nominated as set out in section 155 sentence 2 of the Solvency Regulation. This avoids having to check which of the recognised ECAIs has assigned a credit assessment for the relevant financial collateral in order subsequently to determine which of these credit assessments to use in order to determine the eligibility of the financial collateral. The reference to section 156 sentence 1 numbers 1 and 2 of the Solvency Regulation implements Annex VIII part 1 number 11 of Directive 2006/48/EC.

As regards the recognition of real estate collateral, the BISTA rules are adopted through a reference in **sentence 4 number 2** of the explanatory notes to the specifications of "VII Annex B5" in the "Guidelines to the annexes to the monthly balance sheet statistics". (Transposition of Annex VIII part 1 numbers 13 to 19 of Directive 2006/48/EC for the F-IRBA and the appropriate regulations in Annex VI part 1 numbers 45 to 60 for the CRSA.)

The reference in the first clause of **sentence 4 number 3** of the explanatory notes to section 163 (1) numbers 1 to 8 of the Solvency Regulation implements Annex VIII part 1 number 26 of Directive 2006/48/EC. The reference to section 163 (3) of the Solvency Regulation in the second clause of the notes implements Annex VIII part 1 number 27 of Directive 2006/48/EC. The option pursuant to Annex VIII part 1 number 28 of Directive 2006/48/EC was not implemented. The term financial institution used here is defined in Article 4 (5) of Directive 2006/48/EC. If this option were implemented, no additional providers of unfunded credit protection could be nominated that meet the requirements of number 28 and would not be assigned to the CRSA exposure class Institutions specified in section 25 (7) of the Solvency Regulation. All corporates which have to be assigned to the exposure class Institutions according to section 25 (7) of the Solvency Regulation can already be treated as eligible providers of unfunded credit protection pursuant to section 163 (1) number 7 of the Solvency Regulation.

Sentence 4 numbers 4 to 6 of the explanatory notes implements Annex VIII part 1 numbers 23 to 25 of Directive 2006/48/EC.

Annex VIII part 1 number 12 of Directive 2006/48/EC allows institutions that calculate their capital requirements under the IRBA approach using supervisory loss given default (F-IRBA) to recognise additional collateral.

As regards IRBA collateral assignment of receivables, the reference in **sentence 5 number 1** of the notes to section 160 numbers 1, 2 and 3 of the Solvency Regulation implements the option pursuant to Annex VIII part 1 number 20 of Directive 2006/48/EC. The reference to section 160 number 3 of the Solvency Regulation implements Annex VIII part 1 number 20 sentence 2 of Directive 2006/48/EC.

The reference in **sentence 5 number 2** of the explanatory notes, first clause, to section 161 sentence 1, numbers 1, 2 and 3 of the Solvency Regulation implements the option pursuant to Annex VIII part 1 number 21 of Directive 2006/48/EC. The second clause implements Annex VIII part 1 number 22 of Directive 2006/48/EC.

The reference to section 163 (4) and (5) of the Solvency Regulation in **sentence 5 number 3** of the notes implements Annex VIII part 1 number 29 of Directive 2006/48/EC. *(Background information: This rule relates to what is known as “double default”. “Double default” means that the risk of both the borrower and the guarantor or provider of credit protection defaulting for the same receivable is smaller than the risk of just one party defaulting. This situation has to be provided for separately as, for example, the circle of eligible providers of credit protection for the purposes of “double default” is not completely identical to the eligible providers of unfunded credit protection listed under section 163 (1) numbers 1 to 8 of the Solvency Regulation. Sovereigns were ruled out as providers of credit protection for ”double default” purposes for the following reasons: the impact of a sovereign default on an enterprise’s ability to meet its payment obligations is unclear and potentially serious. It does not, therefore, appear to be possible to develop appropriate calibration for such providers of credit protection.)*

Sentences 6 to 9 of the notes deal with the valuation of collateral according to the provisions of the Solvency Regulation.

The last paragraph of the notes (sentences 10 to 12) deals with the eligibility of collateral for institutions that calculate their prudential capital requirements using the A-IRBA. With the exception of the reference to section 139 (1) of the Solvency Regulation, which obliges the reporting institution to clearly specified the types of guarantors it recognises, Directive 2006/48/EC contains no other concretisations. As a result, this section is kept short. Section 139 (1) of the Solvency Regulation implements Annex VII part 4 number 98 of Directive 2006/48/EC and generally corresponds, in terms of contents, to Annex VIII part 1 numbers 26 to 28 of Directive 2006/48/EC.

2.5 Loans to non-financial corporations

There are three changes for loans to NFCs. First, there will be a more detailed breakdown by initial interest rate fixation periods; second, an additional size category will be introduced for these loans. And third, separate reporting by original maturities will be introduced.

2.5.1 Breakdown by loan size

By breaking down loans to NFCs into different loan sizes, the ECB hopes to improve the options for analysing financing conditions for small and medium-sized enterprises. The size of the loan is seen as an indicator of the size of the NFC. The existing item “Loans up to EUR 1 million” is therefore being split into two categories, “Loans up to EUR 250,000” and “Loans over EUR 250,000 and up to EUR 1 million”. The item “Loans over EUR 1 million” remains. This classification applies both to loans overall (see items ZB 37 to 54 for new business) and to collateralised loans (see items ZB 62 to 79).

2.5.2 Breakdown by initial interest rate fixation period

In addition to the classification by loan size, greater differentiation is now being made of loans to NFCs by their initial interest rate fixation period. This is intended to allow the ECB to investigate in more detail the transmission of key interest rate changes. All loan size categories are therefore divided into the following fixed interest bands: “variable or up to 3 months”, “more than 3 months up to 1 year”, “more than 1 year up to 3 years”, “more than 3 years up to 5 years”, “more than 5 years up to 10 years” and “more than 10 years”.

2.5.3 Recording original maturity

In addition, within every NFC size category, loans with an initial interest rate fixation period of “Variable or up to 1 year and an original maturity of more than 1 year” are recorded under items ZB 80 to 85 of new business. These items have to be filled in both for loans overall and for collateralised loans. With these categories, the ECB wishes to isolate loans to NFCs with a medium to long-term maturity but short fixed-interest period. It is therefore sufficient to introduce an additional category of instruments containing loans in new business with an initial fixed interest period of “Variable up to 1 year” and having an original maturity of “More than 1 year”. By definition, all other loans in the categories with an initial fixed interest period of “More than 1 year” also have an original maturity of “More than 1 year”.

3 Banks' (MFIs') external status (AUSTA)

3.1 Loans to institutions belonging to a group

New AUSTA item 207

The definition of "institutions belonging to a group" for the purposes of the external status is not the same as the definition for the purposes of the Solvency Regulation, as under the external status only institutions that are banks[38] should be considered as "belonging to a group". In practice, these are foreign branches as well as foreign banking subsidiaries and, in some cases, banking affiliates of the reporting institution; where the reporting institutions are German branches of foreign banks and German MFIs that are majority owned by foreign banks, the foreign parent institutions are also considered institutions belonging to a group.

3.2 Derivative financial instruments in the trading portfolio

3.2.1 Affected BISTA items

AUSTA items 217 to 220 include a subset of BISTA item HV12 186, while AUSTA items 412 to 415 include a subset of BISTA item HV22 505.

3.2.2 Breakdown by currency

It is sufficient for the respective figures to be given in the reporting institution's book currency, ie generally in euro. The external status items 217 to 220 and 412 to 415 respectively are only intended to reflect the impact of the foreign derivatives business on the reporting banks' asset position, regardless of the risk profile of the derivative financial instruments in question. It is therefore not necessary to break the reported derivative financial instruments down by currency structure.

See also item 1.2.8.

3.3 Syndicated loans

The first reporting date for syndicated loans is the December 2011 AUSTA reporting date.

3.4 External status of foreign branches

The positions vis-à-vis "Institutions belonging to a group" must include loans and advances and liabilities to the domestic (=German) headquarters (which are not included in the external status report otherwise).

[38] Within the euro area, with MFI status.

3.5 External status of foreign subsidiaries

The positions vis-à-vis “Institutions belonging to a group” must include loans and advances and liabilities to the domestic (=German) headquarters (which are not included in the external status report otherwise).

4 Customer classification

Two new sectoral keys “Money market funds” and “Financial vehicle corporations” are being established in the financial section of the customer classification.[39]

5 Permitted report formats for various banking statistics reports

Previously, banks could submit monthly BISTA returns for the balance sheet statistics (domestic operations, foreign branches, overall institution, regional statistics), their foreign subsidiaries’ balance sheet statistics, reports on the banks’ (MFIs’) external status and on borrower statistics either in the EMW or in the XMW format.

We will no longer be updating the EMW reporting template formats for the bank statistics affected by the revision of the banking statistics reporting requirements; these must, from the December 2009 reporting date, be submitted in the XMW format.

For the other (unchanged) banking statistics reports, we will continue to accept the EMW format until end-2011; in other words, these statistics will have to be submitted in the XMW format from the January 2012 reporting date (for the December 2011 reporting month).

[39] See Bundesbank Circular No 18/2009 of 10 June 2009 http://www.bundesbank.de/download/presse/rundschreiben/2009/20090609_rs_18.pdf [available in German only].