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# Flash News

## Basel III and beyond CRD IV developments for investment firms

On 18 November 2013, CSSF published Circular 13/575 on supervisory reporting applicable to investment firms (as opposed to credit institutions or other professionals of the financial sector).

25 November 2013

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This Circular is of high importance, as it confirms that the financial (“FINREP”) and prudential (“COREP”) reporting templates will henceforth be applicable to **investment firms** that fall within the scope of the Capital Requirements Regulation (“CRR” - the European Union’s transposition of Basel III) and no longer to credit institutions only. This can represent a significant burden and challenge, in particular to smaller investment firms, of which there are many in Luxembourg.

In essence, investment firms that are allowed to either deal on their own account (i.e. licensed under Art. 24-4 of the Financial Sector Law), underwrite or place financial instruments (with or without a firm commitment basis, Art. 24-5 & 24-6) or any investment firm authorised to provide the ancillary services of safekeeping & administration of financial instruments for the account of clients will be subject to the so-called extended **COREP** (Common REPorting) for the Basel III prudential reporting aspects. In some circumstances, investment firms with limited authorisation may be subject to a smaller subset of measures (i.e. liquidity, leverage, large exposures, forbearance and immovable property tables may be waived).

Only those investment firms that are neither allowed to perform any of the above-mentioned activities nor having the authorisation to provide safekeeping & administration of financial instruments for the account of clients may either be totally exempt of reporting or remain subject to the current CSSF Circular 07/290 obligations depending on their particular situations.

We think this may be a crucial time for investment firms to assess whether they absolutely need to keep all their licenses to perform activities that they do not truly need or use, as this could lead to a significant reduction not only in reporting burden, but also to be out-of-scope of some of the CRD IV measures.

The new extended COREP templates will be applicable as of **1 January 2014**, both on stand-alone and (sub)consolidated basis.

As for the financial reporting (FINREP), only those investment firms subject to both the publishing of consolidated accounts under IFRS and to the supervision of a consolidated basis are currently impacted, as reporting on an individual basis or for firms under LuxGAAP remains, for the time being, unchanged.

The new consolidated FINREP will come into force as of **1 July 2014**.

We will, of course, keep you updated on developments.

*For more information, please contact:*

Emmanuelle Henniaux	Partner	+352 49 48 48 2111	emmanuelle.henniaux@lu.pwc.com
Jean-Philippe Maes	Director	+352 49 48 48 2874	jean-philippe.maes@lu.pwc.com

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