



**EUROPEAN CENTRAL BANK**  
BANKING SUPERVISION

**ECB-PUBLIC**

Imposition of two administrative penalties on Confédération Nationale du Crédit Mutuel

The EUROPEAN CENTRAL BANK,

pursuant to Article 18(7) of Council Regulation (EU) No 1024/2013<sup>1</sup>, decided on 9 February 2024 to impose two administrative penalties on Confédération Nationale du Crédit Mutuel in the overall amount of EUR 3,540,000. The two penalties are imposed in respect of breaches of two ECB internal model decisions permitting the use of certain internal models for calculating own funds requirements for credit risk committed by not applying limitations<sup>2</sup> imposed by those decisions in the form of floors to the calculation of the total risk-weighted exposure amounts (RWEAs) and expected loss amounts for defaulted and non-defaulted exposures, namely:

- i. a breach of an ECB internal model decision of 20 May 2021, in the period from 20 May 2021 to 11 April 2022, for an administrative penalty in the amount of EUR 3,130,000; and
- ii. a breach of an ECB internal model decision of 31 May 2021, in the period from 31 May 2021 to 11 April 2022, for an administrative penalty in the amount of EUR 410,000.

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 Confédération Nationale du Crédit Mutuel, the impact of the breaches, and the size of the entity.

The degree of the entity's misconduct was assessed as 'medium' in both cases taking into account that both breaches were committed with serious negligence, particularly due to the fact that the limitations imposed on the entity were clearly and unambiguously stipulated in each of the two ECB internal model decisions, and that Confédération Nationale du Crédit Mutuel omitted to take the obvious actions which would have been necessary to comply with each of them.

The impact of the breaches was assessed as 'medium' for the breach of the ECB internal model decision of 20 May 2021, and as 'low' for the breach of the ECB internal model decision of 31 May 2021. In both cases, the ECB assessed the impact based on the effect that the breaches had on the prudential situation of the entity and its effective supervision, as determined on the basis of the importance of the limitations imposed by the ECB in order to address the underestimation of risk

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<sup>1</sup> 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).

<sup>2</sup> A limitation is an ancillary provision which can be attached to a supervisory decision. Ancillary provisions are imposed when the ECB permits the use (or the change) of a model despite the fact that findings have not been remedied by the institution. A limitation restricts or modifies the (permitted) use of a model.



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produced by internal models that are not fully compliant with regulatory requirements, the extent of deviation from the legal requirement as a consequence of the lack of compliance with those limitations and the duration of the breaches, which prevented the ECB from obtaining a comprehensive view of the risk profile and the prudential situation of the entity in the relevant periods.

Out of the severity categories 'minor', 'moderately severe', 'severe', 'very severe' and 'extremely severe', the ECB classified:

- i. the breach of the ECB internal model decision of 20 May 2021 as 'moderately severe' since both the misconduct and the impact were determined as 'medium'; and
- ii. the breach of the ECB internal model decision of 31 May 2021 as 'minor' since the misconduct was determined as 'medium' and the impact as 'low'.

The administrative penalties are published in accordance with Article 1a(3) of Council Regulation (EC) No 2532/98<sup>3</sup>.

The ECB's decision to impose two administrative penalties on Confédération Nationale du Crédit Mutuel 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.

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<sup>3</sup> 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).