

Press release

11 March 2022

ECB sanctions Banque et Caisse d'Épargne de l'État, Luxembourg for misreporting capital needs

- Bank miscalculated risk-weighted assets for exposures to other banks
- ECB imposed penalty of €3.755 million on Banque et Caisse d'Épargne de l'État, Luxembourg

The European Central Bank (ECB) has imposed an administrative penalty of €3.755 million on Banque et Caisse d'Épargne de l'État, Luxembourg after the bank miscalculated, and therefore misreported, its risk-weighted assets for exposures to banks.

In 2017 and 2018, for seven consecutive quarters, Banque et Caisse d'Épargne de l'État, Luxembourg reported lower risk-weighted assets than it should have done for exposures to other banks. Due to significant deficiencies in its internal control framework on internal models, during that period the bank was unable to detect an inaccurate calibration of the probability of default model for exposures to other banks.

Risk-weighted assets are a measure of the risks a bank has on its books. They serve as a basis for banks to calculate their capital needs. Underestimating risk-weighted assets means the bank did not calculate its capital needs properly and reported a higher Common Equity Tier 1 (CET1) ratio than it should have done. The CET1 ratio is a key indicator of a bank's capital strength and its ability to absorb losses.

When deciding on the amount of a penalty to sanction a bank, the ECB applies its [Guide to the method of setting administrative pecuniary penalties](#). In this case, the ECB classified the breach as severe. More details on sanctions imposed by the ECB are available on the [ECB's banking supervision website](#).

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

For media queries, please contact [François Peyratout](#), tel.: +49 172 8632 119.

European Central Bank

Directorate General Communications, Global Media Relations Division
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany
Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.bankingsupervision.europa.eu

Notes

- The ECB's power to impose sanctions stems from Article 18(1) of Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions.
- The Decision imposing a sanction may be challenged before the Court of Justice of the European Union under the conditions and within the time limits provided for in Article 263 of the Treaty on the Functioning of the European Union.

European Central Bank

Directorate General Communications, Global Media Relations Division
Sonnemannstrasse 20, 60314 Frankfurt am Main, Germany

Tel.: +49 69 1344 7455, email: media@ecb.europa.eu, website: www.bankingsupervision.europa.eu