



## Background

On 18 December 2024, De Nederlandsche Bank (“**DNB**”) published a [news article](#) addressing data quality concerns in prudential reports submitted by payment institutions (“**PIs**”) and electronic money institutions (“**EMIs**”). Shortly after, DNB released a new [Prudential Reporting Manual](#) to guide these institutions in completing their prudential reports accurately. Given that prudential reporting represents a distinct regulatory requirement for PIs and EMIs, this update provides essential context to these prudential requirements and their significance.

### Why do PIs and EMIs have to report on prudential matters?

The requirement for prudential reporting stems from Article 3:72 of the Dutch Financial Supervision Act. This obligation exists because DNB is responsible for the prudential supervision of PIs and EMIs. DNB’s prudential supervision aims to ensure the stability of the payment sector, ultimately protecting the interests of these institutions’ customers.

**“DNB notes that the data quality of the prudential reports being submitted does not meet the required standards. DNB therefore calls on all electronic money and payment institutions to take measures to ensure the necessary data quality.”**

DNB, 18 Dec 2024

### What is included in the prudential reports?

The prudential reports consist of (i) the financial report or “**FINREP**” and (ii) the common report or “**COREP**”. Generally speaking, the FINREP uses figures included in the annual report of the institution whilst the COREP requires separate considerations and calculations based on regulatory requirements. Each separate legal entity with a PI or EMI licence is required to report on a solo level. Concisely represented, the FINREP and COREP contain the following information:

FINREP		COREP	
Description	Sheets	Description	Sheets
General balance sheet information	T01.01 up to and including T02.00	Regulatory Tier 1 Capital	T90.00 (row 0020 up to and including 0130 & row 0300 up to and including 0410)
Selected detailed balance sheet information (e.g. off-balance sheet exposures)	T01.09 up to and including T09.02	Regulatory Tier 2 Capital	T90.00 (row 0420 up to and including 0520)
Regulatory information	T80.01 up to and including T82.00	Regulatory deductions posts	T90.00 (row 0140 up to and including 0280)

All information is, in principle, based on Dutch Generally Accepted Accounting Principles (“**Dutch GAAP**”) as described in [Book 2 Title 9 of the Dutch Civil Code](#). IFRS is technically possible, though the use thereof for the prudential reports should be accorded with DNB.

**Note:** However, especially where the COREP is concerned, figures included in the prudential reports may have to be amended and therefore start to diverge from those included in the audited financial statements.



#### Where is the largest complexity located in the prudential reports?

We identify the following two areas of particular complexity in the COREP and FINREP.

**A. The reporting of the amount of regulatory own funds available in the COREP.** Whilst the inclusion of the amount of available *own funds* appears deceptively straight-forward (i.e., simply including the available equity posts from the annual report), its foundation lies in the highly complex Capital Requirements Regulation (“CRR”). The CRR is originally drafted for banks and contains the so-called qualitative capital requirements, i.e., those conditions that determine whether *corporate* capital instruments meet the requirements to be considered eligible as *regulatory* own funds. Arguably even more complex are the deduction posts. These are (mostly) included in art. 36 CRR but are also greatly detailed in Level 2 regulation. **Note:** Institutions should pay close attention to the relevant legal provisions and available (European) guidance to prevent misreporting.

**B. The reporting of the governance and the exit & recovery triggers.** Due to the multifaceted and unicity to each reporting institution, the nature of the information to be reported does not lend itself for concrete guidance by DNB. For that reason, institutions need to largely devise themselves how to populate the report. Though DNB provides some guidance in its new Prudential Reporting Manual, completing these sheets requires a firm understanding of the internal organisation of the institution and the existing business continuity plans/measures.

#### What should institutions do to meet the expectations of DNB?

DNB expects reports to include qualitatively high data, i.e., reports that do not contain mistakes, inconsistencies or other aberrations in the COREP or FINREP. We recommend firms to (i) review the latest FINREP and COREP reports, challenging all data included therein for its accuracy and completeness, and (ii) lay down all problems encountered, and the decision taken in respect thereof in an internal document, the **Institution's Prudential Reporting Manual**.



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