

Imposition of an administrative penalty on Landesbank Hessen-Thüringen Girozentrale

The EUROPEAN CENTRAL BANK,

pursuant to Article 18(1) of Council Regulation (EU) No 1024/2013¹, decided on 2 January 2023 to impose an administrative penalty on Landesbank Hessen-Thüringen Girozentrale, in an amount of EUR 6,825,000. This penalty is imposed in respect of a breach of Article 430(1)(a)² of Regulation (EU) No 575/2013 of the European Parliament and of the Council³ committed by reporting inaccurate information on risk-weighted assets and capital ratios in the quarterly individual reporting on own funds and own funds requirements for three consecutive reporting periods from 31 March 2020 to 30 September 2020. 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 Landesbank Hessen-Thüringen Girozentrale, together with the impact of the breach, the size of the entity and the applicable mitigating factors.

The degree of the entity's misconduct was assessed as 'high' taking into account that the entity committed the breach intentionally. This occurred as the entity calculated the own funds requirements for market risk under internal models knowingly postponing the execution in part of required updates to parameters relevant for the value-at-risk. After resuming the correct updates, it incorporated a change in the methodology relevant for determining the value-at-risk in disregard of the fact that such a change would constitute an unauthorised material model change. It nevertheless used the incorrectly calculated data on the value-at-risk and own funds requirements for market risk under internal models, which impacted the reported risk weighted assets and the capital ratios in its quarterly submissions to the ECB, thus accepting the breach of the reporting obligations as a certain result of its conduct.

The ECB assessed the impact of the breach as 'medium' based on the effect that the breach had on the prudential situation of the entity and its effective supervision, as determined on the basis of the

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).

² Article 430(1)(a) of Regulation (EU) No 575/2013 became applicable on 28 June 2021. At the date the suspected breach was committed, the same requirement was imposed by Article 99(1) of Regulation (EU) No 575/2013.

³ Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012 (OJ L 176, 27.6.2013, p. 1).



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importance of reporting obligations for day-to-day supervision, the extent to which the reported figures differed from the actual prudential situation of the entity and the duration of the breach, which prevented the ECB from obtaining a comprehensive view of the risk profile of the entity in the relevant period.

Out of the severity categories 'minor', 'moderately severe', 'severe', 'very severe' and 'extremely severe', the ECB classified the breach of the reporting obligation as 'severe' since the misconduct and the impact were determined, respectively, as 'high' and 'medium'. In addition, the ECB considered certain mitigating circumstances, including, in particular, the entity's cooperation with the ECB in the aftermath of the breach and the remedial actions taken by the entity after the breach was identified, also to prevent similar breaches from occurring in the future.

The administrative penalty is published in accordance with Article 18(6) of Council Regulation (EU) No 1024/2013 and Article 132 of Regulation (EU) No 468/2014 of the European Central Bank (ECB/2014/17)⁴.

The ECB's decision to impose an administrative penalty on Landesbank Hessen-Thüringen Girozentrale 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.

⁴ 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).