IRAIF
IREFI

Zaventem, 12 January 2022

NOTICE TO THE ACCREDITED AUDITORS
NOTICE 2022 / 01

Dear Members,

First of all, on behalf of all Board members and the Scientific Secretary, I wish you and your families a very healthy and prosperous New Year.

On a six-monthly basis, the IRAIF/IREFI informs the accredited auditors of some highlights or key issues that could influence their work.

The NBB, the FSMA and the different IRAIF/IREFI Working Groups, supported by the Scientific Secretary, have contributed to this letter, by providing and drafting the enclosed attention points.

The attention points have been compiled in the context of the current legal and regulatory framework of cooperation of the accredited auditors to the prudential supervision by the FSMA and NBB.

On 13 January 2022, a digital *"Capita Selecta"* session is scheduled, organized in close cooperation with the NBB, and detailing some of the topics mentioned in the attached letter.

The IRAIF/IREFI Working Group *"Model Reports Templates"* is currently finalizing the templates for prudential reporting as of 31 December 2021 to the NBB and the FSMA. The updated versions will be released early 2022.

Should you have any questions regarding this document, please do not hesitate to contact me, any member of the Management Board of the IRAIF/IREFI or Veerle Sablon.

Yours sincerely,

Olivier Macq (Signature)

Digitally signed by Olivier Macq (Signature)
Date: 2022.01.12 10:00:09 +01'00'

Olivier Macq
President

Institut des Réviseurs Agréés pour les Institutions Financières
Institut Royal
Union professionnelle reconnue

Instituut van de Revisoren Erkend voor de Financiële Instellingen
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Wettig erkende beroepsvereniging

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INTRODUCTION

The attention points presented in *italics* have been provided by the Supervisory Authorities (National Bank of Belgium (NBB) or the FSMA) and clearly include their expectations with regard to the auditor's procedures in the context of the year-end 2021 audits and the reporting thereon.

The other attention points have been identified by the respective Working Groups of the IRAIF/IREFI and consist of points for information of the accredited auditors. Note that some of these points may be connected to topics on which the accredited auditors were already expected to report to the Supervisory Authorities in the past. The accredited auditors will use their professional judgment and decide, based on facts and circumstances, whether these attention points need to be explicitly addressed in the reports to the prudential authorities.

1. ATTENTION MATTERS APPLICABLE TO ALL FINANCIAL INSTITUTIONS

1.1. COVID-19 PANDEMIC RELATED MATTERS

In view of the continuing influence of Covid-19 pandemic on the economic situation, the accredited auditors are requested to remain alert to the possible impacts of the Covid-19 pandemic in the context of the year-end audits, taking into account the facts and circumstances of the different financial institutions.

1.2. SPECIAL MECHANISMS

The Law of 2 June 2021 on various financial provisions to fight against fraud was published in the Belgian Gazette on 18 June 2021. This law not only defines the concept of "special mechanisms", it also clarifies the role and reporting obligations of the accredited auditors in this matter.

This reporting obligation not only covers the reporting of concrete elements of special mechanisms in the context of the early warning function, but also introduces the obligation to issue an annual statement specifying whether or not the accredited auditor has identified, in the course of his audit mandate, any evidence of prohibited special mechanisms.

In this context, model reports of this annual statement have been drafted by the IRAIF/IREFI, that have recently been made available to the members in a draft version, in anticipation of the review and approval by the prudential control authorities. The transmission of this report to clients has been commented in our notice 2021/11 of 23 December 2021.

2. CREDIT INSTITUTIONS

2.1. EBA - IFRS 9 MONITORING REPORT

On 24 November 2021, the EBA published its "IFRS 9 Implementation by EU Institutions Monitoring Report" (EBA/Rep/2021/35) summarizing the findings arising from its monitoring activities on the IFRS 9 implementation by EU credit institutions. The aim of this report is to assist supervisors in the evaluation of the quality and adequacy of IFRS 9 ECL models and to contribute to a high-quality and consistent application of IFRS 9 in the EU. The report provides a holistic picture on the general state of IFRS 9 implementation.

The EBA notes that EU credit institutions have made significant efforts to implement and adapt their systems to the IFRS 9 requirements since its first application date but cautions on some of the observed accounting practices, especially in the context of the Covid-19 pandemic. Indeed, the level of judgement embedded in the standard leaves open the possibility to use a wide variety of practices. While no single practice turned out to be strong driver of the ultimate levels of provisioning, some observed practices would deserve further scrutiny from the NBB and the accredited statutory auditors, in the framework of their audit procedures, for so far these practices are identified in the credit institutions under the supervision of the NBB. This is particularly the case for the following matters which are considered as key by the Bank for its supervisory tasks:

- *Approaches implemented on the Significant Increase of Credit Risk (SICR) assessment – The EBA identified a very limited use of the notion of collective assessment for borrowers with common characteristics. However, credit institutions that were using such collective approaches have reported a higher level of transfers to Stage 2. This limited use observation is rather unexpected in the context of an environment of high economic uncertainty, such as the Covid-19 pandemic. Additional attention points that have been identified are: the use of absolute SICR thresholds, the application of the quantile approach, the extensive use of the Low Credit Risk (LCRE) exemption or the inadequate use of the 12-month PD as a proxy to lifetime PD also deserve special attention.*
- *ECL Models & Overlays - As a response to the Covid-19 pandemic which resulted in extraordinary circumstances that pushed the IFRS 9 models outside their ordinary working assumptions, several credit institutions introduced post-model adjustments / overlays at (i) the level of IFRS 9 risk parameters (e.g., PD, LGD and/or EAD) or (ii) directly at the level of the final ECL figures. These overlays can have a material impact on the final ECL. Going forward, supervisory continued monitoring of the use of overlays across EU credit institutions is key in order to understand whether (and to what extent) credit institutions will adjust their ECL models to incorporate the effects currently captured via overlays / manual adjustments, how many of the overlays will be maintained and for how long. Furthermore, great focus should be put on the processes and governance arrangements around them.*
- *PD Robustness and Variability & Incorporation of Forward-Looking Information (FLI) - With specific reference to ECL parameters and model inputs, the IFRS 9 12-month PD estimates and variability generally increased during the pandemic, due to the incorporation of Forward-Looking Information (FLI) and their point in time nature. Differences have been observed in the approaches used for the incorporation of the FLI, which might have some impact on the severity of the assumptions underlying the scenarios used for the ECL modelling.*
    - *Generally, the credit institutions with a low IFRS 9 PD increase applied Covid-19 overlays at the ECL level. In many cases, their impact was not particularly relevant, raising questions on whether these overlays could effectively compensate the lack of reactivity observed in the IFRS 9 PD (particularly with reference to the large corporate exposure class).*

    - *The approaches used for incorporating forward-looking scenarios and in particular, (i) the use of smoothing factors to the relevant IFRS 9 macro-economic variables (i.e., GDP), (ii) countercyclical changes in the severity of the downward scenarios, (iii) the lack of update in the macroeconomic information (reliance of pre-Covid 19 forecasts), (iv) changes in the IFRS 9 scenarios to reduce the impact of worst-case scenario(s) lead to high potential implications on the ECL measurement.*

- *Classification and Measurement / Derecognition of Financial Assets - A wide range of practices has been observed on the IFRS 9 business model assessment and consequent classification of financial instruments were implemented where further scrutiny is deemed necessary. In terms of recognition and derecognition of financial instruments, some discrepancies have been observed in the derecognition of financial assets (like high percentages of recoveries after write-offs) and/or recognition and presentation of accrued interests.*
- *IFRS 9 Transitional Arrangements - The EBA also observed that only a limited number of institutions made use of the IFRS 9 amended transitional arrangements introduced by the "quick fix" of the Capital Requirements Regulation (CRR) as of 31 December 2020. For those institutions applying the IFRS 9 transitional arrangements at that time, the simple average CET 1 positive impact corresponds to 119 bps.*

Given the potential significant impacts on the prudential tasks of the Bank and in accordance with circular NBB_2017_20 dated 9 June 2017 on the duty of cooperation (reference C.I.5.2.d) and for so far these practices are identified within the credit institutions, the Bank expects the accredited auditors inquire on the above matters, evaluate the practices implemented, review the range of application and report their findings (and providing a view on the level of conservatism involved) and recommendations in their comprehensive report (rapport circonstancié / omstandig verslag) as of year-end 2021. Particular attention needs to be paid on the sufficiency, quality and relevance of the information, assumptions and methods used by the credit institutions as part of the implementation of IFRS 9 ECL. Further scrutiny shall be granted on the quality of the valuation work on ECL (models and overlays), including an indication of optimism or pessimism or other key indications of management judgment.

2.2. IFRS 9 CREDIT RISK: COVID-19, THE CLIFF EFFECT AND ESMA EXPECTATIONS

In addition to the key matters as detailed above by the Bank, and taking into account the persistence and the magnitude of the Covid-19 pandemic, the IRAIF/IREFI would like the accredited auditors to remain highly alert to the risks to which the financial sector is exposed, in particular the credit risk and its measurement in the financial and prudential periodic reporting as of year-end 2021. The lockdown measures and changes in requirements related to the remote work might have an important impact on the economy and consequently on the credit worthiness of some business sectors. The accompanying national measures (moratoria & state guarantees) have mitigated and are still mitigating this impact but the end of these measures should be duly considered to avoid a "cliff effect".

As a reminder, we stress that in February 2021 it was decided in Belgium to authorize the second charter for business credit deferral for due dates up until 30 June 2021, which was extended until 31 December 2021 by the RD of 14 June 2021, and to grant additional credit deferral to sound enterprises/organizations that already benefited from a maximum credit deferral of 9 months under the first and/or second Charter for business credit deferral (see the third charter for business credit deferral). Consequently, the NBB updated the Q&A - Moratorium and guarantee scheme on 9 July 2021 to highlight these new changes (https://www.nbb.be/en/financial-oversight/prudential-supervision/areas-responsibility/credit-institutions/qas-moratorium).

In the audit procedures conducted, it is important to be highly alert in the current context to the back-testing exercise conducted by the institutions and the related results, the scenario used in the expected credit loss and any specific sector approaches that would be applied.

And finally, we would like to draw your attention to the priorities as stated by ESMA with respect to the IFRS financial statements 2021, which are:

- careful assessment and transparency in accounting for longer-term impacts of the Covid-19 pandemic and the recovery phase;
- consistency between the information disclosed within the IFRS financial statements and the non-financial information concerning climate-related matters, consideration of climate risks, disclosure of any significant judgements and estimation of uncertainty regarding climate risks while clearly assessing materiality; and
- enhanced transparency regarding the measurement of Expected Credit Loss (ECL), particularly in relation to management overlays, significant changes in credit risk, forward-looking information, changes in loss allowances, credit risk exposures and collateral, and the effect of climate-related risk on ECL measurement.

2.3. DEROGATION ARTICLE 36BIS

On 5 October 2021, the Bank issued its NBB_2021_20 circular on the practical rules for the application of the Article 36bis of the Royal Decree of 23 September 1992 on the financial statements of credit institutions. This circular relates to the accounting treatment of forward interest rates transactions (derivatives) as amended by the Royal Decree of 29 August 2021.

These amendments are intended to provide a regulatory basis for the accounting practice developed within the framework of the derogations from Article 36bis granted previously by the prudential supervisor and to settle various technical issues that have emerged in the meantime, particularly regarding voluntary or involuntary termination or ineffectiveness of macro-and/or micro-hedging transactions. The new Royal Decree puts an end to the former derogation regime as defined in the Uniform Letters of the Bank of 18 November 2014 and 29 December 2015 which are abrogated and replaced by the new provision of Article 36bis, as supplemented by the NBB_2021_20 circular. Besides the practical rules for the application of the amended Article 36bis, the circular lays down conditions and the formalities to be fulfilled by the credit institutions governed by Belgian law to obtain the Bank's authorization, as well as the transitional provisions applicable to credit institutions that have a derogation for Article 36bis on the date of the publication of the Royal Decree of 29 August 2021. Furthermore, this circular clarifies the consequences of non-compliance with these conditions on the reporting closing date, and describes the Bank's recommendations on the information to be included in the annexes to Scheme B. Finally, it outlines the expectations for accredited statutory auditors regarding the submission of application files and the performance of their half-yearly reviews. These clarifications apply from the date of publication of this circular, i.e., 7 September 2021.

More specifically regarding the transitional period, the Royal Decree of 29 August 2021 provides that all individual derogations from Article 36bis granted by the Bank (or previously by the CBF/CBFA) pursuant to Article 38 of the Royal Decree of 23 September 1992, remain valid until 31 December 2022. This means that institutions which have obtained such a derogation:

a. may immediately apply the accounting rules laid down in §§ 3 and 4 of Article 36bis, particularly regarding the hedging transactions previously covered by the derogation, and

b. must, if they wish to continue to apply § 4 after 31 December 2022 to macro-hedging transactions, apply for authorization from the Bank by 31 March 2022 at the latest, in accordance with § 1bis of Article 36bis and under the terms described in Chapter 5 of this circular.

Credit institutions in this situation must submit an application file to the Bank by 31 March 2022 at the latest. The content of the application file will depend on the date on which the existing derogation was obtained:

- *Derogation obtained before 1 January 2016:*
  The application file must contain the elements listed in Point A of Chapter 5, supplemented by:
    - *evidence that the hedge has been continuously assessed based on effectiveness tests performed during the two accounting quarters prior to the application being submitted;*
    - *Annex XXIV to Scheme B as drawn up based on the situation at the end of the last six months prior to the application being submitted.*
- *Derogation obtained after 1 January 2016:*
  The institutions concerned must provide the Bank, by 31 March 2022 at the latest, with an updated version of the file submitted to obtain the derogation, considering the new conditions laid down in the amended Royal Decree of 23 September 1992.

Note - To facilitate the transition, ongoing transactions that were previously covered by a derogation, but which do not meet the conditions of the new Royal Decree, may continue to be recognized in accordance with Article 36bis, § 4 subject to the Bank's prior authorization. These transactions must be explicitly mentioned in the application for authorization, including their unwinding term and the reason for maintaining them.

Accredited statutory auditors shall inquire with credit institutions' senior management they are auditing about (i) the status of the preparation of the new authorization's application files in accordance with the instructions taken up in this circular, (ii) the potential issues already identified and the next steps to ensure a smooth process. They will also investigate and report, in case of non-compliance, qualitative and quantitative aspects in their yearly reporting to the NBB on how the credit institutions have consistently applied the new accounting rules laid down in §§ 3 and 4 of Article 36bis, particularly regarding the hedging transactions previously covered by a derogation. Should material issues be identified, the accredited statutory auditors shall use the early-warning function to inform in due time the Bank.

In the context of the role of the accredited auditors on the application file, the IRAIF/IREFI is currently drafting a model report, including a list of suggested procedures to be performed. It will be released shortly.

2.4. PRUDENTIAL REPORTING – UPDATE OF THE ITS ON SUPERVISORY REPORTING (CRR II)

From reference period June 2021 onwards, the applicable European reporting framework has been amended and is now in line with the regulatory changes to CRD (Directive 2013/36/EU) and CRR (Regulation (EU) No 575/2013). Different areas of reporting framework were impacted by these amendments, e.g. own funds, credit risk, counterparty credit risk, large exposures, leverage ratio, net stable funding ratio, FINREP and G-SII indicators. In addition, institutions considered as "Small and non-complex institutions" (in accordance with art. 4 (145) of the CRR) can benefit from enhanced proportionality measures.

The European Commission adopted these amendments to the reporting framework on 17 December 2020 by Regulation (EU) No 2021/451. This new regulation replaces the existing reporting obligations laid down in Regulation (EU) 680/2014 and entered into force on 28 June 2021.

3. INSURANCE SECTOR

3.1. FLOODS IN THE WALLOON REGION – PROTOCOLE INONDATIONS

On 11 August 2021, a Protocol has been concluded by Assuralia and the Walloon Region to formally agree on the financial compensations in favor of the insured victims of the floods that took place in July 2021. By means of this Protocol, the insurers are committed to raise the limit of their intervention to the double of the amount required by law (up to EUR 590 million) and to prefinance the intervention of the Walloon Region through a loan for the part exceeding EUR 590 million (and limited to EUR 1.700 million).

To ensure a uniform approach on the accounting treatment and the prudential reporting in the insurance sector of the above Protocol, a memorandum has been drafted by Assuralia that details the principles with respect to the accounting and prudential reporting of the mentioned prefinancing as agreed by the sector, the NBB and the IRAIF/IREFI. This memorandum includes the accounting treatment under Belgian GAAP, considerations on the IFRS accounting treatment, as well as Solvency II calculations and reporting.

The document is currently in the process of being finalized by Assuralia. Once the final version is available, it will be communicated to our members. The accredited auditors are requested to follow up on the correct application of these agreed principles in the context of their year-end procedures.

3.2. CONSULTATION CIRCULAR ORSA UPDATE

The Bank is consulting until mid-February 2022 interested stakeholders (IREFI, Assuralia and the IA|BE) on the update of its ORSA Circular. This Circular was updated to:

- *reflect EIOPA's Opinion on the supervision of the use of climate change risk scenarios in ORSA, stating that the Bank expects undertakings to perform an assessment of climate change risks in their ORSA and to subject material climate change risks to climate scenarios;*
- *reflect EIOPA's supervisory statement on the use of risk-mitigating techniques aiming, amongst others, to stress the importance of achieving a balance between SCR relief and the risk reduction for more complex reinsurance structures; and*
- *close some gaps identified in relation to the IAIS Holistic Framework, in particular those requirements aiming at assessing systemic risks by means of scenario analyses and stress-tests.*

Changes will be applicable once the final version of the updated ORSA Circular will be published.

3.3. CIRCULAR ON THE BANK'S EXPECTATIONS CONCERNING LIQUIDITY RISK MANAGEMENT

The Bank also drafted a circular setting out the Bank's expectations concerning the liquidity risk management framework the (re)insurance undertakings and groups should have in place. The areas addressed in the circular include:

- *the development and maintenance of proper policies, systems, controls, and processes with respect to liquidity risk management;*
- *the identification of material liquidity risk drivers;*
- *the use of indicators for monitoring liquidity risk drivers;*
- *the design and realization of forward-looking scenario analyses and stress testing scenarios;*
- *contingency planning; and*
- *the establishment (and submission to the NBB) of a liquidity risk management report.*

The Bank recognizes that the mix of sources of liquidity risk is unique to each individual insurer and insurance group and that liquidity risk practices will vary accordingly. Therefore, (re)insurance undertakings and groups are expected to understand the drivers of liquidity risks they face and to apply the guidance contained in this circular in light of the scale, nature and complexity of their activities. A public consultation is organized until mid-February 2022 in order to receive comments from the relevant stakeholders (IREFI, Assuralia, IA|BE and the OCM).

3.4. LETTER ON LAC - DT

The Bank is consulting until the end of January 2022 the relevant stakeholders (IREFI, Assuralia and the IA|BE) on recommendations and remarks regarding the valuation of deferred tax assets in the Solvency II balance sheet and the assessment of the adjustment for the loss-absorbing capacity of deferred taxes.

- *DTA Valuation - on the valuation of the deferred tax assets in the Solvency II balance sheet, the Bank recommends (i) the compensation between DTA and DTL on the pre-shock balance sheet be justified by the projection of the reversal of temporary differences and (ii) the time horizon used for the projection of future taxable profits should be limited to 10 years with haircuts after 5 years. When projecting future taxable profits, the following principles must be respected:*
    - *the taxable profits already included in the Solvency II balance sheet should not be taken into account;*
    - *life and non-life activities should be considered separately;*
    - *the business plan of the undertaking should be used as a starting point; and,*
    - *the link between economic and fiscal profits should be demonstrated.*
- *LAC DT Assessment - on the assessment of LAC DT, the Bank recommends:*
    - *the setting-up of a post-shock balance sheet;*
    - *the demonstration that the undertaking is still in going concern after shock; and*
    - *that the time horizon used for the projection of future taxable profits should be limited to 10 years with haircuts starting from the 5th year.*

  Additional comments:
    - *same comments as for the valuation of the DTA;*
    - *the managements' actions taken into account should be prudent and realistic; and*
    - *no double counting of taxable profits will be allowed.*

4. PAYMENT INSTITUTIONS AND E-MONEY INSTITUTIONS

The Bank expects the accredited auditors to address the different attention points taken up below and report their findings and recommendations in due time in their year-end reporting 2021 to the Bank. The Bank assesses the matters taken up below as critical in the framework of the cooperation of the accredited auditors to the prudential supervision on payment institutions ("PI") and electronic money institutions ("EMI").

4.1. SAFEGUARDING OF CLIENT FUNDS

The PI/ EMI must safeguard the funds used for payment until these funds are (i) received by the beneficiary or (ii) received by the beneficiary 's payment service provider. However, the results from on-site inspections have demonstrated that these principles are not always complied with although this was not systematically reported by the accredited auditors. On this basis, the Bank will additionally clarify the timing of safeguarding obligations, and more specifically when these end for the PSP in case of the use of external parties (often outside the EEA). Accredited auditors shall evaluate whether the institutions they are auditing comply with the clients' funds safeguarding principles and report non-compliance issues to the Bank in their year-end reporting for the accounting year 2021.

4.2. ACCOUNTS SEGREGATION

As a result of the conclusions of the on-site inspections, as mentioned above, the Bank observes that the requirements related to the segregation of accounts is not always clearly understood and recommends enhancing the internal control framework and related procedures (including appropriate documentation) to comply with the requirements of articles 41 and 42 of the Law of 11 March 2018 on the supervision of PI and EMI. In order to obtain a clear view on how institutions comply with these requirements, the Bank has decided to add a table in the prudential reporting of the institutions (circular NBB_2018_31 published on 3 December 2021). This new reporting provides an overview of the accounts used for payment services. Accredited auditors are expected to address this significant attention point and assess in the framework of their audit work that the institutions fully comply with the regulatory requirements on accounts segregation. This matter shall be comprehensively detailed in the accredited auditors' reports. The Bank reminds the need to use the early warning function in case issues should be identified concerning this segregation.

4.3. GOVERNANCE - OUTSOURCING

Article 21 of the Law of 11 March 2018 on the supervision of PI and EMI provides a detailed framework on the organization structure that needs to be implemented by the institutions, including clear rules with respect to segregation of duties and the independent roles of the compliance officer, internal control function and internal audit. The results of the on-site inspections have demonstrated that quite a few PI/EMI are not sufficiently aware of these key governance requirements (some based on Belgian corporate law) which constitute an infringement to the regulation. The Bank intends to set out clarifications in relation to some governance requirements related mostly to the structure of the Board of Directors and the rules on compatibility between the functions of director, effective leader and persons responsible for independent control functions. The Bank requires the accredited auditors to follow up on these governance matters during their year-end audit procedures and report specifically on identified non-compliance issues in their report on the senior management's report on its assessment on internal control.

In its circular NBB_20_19 dated 19 July 2019, the Bank disclosed its expectations regarding outsourcing by PI and EMI and implemented the EBA guidelines on outsourcing arrangements (EBA/GL/2019/02) and several other obligations (outsourcing register…). In 2022, the Bank will pay particular attention to the reporting on outsourcing by the institutions and the accredited auditors and will launch a cross-sectional analysis. Besides their reporting on outsourcing in due time, the accredited auditors are required to carefully examine the outsourcing aspects and their compliance with guidelines, circulars, and regulations. They should report their findings and recommendations for improvement in the year-end reporting to the Bank.

4.4. REPORTING ON OPERATIONAL AND SECURITY RISKS OF PAYMENT SERVICES (IT)

On 23 November 2021, the Bank published its circular NBB_2021_26 with respect to reporting on operational and security risks of payment services (IT). To ensure high quality reporting, the Bank will annually prepare standardized IT risk questionnaires and practical instructions for the institutions. This circular applies from 1 January 2022. However, should accredited auditors become aware of major incidents or issues, they shall report this timely to the Bank (via their reporting and/or if necessary, by using the early warning function).

5. INSTITUTIONS OF OCCUPATIONAL RETIREMENT PROVISION (IORP'S)

5.1. REPORTING DEADLINES SHORTENING - ORA - SRD DISCLOSURES REQUIREMENTS

The FSMA confirmed that the attention points included in the Attention Points Letter with respect to 30 June 2021 are still applicable and require the auditor's attention and follow-up in the context of the reporting to the FSMA as per 31 December 2021. These attention points relate to the following:

- *gradual shortening of the reporting deadlines (FSMA message of 9 April 2021);*
- *submission of the Own Risk Assessment (ORA) (communication FSMA_2019_03 of 8 January 2019); and*
- *the transposition of the Shareholders Rights Directive (SRD) (communication FSMA_2020_07 of 30 June 2020).*

We refer to the Attention Points Letter of 30 June 2021 for more details on the above topics.

5.2. ATTENTION POINTS WITH RESPECT TO THE CLOSING AS PER 31 DECEMBER 2021

The FSMA expects the accredited auditors to devote particular attention to the following points:

1. *generally speaking, greater clarity is required in the reports submitted to the FSMA regarding the aspects examined by the accredited auditor, in order to give assurance that the absence of a remark about a given point means that the point was indeed verified by the accredited auditor but that the latter had no particular remark to make;*
2. *the prudence of the calculation of the technical provisions, and especially the discount rate(s) used and the calculation methods applied (ABO plus buffer, PBO plus buffer, ...);*
3. *the information in the "P40" reporting (on the governance and on the activities and financial structure of the IORP's) presenting inconsistencies vis-à-vis the information at the disposal of the accredited auditor;*
4. *the valuation of the unlisted investments;*
5. *the codification of the investments in securities of the IORP's in accordance with the reporting instructions;*
6. *the IORP's follow-up of the administrative measures imposed by the FSMA (e.g. recovery plan) or of specific supervisory actions carried out by the FSMA (e.g. inspection on site);*
7. *the IORP's compliance with the regulation transposing the IORP II Directive (key functions including those of risk management, ORA, remuneration policy, ESG criteria and investment policy, transparency, etc.); and*
8. *any infringements of the social legislation on supplementary pensions (signal function in the social legislation on occupational pensions (e.g. article 51 of the Law of 28 April 2003)).*

5.3. PERMANENT LEARNING 16 DECEMBER 2021

The slides of the Permanent Learning with respect to the IORP's, organized on 16 December 2021, will be communicated to our members once available.

6. Regulated Real Estate Investment Companies (GVV – SIR)

6.1. Attention points selected from the common enforcement priorities of the ESMA

In the context of the 31 December 2021 closing procedures, the FSMA would like to stress the following attention points selected from the common enforcement priorities of ESMA:

- *The careful assessment and transparency in accounting for longer-term impacts of the COVID-19 pandemic and the recovery phase;*
- *The consistency between the information disclosed within the IFRS financial statements and the non-financial information concerning climate-related matters, consideration of climate risks, disclosure of any significant judgements and estimation of uncertainty regarding climate risks while clearly assessing materiality;*
- *A reminder on the application of the European Single Electronic Format (ESEF). Starting from the financial year 2021, all annual financial reports from companies listed on a regulated market shall be prepared in compliance with the European Single Electronic Format. Auditors of those companies will have to provide an audit opinion on whether the financial statements included in the annual financial reports comply with the relevant statutory requirements laid down in the ESEF Regulation, i.e. with the provisions of the ESEF Regulation that apply to financial statements.*

7. UNDERTAKINGS FOR COLLECTIVE INVESTMENT (UCI)

7.1. PERMANENT LEARNING 9 DECEMBER 2021

The slides of the Permanent Learning with respect to the UCI's, organized on 9 December 2021, will be communicated to our members once available.

ACRONYMS	
AICB	Alternative Undertakings for Collective Investments
AIFMD	Alternative Investment Fund Managers Directive
AML/CTF	Anti-Money Laundering Legislation
APM	Alternative Performance Measures
BE GAAP	Belgian Generally Accepted Accounting Principles
CIS	Collective Investment Schemes
CIU	Collective Investment Undertakings
COREP	Common Reporting
CRD	Capital Requirements Directive
CRR	Capital Requirements Regulation
DTA	Deferred Tax Assets
DTL	Deferred Tax Liabilities
EAD	Exposure at Default
EBA	European Banking Authority
ECB	European Central Bank
ECL	Expected Credit Loss
EIOPA	European Insurance and Occupational Pensions Authority
ESG	Economic Scenario Generator
FINREP	Financial Reporting (templates requested by the ECB)
FSMA	Financial Services and Markets Authority
GDPR	General Data Protection Regulation
GVV	Gereglementeerde Vastgoed Vennootschap
ICAAP	Internal Capital Adequacy Assessment Processes

ICB	NL: Instelling voor Collectieve Belegging Undertakings for Collective Investment (UCI)
IFRIC	IFRS Interpretation Committee
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Processes
IORP	Institutions for Occupational Retirement Provision
IPC	Irrevocable Payment Committee
IRAIF/IREFI	**FR** : Institut des Réviseurs Agréés pour les Institutions Financières **NL**: Instituut van de Revisoren Erkend voor de Financiële Instellingen
IRB	Internal Ratings Based
IRRBB	Interest Rate Risk in the Banking Book
LAC DT	Loss Absorbing Capacity and Deferred Tax
LGD	Loss Given Default
LPC/WAP	Law of 28 April 2003 on Supplementary Pensions
LSI	Less Significant Institution
LTRO	Long-Term Refinancing Operation
MiFID	Markets in Financial Instruments Directive (2014/65/EU)
MMF	Money Market Funds
NAV	Net Asset Value
NBB	National Bank of Belgium
NPL	Non-Performing Loans
OPC	**FR**: Organisme de Placement Collectif Undertakings for Collective Investment (UCI)
ORA	Own-Risk Assessment
P2G	Pillar 2 Guidance
PD	Probability of Default

PSD	Payment Services Directive
QRT	Quantitative Reporting Templates
REIT	Real Estate Investment Trust (see also GVV and SIR)
RICS	Royal Institute of Chartered Surveyors
RSR	Regulatory Supervisory Report
RWA	Risk Weighted Asset
SFCR	Solvency and Financial Condition Report
SI	Significant Institution
SICR	Significant Increase in Credit Risk
SIR	Société Immobilière Réglementée
SME	small and medium-sized enterprises
SPPI	Solely Payment of Principal and Interest
SRB	Single Resolution Board
SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
SSM	Single Supervisory Mechanism
TCWG	Those Charged With Governance
TLTRO	Targeted Longer-Term Refinancing Operations
TRIM	Targeted Review of Internal Models
UCI	Undertakings for Collective Investment
UCITS	Undertakings for Collective Investment in Transferable Securities