



Imposition of an administrative penalty on Banque Internationale à Luxembourg S.A.

The EUROPEAN CENTRAL BANK,

decided on 19 June 2026 to impose an administrative penalty on Banque Internationale à Luxembourg S.A. in an amount of EUR 3,255,000. This penalty is imposed in respect of a breach of an ECB Decision on internal models committed from 2 October 2023 to 22 October 2024. More specifically, the supervised entity failed to apply the newly approved internal models for the calculation of the Expected Loss Best Estimate (ELBE) to retail and corporate exposures in default in accordance with an ECB Decision from 2023. Contrary to this, it continued using the previous approach that was replaced by the ECB Decision from 2023. As a consequence, the supervised entity reported a smaller Internal Rating Based Approach (IRB) shortfall to be deducted from its Common Equity Tier 1 (CET1) capital than if the ELBE had been correctly calculated.

The decision to impose the administrative penalty was made pursuant to Article 18(7) of Council Regulation (EU) No 1024/2013¹.

When determining an administrative penalty, the ECB follows the principles set out in the ECB's Guide to the method of setting administrative pecuniary penalties pursuant to Article 18(1) and (7) of Regulation (EU) No 1024/2013. In accordance with this Guide, the ECB considered all the relevant circumstances of the case, in particular the degree of the misconduct of Banque Internationale à Luxembourg S.A., together with the impact of the breach, the size of the supervised entity and the applicable mitigating circumstances.

The ECB assessed the degree of the supervised entity's misconduct as 'high' given that the breach was committed with intent. The supervised entity knew the clear and unambiguous obligations imposed on it by the ECB Decision from 2023 and more particularly the requirement to calculate the ELBE for retail and corporate exposures in default in accordance with the newly approved internal models as of 2 October 2023. Furthermore, the supervised entity was aware that the previous approach used for such calculation was not compliant and, despite this awareness, it continued to apply such approach, thus accepting the breach of the ECB Decision from 2023 as a likely outcome of its behaviour.

The ECB assessed the impact of the breach as 'medium' based on the effect it had on the prudential situation of the supervised entity and its effective supervision, and its duration. The effect of the breach has been determined based on (i) the importance that compliance with ECB decisions has for the ongoing supervision of credit institutions, and (ii) the impact that the accurate determination and deduction of the IRB shortfall, through the correct ELBE calculation, would have on the supervised

¹ 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 (OJ L 287, 29.10.2013, p. 63, ELI: <http://data.europa.eu/eli/reg/2013/1024/oj>).



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entity's CET1 level. These elements prevented the ECB from obtaining a comprehensive view of the entity's risk profile for three consecutive reporting periods.

Out of the severity categories 'minor', 'moderately severe', 'severe', 'very severe' and 'extremely severe' the ECB classified the breach as 'severe' since the misconduct and the impact were determined, respectively, as 'high' and 'medium'.

In addition, the ECB considered as mitigating circumstance the fact that the supervised entity took certain remedial actions to alleviate the effect of the breach and prevent similar breaches from happening in the future.

The administrative penalty is published in accordance with Article 1a(3) of Council Regulation (EC) No 2532/98² and Article 132 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17)³.

The ECB's decision to impose an administrative penalty on Banque Internationale à Luxembourg S.A. 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.

² Council Regulation (EC) No 2532/98 of 23 November 1998 concerning the powers of the European Central Bank to impose sanctions (OJ L 318, 27.11.1998, p. 4, ELI: <http://data.europa.eu/eli/reg/1998/2532/2015-02-04>).

³ Regulation (EU) No 468/2014 of the European Central Bank of 16 April 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the European Central Bank and national competent authorities and with national designated authorities (SSM Framework Regulation) (ECB/2014/17) (OJ L 141, 14.5.2014, p. 1, ELI: <http://data.europa.eu/eli/reg/2014/468/oj>).