

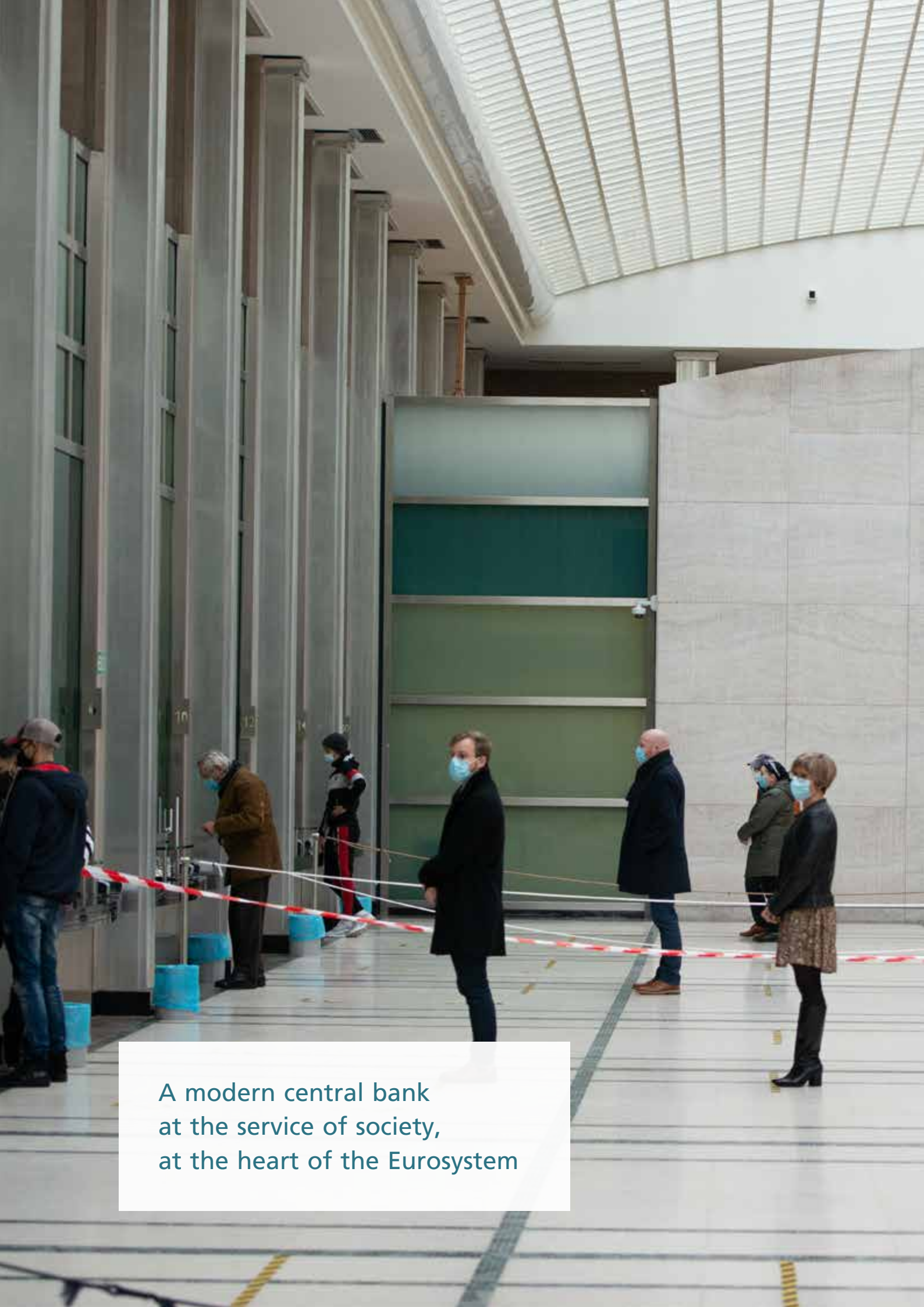
REPORT 2020

Corporate Report



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A modern central bank
at the service of society,
at the heart of the Eurosystem

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Foreword



Dear reader,

2020 was a year that will always be engraved in our memory. For the first time in decades, a great many scheduled events were cancelled or postponed: the Olympic Games, the European football championship, music festivals, cultural events, etc. There were severe restrictions on our opportunities for travel and social contact, many shops and restaurants were closed for months, and working from home became mandatory. This situation was like the scenario for a horror film. There was only one culprit: the COVID-19 pandemic.

2020 was a difficult and very challenging year for our country's population, businesses and institutions. The National Bank of Belgium was no exception.

When the government ordered a lockdown on 17 March, the Bank was immediately obliged to make radical adjustments to its method of operating. Straightaway, members of staff and management switched to remote working wherever possible. I too retreated to my "garret" which has since become familiar in the media. For many of us, working from home was to become the norm until the end of the year, and that is still the case now as I write. But the Bank also offers society a number of essential services which can only be provided by people being present at its premises in person. I am thinking primarily of our cash-handling activity which we continued to carry out day by day, so that financial institutions and the population always had access to sufficient quantities of good-quality banknotes and coins.

In addition, the Bank took part in monitoring and analysing the financial and economic repercussions of the pandemic, and played an important role in the decision-making process and in following up the socio-economic measures introduced. We thus did more than ever to perform our role of serving society. For example, in a number of lengthy meetings, the Bank assisted the negotiations on the government guarantees for loans and insurance.

I myself was appointed as co-Chairman of the Economic Risk Management Group, set up by the government on 19 March to map the impact of the crisis on our economy and on the financial system. For the Bank, that marked the start of a very hectic period. Many tools for collecting and analysing data were very speedily adapted to meet the new challenges, so that we were able to keep track of events more or less in real time. The Bank worked with the government in devising measures relating to the spheres in which it has particular expertise. On the operational front, too, the Bank was sometimes pushed to its limits. For instance, at the height of the crisis, when the federal government had to buy face masks from other countries, our Financial Markets Department worked flat out to ensure that international payments were carried out promptly.



It goes without saying that the COVID-19 crisis profoundly altered the Bank's priorities. In some ways, the crisis was also helpful to us: the obligation to work from home speeded up the switch to "new ways of working" which we had embarked on earlier. Overall, I would say that the strategic exercise which we had begun in 2019 in order to develop a medium-term vision for the Bank only suffered a very minor delay, as did the other projects and research planned for 2020. I do not doubt for one moment that reading this Report will convince you of that.

In the first chapter of this Corporate Report, entitled "The National Bank, central banking in the time of COVID-19", we give details of all the activities of our departments and services in 2020, which was a particularly challenging year.

In the second chapter of this Report, we focus for the first time in more detail on the way in which the Bank fulfils its social responsibility. As well as being a public utility institution, the Bank is also an enterprise with a vast number of stakeholders. Their expectations are constantly changing, and the Bank wants to satisfy them as far as possible. That is why we have devised a corporate social responsibility (CSR) policy and considered it appropriate to give you an idea of the many efforts which we are making in that respect.

In this Report, you will, of course, also find the annual accounts and the reports on the 2020 financial year, approved by the Council of Regency. Do take a look at that part of the Report: it hardly appears fascinating at first sight, but you will be surprised by the quantity of interesting information that you can find there.

I would also like to take this opportunity to thank the members of the Bank's staff. They carried out their duties in an exemplary manner, duties which this year were often exceptional in terms of their nature, scale and deadlines, and sometimes had to be performed under difficult circumstances. Finally, I would also like to thank the newly formed Council of Regency.

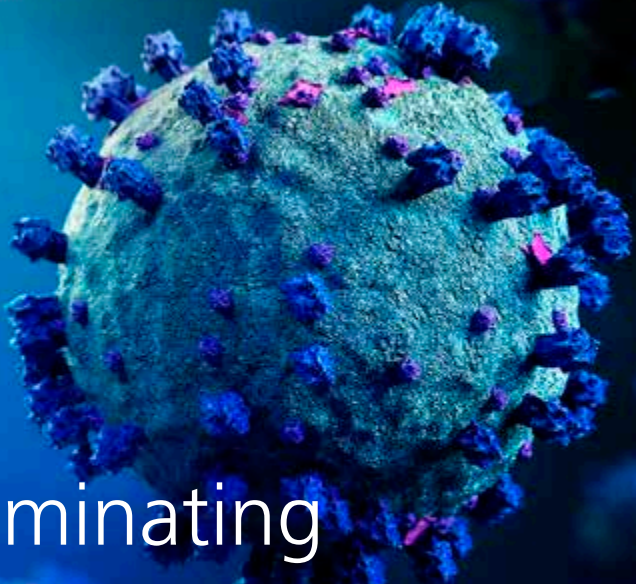
Enjoy reading the Report!

Pierre Wunsch
Governor
February 2021



1. The National Bank, central banking in the time of COVID-19

This chapter of the Corporate Report should be read in the light of the developments and trends described in the 2020 Report on economic and financial developments and prudential legislation and supervision. Similarly, it may prove useful to refer to the list of abbreviations contained in that Report when reading this chapter.



COVID-19, the main theme dominating the National Bank's operations in 2020

The Bank monitors the economic repercussions in real time

As soon as it became apparent that the COVID-19 pandemic would have repercussions on the economy, the Bank organised itself so that it could monitor the economic situation in real time.

In the first few months, the Board of Directors met almost every day to discuss the main economic parameters, the financial market situation and the impact on the financial sector. Various departments created new indicators, surveys and statistical overviews as background for the Board of Directors' discussions and to support its decisions. In addition, information was exchanged almost daily with the financial sector, the Belgian business world, the Federal Planning Bureau and various other public bodies. Similarly, the support measures set up by the various governments and public services in Belgium were constantly charted.

During the initial months of the pandemic, the Governor regularly attended meetings of the federal government's inner cabinet, in order to inform the Belgian policy-makers of the potential economic and

financial consequences – particularly the impact of the lockdown – for Belgium's real economy. There was also frequent bilateral contact with members of the government in order to discuss the latest developments. Finally, many activities were also developed in connection with the Economic Risk Management Group.

Of course, as a member of the Eurosystem, the Bank was also closely involved in the measures taken by the ECB to combat the COVID-19 crisis. As a member of the ECB Governing Council, the Governor had a say in the measures adopted by the European Central Bank.

The Bank supports the ERMG, with its finger on the pulse of the economy in crisis

In March 2020, when the coronavirus began to spread like wildfire among the population, the government's first priority was to contain transmission of the virus and ensure that the health system continued to function. To that end, it was obliged to impose unprecedented confinement measures, bringing business to an abrupt halt in some economic sectors, while other sectors scaled down their activities.

The consequences for businesses, the self-employed and households were unprecedented in their speed and scale.

On 19 March 2020, in order to assess more accurately and understand in real time what was happening in the economy, the federal government decided to set up the Economic Risk Management Group (ERMG). That group brings together the main parties involved in economic life – including business federations, unions, the Federal Planning Bureau and university professors – under the dual chairmanship of Pierre Wunsch, the Bank's Governor, and Mr Piet Vanthemsche.

One of the tasks assigned to Mr Piet Vanthemsche and his team by the Wilmès Government was to work with

the competent authorities to ensure that the country's critical infrastructures and businesses continued to operate ("business continuity"). That monitoring, which was crucial in the initial phase of the crisis, focused particularly on the food supply chain.

Pierre Wunsch himself paid particular attention to collating expert opinions at the Bank and from the various partners of the ERMG, in order to assess the impact of the pandemic on businesses, individuals and the financial markets, and to play a coordinating role by listing the measures taken to combat the economic consequences of this crisis.



Prime Minister Sophie Wilmès and the joint Chairmen of the ERMG, Mr Piet Vanthemsche and Governor Pierre Wunsch

The ERMG's main activities

The work of the ERMG delivered a range of outputs. Some of the main ones were:

- the **macroeconomic scenario** presented at the beginning of April by Economics and Research Department teams working with colleagues from the Federal Planning Bureau. That scenario sketched the broad outlines of what the economic shock might imply in 2020 and 2021 in terms of activity, employment and public finances.

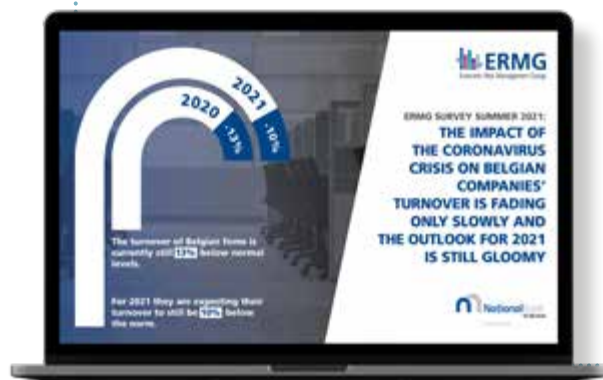
At that point, uncertainty was at its height, both for the policy-makers and for economic decision-makers. Although these projections were inevitably based on assumptions, they provided an initial basis for organising their points of view and considering the measures to be taken. Subsequently, that role was gradually taken over by the usual projection exercises of the Bank and the other institutions.

- the **large-scale survey of thousands of businesses** conducted regularly by the ERMG in order to examine the impact of the crisis on economic activity, the outlook for employment and investment, and the financial health of the firms polled. The questions also concerned the organisation of the work, and particularly recourse to temporary lay-offs and home working.

These surveys, conducted under the aegis of the Bank and the Federation of Belgian Enterprises (FEB/VBO) with the assistance of various organisations representing businesses and the self-employed, helped to make up for the fact that traditional statistics take too long to become available for such an exercise, at a time when the crisis brought weekly changes to the situation of businesses and individuals.

The results of the various waves of the survey are available on the Bank's website. Two online surveys were also conducted on the impact of the crisis on household incomes and consumption behaviour.

- a complete list of indicators which the Bank publishes on behalf of the ERMG in the form of a **COVID-19 Dashboard of economic indicators**, in order to provide a very speedily updated overview enabling anyone interested to keep a close eye on the repercussions of the COVID-19 crisis on the Belgian and international economy. This Dashboard describes the situation of businesses, the financial sector and households, and that of the Belgian and international economy in general and the financial markets. It brings together different types of data in order to cover the various dimensions of the effects of the crisis. Initially produced on a weekly basis, this Dashboard is now updated once a month, as is the ERMG survey.



The results of the ERMG surveys and the latest version of the Dashboard are available on the nbb.be website

In performing these tasks, the ERMG has become a forum where its members discuss the economic impact of the crisis and the measures required to address it.

Eminent representatives of the world of politics, the social partners, universities and the press expressed their appreciation for the interesting and useful information and analyses provided by the ERMG. The two joint Chairs of the ERMG regularly

informed the government of the general conclusions of these discussions.

Within the Bank, this work gave rise to a great deal of interaction between the various Services and Departments, and with external partners, in order to devise new ways of proceeding in the immediate crisis. That experience could be put to good use in other projects once the crisis is over.

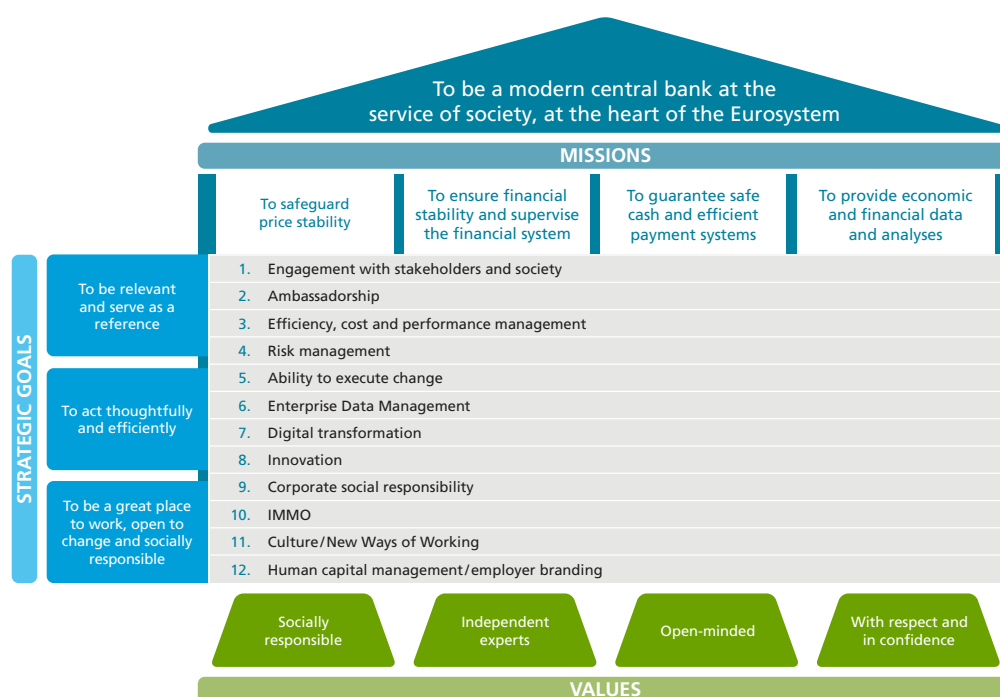
The strategic exercise is well under way

Launched in 2019, the Bank's strategic exercise continued throughout 2020, progressing according to the priorities relating to the COVID-19 health crisis.

The first phase of the exercise was successfully completed in 2019. The management and staff had defined a vision and three strategic goals, and reworded the four missions; all these discussions resulted in four values representing the corporate culture, the Bank's DNA. Sixteen strategic, transversal themes were also defined to support this strategy and ensure that it is implemented over the next four years.

In 2020, working groups of experts from various departments examined each of the strategic themes in depth in order to make recommendations to the Board of Directors. This was the second phase of the strategic exercise.

On the basis of the research carried out, the Directors were able to submit opinions and guidelines in order to launch phase 3, translating the strategic guidelines into operational goals and transformation plans for each of the Bank's departments. This phase will continue in 2021.



Notes on the strategic themes

Engagement with stakeholders and society (Outreach)

The Bank is working to improve its communication with the outside world. In the past year it has mapped and analysed its various audiences and its many stakeholders (government and public institutions, media, education, experts, operational partners such as the supervised institutions, future personnel, the general public) in order to see how best to respond to their expectations via

which channels, in a language accessible to all.

This new communication strategy will involve redesigning some of the communication tools, such as the Bank's website, and launching other media, such as a (video) blog offering short articles in laymen's terms, as well as the detailed articles and research papers currently available on line.

Ambassadorship

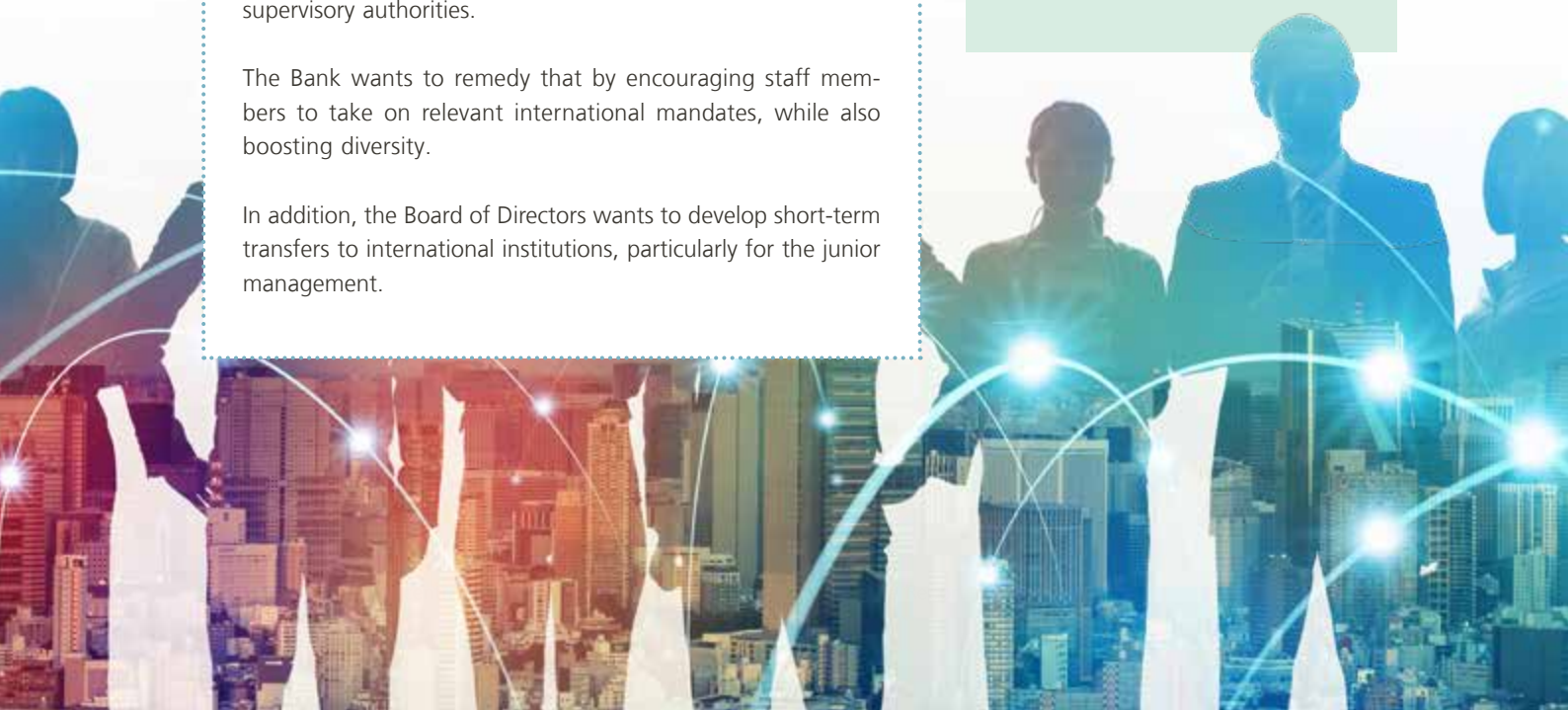
The creation and maintenance of networks, high-level informal contacts, and work behind the scenes are among the essential means of obtaining information, taking part in preparing decisions, and exerting influence, etc. However, at present, the Bank has relatively little representation in international institutions, particularly European institutions and European supervisory authorities.

The Bank wants to remedy that by encouraging staff members to take on relevant international mandates, while also boosting diversity.

In addition, the Board of Directors wants to develop short-term transfers to international institutions, particularly for the junior management.

Efficiency, cost and performance management

As the Bank faces a major challenge concerning staff management in the coming years (when 30 % of the total staff will retire), it seems that our activities must be made more efficient in order to continue to develop while keeping within a responsible budget framework. The same applies to the Bank's social responsibility, which obliges it to take even greater care in using the resources it is given. To become more efficient, the Bank intends to improve its procedures and step up automation and the use of robots. The outsourcing of certain activities – which has already formed part of the Bank's policy for a number of years – will be gradually stepped up.





Ability to execute change

Defined as a strategic theme in 2019, the ability to change took centre stage throughout the past year. In 2020, like many other players in our economy, the Bank was reluctantly obliged to cope with the sudden changes imposed by the health crisis: new ways of working, new tools, new demands, etc.

The Board of Directors commended the staff's ability to make rapid changes.

For the years ahead, the aim is to invest more in the corporate culture in order to respond to changes and increase cooperation between departments via a number of measures concerning the enterprise as a whole. The intention is also to strengthen and explain the role and responsibilities of the main agents of change within the Bank.

As part of this programme, the existing entity in charge of managing transversal IT projects (the Transversal Project Management Office – TPMO) will become an Enterprise Project Management Office (EPMO) for the Bank as a whole, geared to carrying out major transversal transformation projects, following up the project portfolio, analysing and re-engineering the operational processes, and automating and robotising those processes.

With a view to efficiency, cost control and performance management, the Bank encourages wherever possible the revised, harmonised adoption of best practices in corporate project management (methodologies, reports and tools) and the gradual introduction of "agile" practices.

Risk management

As in the past, the Bank is continuing to improve its internal risk management. During the strategic discussions, the current risk framework and risk management were analysed with a view to possible improvements. One outcome of that analysis was the decision to set up a committee to examine the operational risks facing the Bank, in order to assist the Board of Directors. Efforts will also be made to strengthen communication by further developing the risk correspondent network.

In addition, the Bank will embark on other measures, such as awareness campaigns, targeted training in risk management, etc. The aim is to further enhance its maturity in the coming years.

Enterprise Data Management (EDM)

The transformation of the Bank's data management has begun.

With effect from 1 January 2021, the work of collecting and validating data – previously conducted by various entities at the Bank (the Central Balance Sheet Office, the Central Credit Registers, General Statistics and Prudential Services) – now come under a single new Department for Microdata Management.

This reorganisation will enhance data quality and consistency. The administrative burden on declarants will also be reduced as a result of standardised collection via an entity which will serve as the Single Point of Contact.

But there is much more to the project than the standardised collection of useful data: it also covers the compilation, analysis and circulation of those data.

As regards data circulation, the Bank intends to take on an educational role, notably by ensuring that the non-specialist public can understand the concepts addressed and the importance of their content, and also interpret them correctly.

The Bank decided to set up a new Service, the Chief Data Office, headed by a Chief Data Officer. The service will develop the necessary expertise in Data Science (artificial intelligence, big data, machine learning, etc.). The Board of Directors also instructed it to define the principles of data management for the Bank (Data Governance) and the data flow management model (Information Architecture). The service will be a centre of expertise serving the entire Bank.

The General Statistics Department which, together with the new Microdata Management Department, reports to Director Vanackere, will systematically adapt its operations in line with the EDM principles.

The EDM project is also closely interlinked with other strategic themes, such as "Providing economic and financial data and analyses" and "Innovation", but also with contracts that the Bank maintains with its counterparts and with society.



The management of innovation at the National Bank

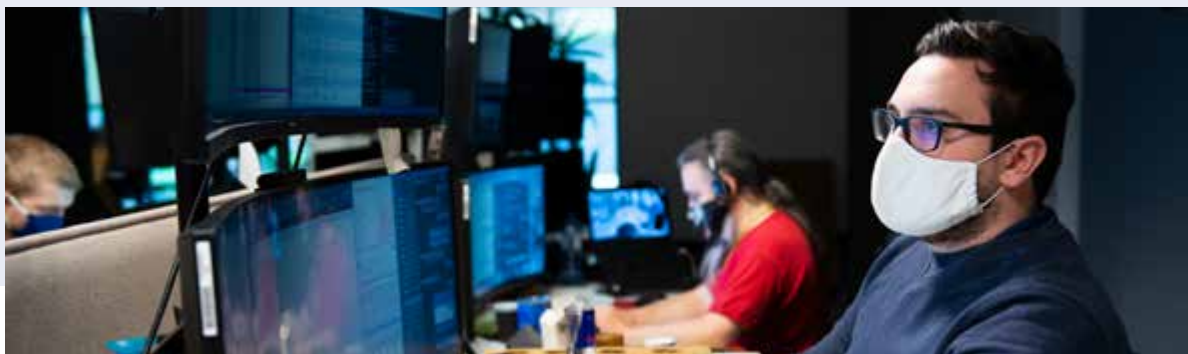
Another strategic theme is innovation, a vital subject if the Bank is to remain a leading player in the Belgian ecosystem. Belgium hosts a large number of major international bodies, not only financial and payment institutions but also European institutions and large companies. The Bank's stakeholders are also constantly innovating.

So, we need to generate an environment which encourages innovative ideas and develops them into mature products. Hence the creation of a dedicated

Innovation Board for testing innovation via numerous initiatives rendering our activities more efficient or more relevant.

During 2020, a first workshop focused on the impact of the new technologies and data processing on financial services, and on the supervisory profession.

The Financial Markets Department developed its first robot prototype. Initial tests were conducted on the use of Optical Character Recognition tools.



Digital transformation

At first, the focus will be on “getting the basics right” and offering staff the opportunity to work anywhere at any time. The “digital workplace” currently offered comprises a number of tools permitting efficient cooperation and document management.

Since COVID-19 obliged the great majority of staff to work from home, users adopted the “digital workplace” strategy and philosophy more quickly than expected.

In subsequent phases, the digital transformation will be gradually incorporated in a growing number of procedures so that it is deployed throughout the Bank.

The goals are as follows:

- To continue the transition to the “digital workplace” with a view to efficiency and cutting the consumption of paper.
- To make progress in regard to data platforms and automation. The use of an open, flexible technology will enable the Bank and its stakeholders to make further advances in Enterprise Data Management.
- To foster and perpetuate the digital adjustments within the Bank.
- To continue developing the organisation of information technologies within the enterprise and to ensure that skills on that subject remain up to date and relevant.

Corporate Social Responsibility

In 2020, the Bank’s corporate social responsibility (CSR) policy was expressed, for example, in parity in the Council of Regency – now chaired by a woman in accordance with the legislation stipulating that the Governor must be of the opposite sex from the chair of the Council of Regency – and the cut in the salaries of the Governor and the (future) Vice-Governor.

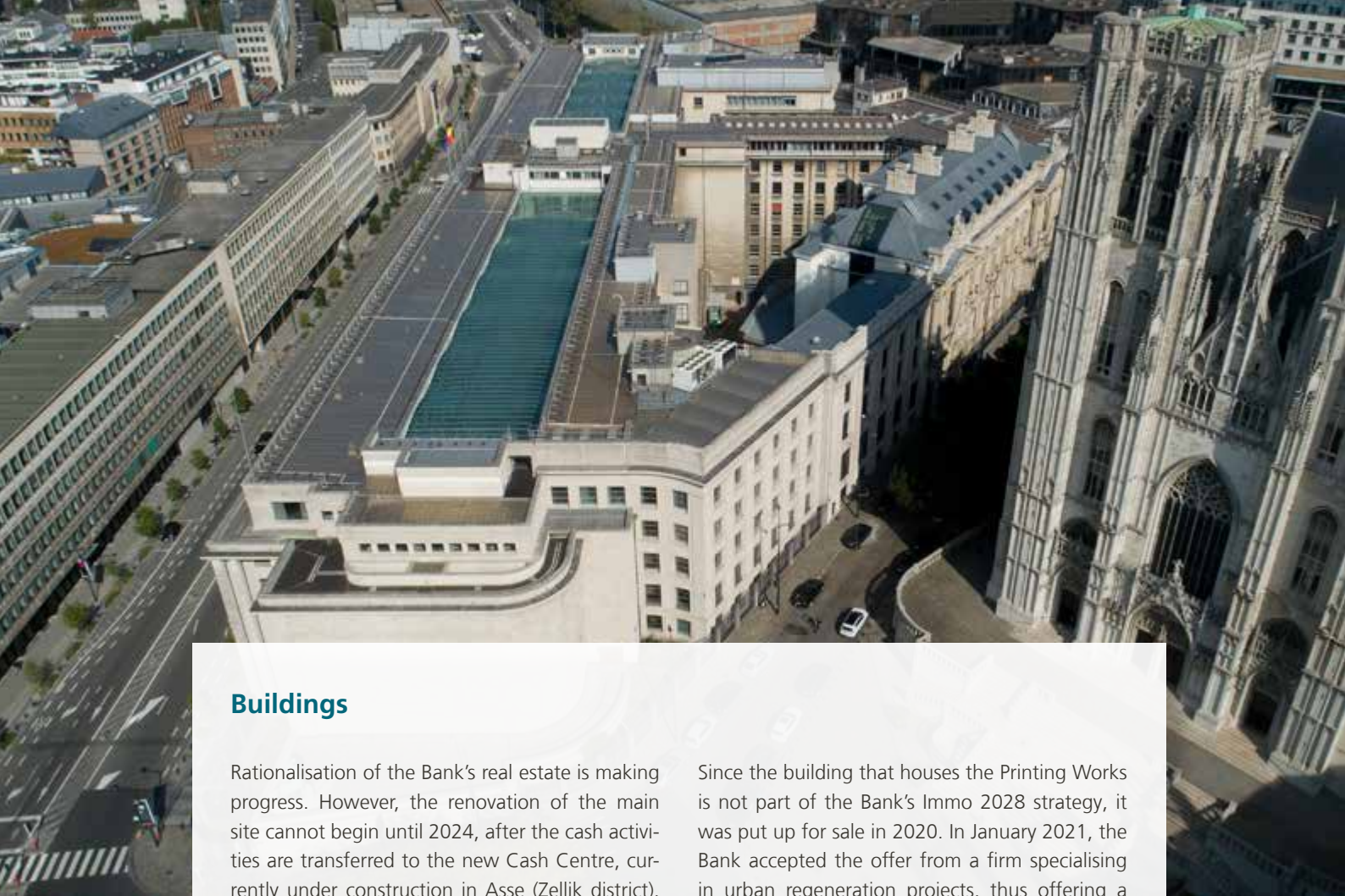
The concept of CSR encompasses many facets, such as sustainable development, good governance, diversity and inclusion, prudential supervision, etc.

In these areas the strategy is to achieve results for a small number of clearly defined goals, to announce those results and to arrange positive internal and external communication on that subject.

Some themes are not new, such as the 3-star Ecodynamic Enterprise Label awarded to the Bank or the Front Office strategy on sustainable investment, commended in a publication issued by Morgan Stanley. There is therefore considerable external recognition, but the Bank is also continuing its efforts in other spheres, such

as diversity and inclusion, supported by staff members who act as ambassadors.





Buildings

Rationalisation of the Bank's real estate is making progress. However, the renovation of the main site cannot begin until 2024, after the cash activities are transferred to the new Cash Centre, currently under construction in Asse (Zellik district). During this renovation, almost a thousand members of staff will be housed at other sites owned or leased by the Bank. Once this project is completed, the site opposite the main building on Boulevard de Berlaimont will be put up for sale.

Since the building that houses the Printing Works is not part of the Bank's Immo 2028 strategy, it was put up for sale in 2020. In January 2021, the Bank accepted the offer from a firm specialising in urban regeneration projects, thus offering a new future for valuable urban sites. The sale contract is to be signed in June 2021.



Human Capital Management & Employer Branding

At the beginning of 2020, a new Jobs page was launched on the website. To enhance the Bank's image as an employer, it showcases its Employer Value Proposition (what it has to offer its employees). The Bank thus hopes to succeed in attracting the right people.

Banknote security and efficient payment systems

This is an obvious strategic theme for a central bank to address. Cash must remain an available, efficient, secure and acceptable means of payment in an environment in which the European Commission recommends regulating the status of banknotes and coins as legal tender.

With that in mind, the Bank is examining how to rationalise the processes of cash issuance, quality control, withdrawal and finally destruction in order to control costs, with due regard for security. A business continuity plan is also vital to ensure the speedy distribution of banknotes from the Bank's coffers if other means of payment become unavailable. Finally, the Bank expects to improve its communication with the

media regarding this important means of payment, which is currently the only central bank money available to the general public.

Of course, this strategy will aim to include other means of payment, and even to encourage innovation and competition on the payments market, in accordance with the principle of stringent neutrality and making sure of the calibre of the parties involved. To that end, a transversal working group is to be set up, responsible for proposing a harmonised policy on the authorisation of business models based on crypto-assets, stablecoins or other related activities.

At the same time, the Bank is keeping a close watch on current

trends: real time payments, Fintech, and crypto-currencies. It recently set up the National Retail Payments Committee, bringing together all the players in the Belgian ecosystem under the leadership of the Bank. Of course, the Bank plays its full part in the ECB's discussions on means of payment and on digital central bank money.



Providing economic data and analyses

Without data and analyses, the Bank would be unable to perform its role as a central bank and a supervisory authority. Following on from the previous theme, the working group in charge of the theme of "Providing economic data and analyses" submitted its conclusions at the beginning of October.

Its first key point is the need to enhance the relevance, quality and accessibility of the analyses and the underlying data. But it is also important to explore new subjects and related dimensions on which the Bank wants to adopt a position in order to remain relevant. Examples include climate change and the energy transition, the digital revolution, regional aspects of financial and economic

developments and policies in Belgium, the new economy and the unequal distribution of income and wealth.





Action plans for the period from 2021 to 2025

Despite the coronavirus crisis which hampered their activities, all the working groups were still able to submit recommendations as a guide for the Board of Directors. The recommendations approved by the Board of Directors form the basis for action plans for every entity. These action plans will be completed before the spring of 2021, enabling each entity to take part in the strategic exercise and contribute to the attainment of the strategic goals for 2025.



What's new in the departments and services ?

The biennial international conference **focused on climate change**

The Bank's biennial scientific conference, held on 22 and 23 October, focused on "Climate Change: Economic Impact and Challenges for Central Banks and the Financial System". The choice of this subject chimes with the Bank's particular attention to the social responsibility of the financial world in general and the financial authorities in particular.

During this conference, seven teams of scientists from various Belgian universities presented their research findings, each presentation being followed by a discussion in which international experts took part. Each of

Climate change and the necessary transition to more efficient, sustainable energy consumption present numerous challenges for society. Central banks and financial system supervisors must likewise take on their responsibilities in this process, within the limits of their mandate and with the instruments available to them. In that regard, a good understanding of the potential impact of climate change on macroeconomics and on financial markets is a vital precondition.

In staging its biennial conference, the Bank wanted to strengthen its focus on this subject. The conference was the fruit of cooperation between colleagues in the Economics and Research Department and the Service dealing with financial stability, AML supervision and banking prudential policy.





Pelin Ilbas of the Bank's Analysis and Research Activities Group leads the session on "Green financing and green investments"

the three sessions was introduced by an eminent researcher presenting a paper: Professor Christian Gollier (Toulouse School of Economics), Irene Heemskerk (De Nederlandsche Bank and Network for Greening the Financial System) and Irene Monasterolo (Vienna University of Economics and Business and IIASA). Owing to the health situation, the conference took place entirely digitally, which was only possible thanks to the excellent support of the Bank's IT Department and Communication Service.

A highly regarded study on the economic impact of immigration



In November, the Bank published a special edition of the Economic Review containing a study on the economic impact of immigration in Belgium. That study was requested in April 2018 by the then Finance Minister, Johan Van Overtveldt, and was intended to support the debate on that issue. For the purpose of that study, the Bank had access to detailed data from the Crossroads Bank for Social Security database covering the period from 2009 to 2016, and the expertise of an Accompanying

Committee comprising university professors known for their work on this subject. However, the economic aspect of immigration is only one dimension, and the Bank stressed that a more general assessment should also take account of other considerations,

such as human rights and international law, particularly as regards refugees' right to protection and asylum. The study was presented to the Chamber of Representatives on 15 December at a hearing by the Committee for Home Affairs, Security, Migration and Administrative Affairs.



Hearing held on 15 December on the NBB study on immigration in Belgium. Pierre Wunsch, Luc Van Meensel, David Cornille and Céline Piton all attended virtually

Statistics, a key information source for conducting policy, but also an operational necessity

The challenge of measuring economic activity accurately during the COVID-19 crisis

The crisis caused by the COVID-19 pandemic is having a severe impact on the production of statistics. As well as potentially disrupting the collection of basic data, notably from economic units forced to close temporarily as a result of the lockdown, the health crisis cast doubt on the use of traditional statistical models, as the economic variables displayed extreme movements.

In this specific context, the Bank took care to ensure the continuity and quality of its production of statistics by stepping up the collection of data from declarants, using supplementary data sources and adapting its statistical methodologies in accordance with the European recommendations.

National accounts

Adjustments in the face of the crisis

Owing to the crisis, the methodology for the short-term assessment of the national accounts – the “flash” estimate – had to be partly redesigned. The compilation of the annual national accounts for 2020 will also have to take account of the pandemic’s effects.

The communication accompanying the statistical publications explains the adjustments made to the estimation methods while stressing the higher degree of uncertainty in these publications.

Less conventional information sources

In the 30 days following the end of each quarter, the National Accounts Institute produces a “flash” estimate of Belgium’s GDP. That is based largely on the VAT figures and is supplemented by an estimate for which the method (called ARIMA) is unsuitable in the case of a marked break in economic activity,

such as that seen during the lockdowns. Less conventional information sources were therefore used: business surveys (initiated by the ERMG), contact with professional federations, data obtained from search engines, etc. Public institutions also updated certain basic data more regularly, such as recourse to temporary lay-offs.

The level of detail in some demand components, such as private consumption, was refined to gain a better idea of the consequences of closing certain shops. Similarly, use was made of new sources (surveys in hospitals) to obtain a better assessment of the production and consumption of health care.



Institutional sectors

The method of estimating the revenue and transfers of the various institutional sectors was also adapted. For public authorities, it was necessary to make assumptions in order to compensate for the lack of data for measuring the impact of the pandemic on certain expenditure, such as:

- social benefits in the form of health care: it was necessary to make a flat-rate estimate of the decline following the periods when non-urgent activities of hospitals and doctors virtually came to a standstill;
- the impact on current transfers of certain government measures, such as the compensatory allowances for companies and self-employed workers.

Furthermore, owing to the extra time granted for declarations and payments, estimated tax revenues had to be based on assumptions.

Profits and dividends

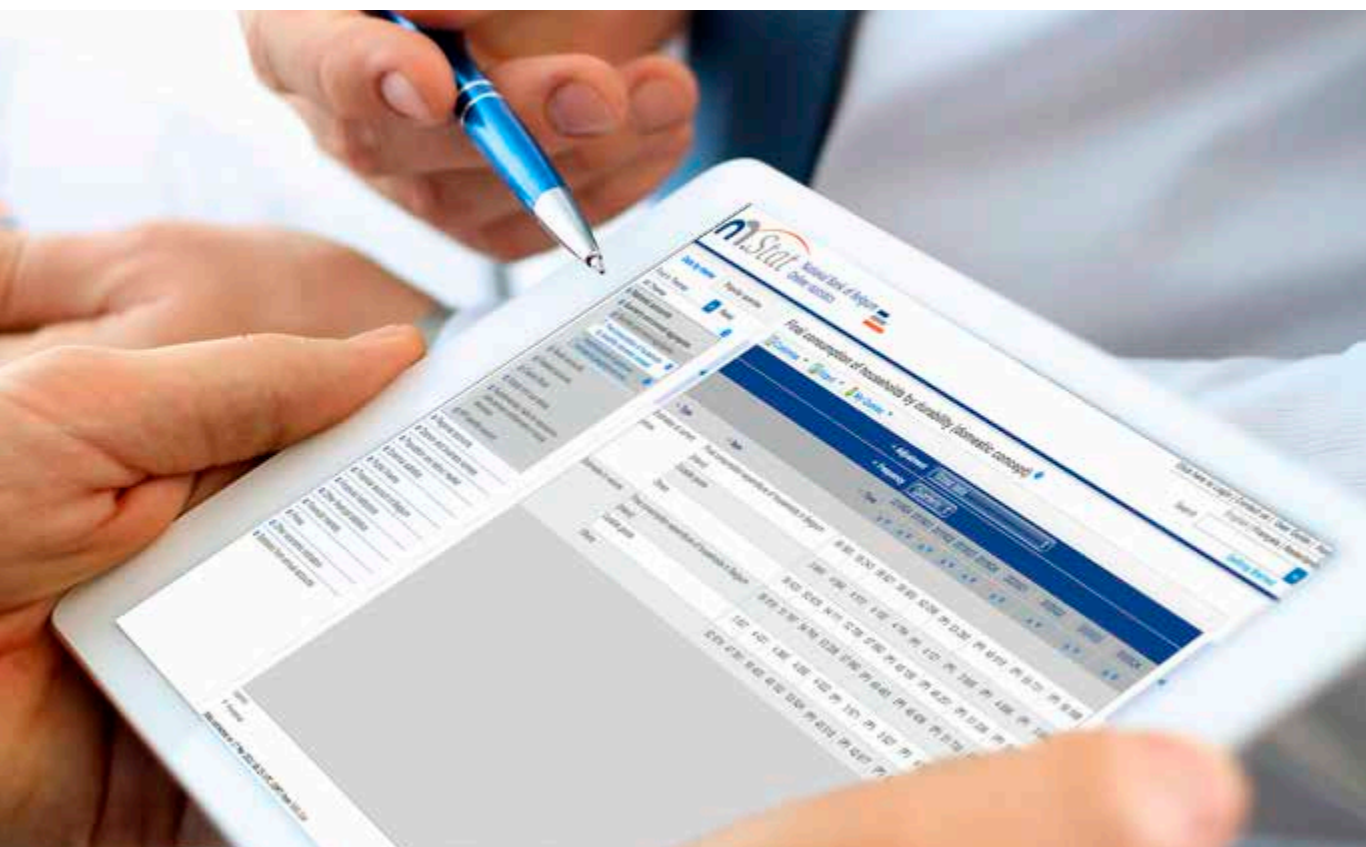
The methodology relating to company profits and dividends was revised to estimate the impact of the pandemic, taking account in particular of the recommendations limiting the payment of dividends for the current year and the constraints imposed by the government in return for the support measures.

The national annual accounts for 2020

The compilation of the national annual accounts for 2020 will need to take account of the impact of the pandemic on certain basic data.

All the methodological adjustments dictated by the health crisis are in line with the recommendations made by Eurostat, in consultation with the EU Member States.

Finally, the seasonal adjustment of the series of figures was accorded particular attention in order to ensure appropriate treatment of the disruption caused by the COVID-19 crisis.



The website stat.nbb.be offers an extensive range of macro-economic statistics

Household and business opinion surveys

In the exceptional circumstances of the COVID-19 crisis, the Bank reacted quickly, from April 2020, to collect the relevant information on the economic repercussions of the health crisis, primarily via household and business opinion surveys.

At the request of the Economic Risk Management Group (ERMG) set up by the federal government, the monthly survey of a sample of 1 850 households used to establish the consumer confidence indicator was supplemented with two extra questions specifically designed to measure the impact of the crisis on the financial situation of households. One concerns the loss of household income, the other asks about the amount of savings at the households' disposal for covering their subsistence expenses during this crisis. The survey was also extended in order to gain a clearer picture of the households' characteristics, particularly at the level of their composition and the occupational status of their members.

For several months, these additional questions – which do not affect the compilation of the confidence indicator published each month – formed the subject of a special statement added to the monthly press release on consumer confidence. A specific space was also created in the Bank's online database (NBB.Stat), to ensure wide circulation of the results of the responses to these two questions,

both nationally and in the three Regions of the country. The additional questions relating to the COVID-19 crisis are to be retained for as long as the economic situation so requires, as was still the case at the end of 2020.

At the request of the European Commission, a specific survey was also conducted on a sample of businesses in April, May and June 2020. They were asked a small number of questions directly linked to the repercussions of the crisis, concerning such matters as their turnover, liquidity position and relationships with their customers and suppliers. That information was used, in particular, for the analyses carried out by the Bank's Economics and Research Department. Depending on the month, between 750 and 900 firms took part in this survey, which was temporary and was only conducted during the first wave of the crisis.



Financial statistics

The health crisis heightened the need for reliable, speedy information on the movement in a whole range of statistical data. The Bank therefore increased the frequency and content of its statistical analyses:

1. A quicker, more detailed analysis of households' financial investments was launched on the basis of

a monthly "flash" estimate, whereas the EU rules stipulate a quarterly estimate.

2. Lending to non-financial corporations and households was also closely monitored in the Bank's internal analyses and in a new periodic consultation with Febelfin.

3. For the ECB, the available data on the use of moratoria were transposed into concepts used by the ECB.
4. The monitoring of non-bank financial intermediation for the Financial Stability Board – an international body which supervises the global financial system and issues recommendations – took place quarterly instead of annually.

The crisis had a severe impact on various categories of entities reporting to the Bank. That could have delayed or interrupted the declarations, thus hampering the close monitoring of economic and financial developments. The Bank therefore set up a system for ensuring that all the parties concerned submitted their declarations on time, and that the declarations were of good quality. No serious deficiencies were recorded.

COVID-19 was not the only challenge for statistics

Large Cases Unit (LCU)

A Large Cases Unit was set up in the General Statistics Department. Via proactive monitoring of a population of multinational groups whose activities affect the Belgian economy, the LCU aims to improve the consistency of all the macroeconomic statistics produced by the Bank, particularly the national accounts, external statistics and financial accounts.

The distribution aspect of the national accounts

For a number of years now, there has been a growing demand, both nationally and internationally, for indicators of household well-being and prosperity. The main points of interest are the distribution of income and wealth and related questions on the degree of inequality and the impact of redistribution policies: these questions having been brought to the forefront by the economic crisis following the pandemic. The Bank has key figures on the household sector, but the distribution aspect was hitherto largely absent. With Eurostat and the OECD performing a coordinating role, Belgium – along with ten other European countries – joined the EG-DNA project (Expert Group on Disparities in National Accounts), which aims to develop statistics on distribution – by income

group – relating to household consumption, income and savings. An experimental exercise was completed in the summer of 2020, after which the first results were forwarded to Eurostat for two reference years. The results harmonised at European level were published on the Eurostat website in December 2020. The Bank will continue this project until 2024 with the aim of publishing official series over a long period.

NPI satellite account

On 13 May 2020, the National Accounts Institute (NAI) together with the King Baudouin Foundation published data on the satellite account of non-profit institutions (NPIs) for the years 2009 to 2017. This publication – which is not compulsory – puts Belgium among a small group of countries which have developed statistics specifically on the non-profit sector whose importance in terms of both value added and employment has been rising steadily for a number of years.

TLTRO III

In March 2020, in order to reinforce support for lending to households and businesses the ECB decided to relax the bank refinancing conditions under the TLTRO III (targeted longer-term refinancing operations). Belgian banks made extensive use of these TLTROs (and more particularly the Bank's funds) during 2020, as is evident from the increase in refinancing operations on the Bank's balance sheet, with lending to banks up from € 19 billion in January 2020 to almost € 78 billion in October 2020.

The growing use of this type of financing by the Eurosystem led to a substantial rise in the volume of data to be collected and validated. Data quality was ensured by methods such as cross checking against balance sheet items and analysis of the reasons for any discrepancies.

Much that is new in the sphere of microdata

Implementation of the new aims of the central contact point

Since 2014, the Central Point of Contact (CPC) has collected the bank account numbers and data on certain types of contract concluded in Belgium by resident and non-resident natural and legal persons. The information was originally intended for the tax authority for the purpose of combating tax evasion, but the Programme Law of 1 July 2016 extended the objectives and widened access.

Since 1 July 2020, following the Law of 8 July 2018 and the Royal Decree of 7 April 2019 reforming the operation of the CPC, almost 350 financial institutions have continually updated the information. The bodies authorised by law to consult the CPC in order to address specific needs (FPS Finance, public prosecutors, investigating magistrates, notaries, etc.) now have a tool providing automated access to continuously updated information. At the beginning of 2022, a requirement for banks and insurers to notify the CPC periodically of account balances and certain types of contract and their value was introduced by law with effect from 31 December 2020.

BECRIS: the new centralised platform of the central credit registers

Since March 2019, the Bank has provided the ECB with detailed data every month on credit and credit risk under the Anacredit Regulation (EU/2016/867). After a first year devoted to achieving adequate quality, the data were progressively made available throughout 2020 for users in the ESCB and the single supervisory mechanism for the performance of their tasks.

The Bank collects these data together with those of the Central Credit Register via the single IT platform BECRIS (Belgian Extended Credit Risk Information System), which – from 2022 – will entirely replace the existing platform of the Central Corporate



Credit Register and subsequently that of the Central Individual Credit Register.

The contribution of the Central Credit Register during the health crisis

During the COVID-19 health crisis, the Central Credit Register made its contribution by collecting supplementary data on the implementation of the government's credit-related support for businesses and individuals:

- The BECRIS platform was extended to include collection of information on moratoria and State guarantees for business loans. That information enables the Bank to monitor the macroprudential impact of those measures, and allows FPS Finance to calculate the financial contributions made by credit institutions as well as State intervention in the event of defaults on guaranteed loans.
- The Central Individual Credit Register recorded information on the deferral of loan repayments (mortgages and consumer loans). These arrangements were extensively used, primarily for mortgage loans, and 152 000 deferrals were thus reported.



Transitional measures, COVID legislation and new models for the annual accounts

In 2020, 468 502 sets of annual accounts relating to 450 360 legal persons were filed at the Bank's Central Balance Sheet Office. Owing to the COVID-19 pandemic and *ad-hoc* legislation, filing was more difficult in 2020 than in other years.

A transitional scheme was set up to ensure a smooth switch from the Company Code to the new Code for Companies and Associations. New businesses or those which opted for speedier compliance with the new Code can nevertheless still use the old formats for filing their accounts and add information to the forms.

A new micro model was developed for associations and foundations, while the current full-format and abbreviated formats were adapted. From 6 January 2021, the new models for both businesses and associations can be filed at the Central Balance Sheet Office in both PDF format and structured format.

Redesign of the Central Balance Sheet Office (CBSO) applications

In the spring of 2020, following a public tender, the Central Balance Sheet Office began working with an external partner on modernisation of all its IT applications. The aim is to launch, at the beginning of January 2022, a fully renovated and modernised application for the compilation, filing and circulation of the annual accounts. This application will use the CSAM government portal and the electronic mailbox for businesses – eBox – while the payment options will be considerably extended.

On the subject of the consultation of annual accounts on the Bank's website, availability has now been extended to annual accounts filed since 1998.

The IT application which compiles the sectoral statistics on the basis of the annual accounts data and publishes them on the NBB.Stat platform is currently being rewritten internally, in a modern programming language. This application will continue to evolve in the future.

Prudential supervision and resolution

The single resolution mechanism is five years old

The single resolution mechanism (SRM), under which the Bank exercises its mandate as the national resolution authority, celebrated its fifth anniversary in 2020. Those years have brought clear progress in regard to resolution.

In those five years, the Single Resolution Board and the national resolution authorities had to roll out the entire resolution policy. That policy imposed new, strict requirements on all banking groups in the European Union, and they ultimately have to demonstrate that they are capable of resolution. In the event of failure, the resolution authorities must be able to order their liquidation or apply the resolution instruments to them without creating financial instability. That is why these groups have to establish capital buffers which can absorb the losses or be used for

their recapitalisation (Minimum Requirement for Own Funds and Eligible Liabilities or MREL). Similarly, they must be able to guarantee their operational continuity in the event of resolution.

The resolution authorities establish a resolution plan for each banking group. Preparation of the resolution plan should be seen as a process aimed at strengthening the resolvability of banking groups and identifying potential obstacles in order to remedy them before a crisis situation arises. Resolution plans must be capable of speedy implementation in the event of a default situation. The national resolution authorities play a pivotal role in carrying out the resolution arrangements since it is up to them to take the necessary measures to implement the decisions of the Single Resolution Board. That is why, over the past five years, the resolution authorities together with the European banking groups have developed their ability to carry out the predefined resolution strategies.



Meeting of the Bank's Resolution College in December 2019. Ms Michèle Casteleyn and Director Jean Hilgers are also members of the Resolution College.



The resolution plan cycle is annual. Every year, this process goes into certain specific aspects in greater depth. In 2020, for example, the Single Resolution Board focused on bail-in playbooks (manuals explaining how to deal with the fact that a failing bank's shareholders and creditors must bear the financial consequences for a particular institution), financial continuity and access to market infrastructures, and operational continuity in the event of resolution. The 2020 cycle of resolution plans was completed though some adjustments were conceded, e.g. in terms of reporting or MREL, in order to take account of the specific circumstances of the COVID-19 situation.

The year 2020 also saw the entry into force of a new legal framework based on the BRRD2 (Bank Recovery and Resolution Directive II) and the SRM2 (Single Resolution Mechanism II Regulation). These strengthen the requirements concerning MREL – the European standard requirements for capital and eligible liabilities available for domestic support – by introducing an MREL requirement which must be met via subordinated liabilities in the case of global systemically important banks, leading banks and smaller entities whose failure could nevertheless pose a systemic risk. That considerably reinforces MREL quality and therefore facilitates the implementation of the resolution framework.

The debate and initiatives in response to society's expectations concerning effective control of money-laundering

The battle against money-laundering and terrorist financing (AML/FT) has long been a major issue for the Bank. Society's understandable concern on this subject and the potentially detrimental repercussions on financial stability have, for a number of years, prompted the Bank to devote more resources to combating these practices.

In recent years, reports on failure to respect the anti-money-laundering requirements by certain financial institutions in Europe have shocked the public on several occasions. That has obliged the supervisory authorities and (European) regulators to further strengthen the supervision framework and the requirements.

The FinCEN files

In 2020, publication of the FinCEN files by members of the International Consortium of Investigative Journalists shook public opinion.

FinCEN is the US anti-money-laundering unit, equivalent to the Financial Intelligence Processing Unit (CTIF-CFI) in Belgium. The publication concerned alerts sent to FinCEN (between 2000 and 2017) by banks operating in the United States regarding transactions which aroused money-laundering suspicions. The question was whether banks operating in Belgium – and mentioned in these files – had alerted the CTIF-CFI, for example. The files also focused on the action taken by FinCEN or by similar authorities in other countries following these notifications.

However, as a result of supervisory operations conducted in recent years, the information made public was often already known to the Bank. In the few instances where that was not the case, it took the necessary initiatives and measures.

Following the uproar in society resulting from publication of the FinCEN files, the federal Parliament

arranged hearings with a number of AML/FT players. As the authority responsible for supervising the financial sector's compliance with the anti-money-laundering rules, the Bank was also invited to attend. Represented by Director Jean Hilgers, it took this opportunity to explain in detail its overall approach to AML/FT supervision. This covered the rapidly evolving international, European and Belgian regulatory frameworks for combating money-laundering and terrorist financing, the Bank's supervisory practice, the risk-based approach and the enforcement policy.

The Bank stressed the significant increase in the resources devoted to supervision, which have tripled since 2016. It also mentioned the aspects to which it intends to pay extra attention in the future, and set out its priorities in that regard. The explanations therefore went far beyond the specific questions and points raised by the FinCEN files.

A workshop for stakeholders

The Bank intends to respond in the most practical and targeted way possible to the current

The Bank stressed the significant increase in the resources devoted to supervision since 2016

concerns about money-laundering. To that end, in November 2020, it held a workshop with various stakeholders, beginning with the sector but also including the CTIF-CFI. The emphasis was on specific points for attention concerning asset management ("private banking"). The aim was to answer the sector's questions, particularly those concerning the repatriation of funds. During 2021, the Bank will incorporate this workshop's findings in an AML/FT policy document.

During the period under review the Bank took part in various supervisory colleges. In December 2020, the Bank itself organised for the first time a college comprising the AML/FT supervisors of an internationally active institution. The aim of these colleges is to strengthen cooperation between supervisory authorities, to harmonise the supervision measures and to boost the effectiveness of AML supervision. The colleges comprise not only AML supervisors of countries in which the group operates, but also the parent company's prudential supervision authorities, the anti-money-laundering unit of the country in which the institution is located, and the European Banking Authority (EBA). This process will continue in



Hearing in the federal Parliament on the FinCEN files on 10 November 2020

the coming years and will be applied more generally to all groups operating internationally.

These initiatives demonstrate the Bank's growing interest in AML/FT. The Bank contributes to European developments on the subject and is aware of its great responsibility in combating money-laundering and terrorist financing.

Reorganisation of prudential supervision over insurance

The need for more frequent re-assessment of the risks

At the beginning of 2020, two major points for attention emerged for the supervision of insurance: the impact of the persistently low interest rates on insurance undertakings, and the challenges becoming apparent for the sector – in so far as growing digitalisation will affect insurers' business models. The Solvency II Directive, applicable from 1 January 2016, was incorporated into the supervisory process some time ago. The Bank had also made

good progress in developing its own instruments for conducting more effective, structured financial analyses of prudential data. However, it emerged that off-site operational supervision was very largely concentrated on two aspects. The first concerned meeting the statutory (and other) deadlines for processing the files submitted. This is known as "event-driven" action, which includes portfolio transfers between insurance companies, changes in shareholding, Fit & Proper checks, analysis of outsourcing, various external issues, and organising or participating in colleges. The second aspect concerned close monitoring of a number of insurance undertakings specifically requiring follow-up.

These activities took place at the expense of resources for the recurrent assessment of firms' prudential risks, more detailed analysis of the prudential data reported, and identification of the prudential risks inherent in the use of new techniques in the sector (e.g. reinsurance techniques and InsurTech).

This led to the definition of new priorities in the supervisory approach and changes in the organisation of off-site insurance supervision.



An action plan based on a new operational classification

In 2020, the supervision action plan was devised on the basis of a three-dimensional operational classification of undertakings:

- The first dimension concerned the undertaking's systemic importance ("high and medium-high" or "medium-low and low").
- This dimension was expanded by assessment of the undertaking's risks via the insurance scorecard which is calibrated as follows: at risk, risky, to keep monitored, under control.
- This matrix was then supplemented with an operational dimension based on expert opinions concerning the need to subject the undertaking to increased or specific prudential monitoring. (Does the undertaking face specific problems? Does it have significant institution status? Was it set up in Belgium recently because of Brexit?)

This classification served as the basis for determining the work priorities relating to individual undertakings.

Various activities also took place according to a transversal approach, permitting the continued development and deployment of internal expertise in a number of predefined areas. Undertakings which are found to deviate significantly from the norm are then subjected to closer monitoring. The transversal approach also aims to align the Bank's supervisory activities more closely with the work of the insurer's internal actuarial function and that of the auditors (particularly in regard to the technical provisions). The conclusions of these transversal analyses are shared with these parties in order to further optimise the various supervision activities.

The range of instruments launched in 2018 for the structured financial analysis of insurers was also improved. The results of that work provide a sound basis for applying new techniques to these data at a later stage.

These new priorities in the supervisory approach were accompanied by a reduction in the frequency and scope of recurrent meetings with (significant)

undertakings and a more effective contribution to the various supervisory colleges.

The operational classification of individual cases, the new range of instruments for recurrent work and the transversal dimension lay the foundations for the new way of organising off-site supervision. That supervision is based on three pillars:

- All undertakings are subject to first-line supervision via the tools which have been developed. These activities are supplemented by more detailed analyses of individual insurers according to their operational classification.
- Next, outliers are identified in specific areas and followed up on the basis of the transversal analysis results.
- Finally, the organisation explicitly allows for the flexibility required for ready deployment of the necessary resources and expertise for monitoring undertakings needing additional supervision. The COVID-19 crisis made that flexibility more vital than ever.

This organisation was put in place at the beginning of 2020. The transfer of know-how between colleagues went smoothly and in a spirit of cooperation (despite the difficult circumstances resulting from the health crisis).

The results are already apparent

This new organisation had already produced tangible results by the end of the year under review. The first conclusions of the prudential analyses carried out with the set of instruments are now available. Also, the transversal analyses revealed a number of undertakings which deviated from the norm in specific areas. Those undertakings were contacted and will be closely monitored, particularly as regards the calculation of the technical provisions for health insurance, the trend in profitability of the "life" portfolio, the scenarios resulting from the Own Risk and Solvency Assessment, and regulatory arbitrage regarding the use of certain risk diversification techniques.

In the context of this new organisation, the consequences of the COVID-19 crisis were monitored by means of reporting developed for that purpose:

undertakings were asked to submit the reports periodically (at first weekly, but then once a month from the summer). The prudential findings were examined with the individual insurers. The Bank also has

an extensive regulatory arsenal enabling it to take prudential measures in response to any deficiencies found. These analyses are produced and monitored in a multidisciplinary framework.

Brexit: a number of payment institutions transferred their activities to Belgium

Since 2017, the Bank has applied a “fast track” approval procedure for foreign payment institutions and electronic money institutions which already hold a licence in another member country of the European Economic Area (which comprises the EU plus Norway, Iceland and Liechtenstein) and which wish to transfer their activities to Belgium. The Bank thereby intends to promote Belgium’s position as a financial centre.

Under this procedure, approval for the provision of payment and electronic money services can be granted more quickly than in other cases. Obviously, that is only possible if the Bank can use an existing – recent or updated – approval application. That enables the Bank to be more flexible and adopt a

specific approach to the practical implementation of the legal requirements relating to approval.

Up to now, all the institutions using this procedure came from the United Kingdom. While two undertakings had already decided to transfer their EU activities from the UK to Belgium in 2017, five others became established in Belgium following the UK’s withdrawal from the EU. Some of these newcomers belong to groups forming part of the world’s biggest money transfer institutions.

Undertakings wishing to transfer activities from the UK to Belgium adopted a two-stage approach. At first, after the grant of approval as a payment institution, the migration only concerned transactions executed in Belgium. Then, from 1 January 2021 and the end of the period of preferential relations between the UK and the European Single Market, the Belgian entity handles all transactions effected in the European Economic Area. That also implies the transfer of the various “European passports” held by the British payment institution.

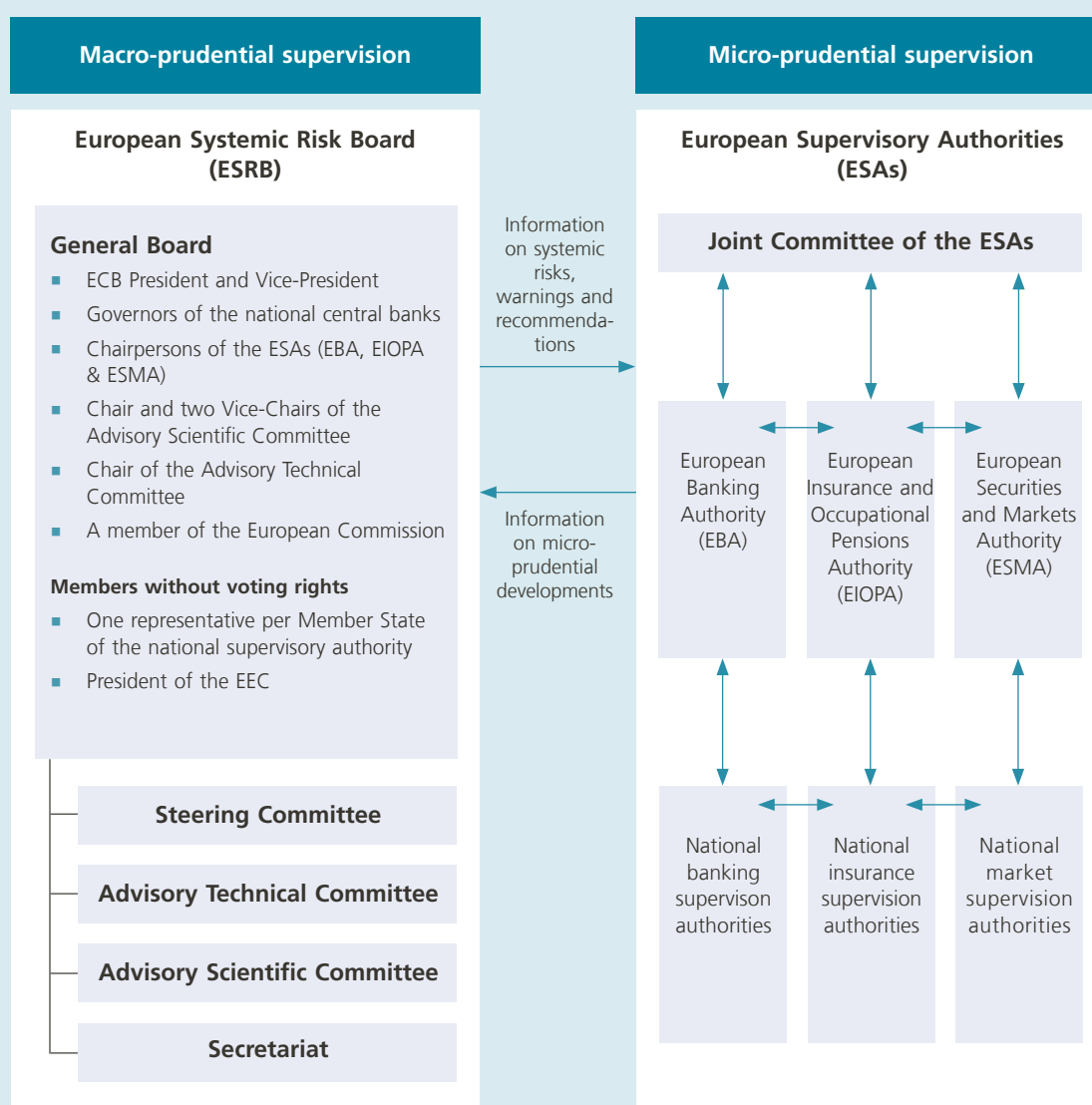


The Bank plays a leading role in the EBA and EIOPA

The ESAs form part of the ESFS

The development of the European Single Market means that financial legislation is increasingly frequently drawn up at European level. European co-operation and coordination between supervisory authorities have therefore gained greatly in importance.

In that context, the European Supervisory Authorities (ESAs) have a crucial role to play. There are three of them: the European Banking Authority (EBA) with its headquarters in Paris, the European Insurance and Occupational Pensions Authority (EIOPA) based in Frankfurt and the European Securities and Markets Authority (ESMA) based in Paris. The ESAs form part



of the European System of Financial Supervision (ESFS) which also includes the European Systemic Risk Board (ESRB), responsible for macroprudential supervision of the financial system.

This European System of Financial Supervision forms part of the EU's

response to the global financial crisis of 2008-2009. Subsequently, other changes were also made to the supervision structure when the banking union was created in the euro area, in particular with the establishment of the single supervisory mechanism (SSM), responsible for banking supervision, and the single resolution mechanism (SRM), in charge of the resolution of certain financial institutions. Director Tom Dechaene is the Belgian representative on the ECB's Supervisory Board, which draws up draft decisions for the SSM and submits them to the ECB Governing Council in accordance with the non-opposition procedure. Despite the existence of the SSM and the SRM, the ESAs and the ESRB still have very important powers and missions in the current supervision structure.

The Bank is actively involved in the work of two of the three authorities

As the authority responsible for the supervision of credit institutions, financial conglomerates, investment firms, payment and electronic money institutions, and insurance and reinsurance undertakings, the Bank plays a key role in two of the three European supervisory authorities, namely the EBA and EIOPA. The Bank is thus represented at the highest level on the Board of Supervisors of these two ESAs. That is the principal decision-making body of each ESA. It is chaired by the full-time chairman of the authority concerned. Director Jean Hilgers represents the Bank on the EIOPA Board of Supervisors, while Jo Swyngedouw, head of service for "Financial stability, AML supervision and banking prudential policy"

is a member and vice-chairman of the EBA Board of Supervisors. Jean Hilgers was also a member of the EIOPA Management Board for five years,

i.e. the two permitted terms of office. His second term of office ended on 27 January 2020. That body exercises a number of specific pow-

ers relating to the management of EIOPA and helps to define the institution's policies.

The task of the ESAs is to foster improvements in the effectiveness of the regulation and supervision of financial institutions in their respective sectors. In that connection, the European legislature granted them extensive powers. For example, the ESAs submit opinions to the EU institutions and draw up guidelines, recommendations and draft technical standards based on the European legislation applicable in their respective spheres of competence. They may also conduct peer reviews of the competent authorities for the purpose of formulating guidelines and recommendations and identifying best practices, in order to boost the consistency of supervisory practices.

In addition, they oversee the proper application of European legislation by the competent national authorities. They arrange mediation and the settlement of disputes between competent authorities, with a view to ensuring the effective supervision of financial institutions. They are also empowered to take measures in emergencies.

It is likewise the role of the ESAs to strengthen coordination and cooperation between the national supervisory authorities, be it by stimulating and facilitating the delegation of tasks and responsibilities between competent authorities or by ensuring the consistent operation of colleges of supervisors, and – in the case of the EBA – by taking part in the preparation and coordination of rescue and resolution plans in the event of default, and methods of resolving the failure of credit institutions.





Another of their tasks is to monitor and analyse market developments in their respective spheres of competence and to contribute to the monitoring, evaluation and assessment of systemic risk. To that end, they can collect data from the national supervisory authorities and, under certain conditions, from financial institutions. For instance, the EBA and EIOPA conduct European stress tests in the banking and insurance sectors respectively.

The ESAs also cooperate closely with the ESRB, in particular by communicating the information necessary for the performance of its tasks and by taking appropriate action in response to alerts and recommendations.

Some of the Bank's staff hold key positions

Many of the Bank's staff, particularly from the services "Financial stability, AML supervision and banking prudential policy" and "Insurance prudential policy and inspections", play an active part in multiple working groups whose job is to prepare initiatives determining the policy adopted by the

EBA and EIOPA. They contribute to the ESAs' activities with their relevant expertise, defend positions of interest to Belgium and the Bank, and enable the Bank to respond rapidly to the latest developments at European level.

The Bank also holds various key positions in important EIOPA and EBA working groups and committees. For instance, its Director Jean Hilgers chairs the Risk and Financial Stability Committee (RFSC), one of EIOPA's three strategic steering committees. Its main task is to coordinate all the initiatives aimed at ensuring financial stability in the EU's insurance and pension fund sectors. Via Jo Swyngedouw, the Bank also chairs the EBA Standing Committee on anti-money-laundering and countering terrorist financing (AMLSC). That committee, set up in 2020 following the strengthening of the EBA's powers regarding AML/FT, plays a key coordinating role for the EU in that area. In addition, staff of the Bank often take on strategically important roles in leading or steering EBA and EIOPA project groups and work flows. Via these key positions, the Bank tries to increase its influence over EBA and EIOPA policies, but also to give its staff the opportunity to gain an international profile.

Operational changes in banking supervision despite COVID-19

At the beginning of 2020, there was a rotation exercise for the teams in charge of banking supervision. In that exercise, a number of colleagues swapped teams and some cases were reallocated. Overall, this exercise was assessed as very positive, but it also revealed some points for attention. The opportunity for colleagues to become familiar with new cases (avoiding tedium) was one of the things they appreciated, and contact with their new team also taught them different methods in terms of style and content for carrying out the same type of work. Rotation breaks up silos and energises teams, while enriching and expanding the experience of all employees. At the same time, staff had to invest more time and energy to learn about new cases and to become part of a new group. Rotation, which must be properly prepared and announced in advance, also needs the support

of all staff in order to succeed. In all cases, flexibility is essential so that any adjustments that prove necessary can be made.

The COVID-19 crisis affected the *modus operandi* of prudential supervision in many ways. Even though audits and inspections conducted on company premises (“on-site” supervision) are an important pillar of continuous supervision, the crisis seriously impeded them. While ongoing inspections could be completed remotely, the methodology for new assignments had to be adapted considerably in terms of both the nature of the inspections and their organisation and the collection of data. In addition, a number of inspectors were asked to make their knowledge and experience available to the off-site supervision teams; thus strengthened, those teams were able to expand their analysis capacity, for example in order to measure and assess the impact of the health crisis on the financial position of banks.

Financial markets

new systems for market transactions

During 2020, the Financial Markets Department launched no fewer than three major projects for the purpose of modernising its administrative systems.

Casper

Casper (Current Accounts, Settling Payments Electronically and Rapidly) is an application which executes payments by and for the Bank's internal and external customers. Since 19 October it has replaced an old application that had been in use for decades.

Casper will enable external customers, such as the Treasury and bpost, and a number of the Bank's services to enter their transactions and track movements in their accounts in real time. This is one of the new, highly secure and fully revamped tools for the management of customers' current accounts. The application also administers the cash accounts of institutions or countries to which the Bank offers services under the Eurosystem Reserve Management Services (ERMS). Furthermore, Casper is a key stage in the renovation and modernisation of the Bank's tools, paving the way to the Bank's integration in the future version of the TARGET 2 platform, which the Eurosystem is to introduce in November 2022.

An update for Wallstreet Suite (Finance Kit)

Wallstreet Suite (Finance Kit) is used for the complex processing of the operational tasks of the Front Office (purchase and sale of securities and currency), the Middle Office (follow-up of risks and limits) and the Back Office (payment for securities purchased and delivery of securities sold). Every day, this software provides the necessary data for the Accounts service to update the Bank's accounts and calculate its financial results. Altogether, Wallstreet

Suite (Finance Kit) processes two-thirds of the Bank's balance sheet.

The Bank has been using the current version of the software since 2012. However, the application needed updating, not only for technical reasons but also to improve its security. Other new functions were also added: the development of new financial instruments and a link with external platforms for such purposes as the automatic creation of financial instruments, account reconciliation and the entry and confirmation of financial transactions. All these improvements enable the services concerned to concentrate more on Straight-Through Processing under optimum security conditions and thereby reduce the risk of errors.

BEA3

The Back Office service is responsible for managing the collateral that banks in Belgium provide in order to obtain credit from the Bank. Non-marketable collateral (bank loans) is managed by the NewCC ("NewCreditClaims") application. For marketable securities (such as bonds), the application used was the EADB ("Eligible Assets DataBase"), managed by the Bank's IT Department. Since the EADB application did not offer the required security, it had to be replaced.

From now on, BEA3 will be used for that purpose. BEA was an application developed by De Nederlandsche Bank (DNB). In order to replace the old EADB application altogether, BEA was expanded (hence the name "BEA3") by including a number of additional functions. The application is managed and held by DNB.

*Casper is a key stage
in the renovation and
modernisation of the Bank's tools*



"MANY CONTACTS WITH EUROPEAN COLLEAGUES"

JULIE VISSERS / Payments & Securities Advisor in the Payments & Securities Service

What exactly does your job in the service involve?

"In the Payments & Securities Service, I am a member of the unit that is mainly concerned with analysis and preparation of the policy decisions underlying the Service's operational duties, generally working with other entities at the Bank (International and Eurosystem Coordination, Legal Service, Surveillance of Financial Market Infrastructures, Payment Services and Cyber Risks, etc.). I focus mainly on securities settlement and collateral management. As a member of the Securities and Collateral Policy Working Group (SCWG), which reports to the Market Infrastructure and Payments Committee (MIPC) of the European System of Central Banks (ESCB), and as the secretary of the Advisory Group on Market Infrastructures for Securities and Collateral – Belgian National Stakeholders Group (AMI-SeCo BENSG), a forum involving Belgian stakeholders in the work of the AMI-SeCo, I have numerous contacts with

"We must remain vigilant"

colleagues in other European central banks and Belgian financial institutions, but also in organisations such as Euroclear."

Does that mean that you are less involved in operational activities?

"No, not at all. Our Head of Service considers it very important for us to be familiar with the operational work of our service as well. For instance, I was able to take

part in developing Casper (Current Accounts, Settling Payments Electronically and Rapidly), the Bank's new current account management app. This application was developed entirely at the Bank, in close cooperation with the IT Department. Casper acts as the banker not only for some of the Bank's services but also for our external customers: apart from the Belgian State and a number of investment firms, that includes foreign central banks and international bodies. With BEA3 (collateral management) and the Wallstreet Suite (Finance Kit) upgrade, Casper is one of the three major IT projects completed by our department this year, and we are very proud of them. They represented months if not years of hard work, but thanks to the efforts of numerous, highly motivated professional staff in all the units concerned, this project was brought to a successful conclusion despite the lockdown."



For such projects, IT security is doubtless of the utmost importance?

"For this highly critical application, which handles large payments every day, the emphasis was naturally on IT security. Very sophisticated security measures were set up, particularly as external customers may also have access to Casper. All the app's functionalities were extensively tested, and current procedures in our Service were updated. In order to raise awareness of security in our Service, we also organised a major fake phishing campaign during the summer. Overall, very few colleagues fell into the trap, and that is very encouraging. But we must remain vigilant."

Cash use is declining, but cash is still an important means of payment in Belgium

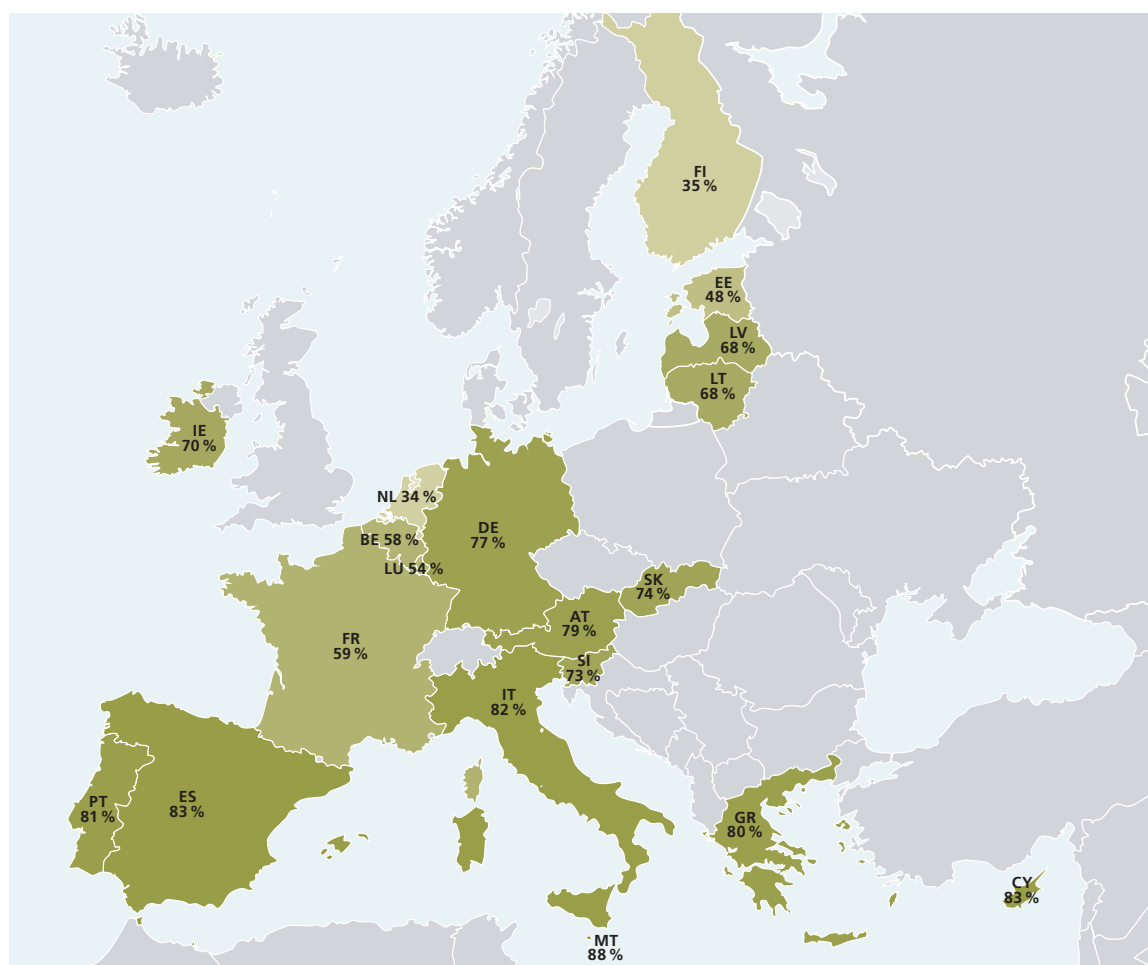
A new ECB study on payments in the euro area

In 2019, the European Central Bank conducted an extensive study (Study on the Payment Attitudes of Consumers in the Euro area – SPACE) on payment behaviour in the euro area. A similar analysis of the use of cash had already been conducted in 2016. The SPACE study, the results of which were presented at the end of 2020, examined payments by individuals at physical points of sale (POS), person-to-person (P2P)

payments, and remote payments (i.e. internet shopping, purchases by telephone and by post, payment of accounts and periodic payments).

In the euro area, cash payments remain decidedly dominant. In 2019, banknotes and coins were still used for over 73 % of point-of-sale and person-to-person payments, representing 48 % of transactions in terms of value. In Belgium, cash payments accounted for 58 % of the number of transactions and 33 % in value terms.

Share of cash payments in the total number of POS/P2P payments by households



Some interesting details ...

The SPACE study also yields some interesting details. While Greeks use cash or cards for 2.02 payments per day, and the figure for the Dutch is 1.76, for Belgians the average is only 1.38. Only the French, the Maltese and the Estonians have even lower scores than the Belgians. For Belgians, a cash payment (POS or P2P) averages less than € 20, while the average for their card payments is over € 30.

The SPACE survey also shows that Belgium is lagging well behind in regard to contactless payments. Only 16 % of Belgians taking part in the survey made card payments in 2019 without having to insert the card in a payment terminal. In the euro area, contactless payments represented 39 % of all card payments in 2019.



The use of cash is declining in Belgium (in 2016, banknotes and coins still represented 63 % of POS/P2P payments. That is down by 5 percentage points, but the decline is smaller than in countries such as the Netherlands, Austria, Finland and France. The gap between northern and southern countries is widening. The percentage of cash payments is exceptionally high in Germany (77 % of the number of transactions) and Austria (79 %), while Belgium is still in an intermediate position.

To determine whether the COVID-19 pandemic is having a negative impact on the use of cash, the ECB conducted an additional survey in 2020, which showed that over half of Belgian participants confirmed that they had made less use of cash since the outbreak of the pandemic. However, owing to the closure of shops and other locations where cash payments are widely used, that finding should be interpreted with caution.

Belgian franc banknotes

On 1 January 1999, the euro became the official currency of a number of EU Member States, including Belgium. However, in the ensuing three years it was still possible to use Belgian francs for cash payments in Belgium. From 1 January to 28 February 2002, during the dual circulation period, cash payments could be made in both francs and euros. During those two months, a large-scale logistical operation was conducted to withdraw as many Belgian franc notes and coins as possible from circulation and to issue massive quantities of new euro banknotes and coins. From 1 March 2002, payments in Belgian francs were no longer accepted: Belgian franc notes and coins were no longer legal tender.

At the start of the changeover, on the night of 31 December 2001 to 1 January 2002, 314 million Belgian franc banknotes were in circulation, representing a total value of around € 25.7 billion, or more than 1 000 billion Belgian francs.

After the two months of dual circulation, it remained possible to exchange Belgian francs for euros at banks and post offices (renamed bpost) up to the end of 2002, and subsequently at the National Bank.

At the end of 2004 the option of exchanging Belgian franc coins for euros was terminated, but banknotes can still be exchanged free of charge at the National Bank.

At the end of 2020, over 50 million Belgian franc banknotes representing a total value of around €428 million had still not been returned to the National Bank. Nonetheless, the changeover is quietly continuing: in 2020, 56 769 Belgian franc notes were exchanged for euros at the National Bank, representing a total of €1 590 990.

Anyone still holding Belgian franc notes can exchange them at the National Bank. That applies to all denominations issued by the Bank since 1944. It is still possible to exchange some banknotes larger than 100 francs denominated in both francs and belgas – an alternative currency used in Belgium between 1926 and 1944 – and a few other rare denominations placed in circulation before 1944. Exchange is free of charge, but a “declaration of origin” has to be completed for amounts in excess of €3 000.

All the information on the exchange facilities and practical details can be found on the National Bank’s website.

For completeness, of the total Belgian franc coins in circulation at the end of 2001, 1.8 billion – representing a total value of €188 million – have never been returned to the National Bank, which managed the circulation of coins for the Belgian Treasury.

Belgian franc banknotes remaining in circulation which can still be exchanged:

Amounts in euro (end-of-period data)

	2001	2019	2020
Banknotes from the last series			
100 BEF	202 776 903	23 617 176	23 592 452
200 BEF	132 870 929	12 815 899	12 796 774
500 BEF	290 035 424	11 525 022	11 503 115
1 000 BEF	1 633 618 328	23 000 516	22 922 417
2 000 BEF	2 979 680 168	42 898 123	42 677 151
10 000 BEF	3 966 296 396	30 551 885	30 197 893
Total	9 205 278 148	144 408 621	143 689 802
Other banknotes which can still be exchanged			
	16 484 041 505	285 446 565	284 574 394

Number of banknotes (end-of-period data)

	2001	2019	2020
Banknotes from the last series			
100 BEF	81 754 000	9 527 145	9 517 172
200 BEF	26 766 000	2 584 961	2 581 103
500 BEF	23 421 000	929 837	928 069
1 000 BEF	65 880 000	927 839	924 688
2 000 BEF	60 065 000	865 253	860 796
10 000 BEF	16 012 000	123 246	121 818
Total	273 898 000	14 958 281	14 933 646
Other banknotes which can still be exchanged			
	40 304 276	35 372 845	35 340 711



COVID-19 has also created new IT needs

COVID-19 had a huge impact on the activities of the IT Department in 2020. The IT infrastructure and services were expanded flexibly and rapidly in order to offer an efficient digital workplace for the Bank's staff, who switched to home working *en masse*. In that context, supplementary measures were taken to ensure the security of home working, and security checks were reinforced. New communication tools facilitated staff involvement and convenient team-working in the digital age. Additional IT resources were also needed for good communication with the Bank's stakeholders, notably via virtual meetings, webinars and conferences, and for digital surveys of citizens.

To keep a finger on the pulse of the economy and make judicious recommendations for policy makers, the Bank's analysts needed appropriate data at more

frequent intervals. Applications such as those used to record lending or banks loans provided as collateral were rapidly adapted to take account of the COVID-19 measures. Reporting was refined and extended to provide an even clearer picture of economic and financial life.

Despite this situation, the modernisation of the Bank's various applications proceeded as planned together with continuous improvements to the stability and security of its IT tools and infrastructure. For instance, some new applications for the Bank's activities were launched, notably for the execution of payments and the management of accounts by and for its internal and external customers, all in an even more secure environment. In that connection, the aim was to progress towards a standard, modern market technology that can be deployed flexibly and efficiently.



Archive photo

The Secretariat General

The Secretariat General Department was reorganised in 2020. It now comprises three Services: the Secretariat, the Communication Service, and International and Eurosystem Coordination. These three entities play a supporting role at the Bank. Bringing them together in a single Department created a great deal of synergy.

This Department makes a decidedly transversal contribution to the general operation of the Bank and supports both the Governor and the Board of Directors and the other departments and services. The Secretariat General also coordinates all the activities relating to corporate social responsibility (CSR) and provides assistance for all the Bank's contacts with institutions (such as the federal Parliament).

2020 was a particularly busy year for communication

Following the successful campaign concerning the 2019 Annual Report, with well-attended presentations in all the provinces, the COVID-19 situation obliged the Communication Service to switch to crisis communication mode in March. The Belgian and international media were in contact with the Bank almost every day, asking questions about the economic consequences of the pandemic. The Bank's press releases and extra press conferences also attracted widespread media coverage.

The Governor very frequently responded to journalists' questions on radio and television and in the press in order to give his opinion on the economic crisis. He also gave dozens of presentations for economic interest groups. Apart from the Governor, a number of Economics and Research Department staff made frequent appearances in the press to comment on the latest economic developments. The Bank's other research also regularly attracted media attention,

The COVID-19 situation obliged the Communication Service to switch to crisis communication mode



such as the widely reported study on the economic impact of migration.

In addition, the Communication Service coordinated all the communications of the Economic Risk Management Group (ERMG), including the popular press releases based on ERMG surveys.

From March onwards, compulsory social distancing meant that the Economic Relations Unit – which operates under the Communication service – could not stage any physical events. For that reason it was quickly decided to arrange webinars. Thus, the

Bank's economic projections were presented in two public webinars, each watched by several thousand people. Staff in the Communication Service

also provided technical support for numerous other digital events staged by the Bank.

In view of the growing importance of digital and audiovisual communication, the Communication Service invested in establishing an internal video communication unit.

The COVID-19 situation also led to substantial extra efforts in regard to internal communication with staff.

In addition, the Bank was active in the sphere of digital design. It thus developed a new template for PowerPoint presentations and e-mail.

During the year, the Bank's spokesman joined the "Communication" working group, set up following the review of ECB monetary policy. Its job is to make recommendations on the ECB's communication concerning its monetary policy.

The Bank's Museum is adapting

Guided tours and the data media provided were revamped, not only to satisfy the most stringent health rules but also to make the Museum still more accessible to all sections of the public. A tour was therefore designed for individual visitors, enabling them to discover the Museum through 15 selected exhibits from the collections. In the summer, children were again able to visit the Museum and they were encouraged to explore the rooms by means of a treasure hunt and a workshop on the subject of the goddess

Athena's owl, depicted on a coin owned by the Museum.

The Museum also opened its doors in September for the Heritage Days. The Museum fulfilled its aim of being a space open to various cultural disciplines in the form of the Artonov festival, featuring a dialogue between art, architecture and musical expression. It also took advantage of the lockdown periods to reinforce its online presence, particularly on social media.



Charlotte Lippens guides a group of visitors wearing face masks

The Bank, an important link in European and international decision-making

Brexit remains a key point for the Bank's attention

This year, the Bank continued to monitor and analyse the Brexit process, and also gave advice on the subject, especially as the process of withdrawal from the EU gathered pace in the second half of the year, with the transition period ending on 31 December 2020.

At European level, the Bank and the ECB jointly chaired a task force comprising 27 national central banks of the EU and the ECB itself. This year, the task force published an ECB Occasional Paper on the potential economic impact of Brexit. That document, including contributions from the Bank's staff, is available on the ECB's website. This year the task force also analysed the repercussions of Brexit on the financial system of the euro area, including the role of central counterparties, and the capital markets union.

As in previous years, the Bank continued to advise the government at Belgian level, more particularly by contributing to the monitoring reports of the Brexit High-Level Group, which is chaired by Count Paul Buysse

and has the Governor among its members, and by assisting FPS Foreign Affairs in the negotiations.

The Bank also informed the public and businesses about the potential effect of Brexit and helped to prepare them for it.

European and international meetings took place virtually but were no less efficient

The COVID-19 crisis brought a fundamental change in the organisation of European and international meetings attended by representatives of the Bank.

In the Eurosystem and the SSM, meetings of the Governing Council – the principal decision-making body of both the ECB and the Eurosystem – and the Supervisory Board, as well as those of the committees and working groups that prepare these meetings were all conducted virtually from March 2020.

Similarly, the meetings of the European supervisory authorities and the Bank for International Settlements and the annual and spring meetings of the International Monetary Fund all took place on line.

Although virtual meetings entail a number of technical adjustments and cannot entirely replace physical meetings, the Bank has nevertheless continued to play an



active part in the work of European and international institutions and organisations, and to perform its role in society throughout this crisis. In all these institutions, the number and content of the meetings were adapted and expanded to meet the challenges of the crisis.

As a result of this crisis, the Bank had to be creative and resilient in its method of operating in order to perform to the full its role of supporting the economy.

COVID-19 also caused some problems for the Bank's technical cooperation

The COVID-19 crisis had a considerable impact on the Bank's technical cooperation activities. Some assignments had to be cancelled and some projects were postponed, notably the Eurosystem's ambitious technical cooperation programme for the central banks of candidate members of the European Union, a programme in which the Bank is involved. On-site assignments were also replaced by shorter, less detailed virtual meetings, though they were still appreciated, especially by the National Bank of Ukraine.

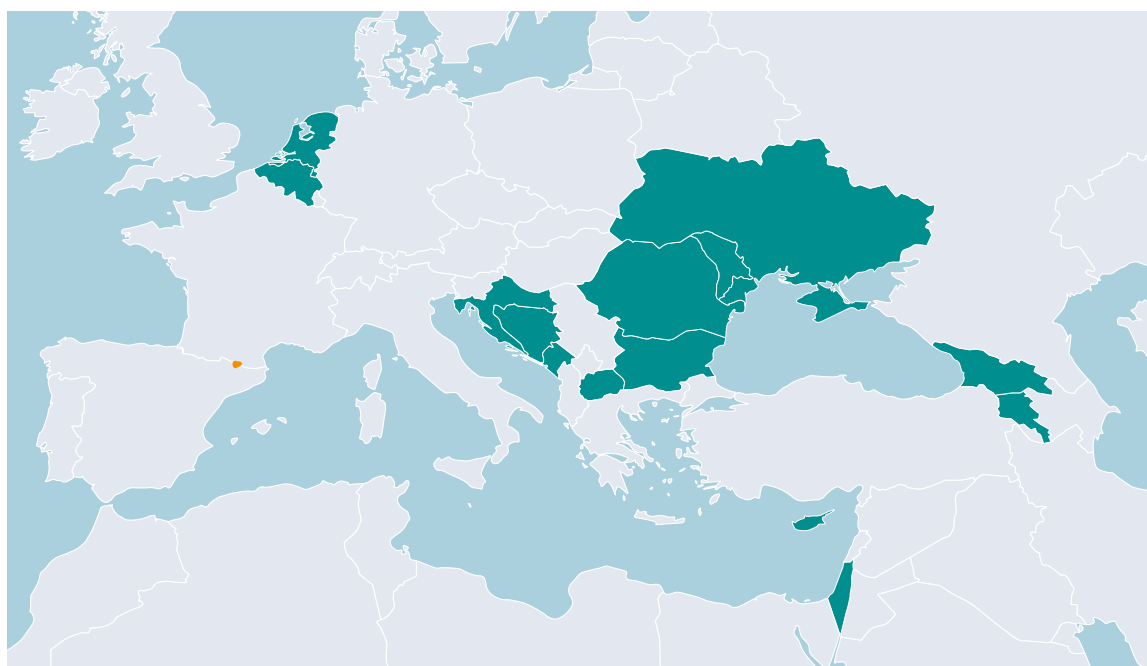
In general, the Bank's technical cooperation still centres on the countries in the International Monetary

Fund (IMF) constituency to which Belgium belongs. It should be noted that this constituency has been enlarged by the addition of the Principality of Andorra, which became the 190th member of the IMF in October. The constituency therefore now comprises 16 countries: Andorra, Armenia, Belgium, Bosnia-Herzegovina, Bulgaria, Croatia, Cyprus, Georgia, Israel, Luxembourg, Moldavia, Montenegro, the Netherlands, North Macedonia, Romania and Ukraine.

The Bank is increasingly frequently asked to send participants to public hearings

The National Bank is an independent institution, but in view of its role in the service of society, management and staff are regularly asked to attend federal parliamentary chamber committees to explain its research and recommendations and its role as a supervisory authority in the financial sector. In some cases, the Bank attends on its own, while sometimes several institutions attend these hearings.

In 2020, representatives of the Bank attended eight hearings. Most of them took place virtually – by video conference – owing to the COVID-19 pandemic.



Andorra joins Belgium's constituency

Hearings attended by the Bank in 2020



Presentation of the Bank's Annual Report, Economic and financial developments



Opinion of the High Council of Finance on cutting the levies on labour and how that could be financed



Presentation by the Economic Risk Management Group in connection with the coronavirus crisis



The economic consequences of the coronavirus pandemic



The basic banking service for businesses



The FinCEN files



Corona: follow-up on the State credit guarantee and the impact of the crisis on corporate solvency



Presentation of the National Bank's report on the economic impact of immigration in Belgium

Every year, at a hearing in the spring, the Governor presents the economic and financial developments set out in the Bank's Annual Report to the Chamber Finance and Budget Committee, but hearings may also highly topical.

Unlike parliamentary committees of inquiry, almost all the hearings are public.

Interested parties can attend the sessions in the chamber or follow them on livestream. Subsequently, video recordings remain available for a time on the chamber's website, and minutes of all sessions are recorded and published.

These hearings are an important aspect of the Bank's "accountability"

The Bank regards these hearings as a key communication instrument and a central aspect of its accountability objective, but its independence principle is always respected. The hearings are therefore carefully prepared by the Bank.

In general, Members of Parliament are very complimentary about the National Bank's contributions, leading to increasing numbers of presentations to parliament by the Bank's Directors and experts.



“ONE OF THE PRINCIPAL CHALLENGES FOR THE BANK IS TO MAKE ITS CONTENT MORE ACCESSIBLE TO THE GENERAL PUBLIC”

BENJAMIN BRUYNINX / Communication

What does your work at the Bank involve?

I studied multimedia communication at the IHECS, which means I can do a bit of everything in the field of graphics, photography, audio-video, web design, etc. In July 2020, I was recruited by the Communication Service which was basically looking for a computer graphics designer, but I was very soon required to diversify. I think it is because I am an “all-rounder” that I am useful in providing services to a lot of departments at the Bank.

In what way?

One of the principal challenges for the Bank is to make its content more accessible to the general public. It has high-quality, socially relevant information but it has trouble reaching the public. So how to reach more people than at present? To do that, we

“Enabling people to access information gives them the opportunity to become more involved”

need to make our content easier to understand and modernise our communication. Of course, I shall not be doing that on my own. It is a joint effort involving many departments.

Some project examples?

The Employer Branding campaign and the videos – available on YouTube – in which colleagues talk about their experience are a prime example of the modernisation of our content. I helped to produce some videos published in December on the 2021 economic projections for Belgium. That is a perfect example of content which can appear rather dry in itself, but which we can make more accessible by presenting it in a particular way. For example, by opting for a shorter form of dynamic presentation (2 or 3 minutes). Similarly, we are currently working on videos with the Microdata Management Department

in order to present the survey which asked the general public about the impact of the coronavirus crisis on household consumption. And I must also mention the videos that we are preparing with our art collection colleagues: a dozen videos lasting one minute each, presenting the works of art in the Bank’s collection. An ideal format for publication on Instagram, for instance. Obviously, this communication work also involves boosting the Bank’s presence on social networks, YouTube, etc. All channels that it is perhaps less familiar with, but which are essential in 21st century communication. We cannot achieve all that overnight, but we are working on it!

What makes the Bank an attractive employer?

This desire to make information accessible to more people perfectly illustrates the Bank’s position in society, in the service of the general public. Having worked in continuing education, I am aware of this topic and I think informing the public about issues concerning the economy is essential, especially in today’s world. Enabling people to access information gives them the opportunity to become more involved in social, civic, economic and political life. If I can make a contribution to that, I shall be very pleased to do so.



Facilities management: the Bank's real estate projects

In a large undertaking like the Bank, there is always work in progress on buildings and facilities, as they need to be renovated and – in particular – adapted to new needs and new government criteria. As well as that, the Bank currently has two very substantial real estate projects in the pipeline, decided in 2017 and 2018: construction of a new Cash Centre in Asse (municipality of Zellik) and the large-scale refurbishment of the Bank's main building on the eastern side of Boulevard de Berlaimont.

The high-level planning of real estate projects is based entirely on the timetable for construction of the Cash Centre

While preparations can be made for the refurbishment of the main building, the work cannot actually begin until after the cash-related activities have been transferred from the headquarters in Brussels to the new building in Zellik. The two projects are therefore interlinked.

Considerable progress towards the construction of the future Cash Centre was made in 2020. The Bank received the final environmental permit and the site was released following an archaeological survey. Public

tenders were put out for construction at the new site and its technical operation for an eight-year period.

Construction is planned to take three years, and so far, that timetable appears feasible. This means that the transfer of the cash-related activities to the new site could begin in the first half of 2024.

The Bank maintains close contact not only with the Zellik local authorities but also with people living in the vicinity. The site is in fact surrounded by housing on three of the four sides. The neighbours appreciate the Bank's efforts to keep them well-informed and to minimise any inconvenience for the neighbourhood.

The preparations for refurbishment of the main building are on schedule

The Bank's main building on Boulevard de Berlaimont in Brussels was designed by the Belgian architect Marcel Van Goethem and constructed in the 1950s. It is now undergoing radical refurbishment, which will make it more functional and efficient. The Bank also wants to introduce new work options for its staff, and that entails modifications to the office infrastructure. Ultimately, all staff of the Bank will be able to



The Cash Centre site was released following an archaeological survey



move into the renovated building. Once the work is finished, the aim is in fact to dispose of the other buildings which the Bank still operates. In the new building, there is also space for direct services to the public – although on a much smaller scale than the current banking hall. In order to minimise the stock of cash in the “Brussels branch”, as it is already known, the building will receive regular supplies of small quantities of cash from Zellik.

The building’s refurbishment and partial change of use are in line with the strategy which the Bank previously defined for its buildings: it wants its buildings and facilities to be cost-effective and environment-friendly in the way that they are operated and maintained. It must also be possible to organise the necessary security in an efficient and pragmatic way. The building must be flexible to take account of the constantly changing office environment, it must be suited to the needs of the staff, providing adequate technical facilities such as meeting rooms, scope for cooperation, catering facilities, etc. The whole site will be asbestos-free and will be equipped with new energy services and sanitation. An effort will be made to minimise the vibrations caused by trains in the underground North-South link, which sometimes cause disturbance at present. The aim is also for the renovated building to be CO₂-neutral in its energy supply, and there has been close attention to sustainability during the project. For that reason,

the Bank’s CSR working group was closely involved in the renovation plans.

In refurbishing the main building, efforts will be made to preserve the heritage value of this building constructed in the modernist style and of the former official residence of the Governor at Rue du Bois sauvage. Designed by the architect Beyaert, the residence was built in the 1860s. Efforts will also be made to incorporate the Bank’s contemporary art collection in the overall scheme.

All these aims are reflected in a “design brief”, which will form an integral part of the public tendering for selection of a multidisciplinary engineering and architecture consultancy. The contract will be awarded in 2021.

The aim is to complete the preparations for the refurbishment work by the time the cash-related activities are transferred to Zellik.

Finding a temporary home for the Bank’s services

The planned refurbishment work on the main building is so extensive that the building will have to be vacated altogether for a long period. It is therefore necessary to find a temporary home for around

1 100 members of staff, the Directors, and a number of functions such as the banking hall and the conference rooms.

Following in-depth analysis of the needs and the options, a threefold solution was chosen. The building in Saint Gudula Square, just behind the cathedral, already rented by the Bank and accommodating 200 workstations, will continue to be used. The lease on that site was therefore renewed. Additional space was also sought for around 360 workstations in a building in the immediate vicinity of the Bank. Although the public tender was launched in 2020 and will be awarded in 2021, the lease will not start until 2024. Finally, the space already freed up in the office complex on the west side of Boulevard de Berlaimont will undergo minor refitting to accommodate around 600 additional workstations during the refurbishment of the main building. That refitting work will begin in the first half of 2021.

For sale: the Printing Works building

After production in the Printing Works ceased as previously announced, work began on dismantling the machinery and equipment and on technical separation of the Printing Works building from the Bank's other buildings nearby. The main machines used to manufacture banknotes were sold via a closed tender to specialist, certified securities printers. The other machines were sold through ordinary channels, removed or destroyed. Some residual activities were transferred to the Cash Service's Currency Expertise Centre. The Printing Works building was thus totally emptied.

Meanwhile, consultations on its sale proceeded with the Brussels Chief Architect and a property consultancy enlisted in 2019 to assist in the sale process. That consultation led to an urban development report

Activity-based working



The Bank is using the relocation operation necessary for arranging this temporary accommodation as an opportunity to introduce a "new ways of working" philosophy. The principle behind this philosophy is "activity-based working", referred to by the Bank as "Archipelago". That term refers to an archipelago in which the various small islands reflect diversity in activities, work and personalities within a consistent, cooperative whole. The Archipelago project is an integral part of the reform of human resources policy at the Bank. In order to involve the maximum number of workers in the project, the needs of each Department and Service are analysed to ensure that the new working environment corresponds as closely as possible to the specific needs. This project is led by a multidisciplinary team comprising staff from human resources, IT, technical services and communication.

setting out the guidelines for subsequent appraisal of applications for permission to change the use of the Printing Works, including the permitted uses and a possible increase in size.

The sale was announced at the end of August 2020 and the first firm offers were expected by the end of November. The sale was agreed and the agreement signed at the end of January 2021. The notarial deed will be executed in June 2021.



Director Vincent Magnée :

"Our buildings strategy should enable us to offer the Bank's staff a pleasant, modern and efficient working environment. That strategy also gives us the opportunity to set ourselves ambitious environmental goals."



Archive photo

“WE WERE ALWAYS RESPONSIBLE FOR FIRST-LINE SUPPORT”

PIERRE DUPONT AND MARC LENS / Printing Works

In August 2020, the National Bank's printing presses were finally shut down. The aim was to dismantle the Printing Works completely by the end of 2020, but COVID-19 decided otherwise. An interview with Marc Lens, who had been on the Printing Works staff since 1987, in charge of the machinery's electronics and computer programs, and Pierre Dupont, employed in the Printing Works since 1981 as a mechanic responsible for repairing and maintaining the machinery.

I am a bit surprised that the machinery was maintained by internal staff. I would have expected the manufacturer to deal with that.

Marc: "We were always responsible for first-line support. We were given advanced training for that purpose by the manufacturer, who could certainly see the benefit of having trained personnel on site. This also meant that we always kept up with the latest technology. And if we really couldn't resolve a problem ourselves, we contacted the machinery's manufacturer, whose technicians then helped us to find a solution."

Pierre: "When a new machine had been bought and company technicians came to set it up, we naturally took the opportunity to watch very closely what they were doing. In recent years, the operation of the machines had become increasingly complicated and we often received several days' training. We had to know the machine's sensitive points in order to be able to intervene if necessary."

Did your work change in the run-up to the closure of the Printing Works?

Marc: "Once the decision was taken, we naturally stopped buying new machinery. For us, it was therefore mainly a matter of keeping the machines in production, because breakdowns became increasingly common. IT and controls rapidly become obsolete and support is often terminated, so that we had to do some updating."

Pierre: "The age of the machinery also caused mechanical difficulties and recurrent problems. With the prospect of closure, machines were no longer replaced after the usual period, so we had to step in increasingly frequently to try to keep them running properly."

Did you succeed?

Marc: "We always kept the management informed of the condition of the machines. When it was really necessary to invest, we told them and they spent the money."



Did your role change when the printing works was being dismantled?

Marc: “Our role then was mainly to provide the buyer with accurate information on the machine’s condition. We also had to establish a timetable for disconnecting the machines safely and removing them. After that, we had to dismantle the installations, such as the wastewater tanks, the alarms, ...”

Pierre: “Of course, it was very important to maintain total safety in carrying out the work. We therefore asked for an external safety coordinator to be brought in. He was the ideal link between us and a company that wanted to buy a machine but did not have the expertise to disassemble it. The timetable for removing the machines was already fairly challenging, but COVID-19 naturally made things more difficult.”

How great an impact did the coronavirus crisis have on the planning?

Pierre: Its main impact was to cause numerous delays: plans constantly had to be adapted because, at certain times, we could no longer let outside firms into our premises.”

Marc: “In the final quarter of 2020, we liaised continuously with the internal Service for Prevention and Safety at the Workplace and with the Bank’s Chief Medical Officer to assess the risks. For example, we always made sure that only a limited number of external company personnel were present. But at one point, the government rules became so strict that hardly anything was possible.”

Pierre: “A German company was required to quarantine its personnel in a hotel for two weeks before they could start work. Of course, the company considered that the cost was too high, so everything was postponed.”

Marc: “The Brussels municipal authority has also been affected by the coronavirus crisis. It is sometimes very hard to get permission to close a road, for example. Things that take no more than three weeks under normal circumstances can easily take four months. That inevitably means more delays.”



How many machines had to be removed in the end?

Pierre: “There were a dozen large machines. As far as possible, we ourselves dismantled the unsold machines. But obviously, we are not equipped to move these heavy items. Machines like these are tens of metres long and they also weigh many tonnes.”

The unsold machines have to be removed. I imagine they cannot simply be taken to a container park?

Pierre: “These are machines for security printing and they can only be sold to printing works approved for that type of work, whether or not connected with a central bank. You have to have a certificate for the machines which are taken away. You have to be able to prove to the machine’s manufacturer that the machine has actually been destroyed. Moreover, that destruction must be irreversible, for instance so that counterfeiters cannot re-use anything.”

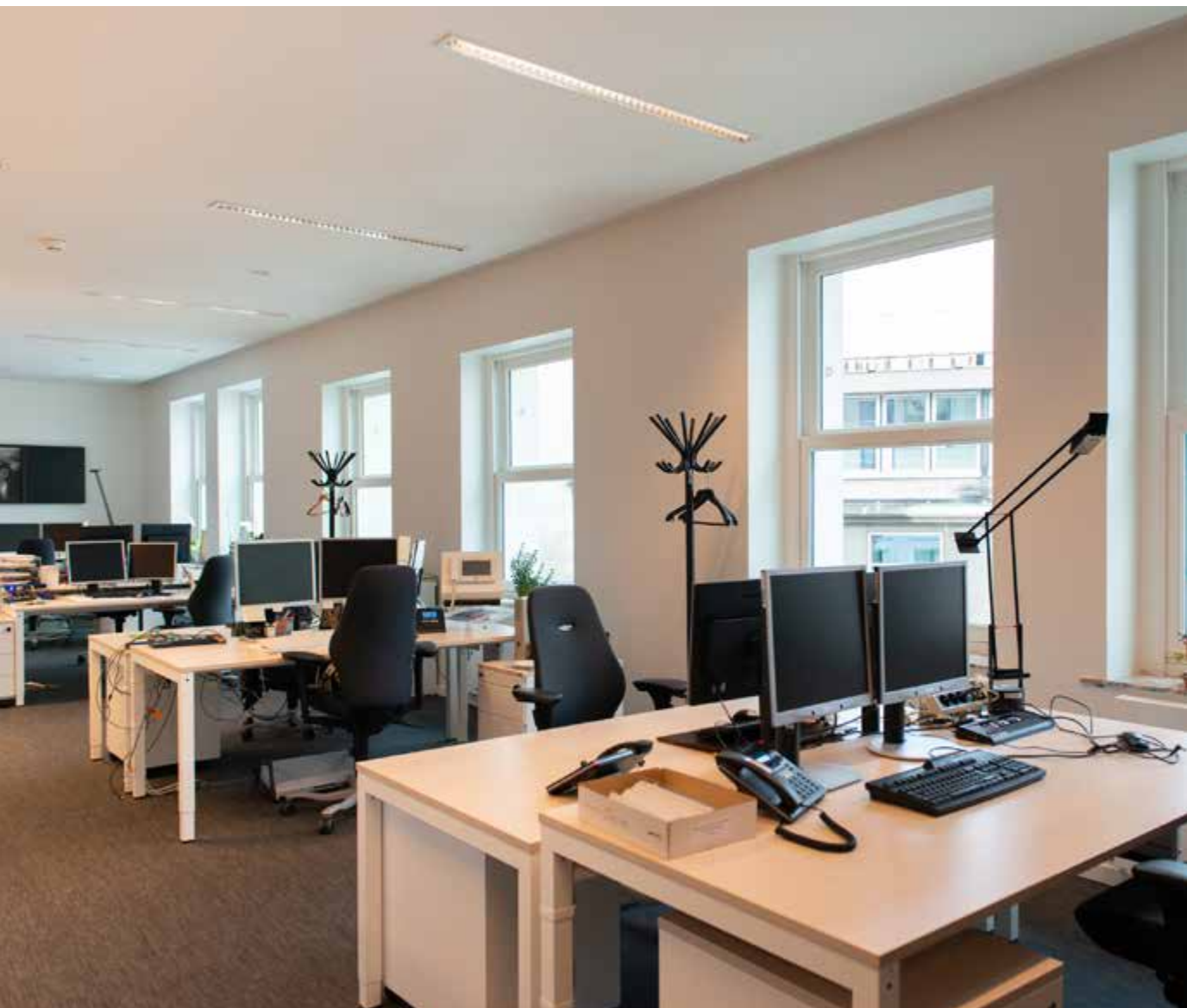
Marc: “In the Prepress section where the designs were produced, we also needed to destroy a lot of material. That operation was supervised by the Internal Audit Service. You have to be able to prove that everything has been properly destroyed.”

Human Resources

The Bank adheres to the safety rules: from full staffing to the absolute minimum

When the federal government ordered a lockdown on 17 March, the Bank decided to switch to minimum staffing of its buildings, and that was to remain so

for the rest of 2020. Pictures of empty corridors and office spaces became the new normal. Almost all the work is done digitally, but a range of tasks do require a physical presence, even if only to enable other staff to work from home. During the first lockdown, there were sometimes less than 5 % of the staff present in the buildings. And yet, the Bank remained fully operational.



The time line

End
FEB

Persons returning from risky areas stay at home

2000 people present

At the end of February 2020, the Bank decided that, as a precautionary measure, staff returning from risky areas must stay away from the Bank for two weeks. That applied to about a dozen staff. At the time, risky areas meant: China, Hong Kong, Macao, Singapore, South Korea, Iran, northern Italy and the Italian region of Le Marche.

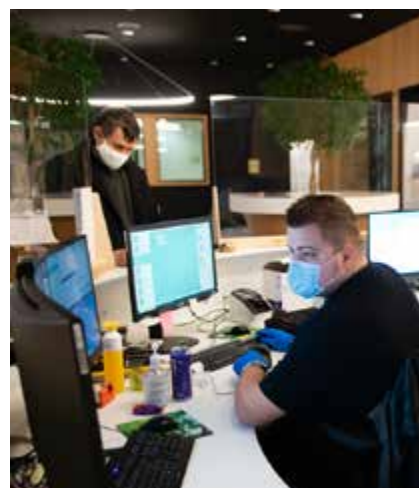


13
MAR

Maximum home working

500 people present

Two weeks after the introduction of the restrictions on staff returning from risky areas, the Bank decided that it had to arrange more home working: from 13 March, anyone able to work from home had to do so, but staff who were unable to do that were permitted to continue working in Brussels. Suddenly, instead of almost 2 000 people attending the place of work (personnel, consultants and external partners for the technical facilities, catering, etc.) there were just 500. The IT Department made sure that home working proceeded smoothly from the very first day.



18
MAR

Minimum occupation

80 people present

Barely five days after the introduction of maximum home working, the government made that approach compulsory and even tightened up the rules: the Bank switched to strict minimum occupation. Only workers carrying out essential tasks could still work on the Bank's premises: staff unable to work from home could no longer come to the Bank. The Bank suspended almost all its cash-related activities, and for a time external technical firms were no longer admitted. On average, only 80 staff were still present in the buildings. There had never before been so few present on working days.



MAY

External firms and cash-related activities

230 people present

To support businesses, external firms' technicians were again allowed into the Bank's buildings to carry out renovation work, to resume maintenance of the lifts, etc. In mid-May, some cash-related activities were partially restarted: sorting of returned banknotes was resumed, the Printing Works could begin operating again, and the public were again allowed into the banking hall. At that time, there were 230 people present on the premises every day.



JUNE

Further easing of restrictions

Maximum 500 people present

In mid-June, it again became possible to allow additional staff into the workplace. A week later, staff members themselves were able to request permission to work in Brussels for a day, from time to time, e.g. for their own convenience or to meet colleagues. A maximum quota was set at 500 workers per day.



AUG -
SEP

Stricter rules again

350 people present

When infection rates began rising again at the end of July, the rules allowing people to come and work on the Bank's premises were tightened up again: "convenience or contact with colleagues" was no longer a permitted reason. The aim was to limit the "essential presence" to a maximum of 350 workers.



NOV -
DEC

Home working again becomes compulsory

230 people present

In the final months of the year the government constantly repeated that maximum home working was necessary, and at the end of October it decided to make it strictly mandatory once again. Cash-related activities and support services were reorganised to operate with fewer staff. Apart from essential activities, however, some special exceptions were permitted, particularly to receive and train new staff, to obtain IT equipment, get a flu vaccination, ...



From November to the end of the year (and again in early 2021), the number of staff at their place of work reverted to the level seen in May.

The Bank is also adopting measures for its external stakeholders

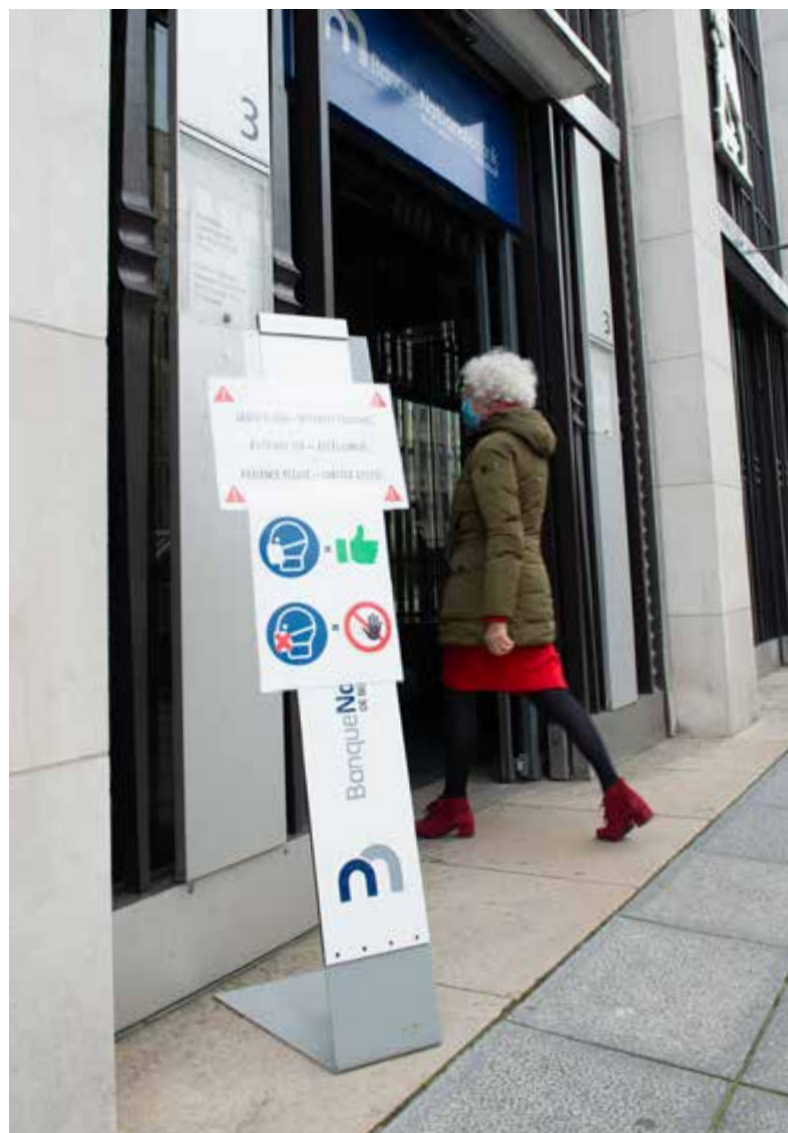
When adopting measures relating to its method of operation during the pandemic, the Bank also took account of a number of external aspects.

It was promptly decided to pay suppliers' invoices as quickly as possible. In this way, the Bank intended to help address liquidity problems facing many businesses as a result of the pandemic.

All external players – self-employed workers, freelancers, consultants, entrepreneurs and external subcontractors – were informed through appropriate channels: e-mail, bilateral contact, notices for visitors, and a page on the website containing "COVID-19 guidelines for visitors and external personnel".

Except for the presence of entrepreneurs' personnel and suppliers, the Bank ruled that visits by outsiders must be kept to the strict minimum. In principle, all physical meetings were replaced by online meetings.

The Bank also drew up rules for the off-site activities of members of its staff. The Bank's employees – primarily those involved in prudential supervision – are presumed to make regular visits to financial institutions. A list of the minimum measures to be applied in institutions to be visited was thus drawn up. It was also stressed that the visits should be as brief as possible.





"NO-ONE REALLY KNEW WHAT WAS COMING"

JEAN PAUL JACOBS / Coordinator of the COVID-19 working group

When Jean Paul Jacobs joined the 2nd Line of Defence Department, which watches over effective risk management at the Bank, he probably had little idea what awaited him. He became the coordinator of the NBB COVID-19 working group, responsible for continuous assessment of the impact of the pandemic and the resulting policy decisions on the Bank's internal functioning. A hellish task if ever there was one, but with the help and involvement of a large number of colleagues who put in so much effort, he succeeded in making the Bank one of the most proficient in that respect.

When did the alarm bells ring at the National Bank ?

"In our Department, we risk managers were already on our guard back in January. In mid-February, we decided to set up a Task Force chaired by Director Vincent Magnée, with the assistance of all departments. After that, the COVID-19 working group was created with a smaller number of members. Its job was to submit recommendations on policy and practical measures to the Task Force and the Board of Directors."

Did working from home become the norm as early as March ?

"We asked anyone returning from a skiing holiday to stay away from the Bank for two weeks. It was also very quickly decided to allow staff to work from home as much as possible. I must admit that we were lucky in that respect. Thanks to the progress of the "Mobile Worker" project replacing staff desktop computers with laptops, home working was already well-established. Our IT Department went into overdrive to make sure that the few groups that did not yet have laptops were able to catch up."

The Bank performs a vital or even critical function regarding certain services. Was it wrong-footed at any point ?

"The Bank has always managed to continue operating without any problems, and even responded to another major challenge in supporting the Governor in the ERMG, for instance. At times, some of the line managers considered that our recommendations on organising the work were too strict. But we always followed the advice of our company medical officer, and I am sure that we demonstrated all due caution and averted problems. By maximising teleworking from the start, we quickly achieved a substantial reduction in the number of potential contacts in the workplace. And for staff whose physical presence was essential – colleagues in Financial Markets, the Cash Service, the Digital Printing Room, the Mail Room, the Security and Surveillance Service, etc. – we took all necessary measures. Face masks and disinfectant gel were provided everywhere they were needed. We also introduced the necessary social distancing measures."



When the government published a generic guide on measures to combat the coronavirus, we realised that we needed to define our policy on the subject ourselves in accordance with the chapters of that guide, in order to produce our own coronavirus guide for the Bank. Our technical service then put up all the necessary signs in record time throughout our buildings and premises. From the start, we also adopted an internal contact tracing policy and put people "in quarantine" as a preventive measure. This cautious policy proved successful. We had only a very small number of isolated cases of infection in the workplace."

What was the Bank's strong point in this crisis ?

"No question: it was cooperation. First within our own Service, where I enjoyed massive support from my officers and colleagues. But I also had to work with numerous colleagues from other services. That included many people that I never met in person, but some of them have since become my friends. Sometimes, I would think of something I needed to do and I would find that colleagues had already dealt with the issue. In the past, it was said that the National Bank was like a group comprising multiple businesses. But this crisis has shown that, when the time comes, there is perfect cooperation between the various services and that we can always trust in our small army of experts in multiple spheres."

The workforce is continuing to shrink and its composition is changing

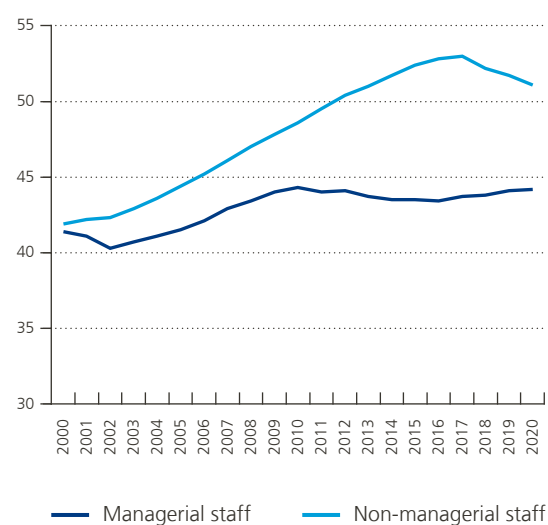
Staff numbers at the Bank declined again this year, from 1 734 FTEs at the end of 2019 to 1 680 FTEs at the end of 2020, thus maintaining a continuous fall since 2000 except for 2011 when the activities and staff of the CBFA were transferred to the Bank.

Initially, the reduction in the number of staff was achieved through a selective freeze on recruitment, which resulted in a marked rise in the employees' average age. Over the last three years, the retirement of a large number of staff and the resumption of recruitment have led to a reduction in the average age of staff.

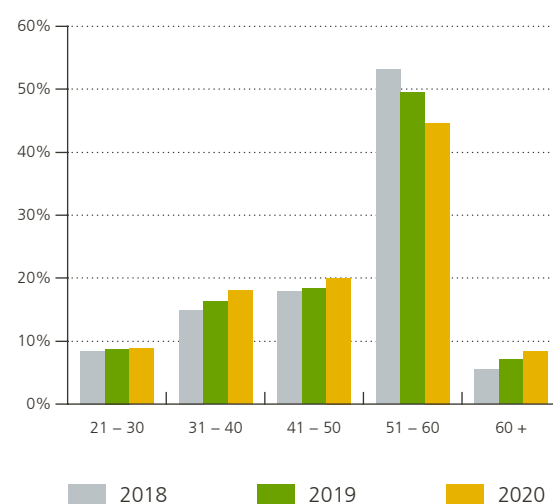
The number of permanent staff recorded on the social balance sheet came to 2 007.26 FTEs at the end of 2020. The discrepancy is due to the use of a different methodology: the social balance sheet includes all workers recorded on the staff register, whether they are still active or not. In particular, this concerns employees taking advantage of the early retirement plan and those on long-term leave.

In its future recruitment campaigns, the Bank endeavours to hire highly-qualified people so as to meet the new needs and challenges of tomorrow. Over 40 % of the Bank's staff hold at least a Master's degree and almost 70 % hold a higher education diploma.

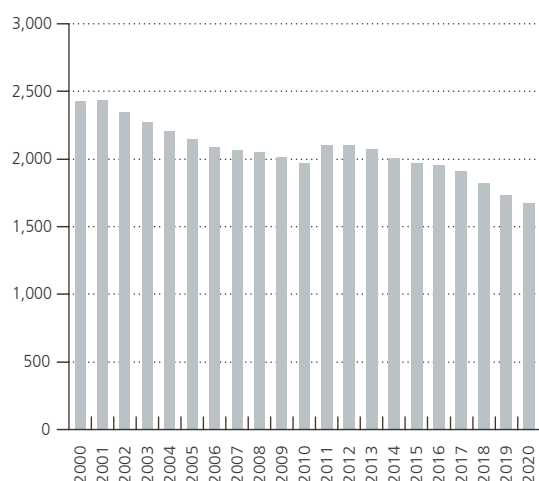
Average age of staff



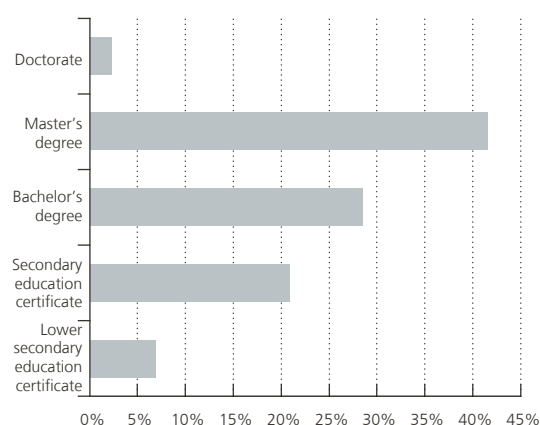
Staff age distribution



Number of NBB staff (FTEs)



Educational qualifications



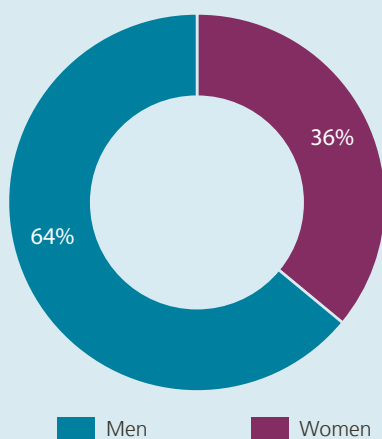


An action plan to encourage more diversity and female staff at the Bank

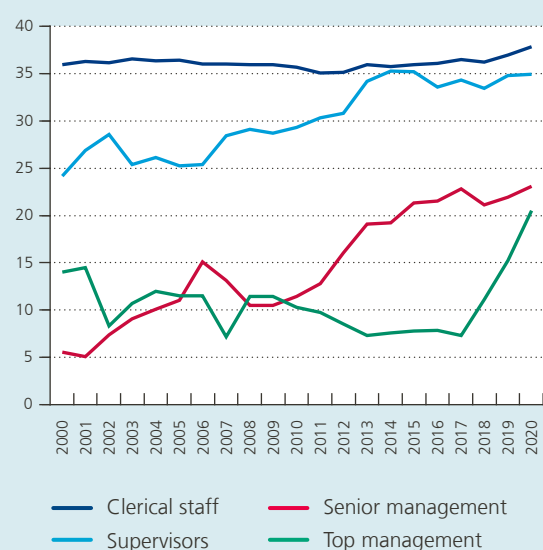
For two years now, the Bank has had a gender diversity policy and an action plan aimed at increasing the representation of women among the supervisory staff and the management. In 2020, there was a very slight increase in the percentage

of women in the Bank's total workforce. The improvement is more marked at management level. This action plan is part of the Bank's efforts in regard to its social responsibility.

Percentage of women and men in the workforce



Percentage of women at each level in the workforce



There was some delay in the election of staff representatives

As in most medium-sized and large undertakings in Belgium, the four-yearly “social elections” were scheduled to take place at the Bank in 2020. In mid-February, it was officially announced that the elections would be held at the Bank on Thursday, 14 May for the purpose of appointing 18 members of the Works Council and 18 members of the Committee for Prevention and Safety at the Workplace. With that announcement, the unions active in the Bank were able to launch their campaign.

That was without reckoning on COVID-19. In mid-March, when the economy and social life came to a halt in Belgium, there was soon a consensus on the impossibility of organising these elections as normal in May. The elections were postponed, and were eventually held at the Bank on 19 November.

As home working was still the rule at the Bank in November, it was clearly inappropriate to bring the voters together in voting offices and have them cast their vote on paper. Postal voting and electronic voting arrangements were agreed with the organisations representing the employees. Staff members were free to choose, but electronic voting was only possible for those who had a secure link to the Bank’s IT network. Staff opting for a postal vote were sent their voting papers by post in good time; postal votes received back by the Bank before 12.00 on 23 November were taken into account.

1 676 valid votes were cast for the Works Council and 1 669 for the Committee for Prevention and Safety at the Workplace. Voting by post or electronically certainly was not detrimental to “participation” in the vote. Everyone agreed that the electronic voting went particularly well.

The Works Council meets every month, in principle, under the chairmanship of the Governor or his deputy. The same applies to the Committee for Prevention and Safety at the Workplace, chaired by the head of the Human Resources Department.

Obituaries



The Bank was saddened by the death on 15 October 2020 of its honorary Governor, Viscount Alfons Verplaetse, following COVID-19 complications. Born in 1930, Fons Verplaetse had entered the service of the Bank in 1953 after completing business and diplomatic studies. In 1988, he was made a Director and Vice-Governor of the Bank, becoming Governor in 1989. During the challenging 1980s and 1990s, he helped to shape Belgium’s economic recovery and set the course that would take Belgium into the Economic and Monetary Union, and subsequently the Eurosystem. He kept a firm hand on preparing the Bank for this important progress towards EMU. He remained Governor until 1999.

In 2020, the Bank was also saddened by the death of four staff members: Johan Scherpereel, Rudy Thomas, Eddy Van den Stockt and Michel Zwaenepoel.

They will always be remembered.

Retirements

The Bank would like to express its gratitude to the staff who retired in 2020.

Talent Acquisition – a new approach

The Bank's jobsite has been given a new look

The "talent wars" are still an important feature of the labour market in Belgium. Even the National Bank cannot automatically attract the right people.

In order to showcase the points which make it attractive as an employer – its "employer brand" – the Bank works with an external communication consultancy. The first phase dating from mid-2019 determined what unique combination of benefits, qualities and features the National Bank has to offer as a potential employer: this is known as the Employer Value Proposition (EVP). At the National Bank, that is based on four values corresponding to its corporate values: job content and prestige, social relevance, training and support, and friendly colleagues.

*Under the slogan
"That's just like us", they promote
the Bank's image and activities
and the expertise of its staff*

Staff of the Bank were asked to express this EVP in the form of photos and video messages and explain what working at the Bank means for them. Under the slogan "That's just like us", they promote the Bank's image and activities and the expertise of its staff.

The Bank's new jobsite was launched at the beginning of 2020. With its clear structure, engaging texts and carefully designed videos, this jobsite is an attractive portal where potential new employees can obtain a good idea of what the Bank has to offer as an employer. Vacancies are clearly described and can also be readily shared via various social media.

The candidate experience has also been improved by streamlining the application form and the application procedure; FAQs were added, and applicants can now make direct contact with the recruiter for each vacancy.

The new jobsite ensures that the Bank's advantages are highlighted and makes it easier to apply for a job.



The Bank still continued recruiting large numbers of staff during the COVID-19 pandemic

COVID-19 did not reduce demand for new staff at the National Bank: on the contrary. A large number of staff who retired or left the Bank had to be replaced, and some services needed temporary reinforcements.

That is why, at the beginning of April, the Bank quickly switched to online interviews and

assessments, in order to ensure the necessary inflow of new staff. Altogether, the Bank welcomed 77 new staff last year. These new employees received an appropriate corona-proof “onboarding” from staff in the Human Resources Department and from their immediate colleagues.



That's just like us.



2. The Bank and its social responsibility

Even though, as the central bank, we enjoy a large degree of autonomy and independence, we are part of society and we cannot allow ourselves to stay in our ivory tower, looking down complacently on everything that is happening in that society.

We strongly believe that we must take account of trends in society and the public debate. That is why we take to heart our social responsibility as an employer and as an enterprise, as the supervisory authority and the central bank in the service of the country. We were already doing that in the past, but mainly behind the scenes and without much publicity. Nonetheless, we concluded that we need to be transparent about the recent radical modernisation of the National Bank's CSR policy, because we want you, as a reader, to be able to gain an idea of everything that we do and everything that concerns us in that sphere.

Last year, we had already mentioned a number of initiatives in the Corporate Report. This year, we want to go further and devote an entire chapter of this Report to the role that the Bank plays in society and the way in which we address that. This chapter will from now on form an integral part of our Report.

Pierre Wunsch
Governor

February 2021



Introduction

The National Bank of Belgium performs a multitude of tasks in the service of society, as Belgium's central bank within the Eurosystem, as the prudential supervision authority for the financial sector and, for example, in managing the Central Balance Sheet Office and the Central Credit Registers. Changes in society, such as technological developments, can of course influence the way in which the Bank performs its tasks. The National Bank has to make sure that it is always prepared for what might happen tomorrow, and for what that could mean. In other words, it must ensure that it can continue to perform that role sustainably and maintain its social relevance.

The National Bank must therefore keep a close eye on developments in society which could have an impact on its duties. For the Bank as the supervisory authority for credit institutions and insurers, that means, for example, identifying, assessing and managing the risks associated with climate change and the transition to a more sustainable economy.

As this is a complex and relatively new subject, the Bank must also actively develop its expertise.

For the NBB as the central bank, that is a key point for attention. The Economics and Research Department has to be able to chart as accurately as possible the socio-economic impact of climate change and the transition to a more sustainable economy, so that economic models predicting price stability can take account of that impact. As the macroprudential supervisory authority which has to prevent the Belgian financial system from falling prey to external shocks, the Bank has to keep a close watch on the influence of climate change on property values, for example.

The National Bank has also expressed its commitment as a socially responsible enterprise. At the request of the Board of Directors, that commitment became a priority during 2020. The corporate social responsibility (CSR) policy already launched previously was further developed last year and now has a new organisational structure.

In nine themes linked to corporate social responsibility, the National Bank – whether or not acting jointly with other central banks and supervisory authorities – took initiatives aimed at sustainability in all its facets.

The table below summarises the nine points which the Bank now emphasises in its CSR policy.

ROLES	TOPICS
NBB as central bank	1 Supervision ensuring sustainability in the financial sector in a risk-based manner
	2 Cash and payments
	3 Economic and financial research, and analysis including social and environmental dimensions
	4 Investment portfolio sustainability criteria
NBB as company with public importance	5 Green and fair bank
	6 Inclusion and Diversity
	7 Commitment towards staff
	8 Sustainable procurement
	9 Patronage & culture

The new CSR Board sets the course for a more sustainable National Bank

In 2020, in the context of its missions as both a central bank and an enterprise, the National Bank decided that, at the level of corporate social responsibility (CSR), it would try to put clearer emphasis on establishing priorities, on greater consistency between its initiatives, and increasing “ownership” by the staff so that they feel more involved. That is why the existing structure and vision have been refined.

The CSR Board, created in the summer of 2020, plays a vital role here. It comprises officers from the departments and services concerned with the CSR themes. The Board’s main tasks are to establish CSR priorities, to ensure consistency between the various initiatives and to coordinate communication on the subject of CSR.

COMPOSITION OF THE CSR BOARD

CSR coordinator	Communication	Research
Human Resources	Financial Markets	Financial Stability
Facilities Management	Management Control	IT
General Statistics	Diversity Manager	

CSR efforts of the Bank as the central bank and the supervisory authority for the financial system



Supervision ensuring the sustainability of the financial sector

It is increasingly likely that climate change and the transition to a more sustainable economy will have consequences for both the economy as a whole and the financial system. That is why the National Bank has for some years been paying special attention to climate-related risks, in its role as the supervisory authority for credit institutions and insurers.

The actual manifestation of the risks resulting from climate change and the transition to a more sustainable economy is accompanied by great uncertainty and depends on policy decisions, technological developments and consumer and investor behaviour. It is therefore difficult to identify and assess these risks.



Jean Hilgers, Director:

"The financial sector will play a key role in facilitating the transition to a sustainable economy, but will also have to face significant risks. It will perform a central role in mobilising the necessary financial resources, helping the economy to adapt, and mitigating the climate-related risks."



In recent years, under its macroprudential mandate the National Bank has initiated various measures to ascertain the scale of the climate-related risks for the Belgian financial sector and the degree to which the sector takes those risks into account in its strategy and risk management. On that basis, the Bank issued a series of recommendations on risks and opportunities for the banks and insurers subject to its supervision.

One of those recommendations concerned collecting and analysing data on the energy efficiency of real estate exposures, that aspect being regarded as a potential credit risk and transition risk factor for those exposures. That recommendation was repeated in the Bank's Financial Stability Report 2020. Ideally, financial institutions should have access to regional databases containing energy performance certificates for residential property built, leased or sold in the past ten years. The Bank therefore supported the financial sector's request for access to these databases.

In a new Circular, the Bank also spelt out its expectations regarding the collection of these data for home mortgage loans, investment loans secured against real estate, or other commercial property exposures. At the same time, it also asked for data on the energy efficiency of new home mortgage loans to be reported to the Bank.

However, climate-related risks are part of a much broader spectrum of potential risks relating to sustainability, in which environmental and social issues and good governance hold an ever more prominent position (environment-social-governance or ESG).

INTERNATIONAL COOPERATION ON CLIMATE-RELATED RISKS

In view of the complexity of the subject and the institutional regulatory environment in which the National Bank performs its supervisory tasks, cooperation is essential at European and international level. In that context, the Bank played an active part in the work of various European and international bodies of which it is a member. It took part in working groups and drafting teams which develop methodologies and measures for assessing these risks and which suggest modifications to the regulatory and prudential framework necessary to take better account of these risks in the financial sector.

INTERNATIONAL

The **Central Banks and Supervisors Network for Greening the Financial System (NGFS)** published a number of documents on microprudential and macroprudential supervision.



The **Basel Committee on Banking Supervision** took stock of the practices of supervisors and banks in regard to climate risks and examined how climate risks can be taken into account in the current legislation. In the next stage, it will examine how the legislation might be adapted to make further improvements to this aspect.

The **International Association of Insurance Supervisors (IAIS)**, working with the **Sustainable Insurance Forum (SIF)**, an international network of insurance sector supervisors, developed an Application Paper on the common prudential framework for supervising climate-related risks in the insurance sector.



EUROPE



The European Commission's various regulatory initiatives on sustainable finance are discussed by the **Member States in their Expert Group on Sustainable Finance**.

The **European Supervisory Authorities (ESAs)** for the banking and insurance sector help to draw up and implement the European sustainable finance strategy and action plan, and to integrate ESG (environmental, social and governance) risks in financial institutions' risk management. More particularly, their work concerns:

- financial institutions' disclosure requirements relating to green assets and ESG risks;
- how ESG risks can be incorporated in the governance and risk management of credit institutions and investment firms, and in the supervision of those institutions; and
- how the capital requirements might be adapted in the future for exposures linked to environmental and/or social objectives.

The ESAs also worked on some pilot sensitivity analyses.

The **European Central Bank** published a guide setting out its expectations on risk management and the disclosure of climate-related and environmental risks in banks.



ESRB
European Systemic Risk Board
European System of Financial Supervision

Together with the **European Systemic Risk Board (ESRB)**, the ECB developed risk indicators, methodologies and scenarios for assessing the impact of climate risks on financial stability. A first pilot stress test exercise was conducted.

Network for Greening the Financial System

The Network for Greening the Financial System is a coalition of central banks and supervisors aimed at managing climate-related and environmental risks in the financial sector and accelerating the greening of the financial sector. The NGFS was set up at the end of 2017 by eight central banks and supervisory authorities and now has 70 members, including the Bank which joined in mid-2018. Since its creation, the Network has covered three different workstreams, with activities relating respectively to:

- microprudential aspects and supervision;
- macrofinancial aspects; and
- the greening of the financial system, including sustainable investment and central bank activities.

During the past year, the NGFS also launched two new workstreams, focusing on collecting data relating to climate and environmental risks and on research.

Since its creation, this network has published a large number of very useful documents. The Bank itself has also made an active contribution to most of those publications. In 2020, the following documents were published:

- guide for integrating climate-related and environmental risks into prudential supervision;
- a status report on financial institutions' practices concerning differentiation between green, non-green and brown exposures;
- a guide to climate scenario analysis and a range of reference scenarios;
- an overview of current practices concerning the management of climate-related and environmental risks in financial institutions;
- a report on the potential impact of climate change on monetary policy and the results of a poll concerning climate change and monetary policy operations; and
- a report on research priorities concerning the macroeconomic impact of climate change and its repercussions on financial stability.



Economic and financial research and analysis



Pierre Wunsch, Governor:

"The major issue is not whether to act to avoid climate change but how we can act in a way that is economically and socially sustainable"

The Bank's research and analyses form the basis for its policy measures, which have an effect on society and on the well-being of Belgian (and European) households and businesses. The Bank does not work in isolation from its environment, and its research and analyses therefore have an intrinsic social responsibility component. In striving to achieve price stability and financial stability, including within both the Eurosystem and the ESCB, the Bank endeavours to maintain a secure and foreseeable environment, reducing risks and excessive volatility for households and businesses. The Bank's research and analyses aim to provide a sound basis for understanding the most effective measures for resolving problems and preserving price stability and financial stability, as well as understanding how those measures affect society.

Given that the impact and effectiveness of monetary and prudential policy are influenced by the operation of the economy and by government policy, the Bank's research and analyses also address other economic and financial subjects which are relevant from that point of view, such as the business cycle, public finances, competitiveness, the labour market, product markets, financial markets and international relations.

The Bank regards its studies as a public good and therefore circulates them via various channels, including on its website and by presenting its work at conferences and seminars in numerous forums. The Bank also aims to stimulate economic ideas and research in Belgian universities, by sponsoring projects, co-authoring studies, helping to organise conferences or seminars, and providing access to a rich set of data.

In addition to this general contribution, the Bank has also continued its work of gaining a better understanding of the economic and financial impact of climate change. The shocks associated with climate change (and the transition to a more sustainable, low-carbon economy) could affect productivity, product supply and demand (and hence relative prices), health outcomes, inequality, etc. The Bank therefore continued its analyses to identify the mechanisms underlying those effects and to understand the potential impact of those shocks on the current economic system, and hence also on its policy.

To help improve understanding of the economic impact of climate change, the Bank dedicated the 2020 edition of its biennial international conference to "Climate Change: Economic Impact and Challenges for Central Banks and the Financial System".

Apart from its attention to climate change, the Bank also examined the uneven impact of the COVID-19 crisis on various sections of the population. Low-income groups prove to be more vulnerable, and some sectors or workers are more seriously affected than others.

The Bank at the service of society

Given its responsibility to Belgian society, the Bank also takes part in various committees, such as the High Council of Finance, the High Council for Employment, and the National Productivity Board. As a privileged observer, the Bank is able to provide valuable assistance for the government, which it did throughout 2020 in the Economic Risk Management Group (ERMG). In that group, co-chaired by the Governor Pierre Wunsch and Mr Piet Vanthemsche, it kept a close eye on the economic and financial impact of the coronavirus crisis. At the request of the federal government, the Bank also published a detailed study of the impact of immigration on the economy.



The National Bank's sustainable portfolios

The Bank has gradually improved the integration of sustainability aspects in the management of its non-monetary policy portfolios while taking account of the aims and constraints imposed by its mandates.

In 2020, the Bank continued to apply its sustainability policy to its portfolio of USD-denominated corporate bonds. In this foreign reserves portfolio, it increased the share of industrial companies that meet specific ESG criteria (i.e. their commitment to the environment, social responsibility and governance). The Bank applies positive screening to these assets and selects only bonds which achieve a sufficiently high score in terms of the ESG criteria. That score is awarded by

a specialist, external rating agency. The Bank also purchases thematic bonds in this portfolio. These purchases concern not only "green bonds" but also bonds issued to fund broader sustainability projects and "pandemic" bonds.

In managing its own funds portfolio, the Bank has also invested more in "green bonds". These are bonds issued by supranational institutions, public authorities and companies to fund specific projects intended to have a beneficial impact on the environment. In addition, the Bank has managed to invest more in thematic bonds issued by supranational issuers and agencies.



Jean Hilgers, Director:

"It is of supreme importance for us as the central bank to practise what we preach, to lead by example and to conduct ourselves properly. The Bank has put a lot of effort into making its own activities more sustainable and will continue to do so in the coming years, as sustainability criteria are becoming ever more important in our own portfolio management."

The Bank continued its strategy of diversifying its portfolio by investing in European equities. Faced with the steady increase in euro-denominated bonds on its balance sheet, the Bank started this type of portfolio diversification in 2019 and continued to pursue it gradually in 2020. An external fund manager was instructed to take on the passive management of a portfolio of shares in large-cap companies listed on European stock markets. The benchmark index, tailor-made for the Bank by an external agency, mainly covers euro area stock markets and includes companies that meet specific ESG standards. The aim of socially responsible investment is to invest more

in companies which have a robust ESG profile and demonstrate that they want to improve that profile rather than invest in controversial or undesirable sectors (such as weapons).

To reinforce its "Green Bank" policy, the Bank decided that its securities settlement system (NBB-SSS) will refrain indefinitely from making any charges for issuance of green, socially responsible and sustainable bonds aimed at funding investment benefiting the environment and the community.



Guaranteeing secure, sustainable cash and efficient payment systems

Cash

The National Bank helps to enhance the sustainability of banknotes in circulation.

By regularly checking the authenticity and clean condition of banknotes, the Bank ensures their quality. The new euro banknotes placed in circulation in recent years have a special coating of varnish that slows down their deterioration and allows them to remain in circulation for longer.

The Bank also endeavours to streamline the cash cycle as far as possible. It places cash in circulation via the banks and cash transport firms. Most of the banknotes in circulation are recycled by private firms adhering to strict standards imposed and verified by the central bank. Banknotes which are not recycled by the private sector return to the National Bank. The authenticity and quality of those banknotes are then checked by the most efficient, sophisticated machines in existence, equipped with high-tech sensors specifically designed for central banks. Only genuine, good-quality banknotes are returned to circulation. Rejected banknotes are replaced with new ones.

The Bank aims to check all banknotes circulating in Belgium at least once a year, on average. Making the cash cycle as effective and efficient as possible reduces the cost to society and the ecological footprint of cash.

As a member of the Eurosystem, the National Bank takes part in various initiatives to reduce the ecological footprint of cash. For example, the Eurosystem aims to progress towards its target of using 100 % sustainable cotton for manufacturing banknote paper by 2023.



Tim Hermans, Director:

"The Bank is investing in a new, secure and efficient Cash Centre where the very latest machines will be installed so that it can continue to carry out its work at the lowest possible cost to society"

Electronic payment systems and FinTech

Interest in FinTech, the financial technology offering innovative processes, products and services in the financial sector, is constantly growing. For that reason, the Bank together with the FSMA established a joint

contact point intended to make it easier for these innovators to understand the regulations relating to financial innovations and the supervisors' expectations. The supervisory authorities thus want to facilitate access to the payments market for these firms while also making electronic payments more secure for consumers.





The national bank is also making major efforts as an enterprise

Archive photo

Green and fair bank

The National Bank aims to be a sustainable central bank, caring for the climate and the environment. That is why it endeavours in many ways to reduce its ecological footprint, particularly in energy consumption, waste management, and mobility. The Bank also opts for a sustainable procurement policy. For some years now, its efforts in this regard have been recognised with the **3-star Ecodynamic Enterprise label** awarded by Brussels Environment.



The Bank has also retained its **“Good Food” label**. This commends its staff restaurant for using local, fair-trade and organic products, and for offering seasonal fruit and vegetables, and vegetarian meals. The Bank has currently been awarded two of the three forks for this label.



NEW MEASURES AND HIGHLIGHTS IN 2020



A number of water fountains have been installed to cut the use of plastic water bottles and waste.



When offices are renovated, they are always equipped with **low-energy LED lighting** and **heat recovery rotors**.



The Bank buys **100 % green electricity**, reducing emissions by almost 3 000 tonnes of CO₂-equivalent.



The bicycle garage has been enlarged and there are spaces for other means of transport such as e-steps.



Three additional e-bikes have been purchased. They can be borrowed for business use.

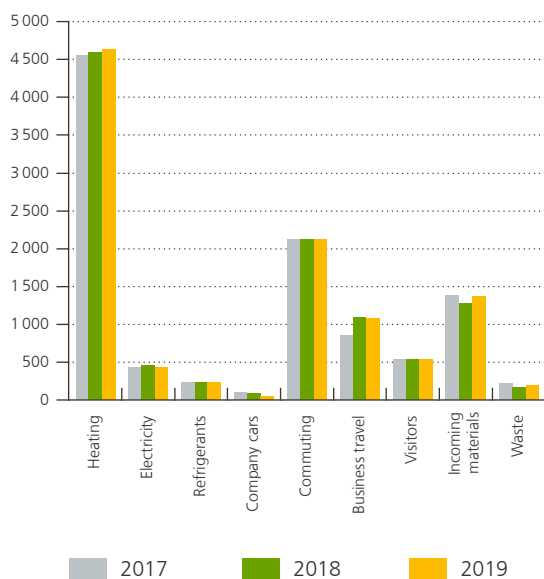


The Bank likewise endeavours to reduce and offset its CO₂ emissions. It was CO₂ neutral for the third year running, notably as a result of its emission-offsetting system. To offset its emissions, the Bank supports a selection of certified development projects which are not only beneficial for the climate but also make a socioeconomic contribution in less developed countries.

Although the Bank has become CO₂ neutral via its support for climate projects, it naturally also continues to endeavour to cut its own emissions. It does so, for example, by efficient energy management, consuming 100 % green energy, adding electric vehicles to its fleet of company cars, and minimising non-recyclable waste.

Data available in 2020 put the Bank's CO₂ emissions at 10 650 tonnes of CO₂ equivalent in 2019 (energy consumption, travel, commodity consumption, waste, etc.). There are many projects in the pipeline for reducing emissions not only in the short term but also – and in particular – in the medium term.

**Total CO₂ emissions
(in tonnes of CO₂ equivalent)**



CARBON FOOTPRINT IN 2019

**Around 4.9 tonnes of
CO₂-equivalent per FTE**

= roughly corresponding to
the annual emissions of
1 000 Belgians

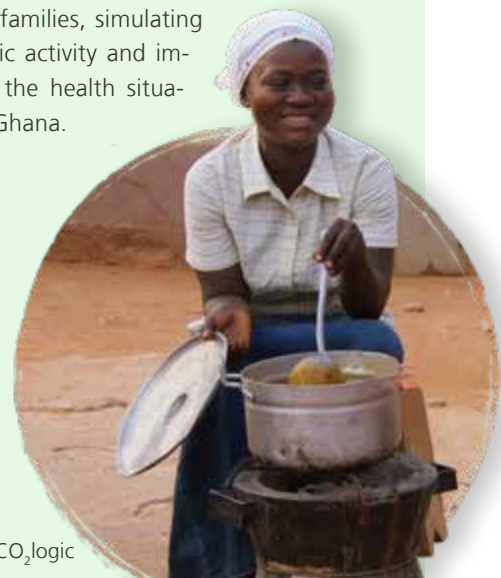
- More or less the same as in 2018.
- Reduction measures were relatively small in scale; a bigger reduction could be achieved by reducing the total office floor area and renovating the remaining buildings.



Efficient stoves in Ghana, an example of offsetting CO₂ emissions

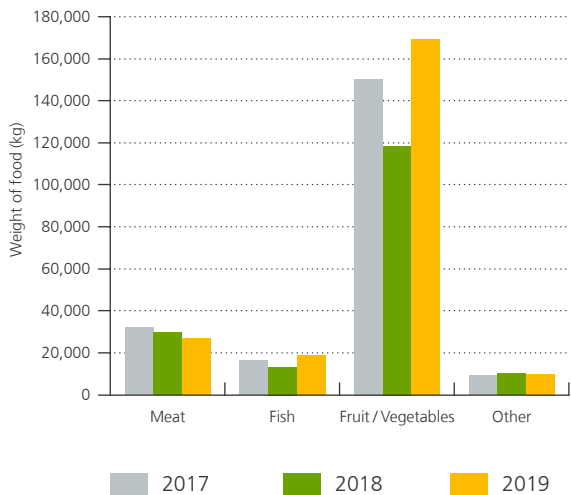
To offset its unavoidable CO₂-emissions, the Bank takes part in a project in Ghana run by CO₂Logic and its partners. This project helps to develop and distribute efficient stoves, saving millions of trees, supporting families, stimulating economic activity and improving the health situation in Ghana.

©CO₂logic



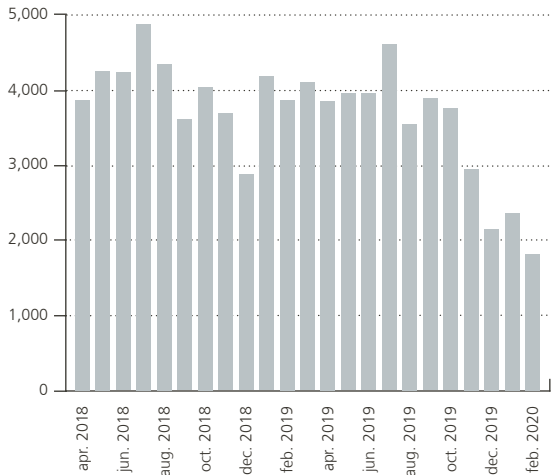
The Bank's efforts can be illustrated by specific emission items, such as the consumption of paper or plastic bottles. For some years now, the Bank has been trying to limit paper consumption, and that has resulted in a clear favourable trend. The same applies to waste plastic water bottles: the provision of water fountains and reusable bottles from November 2019 soon had a major impact. Immediately before the start of the Covid-19 crisis, sales of plastic bottles at the Bank had already fallen dramatically. The efforts made to promote more sustainable, healthier food for staff are also achieving results.

Change in food

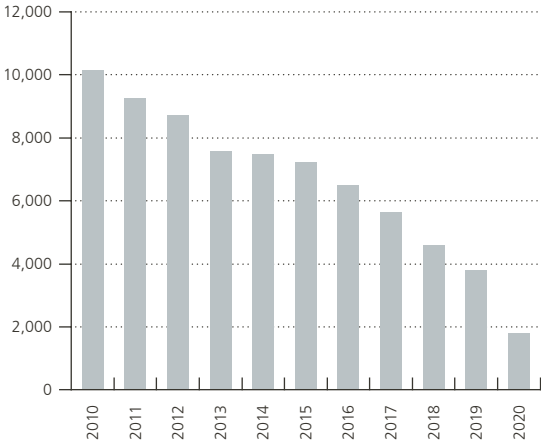


Sale of 1 litre plastic bottles

(impact of water fountains and reusable bottles)



Number of A4 sheets per FTE





The new Cash Centre in Asse – 3D-model

© Project: Philippe SAMYN and PARTNERS, architects & engineers, with TPF Engineering and ARCOTEAM – Rendering: ASYMETRIE

Sustainability is another important criterion in the Bank's new buildings strategy. This encompasses both the sale and the refurbishment of its buildings, and represents a major challenge since the final result will largely determine the Bank's future environmental and energy performance.

The new Cash Centre

Preparations for construction of the new Cash Centre in Zellik, not far from the outskirts of Brussels, continued in 2020. Construction itself will begin in 2021. Much of the energy needed for this building will be produced by geothermal systems and solar panels installed on the roof. There will be an ecological pond and a landscaped area with native species of trees and plants, respecting biodiversity. The building materials are also chosen with attention to their sustainability.

The location of the new Cash Centre, just a stone's throw from Zellik station, was also selected for ease of access. In view of the proximity of the Brussels ring road, the transport of cash to or from the Cash Centre will hardly entail the use of any secondary roads.

SUSTAINABLE, FUTURE-ORIENTED BUILDINGS STRATEGY

- The Bank aims at a sustainable stock of buildings **by 2030**.
- In practice, that means achieving a multifunctional, compact stock of buildings **creating minimum CO₂ emissions**.
- With its buildings strategy the Bank is helping to achieve the climate neutrality ambitions of the European Union (**Green Deal**) and the Brussels-Capital Region (**Horizon 2050**).



Diversity and inclusion



Pierre Wunsch, Governor:

"In an ideal world, diversity should not be the result of a specific action plan but should be the outcome of an open and inclusive corporate culture, i.e. one that respects all differences"

In 2020, there was further progress towards improving the representation of women at all levels of the organisation and creating a more inclusive corporate culture. 47 % of the new staff recruited were female. Women constituted 54 % of new recruits with a Bachelor's degree, and 37 % of those with a Master's degree.

However, the proportion of women allocated to senior roles in 2020 was slightly lower, at 33 %, but the Bank

is trying to increase that to 40 % in the near future. There have been regular discussions on this point by the Board of Directors. In view of the stable workforce at the Bank, opportunities for promotion are limited and mainly concern the replacement of staff taking retirement. With women representing 35 % of the supervisory staff and a corporate culture set to progress towards greater inclusion, the aim of 40 % of promotions being awarded to women is a real challenge, and will continue to be so for a number of years.



Since the beginning of 2019, the Bank has implemented an action plan to improve the gender balance at all levels of the enterprise and to bring about a more inclusive corporate culture.

The COVID-19 crisis disrupted the diversity action plan: at the start, training and initiatives planned from the second quarter onwards had to be postponed or redesigned for organising on line. Very soon, attention also turned to the impact of the crisis on the equilibrium and well-being of staff, both in terms of the organisation of home working and from a psychological point of view.

Despite everything, the diversity ambassadors who volunteer to promote the Bank's values of respect and open-mindedness remained active, and succeeded in carrying out a number of important measures.

An example of initiatives taken in 2020 is the debate on the subject of diversity in practice, organised with Ed Sibley, the Central Bank of Ireland's Deputy Governor, for staff of the National Bank. Ed Sibley firmly believes that diversity in the management of financial institutions reduces the potential risks of "group think" and helps to improve the decision-making process.

"The ambassadors make sure that diversity is present throughout the Bank"

The Bank also decided to work with Duo for a Job, a non-profit organisation which aims to strengthen social cohesion and local solidarity. This project puts professionals in the 50+ age group in contact with young job-seekers aged between 18 and 33 with an immigration background. A total of 21 of the Bank's employees signed up for this three-year partnership and the first mentoring candidates were able to start their training. Apart from its value to society, this project also offers staff the chance to develop intercultural capabilities and to pass on their skills. The Bank also offers traineeships specifically to people with an immigration background.



Jean Hilgers, Director:

"In the financial sector, which has seen many changes and much disruption in recent years, it is important to think outside the box and be open to other ideas. For that, we need all the talents of both men and women."



"Walking the diversity walk" with Ed Sibley, Pierre Wunsch and Sarah Ndayirukiye

In regard to human resources, the Bank continues to take account of the diversity aspect in modernising its recruitment and career management processes and tools, and in the training offered.

To foster greater diversity and inclusion in society, the Bank also enters into commitments beyond its own walls.

In the ESCB, the diversity and inclusion managers of a number of euro area central banks meet each year to check developments in that sphere and to exchange best practices.

The National Bank is an active member of Women in Finance, an association which aims to improve diversity in the financial sector. Women in Finance published its first annual report in 2020.



"DIVERSITY, THE PROMISE OF COLLECTIVE INTELLIGENCE"

SARAH NDAYIRUKIYE / Diversity Manager – Human Resources

In 2011, after a number of years at the former CBFA, working on supervision of the banking sector, I joined the National Bank of Belgium where I became a coordinator in the Prudential Supervision of Banks Service. That was when I first came into contact with human resources management.

How did you become the Diversity Manager?

I had always been committed to inclusion, but a colleague in the Human Resources Department spurred me into action by inviting me to take charge of a working group on diversity. It was in late 2017, and the Board of Directors had asked us to put forward measures for improving diversity at the Bank, including target numbers to make sure the measures were followed up. We set those targets in such a way as

“We must look out for unconscious bias”

to ensure realistic progress in the representation of women at all levels, and we accompanied them with an ambitious action plan.

A plan... but not only numbers

Apart from the numbers, it is all our procedures, our language, our informal networks – in two words: our culture – that we have to screen for any unconscious bias. That is a long-term undertaking, but there are calls for rapid change, both within the Bank and



from the outside world. At the same time, we have to reassure our colleagues that these changes will in no way impede the development of their expertise and their career.

Fortunately, the commitment and dynamism of the diversity ambassadors within the Bank show that this project has internal support. Also, the Bank is in the process of modernising, and the various projects being set up always give me the opportunity to add a diversity dimension which is gradually becoming part of our DNA.

Such a process must have its ups and downs...

Of course, there are moments when I have doubts about my choice of career. But doubts are positive in that they allow me to stop, stand back and check that we are on the right road. How? By reminding myself of the reason for this process, which is creating a virtuous cycle at the Bank: attracting and developing new talent with different profiles, capable of enriching and broadening our expertise by bringing their own perspective and thus enabling us to take the optimum decisions. That also boosts public confidence and the recognition afforded us by our peers. Confidence and recognition that in turn make the Bank attractive to new talent.

And to ensure that this diversity can thrive and be fully expressed, we are working to create an inclusive environment on the basis of two of the Bank's key values: open-mindedness and respect.

The Bank cares about its staff

“Open-mindedness is important in relations with colleagues and enables people to learn from one another. You cannot expect others to be open-minded unless you are open-minded yourself.”

To perform its tasks in an exemplary way the Bank must also look after the well-being of its staff. In that regard it focuses on staff training, support and relaxation, and aims to implement the values of “open-mindedness” and “respect and confidence” wherever possible. On the practical front, the modernisation of the working environment has continued, with extended scope for home working, more flexible parental leave and staggered working hours.

The Bank strives to offer a human, collegial working environment that is also safe. To that end, it can rely on its health and safety advisers, who ensure the physical, psychological and social well-being of the staff. In 2020, the Bank set up campaigns to raise awareness of problems such as burn-out, alcohol abuse, and industrial accidents, and organised several evacuation exercises.



Archive photo

During the COVID-19 pandemic, the Bank did everything possible to arrange home working and extra safety measures for staff who had to come to the

“Our aim is to help to offer the Bank's staff the optimum conditions in terms of safety and well-being at work”

Bank in order to maintain services. It was thus able to protect its staff and the community as a whole. In order to maintain interaction and collaboration, virtual events and measures were organised. Initiatives included coffee breaks with the

Governor, during which staff were able to put their questions directly to him, and webinars designed to help staff avoid any mental, social and physical problems. Several staff surveys were also conducted to check on their well-being.



Sponsorship and cultural commitment



Pierre Wunsch, Governor:

"We want to involve our staff in these initiatives, too. For example, I encourage them to take on a mentoring role under the Boost programme."

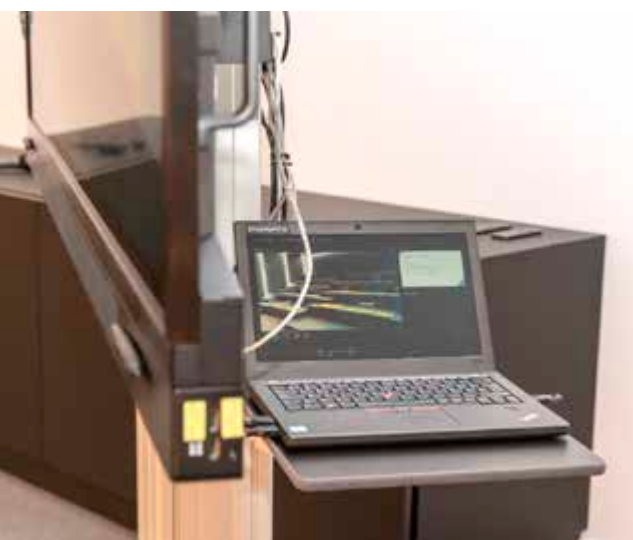
Through its sponsorship, the Bank gives financial support for worthwhile social projects. These projects are increasingly selected according to whether they enable the Bank to achieve its corporate social responsibility (CSR) priorities.

From that point of view, the Bank supports initiatives which encourage young talent and vulnerable groups, or those targeting training, citizenship or action against climate change. Special attention focuses on projects aiming to promote diversity and inclusion.

Boost and *Teach for Belgium* are two recent examples of projects which have received the Bank's support. *Boost* is an initiative by the King Baudouin Foundation which supports young Brussels residents

from disadvantaged socio-economic backgrounds and offers them more equal opportunities in regard to training and personal development. *Teach for Belgium* is an NPI which aims to reduce educational inequality by training young graduates and professionals to become inspirational teachers, working in schools with a high proportion of socio-economically vulnerable pupils.

For decades now, the Bank has been supporting artistic activity in Belgium by creating a diversified art collection which it supplements with works by (young) Belgian artists. The Bank's staff can choose works from this rich collection to embellish their working environment. This enables the Bank to offer its staff a unique and stimulating working



Laptops for distance learning

The Bank regularly renews its IT hardware. However, the machines written off are often still in good condition, so the Bank gives them a new lease of life in accordance with CSR values.

Since distance learning became an everyday reality for many pupils last year, demand for IT hardware also increased in many, often less well-off families. The Bank therefore decided to donate more than 300 laptops to schools via the *DigitalForYouth* platform. The Bank is thus helping to reduce the digital divide.

environment while supporting the Belgian art world. The Bank also initiates measures to open up this collection to the general public, e.g. via loans, publications and exhibitions.

By means of specific commissions, the Bank also offers artists real, stimulating assignments as a basis for producing their work. For instance, the artist duo Lachaert & D'hanis working closely with staff of the Bank designed a banknote to commemorate the closure of the Printing Works in 2020. This final banknote to roll off the Bank's printing presses brings together all the knowledge, expertise and history of the Bank from 1850 to 2020. It marks the end of a story which, in every sense, has made a great impression. In-house experts produced a book on the history of the Printing Works. That book, like the banknote designed by Lachaert & D'hanis, pays homage to the staff of the Bank's Printing Works whose expertise is recognised worldwide.

The Bank's socio-cultural commitment also concerns the management of its architectural heritage, and

Colonial imagery

In a society where diversity and open discussion about history are gaining importance, there is a growing need to think critically about public spaces and institutions. The Bank is not insensitive to this topic. It therefore set up an internal research group of historians to identify and list the colonial heritage of (historical) buildings and the Bank's Museum, but also and above all to make a constructive effort to find solutions should it emerge that some elements of that heritage could be problematic. In consultation with the Bank's Diversity Council and the internal CSR Board, new measures will be adopted in the short, medium and long term. Suggestions put forward favour contextualisation and critical reflection. They include the creation of works by modern artists, questioning colonial imagery and placing it in perspective.



Bob Verschueren, Réseaux, 2017-2020, Bronze in situ sculpture extending over 30 metres in the refurbished offices in the Governor's former official residence



A contemporary test for La Cambre students

“Our art collection is not reserved for our staff – we also want to make it accessible to the general public”

– on certain occasions – opening it to the public. For instance, on Heritage Days, visitors were able not only to explore the Bank’s Museum but also to see the former official residence of the Governor. Volunteers from among the Bank’s staff offered guided tours for visitors, who were very impressed with this architectural jewel. For the occasion, the historical setting of the building was given a modern touch with the *Customized* exhibition, in which design students from the La Cambre School offered their own contemporary interpretation of the old uniforms worn by the Bank’s ushers.

A more sustainable procurement policy

The Bank makes substantial efforts to ensure that it retains the Ecodynamic Enterprise label (and the Good Food label). These efforts are supplemented by other initiatives to make its procurement policy more sustainable.

For instance, anyone involved with public contracts has to attend training in sustainable procurement policy, and the Bank wants public contracts to be handled by a technical officer who has received sustainability training in the preceding three years.

The Bank also expects serious account to be taken of sustainability criteria in purchase procedures, and always works with suppliers who have a sustainability label.

List of publications in 2020

Articles from the Economic Review

The Economic Review is only published in digital form on the Bank's website. The full versions of the articles are published in English with a synopsis in French and Dutch. The articles are published separately as and when they become available, before appearing together in the Review.

JUNE 2020

- Economic projections for Belgium – Spring 2020
- Does the EU convergence machine still work?
- First results of the third wave of Belgium's Household Finance and Consumption Survey
- What explained the weakness in manufacturing in 2018-2019?
- Drivers of labour force participation in Belgium
- Bank financing for SMEs from 2014 to 2019: effect of changes in the law on lending

SEPTEMBER 2020

- The world economy under COVID-19: Can emerging market economies keep the engine running?
- The ECB's monetary policy response to COVID-19
- Price-setting behaviour in Belgium: New evidence from micro-level CPI data
- Tax incentives for R&D: are they effective?
- Public debt: Safe at any speed?
- An assessment of modern monetary theory

NOVEMBER 2020 – special edition

- The economic impact of immigration in Belgium

DECEMBER 2020

- Economic projections for Belgium – Autumn 2020
- Belgium's innovative capacity seen through the lens of patent data
- Belgium's fiscal framework: what is good and what could be better?
- Consumer prices in light of the COVID-19 crisis
- Fighting global warming with carbon pricing: how it works, field experiments and elements for the Belgian economy

END 2020 – published in advance for the next Economic Review

- Belgian corporate sector liquidity and solvency in the COVID-19 crisis: a post-first-wave assessment

PROJECTIONS

■ ECONOMIC PROJECTIONS

Every year, in June and December, the Bank publishes on its website economic projections for Belgium based on technical assumptions and international forecasts formulated jointly by the ECB and the central banks of the euro area. The detailed results are published as an article in the Economic Review.

■ BUSINESS CYCLE MONITOR

On a quarterly basis, the Bank publishes on its website an analysis of the economic situation in Belgium in the current quarter: the Business Cycle Monitor. The Business Cycle Monitor comprises an estimate of economic growth in the current quarter, around seven to eight weeks before the first official quarterly statistics are available from the National Accounts Institute.

Working Papers

The National Bank's Working Papers cover economic or financial topics or deal with subjects relevant to central bank activities. They are produced in English and are intended for a specialist public.

The National Bank's staff write the papers in a personal capacity. Some papers are the work of researchers – both PhD students and established academics – who have been supported by the Bank within the framework of its cooperation with universities. By giving researchers access to data which are not for publication, the Bank also aims to foster a better understanding of economic developments in Belgium.

The Working Papers are only published in digital form on the Bank's website.

- 381 The heterogeneous employment outcomes of first- and second-generation immigrants in Belgium
- 382 A Dane in the making of European Monetary Union – A conversation with Niels Thygesen
- 383 Multi-product exporters: Costs, prices and markups on foreign vs domestic markets
- 384 Economic importance of the Belgian maritime and inland ports – Report 2018
- 385 Service characteristics and the choice between exports and FDI: Evidence from Belgian firms
- 386 Low pass-through and high spillovers in NOEM: What does help and what does not
- 387 Minimum wages and wage compression in Belgian industries
- 388 Network effects and research collaborations
- 389 The political economic of financing climate policy: evidence from the solar PV subsidy programs
- 390 Going green by putting a price on pollution: Firm-level evidence from the EU
- 391 Banking barriers to the green economy
- 392 When green meets green
- 393 Optimal climate policy in the face of tipping points and asset stranding
- 394 Are green bonds different from ordinary bonds? A statistical and quantitative point of view
- 395 Climate change concerns and the performance of green versus brown stocks

Belgian Prime News

This quarterly English-language publication is compiled jointly by the Bank, the Federal Public Service Finance (FPS Finance) and a number of primary dealers (market makers in Belgian government securities).

Each issue includes a "Consensus forecast" on the outlook for the main macroeconomic data for Belgium as well as a description of the most significant recent economic developments. A review of the situation on the government securities market is also presented each time. The Treasury Highlights section gives information on Treasury decisions relating to the management of the public debt.

Belgian Prime News is available in digital form on the National Bank's website. Printed copies can also be ordered via the website.

- 86 Special topic: Economic flows between Regions in Belgium
- 87 Special topic: Measures taken to mitigate the economic impact of the COVID-19 outbreak on the Belgian economy
- 88 Special topic: Belgian public finances are taking a serious hit from the COVID-19 pandemic
- 89 Special topic: Belgian banking sector in good shape to cope with the crisis

Statistical publications

The Bank provides a wealth of macroeconomic statistics for the public via its website and its statistical database NBB.Stat (<https://stat.nbb.be/>).

It is possible to subscribe for updates of specific tables via NBB.Stat. Anyone often seeking similar data can save their search criteria for subsequent use.

The following publications and press releases are also available on the Bank's website:

GENERAL STATISTICS:

- Statistical Bulletin, Economic indicators for Belgium
- Business surveys
- Business investment surveys
- Consumer confidence survey

EXTERNAL STATISTICS:

- Foreign trade in goods and services, annual regional breakdown of Belgian imports and exports of goods and services
- International investment position, foreign direct investment, balance of payments

FINANCIAL STATISTICS:

- Belgium's financial accounts (annual and quarterly)
- Observatory for credit to non-financial corporations
- Monetary financial institutions' interest rates
- Bank Lending Survey, Quarterly business survey on borrowing conditions: credit constraint perception indicator

NATIONAL ACCOUNTS:

- Flash estimate of quarterly growth of gross domestic product, Quarterly accounts, Quarterly sector accounts
- First estimate of the annual accounts, Detailed government accounts, Detailed annual accounts, Supply and use tables, Labour market
- Regional breakdown of the national accounts

MICROECONOMIC DATA:

- Central Individual Credit Register
 - Annual Statistical Report
 - Key monthly figures on consumer credit and mortgages
- Central Corporate Credit Register
 - Publication of statistics on credit authorised and used via the Observatory for Credit to Non-financial Corporations
 - Monthly flash
 - Quarterly update

Central Balance Sheet Office

The annual accounts collected by the Central Balance Sheet Office are made available to the general public, together with a financial analysis as part of the company file, and sectoral statistics in formats suited to the needs of the various user groups. Information is also available on the movement in the financial results of firms which have filed their annual accounts at the Central Balance Sheet Office. The port and airport studies produced annually or every two years are published as Working Papers.

Other publications

- Report 2019 – Economic and financial developments
- Report 2019 – Corporate Report
- *Le poids économique des Institutions sans but lucratif en Belgique (Edition 2020)* – jointly published by the NBB and the King Baudouin Foundation (not available in English)
- First results of the third wave of Belgium's Household Finance and Consumption Survey
- Financial Stability Report 2020
- Financial Market Infrastructures and Payment Services Report 2020

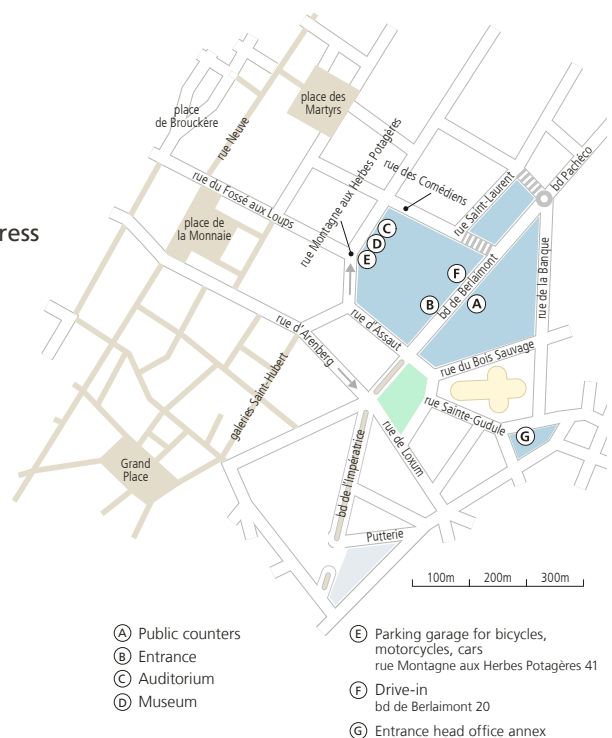
Contacts

Company number

RLP Brussels – BE 0203.201.340

Addresses

Head Office	Entrance for services to the public Boulevard de Berlaimont 3, 1000 Brussels
	Visitors' entrance and general postal address Boulevard de Berlaimont 14, 1000 Brussels
Head Office Annex	Visitors' entrance Place Sainte-Gudule 19, 1000 Brussels
Museum	Rue Montagne aux Herbes Potagères 57, 1000 Brussels
Auditorium	rue Montagne aux Herbes Potagères 61, 1000 Brussels



Information

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Contact for the financial service for the Bank's shares	Marc Lejoly, Head of the Payments and Securities Service securities@nbb.be , Tel. +32 2 221 52 30

Services to the public

Head office banking hall
(Banknotes and coins,
Central Individual Credit Register)

Open from Monday to Friday
from 8.45 am to 3.30 pm.

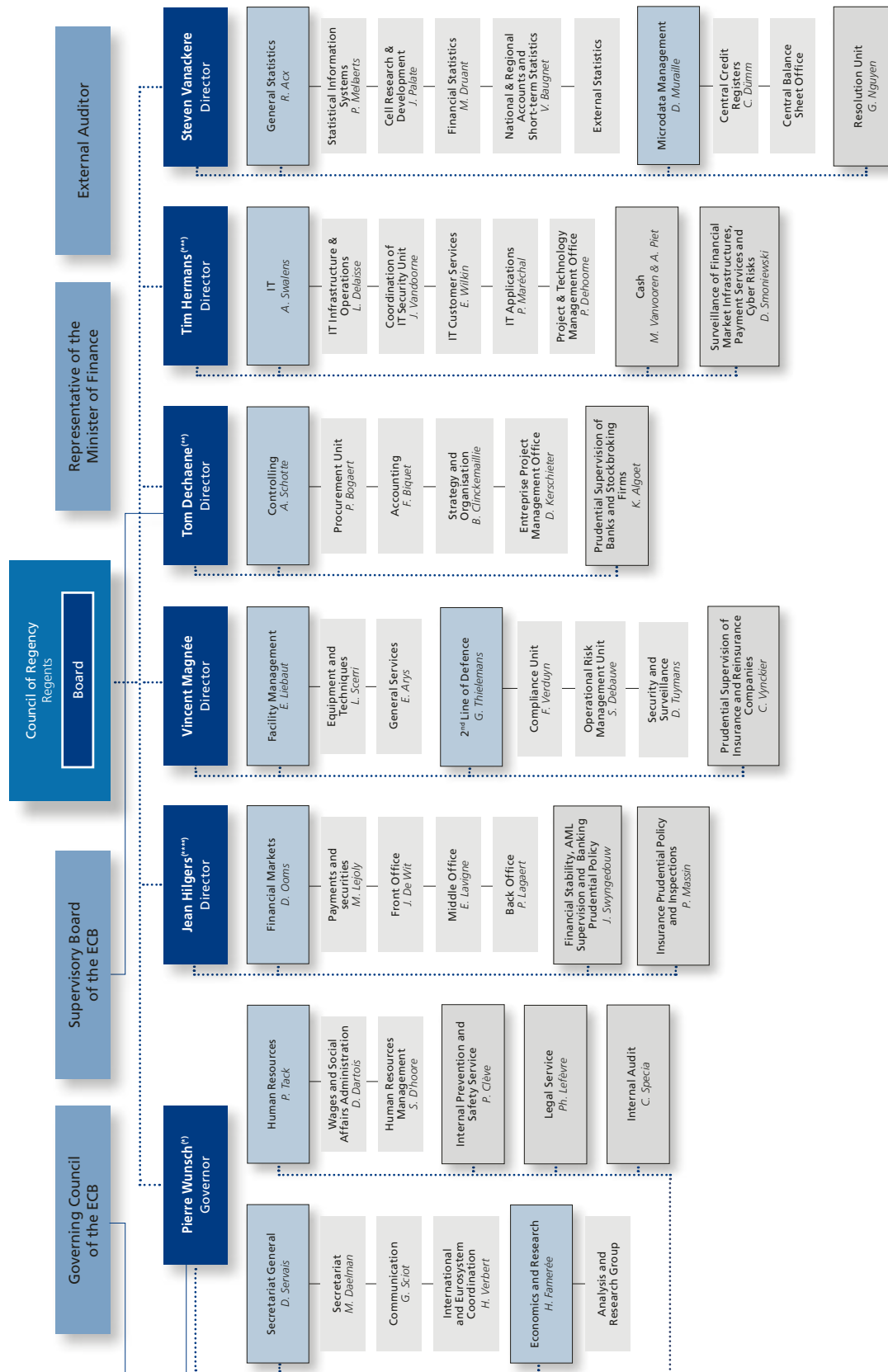
Museum

Open from Monday to Friday from 9.00 am to 5.00 pm.
Free entrance.
Also open on special occasions.
See website www.nbbmuseum.be.
Guided group visits can be booked via the website.

So long as the coronavirus crisis persists, different opening hours may apply.
If so, the information will be available on the Bank's website.



Organisation chart as of 1 January 2021



(*) Is also member of the Governing Council of the European Central Bank.
 (**) Is also member of the Supervisory Board of the European Central Bank.
 (***) Is also Secretary of the Bank.
 (****) Is also Treasurer of the Bank.

Value of fixed-income securities by issuer country
(the market value is given for information)
(end-of-period data, in € million)

	Book value		Market value	
	2020	2019	2020	2019
Belgium	3 417.9	3 170.3	3 822.0	3 502.2
Germany	722.1	715.8	792.2	776.6
Spain	311.0	361.9	336.5	393.2
France	286.5	714.1	871.3	794.0
Austria	159.4	170.0	178.4	193.0
Ireland	-	34.0	-	34.5
Italy	89.2	125.2	95.1	132.8
International organisations	346.9	203.0	379.4	234.2
Netherlands	112.0	119.1	124.1	129.5
Portugal	50.3	50.4	57.9	59.9
Greece	32.7	33.0	35.5	36.2
Finland	213.5	194.2	234.5	210.5
Other	289.4	208.9	298.5	213.4
Total	6 530.9	6 100.0	7 225.4	6 710.5

The net amount of the unrealised gains on fixed-income securities came to € 694.5 million on 31 December 2020 compared to € 610.5 million in the previous year.

Rating of fixed-income securities
(Book values in € million)



Yield on fixed-income securities according to their maturity, as at 31 December 2020

Maturity	Book value	Average yield	
		(in % million)	
2020	-	-	204.8
2021	-	-	353.8
2022	354.1	353.9	355.2
2023	507.3	508.8	508.8
2024	370.8	372.0	372.0
2025	391.0	389.1	389.1
2026	577.7	580.1	580.1
2027	541.5	491.7	491.7
2028	699.5	695.8	695.8
2029	437.8	345.9	345.9
2030	180.4	95.1	95.1
2031	302.3	296.7	296.7
2032	128.4	129.7	129.7
2033	274.5	257.3	257.3
2034	244.7	246.5	246.5
2035	366.8	208.0	208.0
2036	98.5	98.4	98.4
2037	272.7	266.8	266.8
2038	263.5	243.0	243.0
2039	14.5	14.5	14.5
2040	151.1	21.8	21.8
Interest income	6 530.9	6 175.1	6 175.1
Realised gains/losses	-	111.4	111.4
Total	6 530.9	6 175.1	6 175.1

Breakdown of participating interests
(end-of-period data)

	2020		2019	
	Number of shares	In € million	Number of shares	In € million
BIS	50 100	329.6	50 100	329.8
SBI	801	2.0	801	2.0
SWIFT	156	0.4	156	0.4
Total	332.2	332.2	332.2	332.2

3. Annual accounts and reports on the financial year

3.1	Annual report	117
3.2	Annual accounts	136
3.3	Auditor's report to the Council of Regency	180
3.4	Approval by the Council of Regency	189

3.1 Annual report

3.1.1 Developments concerning the Bank's results and position

3.1.1.1 Balance sheet

The balance sheet total rose substantially by 64.3 %, or € 116.8 billion to reach € 298.6 billion.

In regard to monetary policy operations, the liquidity in euro provided to credit institutions increased mainly as a result of higher lending (+ € 61.7 billion) and higher purchases of securities (+ € 53.1 billion). The Bank reduced its own portfolio in euro in both MTM and HTM (– € 2.0 billion).

This created surplus liquidity on both current accounts and the deposit facility (+ € 100.2 billion). Similarly, net outgoing payments via the TARGET2 payment system increased slightly (+ € 2.2 billion).

At the end of the year the volume of banknotes placed in circulation by the Bank (+10 %) grew by less than the figure for the Eurosystem (+11 %), so that the claim on the latter increased (+ € 1.2 billion).

The table below gives an overview of the securities portfolios which represent a substantial proportion of the assets on the balance sheet.

Summary of the securities portfolios at book value
(end-of-period data, in € billion)

	2020	2019
■ fixed-income securities in foreign currencies ("MTM portfolio")	8.8	9.0
■ fixed-income securities in euro ("MTM portfolio")	0.0	1.2
■ investment funds in euro ("MTM portfolio")	0.5	0.3
■ fixed-income securities in euro held to maturity ("HTM portfolio")	3.5	4.5
■ fixed-income securities in euro of the statutory portfolio	6.5	6.1
Total portfolios on the Bank's own account	19.4	21.1
■ securities held for monetary policy purposes	167.0	113.9
Total portfolios	186.4	135.0

On the balance sheet date, the MTM portfolios are marked to market. The HTM, statutory and monetary policy portfolios are recorded at the amortised purchase price.

The MTM and HTM portfolios in euro managed for the Bank's account were both down by € 1.0 billion. Securities were not renewed on reaching maturity and MTM fixed-income securities were sold.

The size of the statutory portfolio is determined by the sum of the capital, reserves and amortisation accounts. Following the allocation of the profits for the financial year 2019, supplementary fixed-income securities could thus be added to this portfolio.

In the case of the monetary policy portfolios for which the purchase programmes (CBPP1, CBPP2 and SMP) have ended, securities maturing were redeemed

(€ 0.8 billion). In the Eurosystem, supplementary purchases of securities under the CBPP3, PSPP and CSPP programmes continued at an average of € 20 billion per month. In March 2020, a temporary envelope of € 120 billion for supplementary net asset purchases was added until the end of the year. The Bank participated in the purchases in these portfolios in the sum of € 24 billion. In addition, a new Pandemic Emergency Purchase Programme (PEPP) was launched with a total envelope of € 1 850 billion. The purchases, planned until the end of March 2022, concern all asset categories eligible for the Asset Purchase Programme (APP). For the Bank, the total amount under the new programme is € 30 billion.

As in previous years, in the case of the CSPP, the Bank purchased securities for the account of the Eurosystem in a much larger proportion than its share in the ECB's capital.

Below is the geographical distribution of the securities in the own-account portfolios.

(in € million)

	Book value	Market value	Revaluation accounts
Belgium	5 095.3	5 591.6	–
United States	5 896.4	5 896.4	186.9
Germany	1 046.9	1 131.9	–
Spain	396.8	426.4	–
France	1 472.5	1 599.2	0.4
Austria	428.2	461.7	–
Italy	114.8	122.3	–
Japan	1 165.5	1 165.5	4.9
International organisations	570.9	603.5	7.1
The Netherlands	439.9	464.4	3.7
Portugal	50.3	57.9	–
Greece	32.7	35.5	–
Switzerland	799.8	799.8	57.2
Finland	411.1	441.9	0.3
United Kingdom	76.3	76.3	3.6
Other	815.4	824.5	14.8
Total fixed-income securities	18 812.8	19 698.8	278.9
Investment funds	539.3	539.3	39.3
Total portfolios	19 352.1	20 238.1	318.2

If the Bank had sold all its own-account portfolios on the balance sheet date, it would have realised: (i) the gains currently recorded (as unrealised gains) in the revaluation accounts (€ 318.2 million) on the liabilities side of the balance sheet, and (ii) the positive difference between the market value and the book value (€ 886.0 million). Altogether, an additional gain of around € 1 204.2 million would thus have been recorded in the results.

The impairment tests carried out in 2020 did not lead to any write-downs on the Bank's own-account portfolios.

With a view to reducing the exchange rate risk on its assets denominated in US dollars and SDRs, the Bank once again concluded forward contracts. Thus, in 2020, the net position in dollars and SDRs remained virtually unchanged at \$ 2.2 billion (€ 1.8 billion) and SDR 22.6 million (€ 26.7 million). The net position in Chinese yuan and South Korean won also remained unchanged: CNY 1.5 billion (€ 180.9 million) and KRW 120.1 billion (€ 89.9 million). At the end of the financial year the revaluation accounts on the liabilities side recorded positive exchange differences of € 93.1 million.

Monetary policy operations to which risk-sharing applies (in € billion)

	NCB balance sheets	NBB key: 3.64 %	NBB balance sheet
Lending to euro area credit institutions related to monetary policy operations denominated in euro	1 793.2	65.3	81.0
Main refinancing operations	0.5	0.0	–
Longer-term refinancing operations	1 792.6	65.3	81.0
Marginal lending facility	0.1	0.0	–
Securities held for monetary policy purposes	883.3	32.2	72.9
SMP	26.3	1.0	0.7
CBPP3	263.5	9.6	8.8
ABSPP	–	–	–
PSPP-Supranational securities	249.3	9.1	–
CSPP	250.4	9.1	54.9
PECBPP	2.8	0.1	–
PEABSPP	–	–	–
PEPSPP-Supranational securities	47.8	1.7	–
PECSPP	43.2	1.6	8.5
Total	2 676.5	97.5	153.9

In order to determine shared risks, account must also be taken of the Bank's share of € 97.5 billion in the monetary policy portfolios and credit operations of the Eurosystem central banks. In addition, securities for which the risks are not shared must be taken into account; their book value amounts to € 94.2 billion and is included in item 7 of the balance sheet (see note 7).

Agreement on Net Financial Assets (ANFA)

At the end of 2020, the Bank's net financial assets totalled € 4.6 billion.

The Agreement on Net Financial Assets, concluded between the national central banks (NCBs) of the euro area and the European Central Bank (ECB), sets an overall limit on the total net financial assets relating to national tasks unconnected with monetary policy.

The limit on the amount that the NCBs can hold is necessary to ensure that the ECB Governing Council has full control over the size of the Eurosystem's balance sheet, to permit the effective implementation of monetary policy.

The net financial assets are equal to the difference between assets that are not directly related to monetary policy and liabilities that also have no direct link with monetary policy.

3.1.1.2 Result

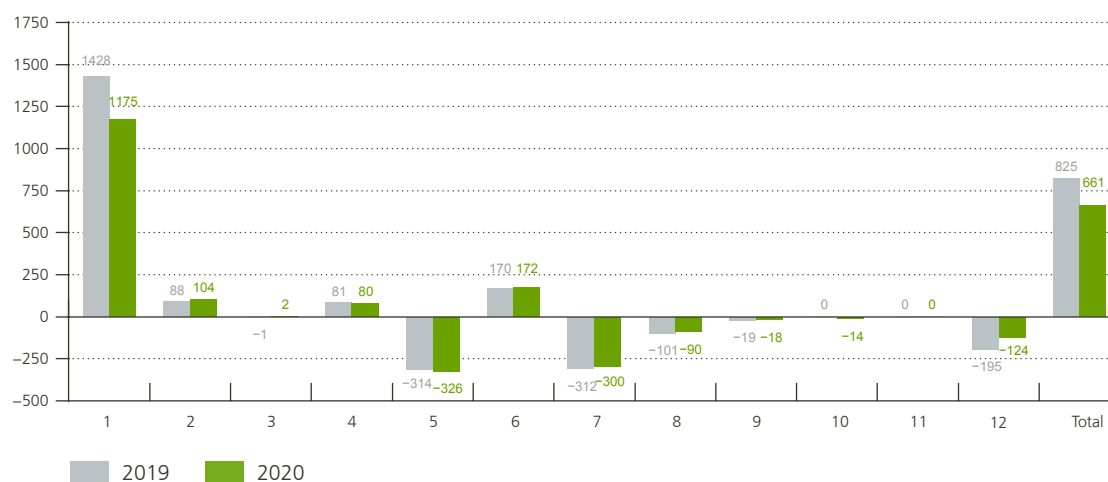
In 2020, the Bank made a lower net profit than in the previous year (– € 164 million). The main factors behind the fall were the reduction in net interest income (– € 253 million) and the increase in the Bank's contribution to monetary income (– € 12 million). However, that effect was partly moderated by the net result of financial operations, which increased by € 16 million.

Net interest income declined by € 253 million, mainly as a result of:

- the increased volume (– € 276 million) and lower interest rates (– € 104 million) in the case of monetary policy credit operations conducted at negative interest rates;
- the increased volumes on current accounts and the deposit facility, likewise subject to negative interest rates, partly offset by the exemption of some of the excess reserves (+ € 16 million);

General structure of the result

(in € million)



1. Net interest income
2. Net result of financial operations, write-downs and provisions
3. Net income/expense from fees and commissions
4. Income from equity shares and participating interests
5. Net result of pooling of monetary income
6. Other income
7. Staff costs
8. Administrative expenses
9. Depreciation of tangible and intangible fixed assets
10. Banknote production services
11. Other expenses
12. Corporate tax

- the increased volume of the monetary policy portfolios (+ € 102 million).

The Bank's contribution to the pooling of monetary income was larger than in the previous year (– € 13 million), mainly owing to the increase in the monetary policy portfolios. The provision for monetary policy operations formed in 2018 was used to cover the loss incurred on the sale in 2020 of impaired CSPP securities held by one NCB (€ 2 million). The residual amount of the provision, namely € 1 million, was written back in full at the end of the year. Together, these two factors increased the contribution to the pooling of monetary income by – € 12 million.

The net result of financial operations increased, primarily as a result of the decline in interest rates in dollar (+ € 26 million). Conversely, on the market in euro-denominated securities, capital gains diminished slightly owing to the lower volume of sales following liquidation of the fixed-income securities portfolio (– € 9 million).

In contrast to last year, there are no longer any expenses concerning the establishment of the early retirement plan, and that is the main reason for the decline in staff costs (+ € 12 million).

3.1.1.3 Profit distribution

The minimum amount of the Bank's reserves is determined on the basis of an estimate of the quantifiable risks. All the Bank's financial risks are quantified according to the value at risk/expected shortfall methodology, for which the Bank uses very cautious parameters with regard to probabilities and timescales, or according to long-term scenarios.

The estimate of the minimum level of risks at the end of 2020 resulted in a figure of around € 6.5 billion, compared to € 4.6 billion at the end of 2019.

That amount comprises the financial risks on:

- the Bank's own securities portfolios in euro and in foreign currencies;
- the monetary policy portfolios shown on the Bank's balance sheet for which the Bank alone bears the risks;
- the monetary policy credit operations and securities portfolios shown on the balance sheet of all national central banks (NCBs) in the Eurosystem,

for which the risk is shared among the NCBs (see notes 5 and 7 to the annual accounts).

The increased volume and the composition of the balance sheet, and particularly the APP and the PEPP, imply a risk of the Bank's results coming under pressure, particularly if interest rates rise. Consequently, the Bank is maintaining its reserve policy at 50 % of the profit for the year for so long as the period of non standard monetary measures persists.

Thus, an amount of € 330.5 million is allocated to the available reserve. Following the profit distribution, the Bank's buffers total € 6.9 billion. In addition, the current profit is the first buffer used to cover any losses.

The dividend policy remains unchanged. This results in a gross dividend of € 105.77 per share, down by 13.7 % against the year 2019, the main reason being the absence of any BIS dividend this year.

The balance of the profit for the year is assigned to the State in accordance with the Organic Law. For 2020, this amounts to € 288.2 million.

3.1.2 Risk management

As regards risk management, the Bank applies the "three lines of defence" system.

Its departments, autonomous services and units assume the **first line of responsibility** for the effectiveness of the internal control system. This involves:

- identifying, assessing, controlling and mitigating the risks that their entities incur;
- setting up adequate internal control and risk management mechanisms for managing their entities' risks within the risk tolerance limits set by the Board of Directors;
- making sure that these objectives, policies and internal control are respected in their entities.

The **second line of responsibility** for the effectiveness of the internal control system lies with the Director in charge of the Financial Markets Department, as regards financial risks (see 3.1.2.1). For non-financial risks (see 3.1.2.2), second line responsibility rests with the Director in charge of the 2nd Line of Defence Department.

The Internal Audit Service assumes the **third line of responsibility** for the efficiency of the internal control system. Its task is to give the Board of Directors further assurance, based on the highest degree of organisational independence and objectivity, as to the effectiveness of the Bank's governance, risk management and internal control, including the achievement of risk management and control objectives by the first and second lines of defence.

The Bank's financial and non-financial risk management during the year under review is described below.

3.1.2.1 Financial risk management

3.1.2.1.1 *Management of the gold and foreign currency reserves, portfolios of securities in euro and monetary policy operations*

Management of the gold and foreign currency reserves and that of the portfolios of securities in euro, and the monetary policy operations (intervention portfolios, loans, etc.) exposes the Bank, like any financial institution, to financial risks (such as market and credit risks), and to operational risks.

All financial risk estimates entail the use of methods, particularly quantitative methods, necessitating certain choices in terms of assumptions, parameters and scenarios. Those choices clearly reflect the difficulty of the exercise and the futility of expecting an accurate risk measurement. However, the apparently arbitrary nature of these choices is managed, thus reduced by combining (i) validation at the highest level of the proposals drawn up by the Bank's experts, and (ii) a sensitivity analysis of the results of the choices made.

For the purpose of managing its reserves, the Bank first defines a level of risk which it deems appropriate according to its risk aversion, the level of which depends among other things on constraints related to carrying out its tasks in all circumstances, as well as its ability to take even exceptional losses. That level is reviewed regularly as the Bank's tasks evolve and develop, particularly in regard to monetary policy, and in the light of actual or expected changes in market risks. The Bank then establishes a policy which aims to limit and control these risks and keep them at the pre-selected level. In particular, it determines the currency mix, the market mix and the financial instrument

mix, and the strategic duration of each own-account bond portfolio (and maximum deviations permitted in the course of active management) by applying the value-at-risk method to assess market risk (losses which could be generated by adverse movements in exchange rates, asset prices and interest rates). It also conducts stress tests in order to estimate short- or even longer-term trends in its results under the various scenarios that are defined both within the Bank and by external institutions. The limits imposed for risk factors and the portfolio structure therefore reflect the level of risk which the Bank considers acceptable, and are adjusted if necessary on the basis of market developments and implications relating to the Bank's tasks, such as the constitution of monetary policy portfolios (the Securities Markets Programme, Covered Bonds Purchase Programmes, Asset-backed Securities Purchase Programme, Public Sector Purchase Programme, Corporate Sector Purchase Programme and Pandemic Emergency Purchase Programme).

Moreover, in order to limit its credit risk (including migration risk), i.e. the risk of losses which could result from payment default (including debt restructuring) or deterioration in the credit quality of counterparties or issuers, the Bank gives preference to sovereign risk instruments which have a high credit rating or which are collateralised, imposing strict limits on its other investments, especially bank deposits. It also demands a high rating for its investment instrument issuers and counterparties, and ensures as far as possible that its investments are diversified. The securities purchase programmes under the Expanded Asset Purchase Programme have a specific impact on credit risk owing to a high concentration on certain sovereign issuers.

In order to assess the credit risk of each issuer or counterparty, the Bank refers to the ratings accorded by a number of specialist agencies and uses 'prediction' methods (such as implied ratings) which take account of developments on certain markets (credit default swaps, stock market value, etc.) and financial ratios, and possibly financial analyses conducted with due regard for the total segregation of the Bank's entities responsible for banking supervision. For overall credit risk assessment, it uses the CreditMetrics method with cautious and consistent parameters whose adequacy is regularly reviewed.

In order to increase the return on its US-dollar-denominated assets in the long term, the Bank invests

a small proportion of those assets in corporate bonds. Specific rules have been drawn up for this type of bond (minimum rating, wide diversification obligation, etc.) to limit the credit risk and any losses.

The portfolios of securities in euro consist mainly of euro-denominated government paper issued by Member States of the European Union and, to a lesser extent, bonds backed by first-rate claims (*Pfandbriefe* type or other covered bonds) which help raise the expected yield. In conducting the investment operations concerning the Bank's portfolios, account is taken of the primacy of the monetary policy programmes and the strict organisational segregation designed to avoid any risk of a conflict of interests.

The Bank continues to implement its policy of taking account of environmental, social and governance criteria (ESG) in managing its assets.

In order to improve the long-term risk/return ratio, the Bank has allocated a modest amount to acquiring an investment fund comprising shares of European companies, which reflects as closely as possible the performance of a European index (which excludes the United Kingdom and Switzerland) and which applies ESG criteria. The fund is managed externally and passively in order to rule out any conflict of interests.

Both market risks and credit risks for the portfolios are closely monitored. The Bank has risk management procedures in place to enable it to monitor the limits and criteria that securities must meet before they are bought under the integrated portfolio management system, and it carries out regular internal reporting on these risks.

Finally, the Bank limits the operational risk by dividing the activities associated with investment transactions into three separate services: the Front Office, in charge of operations, the Back Office, which handles the settlement, and the Middle Office, which manages the risks.

As regards the Bank's lending transactions pursuant to the Eurosystem's monetary policy, a risk management framework was established within the Eurosystem to enable harmonised implementation throughout the euro area. In this way, the eligible assets can be used without discrimination and the same risk control measures are applied throughout the Eurosystem.

The risk management framework contains the eligibility criteria, which can be used on the one hand to draw up a single list of eligible securities and, on the other hand, to select non-tradable assets (bank loans). This framework also sets out risk management procedures and is regularly revised to take account of recent developments and in order to guarantee high-grade protection. Since 2012, every central bank has been able to define an additional framework for non-marketable assets, setting out eligibility rules and specific risk measures. These additional frameworks are approved by the Eurosystem. In the context of the 2020 pandemic crisis, central banks were able to establish such an additional framework more speedily. The Bank therefore decided to set up this temporary framework (relating to the pandemic crisis) for authorising non-tradable assets with a lower credit rating. The assets accepted under this framework constitute a risk for the Bank which is not shared with the Eurosystem. However, the acceptance of these assets is accompanied by more severe haircuts in order to cover these additional risks.

3.1.2.1.2 Interest rate risk and risks associated with the volume of interest-bearing assets

Among the Bank's various sources of income, those obtained from issuing banknotes are traditionally the most important. For central banks, banknotes are unremunerated liabilities. As the counterparty, central banks hold interest-bearing or productive assets. The income from these assets is called "seigniorage income". It is pooled within the Eurosystem and redistributed among the central banks of the Eurosystem on the basis of their respective shares in the issuance of euro banknotes.

Owing to the APP, the counterpart to an increasing proportion of the assets on the Bank's balance sheet is no longer banknotes but other liabilities such as the current accounts of credit institutions and the deposit facility, remunerated at a pre-determined (positive or negative) short-term interest rate. That increases the longer-term interest rate risk.

In return for the right of issue which it confers on the Bank, the State is entitled to the balance of the Bank's profits after the formation of reserves and payment of dividends. Thus, the State is the first to bear the consequences of the volatility in the Bank's seigniorage income.

3.1.2.2 Non-financial risk management

The Bank's **operational risk framework** is a risk management system based on three lines of defence. Within that framework, the first line services are responsible for identifying, assessing and tackling risks inherent in their activities. This implies that all first line services conduct risk analyses on all their activities in order to ensure that they remain within acceptable limits so that the objectives can be achieved.

Since 2017, the Bank has had a fully-developed second line of defence for operational risk management, which has been incorporated in a new Department responsible for implementing and overseeing the framework for non-financial risk management. That Department develops and maintains the risk management framework for the Bank and supports the first line in the management of all non-financial risks, including risks relating to physical security, business continuity, outsourcing, information technology, information security and cyber security, and major compliance risks (e.g. compliance with the anti-money laundering legislation or the legislation relating to the General Data Protection Regulation (GDPR), the code of ethics, etc.).

During 2020, the Bank continued developing the various components of its reference framework for the management of non-financial risks in order to meet the expected standards and regulatory requirements on the subject. In that context, the Bank worked with a specialised external consultant to conduct a strategic exercise which included a specific module on non-financial risk management. The aim of that module was to devise an overall plan ensuring continued development in the management of non-financial risks. The conclusions of that exercise led to the listing of priorities and an action plan phased over the next five years. This plan centres mainly on governance, training and raising awareness, and procedures for monitoring and reporting.

Where **business continuity** is concerned, the Bank continues to refine its reference framework. In this connection, the impact analyses and business continuity plans for critical activities are revised and updated. These plans are then tested against specific scenarios in accordance with an annual schedule and adapted on the basis of the test results. The Bank's crisis management forms part of its business continuity management and is likewise tested regularly.

In the field of **information security** there is a clear allocation of roles and responsibilities between the first and second lines. To ensure that all staff are aware of the rules that must be respected in regard to keeping information systems secure, the Bank keeps a register containing all the relevant approved ESCB and NBB policies. A regulation on the use of individual file storage space has been approved. Since, in addition to clear governance, user awareness also contributes to better information security, the awareness programme in the form of e-learning has been extended to all staff members and the study of all the awareness modules has been included in the personal annual targets of all staff. The awareness programme covers a four-year period and its content is regularly supplemented. Finally, the project set up last year for structurally enhancing information security continued in order to address new cyber risks.

Under second line supervision concerning **banknotes**, there were regular conformity checks at the Central Cash Office and in the Printing Works in order to identify and avert any risks. This concerns cash inspections, dealing with cash discrepancies and complaints from financial institutions, internal checks on damaged banknotes, non-compliant packs of banknotes and offline destruction of banknotes, admission tests on BPS machines, checks on Printing Works suppliers, and measures to combat money-laundering and terrorist financing. A protocol defining the basic principles of camera surveillance in places where unprotected banknotes are handled was amended to permit conformity checks by means of video images from 2021 onwards.

On the subject of legal **compliance**, 82 questions of interpretation, 5 requests to authorise financial transactions and 80 benefit statements from staff and management concerning the application of the code of ethics and the General Data Protection Regulation (GDPR) were addressed. To meet the requirements of the GDPR, manuals were produced informing staff members of citizens' rights and the data leaks procedure, and privacy risks were charted for new data processing. In addition, there was an initiative aimed at improving the processing register by asking services for supplementary information using a more detailed model making it possible to check whether processing entails risks. To meet the requirements of the framework law on the processing of personal data, a protocol formalised transfers of personal data to third authorities.

3.1.3 Post-balance-sheet events

On 26 January 2021, under the established sale procedure, the Bank's Board of Directors decided to accept the offer from a potential buyer concerning disposal of the property allocated exclusively to printing works activities (see point 3.2.7.10).

In accordance with Article 32 of the Bank's Organic Law and the reserve and dividend policy adopted by the Council of Regency on 22 July 2009 and adapted on 23 March 2016, for the purposes of the reserve and dividend policy, the whole of the net proceeds from the sale of property is treated as income of the portfolio forming the counterpart to the Bank's reserves.

3.1.4 Circumstances which could have a significant influence on the Bank's development

The ECB Governing Council intends to continue reinvesting maturing securities acquired under the Expanded Asset Purchase Programme for a prolonged period following the date on which it begins raising the key interest rates, and in any case for as long as necessary to maintain favourable liquidity conditions and a high degree of monetary support. In 2020, the Eurosystem also resumed the monthly net purchases of securities under the APP for an indefinite period and the Governing Council decided to allocate a temporary envelope to additional net asset purchases up to the end of the year. Furthermore, the Governing Council decided to launch a new securities purchase programme (Pandemic Emergency Purchase Programme, PEPP). The consequences of these programmes could put pressure on the Bank's results.

3.1.5 Research and development

The research and development activities focused mainly on the provision of services within the Eurosystem including measures to combat counterfeiting, the development of new security features, and banknote circulation. The Bank and its Printing Works made a significant contribution to various working groups in collaboration with various other central banks, including those in the Eurosystem.

3.1.6 Conflict of interests

During the year under review, no member of the Board of Directors had, directly or indirectly, any interest relating to property conflicting with a decision or transaction for which the Board of Directors was responsible.

3.1.7 Financial instruments

In managing its portfolios, the Bank uses financial instruments such as (reverse) repurchase agreements, currency and interest rate swaps and futures. The information on this subject is mentioned in the annual accounts, and in particular in the accounting principles and valuation rules (I.3 and I.7) and in the notes to the accounts (notes 2, 3, 6, 9, 12, 15, 16, 24, 37 and 38).

See point 3.1.2.1. for a description of the Bank's financial risk management policy.

3.1.8 Expertise and independence of the Audit Committee

The members of the Audit Committee are experts in accountancy and auditing, in view of their training in economics and finance and/or their acknowledged professional experience in those fields. Most of the members satisfy the independence criteria mentioned in Article 7:87 (1) of the Companies and Associations Code.

3.1.9 Corporate governance statement

3.1.9.1 Belgian corporate governance code and corporate governance charter

For listed companies in Belgium, the Belgian Corporate Governance Code ("the Code") is the reference text on governance. The Code, published on the website www.corporategovernancecommittee.be, is a recommendation and sets out principles and guidelines in regard to governance which complement the legislation in force and cannot be interpreted in a manner contrary to the law.

Established in the form of a public limited company listed on the stock market, the Bank is Belgium's central bank. It forms an integral part of the Eurosystem whose primary aim is the maintenance of price stability. It is also responsible for supervising the financial sector and performs other tasks in the general interest entrusted to it by law. Its situation is therefore very different from that of an ordinary commercial company whose main objective is to maximise its profits.

In view of the pre-eminence of the Bank's tasks in the public interest, the law has given it a special legal framework. The provisions on public limited liability companies are applicable to it only additionally, i.e. in regard to matters not governed by the Treaty on the Functioning of the European Union, the Protocol on the Statutes of the ESCB and the ECB annexed to that Treaty, and the Bank's Organic Law and Statutes, and provided that the provisions on public limited liability companies do not conflict with those priority rules. Moreover, as a member of the Eurosystem, the Bank is subject to special accounting rules. It also enjoys special status regarding the information disclosure obligations. For instance, the rules on the production and circulation of periodic information do not apply to the Bank.

The Bank's tasks in the public interest pursuant to its role as a central bank also justify a special governance structure, laid down by its Organic Law and its Statutes. The specific provisions concerning the arrangements for appointing the members of its organs, the specific composition and role of the Council of Regency, the reduced powers of the General Meeting of Shareholders and the special arrangements for the exercise of supervision are intended to ensure that the Bank can perform the tasks in the public interest assigned to it with due regard for the independence requirements imposed by the Treaty.

That explains why certain provisions of the Code do not apply to the Bank. Nevertheless, the Bank considers that the system of governance imposed on it partly by its own Organic Law and its Statutes, and partly by EU rules, is just as exacting as the Code, or even more so in some respects, such as oversight.

In order to provide the public with full information on the corporate governance rules which it applies, the Bank has drawn up a Corporate Governance Charter which offers additional clarification regarding its organisation, governance and supervision. That

Charter can be consulted on the Bank's website. It was updated following the abolition of the Board of Censors by the Law of 2 May 2019 on miscellaneous financial provisions.

3.1.9.2 Internal control and risk management systems in connection with the financial reporting process

The financial and non-financial risks connected with the Bank's activities and their management, and the organisation of risk management according to the standard three-level model, are discussed in point 3.1.2 of this Report.

The Audit Committee is responsible for monitoring the financial reporting process and ensures that the main risks, including those relating to compliance with the current legislation and rules, are correctly identified, managed and brought to the attention of the Audit Committee and the Board of Directors. It also examines the notes on internal control and risk management in the Annual Report.

The Audit Committee discusses important questions relating to the financial reporting with the Board of Directors and the auditor. The Board of Directors informs the Audit Committee of the principles adopted for recording significant and abnormal transactions in cases where various accounting approaches are possible. The Audit Committee assesses the relevance and consistency of accounting rules drawn up by the Council of Regency, examines proposed changes to those rules and expresses an opinion on that subject. It also assesses the accuracy, exhaustiveness and consistency of the financial information and, in particular, examines the annual accounts drawn up by the Board of Directors before they are discussed and approved by the Council of Regency.

The Council of Regency approves the annual accounts, the Directors' Report, the accounting rules and the rules on the Bank's internal organisation. It consults the Audit Committee before approving the annual accounts, and may ask the Audit Committee to examine specific questions on that subject and report back to it.

In accordance with the Protocol on the Statutes of the ESCB and of the ECB annexed to the Treaty on the Functioning of the European Union, the annual

accounts are audited and certified by an independent auditor. The latter reports to the Audit Committee on important questions which arise in carrying out his/her statutory auditing task, particularly on significant weaknesses in the internal control regarding the financial reporting process. Each year, the auditor gives the Audit Committee written confirmation of his/her independence from the Bank, and examines with the Audit Committee the potential risks to that independence and the safeguard measures taken to attenuate those risks.

3.1.9.3 Shareholdership

The Bank's share capital of € 10 million is represented by 400 000 shares, of which 200 000, or 50 % of the voting rights, belong to the Belgian State. The other 200 000 shares are held by the public and listed on Euronext Brussels. Except for the shares owned by the State, the Bank does not know of any shareholdings carrying 5 % or more of the voting rights.

There is no current or planned programme for issuing or redeeming shares. There are no securities conferring special control rights. There are no legal or statutory restrictions on the exercise of voting rights. However, the Bank's shareholders must take account of the fact that the powers of the Bank's General Meeting of Shareholders are limited. The General Meeting in fact only has power to elect the Regents (from a dual list of candidates), to appoint the auditor, to take note of the annual accounts and the Directors' Report, and to amend the Statutes on the proposal of the Council of Regency in cases where the latter does not itself have power to do so.

The Council of Regency amends the Statutes in order to bring them into line with the Organic Law and the international obligations which are binding on Belgium. Other amendments to the Statutes are made by the General Meeting of Shareholders on the proposal of the Council of Regency. The General Meeting has to be convened for that purpose and can only pass valid resolutions if the proposed amendments are mentioned in the convening notice and if the shareholders present or represented hold at least half of the share capital. If that proportion of the capital is not represented at a first meeting, a new meeting must be convened which can pass valid resolutions whatever the proportion of the capital held by the shareholders present or represented. Amendments to

the Statutes must be approved by a three-quarters majority of the votes attached to all the shares present or represented at the General Meeting. They must also be approved by Royal Decree.

The dividend paid to shareholders is fixed by the Council of Regency. For more details, see the Bank's reserve and dividend policy (see point 3.2.7.3). The dividend is payable on the fourth working day following the General Meeting.

3.1.9.4 Composition and functioning of the organs and other actors

GOVERNOR

The Governor is appointed by the King for a renewable term of five years. He may be removed from office by the King only if he has been guilty of serious misconduct or if he no longer fulfils the conditions required for the performance of his duties. An appeal may be lodged with the Court of Justice of the European Union against such a decision.

Mr Pierre Wunsch was appointed Governor with effect from 2 January 2019.

BOARD OF DIRECTORS

The Directors are appointed by the King on the proposal of the Council of Regency for a renewable term of six years. They may be removed from office by the King only if they have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties.

Director Vincent Magnée's term of office was renewed with effect from 1 June 2020 by the Royal Decree dated 27 March 2020 and that of Director Tom Dechaene was renewed with effect from 24 December 2020 by the Royal Decree dated 22 December 2020.

Composition of the Board of Directors as at 31 December 2020:

Member	Function
Pierre Wunsch	Governor
Jean Hilgers	Director
Vincent Magnée	Director
Tom Dechaene	Director
Tim Hermans	Director
Steven Vanackere	Director

The function of Treasurer is performed by Director Jean Hilgers and that of Secretary by Director Tim Hermans.

The curriculum vitae of each of the Directors is available on the Bank's website.

The Board of Directors met 48 times in 2020 for central banking matters, 47 times for prudential supervision and 11 times to discuss macroprudential policy matters.

COUNCIL OF REGENCY

Pursuant to Article 20 of the Organic Law as amended by the Law of 2 May 2019 on miscellaneous financial provisions, the Council of Regency is composed of the Governor, the Directors, and fourteen Regents. The Regents are elected by the General Meeting for a renewable term of three years. Two Regents are chosen on the proposal of the most representative labour organisations, three on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders, and nine on the proposal of the Minister of Finance. The terms of office of the Regents end after the Ordinary General Meeting. They leave office each year in groups, one of four members and the other two of five members. The Regent elected to replace a member who has died or resigned completes the term of office of the one whom he replaces. The representative of the Minister of Finance attends, *ex officio*, the meetings of the Council of Regency.

At the General Meeting on 18 May 2020, the term of office as Regent of Mr Yves Prete came to an end and the terms of office as Regents of Messrs Eric Mathay and Danny Van Assche were renewed. Mesdames

Claire Tillekaerts, Mia De Schamphelaere, Géraldine Van der Stichele, Véronique Thirion, Estelle Cantillon and Marjan Maes and Messrs Robert Vertenueil and Christophe Soil were elected as Regents. By Royal Decree dated 20 May 2020, Mrs Claire Tillekaerts was appointed as chairperson of the Council of Regency.

Owing to incompatibility with the duties of a member of the advisory team ["cabinet"] of a federal government official, the term of office as Regent of Messrs Christophe Soil, Robert Vertenueil and Pieter Verhelst ended on 7 October 2020, 12 October 2020 and 1 December 2020 respectively.

Regents as at 31 December 2020:

Mrs Claire Tillekaerts¹, Chair of the Council of Regency
Mr Marc Leemans²
Mr Pieter Timmermans³
Mr Eric Mathay¹
Mr Danny Van Assche³
Mrs Fabienne Bister¹
Mrs Mia De Schamphelaere¹
Mrs Géraldine Van der Stichele¹
Mrs Véronique Thirion¹
Mrs Estelle Cantillon¹
Mrs Marjan Maes¹

The Council of Regency met 16 times in 2020. These meetings focused in particular on the approval of the 2019 annual accounts and Annual Report, including the remuneration report, and on the settlement of the year's profit distribution. The Council of Regency approved the Bank's 2021 budget, and, after examination by the Audit Committee, laid down the accounting rules for the financial year 2020. It took note of the report on the activities of the Audit Committee. Finally, it exchanged views on general questions relating to the Bank and to the Belgian, European and global economy.

¹ Regent elected on the proposal of the Minister of Finance.

² Regent elected on the proposal of the most representative labour organisations.

³ Regent elected on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders.

AUDIT COMMITTEE

The Audit Committee advises the Council of Regency on the monitoring of the financial reporting process and advises the Board of Directors on supervision of the effectiveness of the internal audit process, internal control and risk management.

The Audit Committee is composed of three Regents appointed by the Council of Regency. The representative of the Minister of Finance attends, *ex officio*, the meetings of the Audit Committee.

Composition of the Audit Committee as at 31 December 2020:

Chair: Mrs Mia De Schamphelaere, Regent
Mr Eric Mathay, Regent
Mrs Estelle Cantillon, Regent

The Audit Committee met five times in 2020. At these meetings, the Audit Committee examined the annual accounts and the Annual Report for the year 2019. In addition, the Audit Committee took note of the work programme and the work of the Internal Audit Service, and checked the auditor's independence. The Audit Committee also supervised the preparation of the Bank's 2021 budget and handed down a positive opinion on the accounting rules for the financial year 2020.

REMUNERATION AND APPOINTMENTS COMMITTEE

The Remuneration and Appointments Committee advises the Council of Regency on the remuneration of the members of the Board of Directors and the Regents. It also expresses opinions for the attention of the organs and entities competent to propose candidates for vacancies on the Board of Directors and the Council of Regency, in order to enable those bodies and entities to respect all the legal, statutory and ethical rules applicable and to ensure that the composition of the Bank's organs is balanced.

The Remuneration and Appointments Committee comprises three Regents appointed by the Council of Regency. The representative of the Minister of Finance attends *ex officio* the meetings of the Remuneration

and Appointments Committee, and the Governor attends as an adviser.

Composition of the Remuneration and Appointments Committee as at 31 December 2020:

Chair: Mrs Claire Tillekaerts, Regent
Mr Pieter Timmermans, Regent
Mrs Géraldine Van der Stichele, Regent
Mr Pierre Wunsch, Governor, in an advisory capacity

The Remuneration and Appointments Committee met twice in 2020. Its meetings are confidential. However, in order to demonstrate proper transparency in relation to the public, the activities and decisions of the Remuneration and Appointments Committee concerning remuneration policy and remuneration are spelt out in the remuneration report (see point 3.1.10).

REPRESENTATIVE OF THE MINISTER OF FINANCE

Pursuant to Article 22 of the Organic Law, the Representative of the Minister of Finance attends, *ex officio*, the meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee. Since 1 October 2012, Mr Hans D'Hondt has acted as Representative of the Minister of Finance.

GENERAL MEETING OF SHAREHOLDERS

In view of the COVID-19 pandemic, the Ordinary General Meeting on 18 May 2020 was held in accordance with the government's measures and recommendations and the provisions of Royal Decree n°4 of 9 April 2020 containing miscellaneous provisions concerning co-ownership and the law on companies and associations in the context of combating the COVID-19 pandemic. The shareholders were able to exercise their attendance and voting rights by giving Governor Pierre Wunsch a proxy accompanied by voting instructions. They were able to exercise their right to ask questions by means of written questions. The answers to those questions and the minutes of the meeting were published on the Bank's website.

AUDITOR

The firm Mazars Réviseurs d'entreprises, represented by Mr Dirk Stragier, acts as the Bank's auditor. The General Meeting on 18 May 2020 reappointed Mazars Réviseurs d'entreprises, represented by Mr Dirk Stragier, as the auditor for a three-year term.

3.1.9.5 Diversity policy

The Bank aims at diversity in all its forms. It attaches importance to a balanced composition of its organs and its staff.

In particular, the Remuneration and Appointments Committee which is responsible for giving opinions on appointments takes the question of diversity into account in its discussions.

Nevertheless, the Bank is bound by the specific provisions of its Organic Law and its Statutes. It is the King who appoints the Governor. The other members of the Board of Directors are also appointed by the King, on the proposal of the Council of Regency. The Regents are appointed on the proposal of the Minister of Finance and civil society. In view of the arrangements for appointing the members of its organs, it is therefore not the Bank alone that establishes and implements the diversity policy.

In 2020, a Law came into force¹ aimed at improving the gender balance in the Bank's administrative bodies. Under that Law, at least one third of the members of the Council of Regency must be of the opposite sex from the other members. In addition, if the Governor is Dutch-speaking, the Regent appointed by the King to chair the Council of Regency must be French-speaking and vice versa, and must be of the opposite sex from the Governor.

On the basis of that Law, the General Meeting of Shareholders on 18 May 2020 changed the composition of the Council of Regency. Six new female Regents were appointed, so that there are now seven women on the Council of Regency. This therefore satisfies the obligation whereby at least one third of the Council of Regency members must be of the opposite

sex from the other members. Mrs Claire Tillekaerts was appointed as Chair of the Council of Regency.

3.1.10 Remuneration report

3.1.10.1 Competence and decision-making

The Council of Regency is authorised to define the remuneration policy and the remuneration of the members of the Board of Directors and the Council of Regency. Members of the Board of Directors do not take part in the discussions and voting relating to their own remuneration in the Council of Regency.

The Remuneration and Appointments Committee assists the Council of Regency in the exercise of this power. The role, composition and functioning of that Committee are detailed in the Remuneration and Appointments Committee Regulation, which is available on the Bank's website.

The remuneration policy and the remuneration granted are discussed below.

3.1.10.2 Remuneration policy

Governor, Vice-Governor and Directors

The purpose of the remuneration policy is to safeguard the Bank's strategy and long-term interests by offering a remuneration package capable of attracting, retaining and motivating experienced directors.

The level of the salaries of the Governor, Vice-Governor and Directors was fixed in 1949 by the former General Council. That was also the period when the ratio between those salaries and the staff salaries was defined.

In 2014, in view of the debate on salaries in the public sector, the Council decided to reduce the salaries of the Governor, Vice-Governor and Directors by more than 12 % across the board. Despite this straight-line reduction, comparison of the level of the Governor's salary showed that it was still high in international terms and that the pay differential between the Governor and the Directors was relatively large. In November 2020 the Council of Regency therefore decided, on the initiative of the Board of

¹ Law of 2 May 2019 on miscellaneous financial provisions. Moniteur belge, 21 May 2019.

Directors and the positive recommendation of the Remuneration and Appointments Committee, to reduce the Governor's gross basic remuneration by a further 10 % with effect from 2021. The gross basic remuneration for the post of Vice-Governor was cut by 5 %.

The salaries of members of the Board of Directors are index-linked in line with the health index.

Since the Bank, in its capacity as a central bank, is unlike other listed companies in that maximising profits is not its primary objective, the remuneration policy does not include any financial performance criteria. By the same token, the Organic Law stipulates that the remuneration of the Governor, the Vice-Governor and the Directors must not include a share in the profits. Consequently, their remuneration consists solely of a fixed component, with no variable element. No bonuses are paid. It does not include any bonuses, shares, share options, or other rights to acquire shares.

The Governor, Vice-Governor and Directors hand over to the Bank the remuneration that they receive in respect of any external posts held in connection with their position at the Bank. As the sole exception to this principle, the Governor may keep the fee that he receives as a director of the Bank for International Settlements. Conversely, the statutory provision whereby the Bank pays the cost of accommodation and furnishings for the Governor is not applied.

The Governor, Vice-Governor and Directors are not paid for their duties on the Council of Regency.

The Governor, Vice-Governor and Directors are prohibited from holding shares issued by the Bank, by enterprises subject to the Bank's supervision, by Belgian enterprises subject to the supervision of the European Central Bank, or by foreign enterprises established in Belgium and subject to the supervision of the European Central Bank, or shares in other companies belonging to groups comprising enterprises subject to the supervision of the Bank or the European Central Bank as mentioned above, except for shares which they already held when taking office. They may trade such securities only with the prior authorisation of the Board of Directors. When determining whether to grant or refuse that authorisation, the Board of Directors takes account of a range of factors, such as the state of the market and the issuer

of the securities in question, the size of the transaction, its justification and its urgency, the existence of unpublished information concerning the market or the issuer of the securities in question, and any risks to the Bank's reputation if the transaction takes place. The Board of Directors produces an annual report for the attention of the Council of Regency, describing in general terms the authorisations which it has granted or refused. If members of the Board of Directors trade the Bank's shares, they are required to notify the Financial Services and Markets Authority (FSMA).

There is a pension plan for members of the Board of Directors, offering them a supplementary pension in addition to the statutory pension. The supplementary pension plan is a "defined benefits" plan. The pension of the members of the Board of Directors is subject to the Law of 5 August 1978 on economic and fiscal reforms (the Wyninckx Law).

Members of the Board of Directors have a fixed-term mandate. The Governor is appointed for a five-year term while the Directors are appointed for a six-year term. They may be removed from office by the King only if they have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties. Pursuant to Article 26 of the Organic Law, the Governor, Vice-Governor and Directors may not perform any duties, function or mandate in institutions subject to the Bank's supervision until one year after leaving office. On the recommendation of the Remuneration and Appointments Committee, the Council of Regency therefore decided that, as a general principle, a payment equivalent to twelve months' salary can be made to members of the Board of Directors whose term of office is not renewed, so long as they do not take up any new professional activities and have not attained the age of 67 years. The Council of Regency will always ensure that these conditions are fulfilled on a case-by-case basis.

Regents

The Regents receive attendance fees. The amount of the attendance fees comprises only a fixed component, with no variable element, and is granted for each meeting actually attended by members of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee. If a meeting is organised via the written procedure or by

a voice telecommunication system, the attendance fees are paid to the Regents who actually attend the meeting.

The amount of the attendance fees is index-linked annually in line with the health index.

Regents whose place of work is located outside the Brussels conurbation receive a travel allowance. The method of calculating that allowance is aligned with the rules of tax law (fixed allowance per kilometre). The travel allowance is granted for each journey actually made to the Bank's head office.

3.1.10.3 Remuneration and other benefits granted

Governor and Directors

In the following paragraphs, the total amount received by the Governor and Directors by way of remuneration during the last financial year is broken down by components.

Last year, the gross salaries amounted to € 511 391 for the post of Governor and € 352 683 for the post of Director.

The ratio between the lowest remuneration for staff and a Director's salary is 1 to 8.9. The ratio between the lowest remuneration for staff and the Governor's salary is 1 to 12.9. The salaries of the Governor and Directors are linked to the movement in the health index. Staff remuneration is linked to the health index and to the pay scale system. Consequently, over the past five financial years the annual increase in the average remuneration has been slightly higher for the staff than for members of the Board of Directors.

As stated above, in November 2020, in view of the relatively large pay differential between the Governor and the staff, the Council of Regency decided to reduce the Governor's gross salary by 10 % with effect from 2021. That decision was taken on the initiative of the Board of Directors and the positive recommendation of the Remuneration and Appointments Committee.

The group insurance policy for the pension plan of members of the Board of Directors comprises a retirement pension element and cover in the event of

death. The table below shows the insurance premiums paid during the last financial year for each member of the Board of Directors. The variations in the premiums depend on a number of factors, including basic remuneration, the reserves already built up and the period remaining until retirement age.

(in €)

Member	Group insurance premium
Pierre Wunsch	99 638
Jean Hilgers	79 819
Vincent Magnée	42 072
Tom Dechaene	110 628
Tim Hermans	31 139
Steven Vanackere	94 291

Members of the Board of Directors have a guaranteed income policy covering incapacity for work (for which the premiums paid last year came to € 41 723) and a policy covering occupational and non-occupational accidents (for which the premiums paid last year came to € 3 725). In addition, group health insurance and group directors' liability insurance are also concluded for the Board of Directors. Finally, members of the Board of Directors are provided with a company car. Last year the value of this benefit in kind came to € 3 004 for the Governor and € 19 199 for the other directors jointly.

In accordance with the principles of the Organic Law and the remuneration policy determined by the Council of Regency, no variable remuneration was paid to the Governor and other members of the Board of Directors last year, nor were they granted any shares, share options or other rights to acquire shares. Finally, no severance pay was granted last year.

The remuneration paid last year conformed to the decisions of the General Council and the Council of Regency mentioned in point 3.1.10.2. As explained there, the remuneration policy does not comprise any financial performance criterion.

Regents

Last year the attendance fees paid for attending meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee stood at € 549 gross per meeting attended. That

amount has remained unchanged for the past five years, but it is index-linked so that the figures are as follows: € 517 in 2016, € 523 in 2017, € 533 in 2018, € 545 in 2019 and € 549 in 2020.

In 2020, the following fees were paid for attending the meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee (names in alphabetical order):

In 2020, two meetings of the Board of Censors were held before that organ was abolished with effect from 18 May 2020. The following attendance fees were paid for attending those meetings (names in alphabetical order): Mario Coppens (€ 1 098 for

2 meetings), Mia De Schamphelaere (€ 1 098 for 2 meetings), Jean Eylenbosch (€ 1 098 for 2 meetings)¹, Jean-François Hoffelt (€ 1 098 for 2 meetings), Grégoire Koutentakis (€ 0 for 0 meetings), Dimitri Lhoste (€ 1 098 for 2 meetings), Herman Matthijs (€ 1 098 for 2 meetings), Lionel Rouget (€ 1 098 for 2 meetings), Claire Tillekaerts (€ 1 098 for 2 meetings)², Eddy Vermoesen (€ 1 098 for 2 meetings).

1 Jean Eylenbosch also received a fee for attending one meeting of the Remuneration and Appointments Committee.

2 Claire Tillekaerts also received a fee for attending one meeting of the Remuneration and Appointments Committee.

(number of meetings, unless otherwise stated)

Member	Council of Regency	Audit Committee	Remuneration and Appointments Committee	Total number of meetings	Total remuneration (in €)
Fabienne Bister	15	–	–	15	8 235
Estelle Cantillon ¹	11	2	–	13	7 137
Mia De Schamphelaere ²	11	3	–	14	7 686
Marc Leemans	13	–	–	13	7 137
Marjan Maes ³	10	–	–	10	5 490
Eric Mathay	16	3	–	19	10 431
Yves Prete ⁴	5	–	1 ⁵	6	2 745
Christophe Soil ⁶	7	1	–	8	4 392
Véronique Thirion ⁷	9	–	–	9	0
Claire Tillekaerts ⁸	11	–	1	12	6 588
Pieter Timmermans	16	–	2 ⁹	18	9 333
Danny Van Assche	13	–	–	13	7 137
Géraldine Van der Stichele ¹⁰	10	–	1	11	6 039
Pieter Verhelst ¹¹	13	–	–	13	7 137
Robert Vertenueil ¹²	5	–	–	5	2 745

1 Member of the Council of Regency from 18 May 2020.

2 Member of the Council of Regency from 18 May 2020.

3 Member of the Council of Regency from 18 May 2020.

4 Member of the Council of Regency from 18 May 2020.

5 No attendance fees were paid for this meeting because it followed a meeting of the Council of Regency held on the same day.

6 Member of the Council of Regency from 18 May 2020 to 7 October 2020.

7 Member of the Council of Regency from 18 May 2020. Véronique Thirion is the Auditor General of the Belgian Competition Authority. To avoid any apparent conflict of interests, she waives her attendance fees.

8 Member of the Council of Regency from 18 May 2020.

9 No attendance fees were paid for one meeting because it followed a meeting of the Council of Regency held on the same day.

10 Member of the Council of Regency from 18 May 2020.

11 Member of the Council of Regency until 1 December 2020.

12 Member of the Council of Regency from 18 May 2020 to 12 October 2020.

3.1.11 Non-financial declaration

In its capacity as the country's central bank, the National Bank has been assigned tasks in the general interest (see also point 3.1.9.1). The Bank's main activities are not of a commercial or industrial nature.

In view of the nature of its activities, its location and the procedures that it applies, the Bank is only very marginally exposed to risks relating to environmental issues, human rights and the fight against corruption. Nevertheless, as an important player in the economic world and in regard to society, the Bank ensures respect for non-financial values.

As far as sustainability is concerned, the Bank has been awarded the Ecodynamic Enterprise label by the Brussels Institute for Environmental Management (IBGE), with three stars, the highest award possible.

On the social front, the Bank strives to guarantee its staff a high-quality working environment. It also closely monitors its staff's security, which has been tightened up as a result of the terrorist threat. The

Bank has put in place a series of measures designed to make it easier to reconcile personal and professional life. It pays particular attention to skills development and career progression. All its buildings are accessible to people with reduced mobility.

The Bank has adopted a code of ethics in order to ensure ethical behaviour by its management and its staff. Moreover, the Bank is subject to the anti-money laundering and terrorist financing legislation and takes all necessary measures to implement it. The Bank remains in regular contact with the CTIF/CFI (Financial Intelligence Processing Unit). The Bank is also subject to public procurement legislation and has to respect strict procedures for all orders for work, supplies or services. This legislation notably includes rules designed to avoid any conflict of interest. Under its purchasing policy, which refers to this regulatory framework, the Bank takes account of social and environmental criteria.

In regard to risk management, the Bank applies the three lines of defence system (see point 3.1.2 for a description of the system and point 3.1.2.2 regarding non-financial risks).

Council of Regency



Claire Tillekaerts
Chair of the Council of
Regency



Marc Leemans
Regent



**Pieter
Timmermans**
Regent



Eric Mathay
Regent



Danny Van Assche
Regent



Fabienne Bister
Regent



**Mia
De Schampelaere**
Regent



**Géraldine
Van der Stichele**
Regent



Véronique Thirion
Regent



Estelle Cantillon
Regent



Marjan Maes
Regent



Pierre Wunsch
Governor



Jean Hilgers
Director
Treasurer



Vincent Magnée
Director



Tom Dechaene
Director



Tim Hermans
Director
Secretary



Steven Vanackere
Director



Hans D'Hondt
Representative of the
Minister of Finance

3.2 Annual accounts

3.2.1 Balance Sheet

(before profit distribution)

Assets

(end-of-period data, in € thousand)

	See note below	2020	2019
1. Gold and gold receivables	1	11 287 575	9 900 064
2. Claims on non-euro area residents denominated in foreign currency	2	15 822 963	15 872 290
2.1 Receivables from the IMF		6 950 671	6 595 494
2.2 Balances with banks and security investments, external loans and other external assets		8 872 292	9 276 796
3. Claims on euro area residents denominated in foreign currency	3	400 034	474 210
4. Claims on non-euro area residents denominated in euro	4	138 376	169 538
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	5	81 017 880	19 279 480
5.1 Main refinancing operations		–	423 000
5.2 Longer-term refinancing operations		81 017 880	18 856 480
5.3 Fine-tuning reverse operations		–	–
5.4 Structural reverse operations		–	–
5.5 Marginal lending facility		–	–
5.6 Credits related to margin calls		–	–
6. Other claims on euro area credit institutions denominated in euro	6	909 600	65 646
7. Securities of euro area residents denominated in euro	7	171 031 799	119 704 133
7.1 Securities held for monetary policy purposes		167 023 248	113 918 412
7.2 Other securities		4 008 551	5 785 721
8. Intra-Eurosystem claims	8	9 121 199	7 939 450
8.1 Participating interest in ECB capital		336 097	328 735
8.2 Claims equivalent to the transfer of foreign currency reserves		1 469 828	1 465 002
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem		7 315 274	6 145 713
8.4 Other claims within the Eurosystem (net)		–	–
9. Other assets	9	8 864 955	8 384 276
9.1 Coins of euro area		8 009	8 453
9.2 Tangible and intangible fixed assets		412 926	436 525
9.3 Other financial assets		6 988 312	6 507 559
9.4 Off-balance-sheet instruments revaluation differences		90 592	57 050
9.5 Accruals and prepaid expenditure		1 360 459	1 358 129
9.6 Sundry		4 657	16 560
Total assets		298 594 381	181 789 087

Liabilities

(end-of-period data, in € thousand)

	See note below	2020	2019
1. Banknotes in circulation	10	48 084 842	43 190 510
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	11	145 672 939	45 443 128
2.1 Current accounts (covering the minimum reserve system)		97 076 814	36 466 154
2.2 Deposit facility		48 596 125	8 976 974
2.3 Fixed-term deposits		–	–
2.4 Fine-tuning reverse operations		–	–
2.5 Deposits related to margin calls		–	–
3. Other liabilities to euro area credit institutions denominated in euro	12	1 479 685	301 391
4. Liabilities to other euro area residents denominated in euro	13	1 914 597	612 745
4.1 General government		1 304 531	80 616
4.2 Other liabilities		610 066	532 129
5. Liabilities to non-euro area residents denominated in euro	14	6 864 942	857 264
6. Liabilities to euro area residents denominated in foreign currency	15	2 320 512	3 350 988
7. Liabilities to non-euro area residents denominated in foreign currency	16	1 346 671	654 709
8. Counterpart of special drawing rights allocated by the IMF	17	5 095 493	5 334 574
9. Intra-Eurosystem liabilities	18	66 198 276	63 974 101
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates		–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem		–	–
9.3 Other liabilities within the Eurosystem (net)		66 198 276	63 974 101
10. Other liabilities	19	665 831	660 484
10.1 Off-balance-sheet instruments revaluation differences		–	–
10.2 Accruals and income collected in advance		15 396	41 546
10.3 Sundry		650 435	618 938
11. Provisions	20	–	3 146
11.1 For future exchange losses		–	–
11.2 For new premises		–	–
11.3 For contingencies		–	–
11.4 In respect of monetary policy operations		–	3 146
12. Revaluation accounts	21	11 381 836	10 068 000
13. Capital, reserve fund and available reserve	22	6 907 813	6 512 795
13.1 Capital		10 000	10 000
13.2 Reserve fund:			
Statutory reserve		1 168 694	1 168 694
Extraordinary reserve		1 153 603	1 153 603
Amortisation accounts in respect of tangible and intangible fixed assets		328 680	346 288
13.3 Available reserve		4 246 836	3 834 210
14. Profit for the year	23	660 944	825 252
Total liabilities		298 594 381	181 789 087

3.2.2 Profit and loss account

(end-of-period data, in € thousand)

	See note below	2020	2019
1. Net interest income	24	1 174 757	1 427 590
1.1 Interest income ¹		1 714 322	1 700 539
1.2 Interest expense ^{1,2}		-539 565	-272 949
2. Net result of financial operations, write-downs and provisions	25	103 866	87 790
2.1 Realised gains/losses arising from financial operations ^{1,2}		111 813	91 854
2.2 Write-downs on financial assets and positions ²		-7 947	-4 064
2.3 Transfer to/from provisions		-	-
3. Net income/expense from fees and commissions	26	2 446	-661
3.1 Fees and commissions income		10 713	7 217
3.2 Fees and commissions expense		-8 267	-7 878
4. Income from equity shares and participating interests¹	27	79 958	80 530
5. Net result of pooling of monetary income	28	-325 693	-313 502
6. Other income¹	29	171 805	169 788
7. Staff costs	30	-300 155	-311 572
8. Administrative expenses¹	31	-90 194	-101 332
9. Depreciation of tangible and intangible fixed assets	32	-18 004	-18 755
10. Banknote production services	33	-13 563	n.
11. Other expenses	34	-	-3
12. Corporate tax	35	-124 279	-194 621
Profit for the year		660 944	825 252

1	Of which proceeds from statutory investments and similar:		
1.1	Interest income	111 362	122 991
1.2	Interest expense	-	-
2.1	Realised gains/losses arising from financial operations	-	-63
4.	Income from equity shares and participating interests	-	15 052
6.	Other income: Proceeds from sale of real estate	-	-
8.	Administrative expenses: Costs related to the sale of real estate	-	-
Total		111 362	137 980

2	Of which due to (-) / by (+) the State:		
1.2	Interest expense	-30 809	-32 991
2.1	Realised gains/losses arising from financial operations	14 922	21 351
2.2	Write-downs on financial assets and positions	-	-
Total		-15 887	-11 640

3.2.3 Profit distribution

(in € thousand)

	See note below	2020	2019
Profit for the year	36	660 944	825 252
The annual profits shall be distributed as follows, in accordance with Article 32 of the Organic Law:			
1. A first dividend of 6 % of the capital shall be allocated to the shareholders		600	600
2. From the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, shall be allocated to the reserve fund or to the available reserve		330 472	412 626
3. From the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and available reserve shall be allocated to the shareholders		41 708	48 428
4. The balance shall be allocated to the State; it shall be exempted from corporate tax		288 164	363 598

3.2.4 Dividend per share

(in €)

	2020	2019
Gross dividend	105.77	122.57
Withholding tax	31.73	36.77
Net dividend	74.04	85.80

The dividend is payable the fourth bank working day following the General Meeting.

3.2.5 Off-Balance-Sheet Items

(end-of-period data, in € thousand)

	See note below	2020	2019
Forward transactions in foreign currencies and in euro	37		
Forward claims		6 225 103	5 763 549
Forward liabilities		6 144 334	5 725 449
Forward transactions on interest rate and fixed-income securities	38	1 571 999	319 388
Liabilities which could lead to a credit risk	39		
Commitments towards international institutions		15 935 247	16 214 199
Commitments towards other institutions		1 443 539	2 917 467
Valuables and claims entrusted to the institution	40		
For encashment		–	–
Assets managed on behalf of the Treasury		174 183	184 830
Assets managed on behalf of the ECB		1 781 402	1 927 284
Custody deposits		914 609 774	771 295 183
Capital to be paid up on participations	41	265 884	231 819

3.2.6 Social Balance Sheet

1. Statement of persons employed

A. Workers for whom the enterprise has submitted a DIMONA declaration or who are recorded in the general staff register

	Total	Men	Women
1. During the financial year			
a. Average number of employees			
Full-time	1 789.70	1 238.40	551.30
Part-time	454.40	126.80	327.60
Total in full-time equivalents (FTE)	2 114.96	1 332.20	782.76
b. Number of hours actually worked			
Full-time	2 435 766.30	1 705 456.40	730 309.90
Part-time	416 459.90	123 469.30	292 990.60
Total	2 852 226.20	1 828 925.70	1 023 300.50
c. Staff costs (in €)			
Full-time	244 978 161.20	178 971 889.05	66 006 272.15
Part-time	36 396 193.46	10 734 899.38	25 661 294.08
Total	281 374 354.66	189 706 788.43	91 667 566.23
d. Amount of benefits additional to wages	3 129 089.50	2 109 632.14	1 019 457.36
2. During the previous financial year			
Average number of workers in FTEs	2 164.73	1 380.50	784.23
Number of hours actually worked	2 879 310.65	1 875 444.20	1 003 866.45
Staff costs (in €)	294 095 847.00	200 867 463.50	93 228 383.50
Amount of benefits additional to wages (in €)	3 129 959.63	2 137 762.43	992 197.20
	Full-time	Part-time	Total in full-time equivalents
3. On the balance sheet date			
a. Number of workers	1 778	426	2 085.86
b. By type of employment contract			
Permanent contract	1 702	422	2 007.26
Fixed-term contract	76	4	78.60
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By gender and level of education			
Men	1 220	115	1 305.60
Elementary	83	18	95.70
Secondary	293	45	326.60
Higher non-university	318	29	340.80
University	526	23	542.50
Women	558	311	780.26
Elementary	52	53	89.46
Secondary	122	128	211.20
Higher non-university	151	79	209.00
University	233	51	270.60
d. By occupational category			
Management staff	20	0	20.00
Clerical workers	1 758	426	2 065.86
Manual workers	–	–	–
Other	–	–	–

B. Agency staff and persons on secondment

	Agency staff	Persons on secondment
During the financial year		
Average number of persons employed	0.25	–
Number of hours actually worked	392.38	–
Costs to the enterprise (in €)	30 965.00	–

2. Table of staff movements during the year

A. Recruitment

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers for whom the enterprise submitted a DIMONA declaration or who were entered in the general staff register during the year	114	5	117.70
b. By type of employment contract			
Permanent contract	69	3	71.40
Fixed-term contract	45	2	46.30
Contract for a specific project	–	–	–
Substitution contract	–	–	–

B. Departures

	Full-time	Part-time	Total in full-time equivalents
a. Number of workers whose contract expiry date was recorded in a DIMONA declaration or in the general staff register during the year	159	59	200.70
b. By type of employment contract			
Permanent contract	82	57	122.60
Fixed-term contract	77	2	78.10
Contract for a specific project	–	–	–
Substitution contract	–	–	–
c. By reason for termination of contract			
Retirement	67	54	106.10
Unemployment with company supplement	–	–	–
Redundancy	9	0	9.00
Other reason	83	5	85.60
of which: number of persons continuing to provide services for the enterprise at least half time as self-employed workers	–	–	–

3. Information on training for workers during the year

	Men	Women
1. Formal further vocational training at the employer's expense		
Number of workers concerned	1 016	617
Number of hours of training completed	17 904	14 496
Net cost to the enterprise (in €)	3 568 906	2 889 590
of which:		
Gross cost directly relating to training	3 568 906	2 889 590
Contributions and payments to communal funds	–	–
Subsidies and other financial benefits received (to be deducted)	–	–
2. Semi-formal or informal further vocational training at the employer's expense		
Number of workers concerned	1 195	713
Number of hours of training completed	24 217	13 366
Net cost to the enterprise (in €)	2 388 965	1 318 543
3. Basic vocational training at the employer's expense		
Number of workers concerned	–	–
Number of hours of training completed	–	–
Net cost to the enterprise	–	–

3.2.7 Notes to the annual accounts

3.2.7.1 Legal framework

The annual accounts are drawn up in accordance with Article 33 of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium, which provides that:

"The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

1° in accordance with this Law and the mandatory rules drawn up pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;

2° and otherwise in accordance with the rules laid down by the Council of Regency.

Articles 2 to 4, 6 to 9 and 16 of the Law of 17 July 1975 on business accounting and their implementing decrees shall apply to the Bank, with the exception of the decrees implementing Articles 4 (6) and 9, § 2."

In accordance with Articles 11 and 12 of the Law of 17 July 2013 inserting Book III "Freedom of establishment, freedom to provide services, and general obligations of undertakings" in the Code of Economic Law and inserting the definitions specific to Book III and the law enforcement provisions specific to Book III in Books I and XV of the Code of Economic Law, that provision should read as follows: *"Articles III.82 to III.84, III.86 to III.89 and XV.75 of the Code of Economic Law and their implementing decrees shall apply to the Bank with the exception of the decrees implementing Articles III.84, seventh paragraph, and III.89, § 2."*

The mandatory rules referred to in Article 33(1) are defined in the Guideline of the ECB of 3 November 2016 on the legal framework for accounting and financial reporting in the ESCB (recast) (ECB/2016/34), OJ L347 of 20 December 2016, as amended in the Guideline of 28 November 2019 (ECB/2019/34), OJ L332 of 23 December 2019.

In accordance with Article 20 § 4 of the Organic Law, the Council of Regency approves the expenditure budget and the annual accounts presented by the Board of Directors. It finally determines the

distribution of the profits proposed by the Board of Directors.

The accounts for the financial year under review have been drawn up in accordance with the above-mentioned Article 33, adhering to the format and the accounting rules approved by the Council of Regency on 16 December 2020. The accounting rules were amended in 2020 following modification of the basis for calculating monetary income (see point 3.2.7.2.1.6.4).

The accounts are presented in thousands of euros unless otherwise stated.

3.2.7.2 Accounting principles and valuation rules

I. MANDATORY ACCOUNTING RULES UNDER THE ESCB/ECB STATUTE

The accounts, which are drawn up on a historical cost basis, are adjusted to reflect the valuation at market prices of marketable instruments (other than the statutory portfolio, the held-to-maturity portfolios, and the portfolios held for monetary policy purposes), of gold and of all the elements, both on-balance-sheet and off-balance-sheet, denominated in foreign currencies.

Spot and forward foreign exchange transactions are recorded off-balance-sheet on the contract date and shown on the balance sheet on the settlement date.

1. Assets and liabilities in gold and foreign currencies

The Belgian State's official gold and foreign exchange reserves, which are shown on the balance sheet, are held and managed by the Bank. Assets and liabilities in gold and foreign currencies are converted into euro at the exchange rate on the balance sheet date.

Foreign currencies are revalued on a currency-by-currency basis; the revaluation includes both on-balance-sheet and off-balance-sheet items.

Securities are revalued at market prices separately from the revaluation of foreign currencies at their market exchange rates.

2. Securities

Fixed-income marketable securities, excluding those in the statutory portfolio, those held to maturity (HTM), and those held for monetary policy purposes, are valued at the market price prevailing on the balance sheet date (MTM). Securities are revalued individually.

The held-to-maturity (HTM) portfolios consist exclusively of fixed or determinable income securities and fixed term securities which the Bank has the express intention to hold to maturity. These securities are treated as a separate portfolio and valued at the amortised purchase price.

Securities held for monetary policy purposes are treated as separate portfolios and valued at amortised purchase price, regardless of the holding intention.

Securities valued at amortised purchase price may be subject to impairment.

Marketable investment funds are valued at the market price prevailing on the balance sheet date. These funds are revalued on a net basis and not on the basis of the underlying assets if they fulfil certain criteria¹, without offsetting between the various investment funds.

3. (Reverse) repurchase agreements

A repurchase agreement is a sale of securities in which the transferor expressly undertakes to repurchase them and the transferee expressly agrees to sell them back at an agreed price and on an agreed date.

The transferor records, on the liabilities side of the balance sheet, the amount of the liquidity received as a debt to the transferee, and values the securities transferred in accordance with the accounting rules applicable to the securities portfolio in which they are held.

The transferee, for his part, records on the assets side of his balance sheet a claim on the transferor corresponding to the amount paid out, while the securities

acquired are not recorded in the balance sheet but off-balance-sheet.

The Bank regards the above-mentioned transactions as repurchase agreements or reverse repurchase agreements depending on whether it acts as transferor or transferee of the securities. Repurchase agreements and reverse repurchase agreements denominated in foreign currencies have no effect on the position in the currency in question.

4. Share in the capital of the ECB

Pursuant to Article 28 of the Statute of the ESCB and of the ECB, the national central banks (NCBs) are the sole subscribers to the capital of the ECB. Subscriptions depend on the ECB's capital subscription key which is determined in accordance with Article 29 of the ESCB Statute.

5. Banknotes in circulation

The ECB and the NCBs of the countries which have adopted the euro, and which together comprise the Eurosystem, issue euro banknotes². The total value of the euro banknotes in circulation is allocated on the last working day of each month in accordance with the banknote allocation key.

8 % of the total value of the banknotes in circulation is allocated to the ECB, while the remaining 92 % is allocated to the NCBs according to their weightings in the capital key of the ECB. The share of banknotes allocated to each NCB is disclosed under the balance sheet liability item "Banknotes in circulation".

The difference between the value of the euro banknotes allocated to each NCB in accordance with the banknote allocation key and the value of the euro banknotes that is actually put into circulation by each NCB gives rise to intra-Eurosystem balances. These claims or liabilities, which incur interest, are disclosed under the sub-item "Net claims/liabilities related to the allocation of euro banknotes within the Eurosystem" under item 8.3 of the assets or 9.2 of the liabilities.

¹ These criteria are defined in Article 11a of the ECB Guideline of 3 November 2016, amended by the Guideline of 28 November 2019 (ECB/2019/34), OJ L332 of 23 December 2019.

² Decision of the ECB of 13 December 2010 on the issue of euro banknotes (recast) (ECB/2010/29, OJ L35 of 9 February 2011), as amended by the Decision of 27 November 2014 (ECB/2014/49, OJ L50 of 21 February 2015) and by the Decision of 22 January 2020 (ECB/2020/7, OJ L27 of 1 February 2020).

6. Determination of the result

6.1 The result is determined in accordance with the following rules:

- income and expenses are recognised in the financial year in which they are earned or incurred;
- realised gains and losses are taken to the profit and loss account;
- at the end of the year, positive revaluation differences (on securities and foreign reserves) are not shown in the profit and loss account but are recorded in the revaluation accounts on the liabilities side of the balance sheet;
- negative revaluation differences are first of all deducted from the corresponding revaluation account, any balance then being taken to the profit and loss account;
- losses included in the profit and loss account are not offset during subsequent years by new positive revaluation differences; negative revaluation differences on a security, currency or asset in gold are not netted either against positive revaluation differences on other securities, currencies or assets in gold;
- for gold, no distinction is made between the price and currency revaluation;
- in order to calculate the acquisition cost of securities or currencies that are sold, the average cost method is used on a daily basis; at the end of the year, if any negative revaluation differences are taken to the profit and loss account, the average cost of the asset in question (gold, currency or security) is adjusted downwards to the level of the current exchange rate or market price value.

6.2 Premiums or discounts arising from the difference between the average acquisition cost and the redemption price of securities are presented as part of interest income and amortised over the remaining life of the line of securities in question.

6.3 Interest accrued but not yet paid which influences the foreign exchange positions is recorded daily and converted at the exchange rate prevailing on the date of recording.

6.4 The amount of monetary income of each NCB in the Eurosystem is determined by calculating the effective annual income resulting from the earmarkable assets held in counterpart to the

liabilities items which serve as the basis for calculation. This basis comprises the following items:

- banknotes in circulation;
- liabilities to euro area credit institutions related to monetary policy operations and denominated in euro;
- net intra-Eurosystem liabilities resulting from TARGET2 transactions;
- net intra-Eurosystem liabilities related to the allocation of euro banknotes in the Eurosystem;
- accrued interest arising on monetary policy liabilities with a collection period that equals or exceeds one year.

Any interest on liabilities is included in the basis for calculating the monetary income pooled by each NCB.

The earmarkable assets consist of the following items:

- lending to euro area credit institutions related to monetary policy operations denominated in euro;
- intra-Eurosystem claims in respect of the transfer of foreign reserve assets to the ECB;
- net intra-Eurosystem claims resulting from TARGET2 transactions;
- net intra-Eurosystem claims related to the allocation of euro banknotes in the Eurosystem;
- euro-denominated securities held for monetary policy purposes;
- a limited amount of each NCB's gold holdings, in proportion to each NCB's subscribed capital key. Gold is considered to generate no income;
- accrued interest arising on monetary policy assets with a collection period that equals or exceeds one year;
- accrued interest on impaired securities held for monetary policy purposes;
- claims on non-Eurosystem central banks and relating to liquidity providing operations.

Where the value of an NCB's earmarkable assets exceeds or falls short of the value of its liability base, the difference is remunerated at the latest marginal interest rate applicable to the main refinancing operations of the Eurosystem¹.

¹ Decision of the ECB of 3 November 2016 on the allocation of monetary income of the national central banks of Member States whose currency is the euro (recast) (ECB/2016/36, OJ L347 of 20 December 2016), as amended by the Decision of 12 November 2020 (ECB/2020/55, OJ L390 of 20 November 2020).

6.5 The whole of the income of the ECB arising from the 8 % share in euro banknotes allocated to it and that arising from its purchases of portfolio securities for monetary policy purposes (SMP, CBPP3, ABSPP, PSPP and PEPP) is payable to the NCBs in the financial year in which it is generated. The ECB distributes that income to the NCBs in January of the next financial year.

The whole of that income is distributed unless it exceeds the ECB's net profit.

In addition, the Governing Council may decide, before the end of the financial year, on the principle of transferring all or part of that income to a provision for foreign exchange rate, interest rate, credit and gold price risks¹.

7. Off-balance-sheet instruments

Forward foreign exchange transactions, the forward leg of currency swaps, and any other foreign currency instruments involving the exchange of one currency for another at a future date are included in the net foreign exchange position for the purpose of calculating the average cost price and exchange gains and losses.

In the case of foreign exchange swaps, the forward position is revalued at the same time as the spot position. Since spot and forward amounts in foreign currencies are converted to euro at the same exchange rate, they do not influence the "Revaluation accounts" item on the liabilities side.

Interest-rate swaps and futures are revalued individually and recorded under the off-balance-sheet items. In the case of futures, daily margin calls are recorded in the profit and loss account and influence the foreign exchange position.

Profits and losses arising from off-balance-sheet instruments are recognised and treated in the same manner as those appearing in the balance sheet.

¹ Decision of the ECB of 15 December 2014 on the interim distribution of the income of the ECB (recast) (ECB/2014/57, OJ L53 of 25 February 2015), as amended by the Decision of 2 July 2015 (ECB/2015/25, OJ L193 of 21 July 2015) and by the Decision of 12 November 2020 (ECB/2020/56, OJ L390 of 20 November 2020).

8. Post-balance-sheet events

The assets and liabilities are adjusted to take account of information obtained between the balance sheet date and the date of adoption of the annual accounts by the Bank's Board of Directors if that information has a material effect on the balance sheet asset and liability items at the balance sheet date.

II. RULES PURSUANT TO THE ORGANIC LAW, LAWS, STATUTES AND CONVENTIONS

1. Gold and gold receivables

The capital gains realised by the Bank on arbitrage transactions in gold assets against other external reserve components are recorded in a special unavailable reserve account in accordance with Article 30 of the Organic Law and Article 54 of the Statutes. This account appears under item 10.3 "Sundry" on the liabilities side.

2. IMF operations

Under Article 1 of the agreement of 14 January 1999 between the Belgian State and the Bank determining certain procedures for implementing Article 9 of the Organic Law, the Bank carries the rights that the State holds as a member of the IMF in its accounts as its own assets. Article 9 (2) of the Organic Law goes on to stipulate that the State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank for the purpose of these operations.

3. Loans granted and other operations relating to financial stability

Under Article 9 (2) of the Organic Law, the State guaranteed the Bank the reimbursement of any loan granted in connection with its contribution to the stability of the financial system, and guaranteed the Bank against any loss incurred as a result of any operation required in that regard.

Since, according to the European Commission, such an automatic State guarantee means that emergency liquidity measures must be classed as State aid – which could give rise to constraints on the Bank's

performance of its role as lender of last resort – that provision was cancelled¹. In the event of a sudden crisis on the financial markets or a serious threat of a systemic crisis, the King could still – on the Bank's recommendation – grant the Bank an *ad hoc* guarantee via a Royal Decree deliberated in the Council of Ministers on the basis of Article 36/24, § 1, 2° of the Organic Law.

4. Treasury's current account

Pursuant to an agreement of 13 November 2014 and its amendment of 2 June 2017, the end-of-day credit balance of the Treasury's current account at the closure of TARGET2 bears interest, up to a maximum of € 150 million, at the Euro Overnight Index Average Rate (EONIA).

5. Capital, reserve fund and available reserve

5.1 Capital

Under Article 4 of the Organic Law, the share capital, totalling € 10 million, is represented by 400 000 shares, which do not have any nominal value. The share capital is fully paid-up.

The Belgian State holds 200 000 registered, non-transferable shares, or 50 % of the total voting rights.

5.2 Reserve fund

The reserve fund, provided for in Article 31 of the Organic Law, consists of the statutory reserve, the extraordinary reserve and the amortisation accounts.

It is intended for:

- 1° compensating for the losses in capital stock;
- 2° supplementing any shortfall in the annual profit up to a dividend of 6 % of the capital.

Upon expiry of the Bank's right of issue, the State shall have a priority claim to one-fifth of the reserve fund.

¹ Law of 18 December 2016 on the recognition and definition of crowdfunding, and laying down miscellaneous provisions concerning finance (Article 76), *Moniteur belge / Belgisch Staatsblad* of 20 December 2016.

The remaining four-fifths shall be distributed among all the shareholders².

5.3 Available reserve

The available reserve, provided for in Article 32 of the Organic Law may, by decision of the Council of Regency, be used to compensate for losses or to pay out the dividend.

6. Determination of the result

6.1 Proceeds fully assigned to the State

By virtue of Article 30 of the Organic Law, the net income from the assets which form the counterpart to the capital gains realised by the Bank through arbitrage transactions of gold assets against other external reserve components, entered in a special unavailable reserve account, is assigned to the State. The implementing procedures relating to these provisions are governed by an agreement dated 30 June 2005 between the State and the Bank, published in the *Moniteur belge / Belgisch Staatsblad* of 5 August 2005, and its amendment dated 10 July 2009, published in the *Moniteur belge / Belgisch Staatsblad* of 17 July 2009.

In addition, the Bank pays annually to the Treasury, in accordance with the Law of 2 January 1991 on the market in public debt securities and monetary policy instruments, a sum of € 24.4 million to compensate for the additional expenses resulting for the latter from the conversion, in 1991, of the Treasury's consolidated debt to the Bank into freely negotiable securities.

6.2 Net foreign exchange differences accruing to the State

In accordance with Article 9 of the Organic Law, the international monetary cooperation agreements or

² Pursuant to Article 141, § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services, Article 31 (2) of the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium is interpreted as meaning that the right of issue in question includes that which the Bank may exercise pursuant to Article 106(1) of the Treaty establishing the European Community (Article 128(1) of the Treaty on the Functioning of the European Union).

transactions which the Bank carries out on behalf of the State or with its express approval are guaranteed by the State. Foreign exchange gains and losses realised on these operations accrue to the State.

Pursuant to Article 37 of the Organic Law, capital gains realised on the sale of gold to the Belgian Royal Mint are handed over to the State. Sales of gold to that Institution with a view to issuance by the State of numismatic or commemorative coins may not exceed 2.75 % of the weight of gold shown under the assets of the Bank as at 1 January 1987.

7. Profit distribution

Pursuant to Article 32 of the Organic Law, the profits for the year are distributed as follows:

1. a first dividend of 6 % of the capital is allocated to the shareholders;
2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, is allocated to the reserve fund or to the available reserve;
3. from the second excess, a second dividend established by the Council of Regency is allocated to the shareholders, forming a minimum of 50 % of the net proceeds from the assets which are the counterpart of the reserve fund and the available reserve;
4. the balance is allocated to the State; it is exempt from corporate tax.

III. ACCOUNTING RULES ESTABLISHED BY THE COUNCIL OF REGENCY

1. Participations in the statutory investment portfolio

The participations which the Bank holds in the form of shares representing the capital of various institutions are recorded in the balance sheet at their acquisition price, as recommended by the said ECB Guideline.

2. Fixed-income securities held in the statutory investment portfolio

These securities constitute a separate portfolio; they are valued at their purchase price amortised on the basis of their actuarial yield, as recommended by the said ECB Guideline.

3. Ceiling on the portfolio of statutory investments

The ceiling on the statutory investments is determined annually at the time of the final profit distribution. It is equal to the sum of the following elements:

- the capital;
- the reserve fund (statutory reserve, extraordinary reserve and amortisation accounts);
- the available reserve;
- the additions to the reserves.

The valuation of the statutory investments is based on the principles described in points 1 and 2 above.

4. Transfer of securities between different portfolios

The transfer of securities between portfolios subject to different accounting rules is effected at market price.

5. Tangible and intangible fixed assets

Land, buildings, plant, machinery, computer hardware and software, furniture and vehicles are recorded at their acquisition value.

Buildings under construction are recorded at the cost actually paid.

Tangible and intangible fixed assets with a limited economic life, acquired from the 2009 financial year onwards, including ancillary costs, are written off in accordance with the probable useful economic life accepted under the tax rules.

Useful economic life of the principal items:

■ land	unlimited
■ buildings	34 years
■ renovations	10 years
■ furniture	10 years
■ software	5 years
■ machinery	5 years
■ security work	3 years
■ hardware	3 years
■ improvements to property held for rental	no more than the duration of the tenancy

6. Stocks

Supplies intended for the production of orders for third parties, work in progress and the resulting finished products are valued at the material acquisition cost.

7. Corporate tax

Pursuant to Article 32 of the Organic Law, the balance of the profits for the financial year assigned to the State after profit distribution and allocations to the reserves is exempt from corporate tax. For the purpose of calculating the average tax rate, in other words the ratio between the tax due and the pre-tax profit, the share of the profits accruing to the State is deducted from the result for the financial year.

The calculation of the average tax rate takes account of tax settlements for preceding financial years, regardless of whether they are positive or negative.

8. Calculation of the second dividend

The net proceeds from the assets as defined in Article 32 (3) of the Organic Law are equal to the gross proceeds after deduction of the tax due, calculated at the average tax rate defined in point 7 above.

The gross proceeds are equal to the proceeds from the statutory investments, excluding the proceeds generated by the capital, which is remunerated by the first dividend.

9. Off-balance-sheet items

	Category of off-balance-sheet items	Valuation principle
Liabilities which could lead to a credit risk	Commitments towards international institutions	Nominal value, currencies converted at the market exchange rate
	Commitments towards other institutions	
Valuables and claims entrusted to the institution	For encashment	Nominal value
	Assets managed on behalf of the Treasury	Nominal value/cost, currencies converted at the market exchange rate
	Assets managed on behalf of the ECB	Nominal value/cost, currencies converted at the market exchange rate
	Custody deposits	Nominal amount, currencies converted at the market exchange rate
Capital to be paid up on participations		Nominal amount, currencies converted at the market exchange rate

3.2.7.3 Reserve and dividend policy

The reserve and dividend policy rules, defined by the Council of Regency pursuant to Article 32 of the Organic Law, are as follows:

1. The result of the year is the first buffer for absorbing losses. Any negative result for the financial year is first charged to the available reserve. Next, if necessary, it is covered by the reserve fund.

An estimate of the quantifiable risks forms the basis for determining the minimum amount of the reserves. For the calculation of all the financial risks, the Bank applies either the value-at-risk/expected shortfall methodology for which it uses very cautious parameters in terms of probabilities and time horizons, or long-term scenarios. These methodologies are also applied by other Eurosystem members.

Each year, as long as the period of unconventional monetary measures persists, 50 % of the profit of the year is allocated to the reserve fund or to the available reserve.

The risks estimate is updated annually. On the basis of this assessment, the Council of Regency may decide to transfer a different percentage of the profits to the reserves.

The comparison between the existing reserves and the minimum amount disregards the amortisation accounts, since these cannot be used to cover losses or to supplement profits.

Since the reserve fund is almost totally non-available, and in view of its size in relation to the capital, profits to be reserved are added to the available reserve.

If the level of the reserves is considered excessive, withdrawals from the available reserve may be made. They must be exceptional and duly founded. Such withdrawals may only be paid out as a dividend.

2. The shareholders' dividend comprises a first dividend of 6 % of the capital and a second dividend established by the Council of Regency pursuant to Article 32, 3° of the Organic Law.

The first dividend of € 1.5 per share (6 % of the capital) is guaranteed both by the available reserve and by the reserve fund.

The second dividend is established by the Council of Regency at 50 % of the net proceeds from the assets forming the counterpart of the reserves ("the statutory portfolio").

Net proceeds refers to the amount mentioned in the profit and loss account ("proceeds from statutory investments") following adjustment for the capital counterpart and after deduction of corporate tax actually due for the financial year in question (see point 3.2.7.2.III.8).

The second dividend is guaranteed by the available reserve, unless a withdrawal from the available reserve would reduce the reserves to a level insufficient to cover the estimated risks. The financial soundness and independence of the Bank take priority.

3. If an amount which is less than half the net proceeds from the statutory portfolio is allocated to the reserves, the allocation to the reserves is

supplemented until it corresponds to 50 % of these net proceeds insofar as the net profit after deduction of the dividend permits.

If the Bank does not have to make further allocations to the reserves, and if the profit is sufficient, the second dividend is increased until it corresponds to the total net proceeds (100 %) of the statutory portfolio.

The reserve and dividend policy therefore guarantees that, if the profit is sufficient, the net proceeds from the statutory portfolio are either allocated to the reserves, thus increasing the basis of calculation of the second dividend, or paid directly to the shareholders by way of a second dividend. The balance allocated to the State will never include any part of the net proceeds from this portfolio.

4. For the purposes of the reserve and dividend policy, net proceeds from the sale of real estate are treated entirely as proceeds from the statutory portfolio. Net proceeds refers to the proceeds from the sales after the deduction of all costs (including taxes) and any replacement investments in property.
5. Equity, transparency and stability are the guiding principles of the Bank's reserve and dividend policy. The Bank expressly aims at consistent application of the policy set out above. Any change to that policy must be duly motivated and made public immediately.

3.2.7.4 Notes to the balance sheet

NOTE 1. GOLD AND GOLD RECEIVABLES

Gold stock (end-of-period data)

	2020	2019
In ounces of fine gold	7 311 154.9	7 311 154.9
In kg of fine gold	227 402.4	227 402.4
At market price (in € million)	11 287.6	9 900.1

On 31 December 2020, 9 tonnes of gold were still available for the issue of coins by the State for numismatic or commemorative purposes.

The major part of the gold stock is held at the Bank of England. A much smaller part is held at the Bank for International Settlements and at the Bank of Canada. A very small quantity is stored at the National Bank of Belgium.

On the balance sheet date, gold is valued on the basis of the euro price per fine ounce, notified by the ECB.

Gold price (end-of-period data, in €)

	2020	2019
Ounce of fine gold	1 543.88	1 354.10
Kg of fine gold	49 637.02	43 535.45

NOTE 2. CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

Exchange rates (end-of-period data, per €)

	2020	2019
SDR	0.8485	0.8104
USD	1.2271	1.1234
JPY	126.4900	121.9400
CNY	8.0225	7.8205
KRW	1 336.0000	1 296.2800

This item is broken down into two sub-items:

- receivables from the International Monetary Fund (IMF);
- balances held on accounts with banks which do not belong to the euro area as well as loans made to non-residents of the euro area, securities and other foreign currency assets issued by the latter.

Net positions in SDR and USD

Net position in SDR (million)

	in SDR	in €
Balance sheet		
Claims	5 897.3	6 950.7
Liabilities	-4 323.3	-5 095.5
Pro rata interest	0.1	0.1
Off balance sheet		
Net liabilities	-1 551.5	-1 828.6
Net position	22.6	26.7

The position in SDR is guaranteed by the State. In order to reduce the exchange risk, the Bank concluded forward transactions which limit the net position to SDR 22.6 million.

Net position in USD (million)

	in USD	in €
Balance sheet		
Claims	9 440.2	7 693.1
Liabilities	-4 500.0	-3 667.2
Pro rata interest	43.0	35.0
Off balance sheet		
Claims	1 237.8	1 008.7
Liabilities	-3 993.5	-3 254.4
Pro rata interest	-1.8	-1.4
Net position	2 225.7	1 813.8

The net position in USD is 2.2 billion. The major part of the portfolio invested in dollars is financed by foreign exchange swaps or repurchase agreements.

Receivables from the IMF

Receivables from the IMF (end-of-period data, in € million)

	2020	2019
Special Drawing Rights	4 597.4	4 811.1
Participation in the IMF	1 772.6	1 098.0
Loans to the IMF	218.3	253.9
Loans to the PRGT	362.4	432.5
Total	6 950.7	6 595.5

Special drawing rights (SDR)

SDRs are reserve assets created *ex nihilo* by the IMF and allocated by it to its members to supplement their existing official reserves.

The SDRs allocated to IMF members may be sold in exchange for convertible currency on the basis of swap agreements freely concluded between member countries. The agreement between the Bank and the IMF, which was revised in October 2009, stipulates that the Bank's SDR holdings must total between 65 and 135 % of the net cumulative allocation.

As at 31 December 2020, the holding recorded on the Special Drawing Rights account stood at SDR 3 900.7 million, against SDR 3 899.1 million a year earlier. Net use of the SDR holding, i.e. the difference between the SDR allocation and the SDR holdings, stood at SDR 422.6 million on the balance sheet date.

Participation in the IMF

This liquid claim of Belgium on the IMF is also called the reserve tranche position. It is equal to the difference between Belgium's quota in the IMF, namely SDR 6 410.7 million, and the Fund's holdings of euro with the Bank. The quota determines Belgium's voting rights in the IMF.

Belgium's participation in the IMF may be called upon at any time in order to obtain convertible currencies for financing a balance of payments deficit. Changes in the participation may also result from a contribution by Belgium to the granting of credit by the IMF in favour of member countries faced with such a deficit, or from the repayment of such loans by those countries, as well as from euro transactions carried out by the Fund on its own behalf. The rate of interest on such loans is adjusted weekly. On the balance sheet date, the reserve tranche position amounted to SDR 1 504.0 million, against SDR 889.9 million a year earlier. This increase is due to net borrowing by Fund member countries.

Loans to the IMF

These receivables represent the countervalue of the loans granted to the IMF by the Bank in its own name and the claims of the Belgian State on the IMF in the event of implementation of loan agreements intended to increase

the IMF's resources, namely the New Arrangements to Borrow. As at 31 December 2020, the Bank's claims in respect of new loan agreements came to SDR 185.2 million, against SDR 205.8 million a year earlier, as a result of the partial repayment by various Fund member countries.

Loans to the PRGT

The amount shown under this item is the countervalue of the money which the Bank has lent to the Poverty Reduction and Growth Trust (PRGT), managed by the IMF. This credit facility is intended to support the efforts of low-income developing countries that commit themselves to macroeconomic and structural adjustment programmes. The resources lent to this Trust are used by the IMF to fund the principal of the loans granted to developing countries under this facility.

Pursuant to the 2012, 2017 and 2020 lending agreements, the PRGT has a credit line with the Bank totalling SDR 1 050 million. On 31 December 2020, the Bank's claims under this heading amounted SDR 307.5 million, against SDR 350.5 million a year earlier, as a result of repayments during the financial year.

Balances with banks and security investments, external loans and other external assets

Breakdown by type of investment (end-of-period data, in € million)

	2020	2019
Sight deposits	8.9	130.5
Time deposits	89.6	336.9
Reverse repurchase agreements	123.8	138.4
Fixed-income securities	8 650.0	8 671.0
Total	8 872.3	9 276.8

Breakdown by foreign currency (end-of-period data, in € million)

	2020	2019
USD	7 542.6	7 952.2
JPY	1 028.9	1 022.5
CNY	203.0	203.3
KRW	97.2	98.1
Other	0.6	0.7
Total	8 872.3	9 276.8

Breakdown of fixed-income foreign currency securities by their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	3 123.1	2 732.7
> 1 year and ≤ 5 years	4 185.0	4 551.1
> 5 years	1 341.9	1 387.2
Total	8 650.0	8 671.0

Breakdown of fixed-income foreign currency securities by their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	47.2	195.5
> 1 year and ≤ 5 years	68.5	134.1
> 5 years	16.9	20.8
Total	132.6	350.4

Value of fixed-income foreign currency securities by issuer country

(end-of-period data, in € million)

	Book value = Market value	
	2020	2019
United States	5 896.5	5 962.8
Japan	1 165.5	1 174.4
International organisations	194.0	165.3
United Kingdom	76.3	94.3
Switzerland	799.8	705.5
Other	517.9	568.7
Total	8 650.0	8 671.0

Value of fixed-income foreign currency securities by issuer country

(end-of-period data, in € million)

	Book value = Market value	
	2020	2019
Germany	9.5	81.0
France	9.4	94.7
Austria	–	19.9
The Netherlands	98.6	123.0
Finland	7.0	31.8
Other	8.1	–
Total	132.6	350.4

On the balance sheet date, the unrealised gains and losses on securities at market prices came to € 274.4 million and € 1.8 million respectively.

On the balance sheet date, the unrealised gains on securities at market prices came to € 4.4 million.

NOTE 3. CLAIMS ON EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

Breakdown by type of investment (USD)

(end-of-period data, in € million)

	2020	2019
Time deposits	110.9	123.8
Reverse repurchase agreements	156.5	–
Fixed-income securities	132.6	350.4
Total	400.0	474.2

NOTE 4. CLAIMS ON NON-EURO AREA RESIDENTS DENOMINATED IN EURO

Breakdown by type of investment

(end-of-period data, in € million)

	2020	2019
Sight deposits	–	–
Reverse repurchase agreements	108.4	11.8
Fixed-income securities	30.0	157.7
Total	138.4	169.5

Breakdown of fixed-income securities by their residual term

(end-of-period data, in € million)

	MTM		HTM	
	2020	2019	2020	2019
≤ 1 year	–	10.0	30.0	30.1
> 1 year and ≤ 5 years	–	79.7	–	30.2
> 5 years	–	7.7	–	–
Total	–	97.4	30.0	60.3

Value of fixed-income securities by issuer country

(in € million)

	MTM		HTM	
	Book value	Market value	Book value	Market value
International organisations	–	–	30.0	30.1
Total	–	–	30.0	30.1

NOTE 5. LENDING TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

This item comes to € 1 793.2 billion for the Eurosystem as a whole, of which € 81.0 billion is for the National Bank of Belgium. In accordance with Article 32.4 of the ESCB/ECB Statute, the whole of any loss resulting from operations under this heading, once realised, is in principle shared between the Eurosystem NCBs in proportion to their shares in the ECB's capital key.

Main refinancing operations

Reverse transactions intended to grant liquidity to credit institutions for a one-week term via weekly tenders.

On the balance sheet date, the liquidity provided via the weekly main refinancing operations was € 468 million, against € 7.9 billion at the end of 2019 for the euro area as a whole, no amount being attributed to credit institutions in Belgium. In 2019, the latter had requested a sum of € 423 million. The interest rate on TLTRO-III and PELTRO operations is significantly more favourable than the rate on one-week operations, which explains the preference for longer-term operations.

Longer-term refinancing operations

Reverse transactions intended to provide liquidity to credit institutions by way of tenders with a term of between 3 and 48 months.

At Eurosystem level, these operations increased from € 616.2 billion in 2019 to € 1 792.6 billion in 2020, essentially as a result of subscription to the TLTRO-III amounting to € 1 648.3 billion and to the PELTRO for € 26.6 billion. The balance not repaid on the TLTRO-II represents only € 15.7 billion, and € 0.9 billion on the 3-month operations.

At the end of 2020 the longer-term refinancing operations of Belgian banks amounted to € 81.0 billion: € 79.6 billion in TLTRO and € 1.4 billion in PELTRO, against € 18.9 billion at the end of 2019.

NOTE 6. OTHER CLAIMS ON EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

Claims on credit institutions which do not relate to monetary policy operations.

Breakdown by type of investment

(end-of-period data, in € million)

	2020	2019
Current accounts	0.1	0.5
Reverse repurchase agreements	909.5	65.1
Total	909.6	65.6

NOTE 7. SECURITIES OF EURO AREA RESIDENTS DENOMINATED IN EURO

Securities held for monetary policy purposes

In 2020, the Eurosystem continued the bond purchases under the Asset Purchase Programme (APP) which comprises the CBPP3, the PSPP, the CSPP and the ABSPP (the latter being included on the ECB's balance sheet).

In addition to reinvestment of securities reaching maturity, the net monthly asset purchases at Eurosystem level under the APP continued at an average of € 20 billion per month. In March 2020 a temporary envelope amounting to € 120 billion of supplementary net asset purchases was added until the end

of the year. In addition, a new Pandemic Emergency Purchase Programme (PEPP) was launched with a total envelope of € 1 850 billion. Purchases planned until the end of March 2022 concern all asset categories eligible under the Asset Purchase Programme (APP). Until the end of 2023, securities reaching maturity will be reinvested.

Composition of the monetary policy portfolios held by the Bank

(end-of-period data, in € million)

	Book value	Market value	Book value	Market value
	2020		2019	
CBPP1	10.0	10.5	10.0	10.9
CBPP2	12.1	12.9	12.1	13.3
CBPP3	8 763.6	9 005.0	8 041.1	8 243.4
SMP	693.3	726.1	1 444.4	1 533.5
PSPP	72 749.8	78 898.7	63 302.5	67 241.2
CSPP	54 893.5	57 836.1	41 108.3	42 716.0
PECBPP	42.7	43.2	–	–
PEPSPP	21 385.2	21 627.2	–	–
PECSPP	8 473.0	8 883.6	–	–
Total	167 023.2	177 043.3	113 918.4	119 758.3

In accordance with Article 32.4 of the ESCB/ECB Statute, the whole of any loss incurred by NCBs on CBPP3, PECBPP and SMP securities, on securities of international or supranational organisations in the PSPP and PEPSPP portfolios and on CSPP and PECSPP securities, once realised, is shared between the Eurosystem NCBs in proportion to their shares in the ECB's capital key. On the balance sheet date the Bank held securities in these portfolios for a total of € 72 866.1 million.

Conversely, the Bank bears the risks on the CBPP1, CBPP2, PSPP and PEPSPP portfolios included in the balance sheet. On 31 December 2020, the Bank held securities in these portfolios totalling € 94 157.1 million.

CBPP1 - First covered bonds purchase programme

This programme, which expired at the end of June 2010, involved the acquisition of covered bonds in euro issued by euro area credit institutions. The

Bank held covered bonds amounting to € 10.0 million on 31 December 2020.

Breakdown of first programme covered bonds, according to their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	–	–
> 1 year and ≤ 5 years	10.0	10.0
> 5 years	–	–
Total	10.0	10.0

CBPP2 - Second covered bonds purchase programme

This second programme for the purchase of euro-denominated covered bonds came to an end on 31 October 2012. On 31 December 2020, the Bank held covered bonds amounting to € 12.1 million under this programme.

Breakdown of second programme covered bonds, according to their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	–	–
> 1 year and ≤ 5 years	12.1	12.1
> 5 years	–	–
Total	12.1	12.1

CBPP3 – Third covered bonds purchase programme

Third programme for the purchase of covered bonds in euro issued by euro area credit institutions. These purchases are spread across the whole euro area and effected gradually by the ECB and the Eurosystem NCBs in the form of purchases on the primary and secondary markets.

On 31 December 2020, the Bank held covered bonds amounting to € 8 763.6 million under this programme.

Breakdown of third programme covered bonds, according to their residual term
(end-of-period data, in € million)

	2020	2019
≤ 1 year	2 099.5	925.0
> 1 year and ≤ 5 years	4 614.8	4 765.3
> 5 years	2 049.3	2 350.8
Total	8 763.6	8 041.1

SMP – Securities markets programme

This programme, which ended on 6 September 2012, involved buying up both private and government bonds in the euro area. On 31 December 2020, the Bank held SMP securities totalling € 693.3 million under this programme.

Breakdown of securities markets programme bonds, according to their residual term
(end-of-period data, in € million)

	2020	2019
≤ 1 year	591.4	758.6
> 1 year and ≤ 5 years	93.2	667.8
> 5 years	8.7	18.0
Total	693.3	1 444.4

PSPP – Public sector purchase programme

Purchases made on the secondary market under this programme started on 9 March 2015. On 31 December 2020, the Bank held PSPP securities issued by Belgian public authorities totalling € 72 749.8 million.

Breakdown of bonds acquired under the public sector purchase programme, according to their residual term
(end-of-period data, in € million)

	2020	2019
≤ 1 year	2 762.0	2 246.7
> 1 year and ≤ 5 years	20 514.2	19 056.0
> 5 years	49 473.6	41 999.8
Total	72 749.8	63 302.5

CSPP – Corporate sector purchase programme

Purchases under this programme began on 8 June 2016. On 31 December 2020, the Bank held CSPP securities of issuers located in various European countries (BE, LU, NL, PT and SK) totalling € 54 893.5 million.

Breakdown of corporate sector purchase programme bonds, according to their residual term
(end-of-period data, in € million)

	2020	2019
≤ 1 year	2 142.7	2 783.0
> 1 year and ≤ 5 years	21 299.3	15 397.9
> 5 years	31 451.5	22 927.4
Total	54 893.5	41 108.3

PECBPP – Pandemic emergency covered bonds purchase programme

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2020, the Bank held PECBPP securities amounting to € 42.7 million.

Breakdown of covered bonds acquired under the pandemic emergency purchase programme, according to their residual term
(end-of-period data, in € million)

	2020	2019
≤ 1 year	–	–
> 1 year and ≤ 5 years	38.3	–
> 5 years	4.4	–
Total	42.7	–

PEPSPP – Pandemic emergency public sector purchase programme

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2020, the Bank held PEPSPP securities amounting to € 21 385.2 million.

Breakdown of public sector securities acquired under the pandemic emergency purchase programme, according to their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	3 618.9	–
> 1 year and ≤ 5 years	4 590.3	–
> 5 years	13 176.0	–
Total	21 385.2	–

PECSPP – Pandemic emergency corporate sector purchase programme

Purchases made on the secondary market under this programme started in March 2020. On 31 December 2020, the Bank held PECSPP securities amounting € 8 473.0 million.

Breakdown of corporate sector securities acquired under the pandemic emergency programme, according to their residual term

(end-of-period data, in € million)

	2020	2019
≤ 1 year	1 716.2	–
> 1 year and ≤ 5 years	1 707.9	–
> 5 years	5 048.9	–
Total	8 473.0	–

Other securities

Portfolio of euro securities held for investment purposes and consisting mainly of negotiable government bonds denominated in euro issued by Member States of the European Union, bonds issued by certain credit institutions in euro area countries and backed by first-rate claims (*Pfandbriefe* type), bonds issued by national public organisations and, since 2019, investment funds.

Composition of the portfolio of securities in euro

(end-of-period data, in € million)

	MTM		HTM	
	2020	2019	2020	2019
Fixed-income securities	–	1 107.6	3 469.2	4 424.8
Investment funds	539.3	253.4	–	–
Total	539.3	1 361.0	3 469.2	4 424.8

Breakdown of fixed-income securities, according to their residual term

(end-of-period data, in € million)

	MTM		HTM	
	2020	2019	2020	2019
≤ 1 year	–	309.6	951.2	941.6
> 1 year and ≤ 5 years	–	706.0	2 518.0	2 949.2
> 5 years	–	92.0	–	534.0
Total	–	1 107.6	3 469.2	4 424.8

Value of fixed-income securities, by issuer country

(in € million)

	MTM		HTM	
	Book value	Market value	Book value	Market value
Belgium	–	–	1 677.4	1 769.6
Germany	–	–	315.3	330.2
Spain	–	–	85.8	89.9
France	–	–	676.5	718.5
Austria	–	–	268.8	283.2
Italy	–	–	25.5	27.2
The Netherlands	–	–	229.4	241.7
Finland	–	–	190.5	200.4
Total	–	–	3 469.2	3 660.7

On the balance sheet date, the unrealised gains on securities valued at their market price came to € 39.3 million.

NOTE 8. INTRA-EUROSISTEM CLAIMS

Participating interest in ECB capital

Since 1 July 2013, the subscribed capital of the ECB has amounted to € 10 825 million. Since 1 February 2020, the Bank's share in that capital has risen from 2.5280 % to 2.9630 % following the withdrawal of the Bank of England from the ESCB, increasing its share by € 47.1 million. An initial payment of € 2.6 million in respect of that amount was made in 2020, and two further payments of the same amount will be made in 2021 and 2022 to cover the residual amount to be paid up. At the end of 2020 the Bank's share came to € 276.3 million. Following changes to the apportionment of the ECB's capital, there was a redistribution between the NCBs of their shares in

the accumulated reserves of the ECB; that raised the Bank's share to € 336.1 million.

Claims on the ECB equivalent to the transfer of foreign currency reserves

The euro-denominated claim on the ECB increased by € 4.8 million as a result of the Bank of England's withdrawal from the ESCB. It thus amounts to € 1 469.8 million. That claim is remunerated at the interest rate for the Eurosystem's main refinancing operations, adjusted to reflect a zero return on the gold component.

The Bank manages the reserves transferred to the ECB at the beginning of 1999. They are recorded off-balance-sheet.

Net claims related to the allocation of euro banknotes within the Eurosystem

Net claims on the Eurosystem relating to the allocation of euro banknotes in the Eurosystem (see accounting principles and valuation rules relating to the item "Banknotes in circulation"). This interest-bearing intra-Eurosystem item corresponds to the difference between the amount of the banknotes in circulation allocated to the Bank and the amount of the banknotes which it has issued.

Net claims related to the allocation of euro banknotes within the Eurosystem (end-of-period data, in € million)

	2020	2019
Banknotes in circulation	48 084.8	43 190.5
Banknotes placed in circulation by the Bank	-40 769.5	-37 044.8
Total	7 315.3	6 145.7

The increase in the amount of banknotes issued by the Bank was smaller than that in the Eurosystem, so that the claim on the Eurosystem has increased.

NOTE 9. OTHER ASSETS

Coins of euro area

The Bank's holding of euro coins. The coins are put into circulation by the Bank on behalf of the Treasury, and credited to the latter's account. In accordance with the ECB Decision of 10 December 2019 on the approval of the volume of coin issuance (ECB/2019/40), the maximum amount of the euro coins to issue in 2020 was € 59.0 million for Belgium. Since the net amount issued in 2019 was € 1 468.1 million, the total authorised amount for 2020 was € 1 527.1 million. On 31 December 2020, the amount actually issued came to € 1 459.5 million.

Tangible and intangible fixed assets

In 2020, the Bank's investments in tangible and intangible fixed assets totalled € 12.9 million. The sum of € 36.5 million corresponding to the acquisition price of the printing works assets sold or taken out of use was deducted from the "Tangible and intangible fixed assets" account.

Other financial assets

In accordance with Article 19 (4) of the Organic Law, the Board of Directors decides on the statutory investments after consulting the Council of Regency. The statutory investments consist primarily of negotiable government bonds, bonds issued by certain credit institutions in euro area countries and backed by first-rate claims (*Pfandbriefe* type), and shares in the Bank for International Settlements (BIS). Some of the securities acquired in 2020 have a negative yield.

Breakdown by type of investment (end-of-period data, in € million)

	2020	2019
Fixed-income securities	6 530.9	6 100.0
Participating interests	332.2	332.2
Reverse repurchase agreements	125.2	75.4
Total	6 988.3	6 507.6

Value of fixed-income securities by issuer country (the market value is given for information)

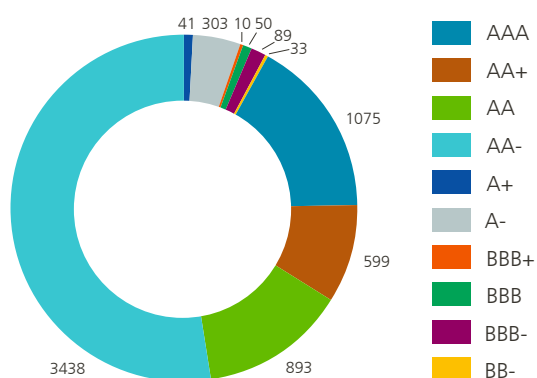
(end-of-period data, in € million)

	Book value		Market value	
	2020	2019	2020	2019
Belgium	3 417.9	3 170.4	3 822.0	3 502.2
Germany	722.1	715.8	792.2	776.6
Spain	311.0	361.9	336.5	393.2
France	786.5	714.1	871.3	794.0
Austria	159.4	170.0	178.4	193.0
Ireland	–	34.0	–	34.5
Italy	89.2	125.2	95.1	132.8
International organisations	346.9	203.0	379.4	234.2
The Netherlands	112.0	119.1	124.1	129.5
Portugal	50.3	50.4	57.9	59.9
Greece	32.7	33.0	35.5	36.7
Finland	213.5	194.2	234.5	210.5
Other	289.4	208.9	298.5	213.4
Total	6 530.9	6 100.0	7 225.4	6 710.5

The net amount of the unrealised gains on fixed-income securities came to € 694.5 million on 31 December 2020 compared to € 610.5 million in the previous year.

Rating of fixed-income securities

(Book values in € million)



Yield on fixed-income securities according to their maturity, as at 31 December 2020

Maturity	Book value	Average volume	Income	Yield
	(in € million)			(in %)
2020	–	204.8	7.1	3.5
2021	353.8	353.9	13.5	3.8
2022	354.1	355.2	13.1	3.7
2023	507.3	508.8	13.2	2.6
2024	370.8	372.0	9.1	2.5
2025	391.0	389.1	6.2	1.6
2026	577.7	580.1	14.4	2.5
2027	541.5	491.7	5.7	1.2
2028	699.5	695.8	10.6	1.5
2029	437.8	345.9	1.2	0.3
2030	180.4	95.1	0.2	0.3
2031	302.3	296.7	2.6	0.9
2032	128.4	129.7	1.3	1.0
2033	274.5	257.3	1.8	0.7
2034	244.7	246.5	2.3	0.9
2035	366.8	208.0	2.8	1.4
2036	98.5	98.4	1.1	1.1
2037	272.7	266.8	2.6	1.0
2038	263.5	243.0	2.4	1.0
2039	14.5	14.5	0.1	0.4
2040	151.1	21.8	0.1	0.3
Interest income	6 530.9	6 175.1	111.4	1.8
Realised gains/losses			0.0	
Total	6 530.9	6 175.1	111.4	1.8

Breakdown of participating interests

(end-of-period data)

	Number of shares	In € million	Number of shares	In € million
	2020		2019	
BIS	50 100	329.8	50 100	329.8
SBI	801	2.0	801	2.0
SWIFT	156	0.4	156	0.4
Total		332.2		332.2

Off-balance-sheet instruments revaluation differences

Net positive revaluation differences on forward transactions in foreign exchange and interest rates, and on spot transactions in foreign exchange between the contract date and the settlement date (€ 90.6 million).

Accruals and prepaid expenditure

These are sub-divided into:

- Expenses carried forward (€ 8.4 million);
- Income acquired (€ 1 352.1 million), essentially interest accrued but not received on securities and other assets.

Sundry

Principally:

- Reclaimable taxes (€ 1.9 million);
- Trade receivables (€ 2.1 million).

NOTE 10. BANKNOTES IN CIRCULATION

The share in the circulation of euro banknotes in the Eurosystem, allocated to the Bank (see note 8).

NOTE 11. LIABILITIES TO EURO AREA CREDIT INSTITUTIONS RELATED TO MONETARY POLICY OPERATIONS DENOMINATED IN EURO

Current accounts (covering the minimum reserve system)

Euro-denominated accounts of credit institutions, which mainly serve to meet their minimum reserve requirements. These requirements have to be respected on average over the reserve maintenance period in accordance with the schedule published by the ECB. The minimum reserves are remunerated at the interest rate on the main refinancing operations.

The amounts placed in current accounts by euro area credit institutions (including excess reserves) increased by € 1 267.8 billion in 2020 to € 2 805.5 billion on the balance sheet date.

In September 2019 the Governing Council had decided to introduce a two-tier system of reserve remuneration whereby, from 30 October 2019, part of the excess liquidity held by the banks (up to a maximum of six times the reserve requirement) will no longer be remunerated at the negative deposit facility interest rate but at 0 %. However, the non-exempt part remains subject to the negative deposit facility interest rate. The multiplier remained unchanged during the year under review.

The asset purchase programmes approved by the Eurosystem and the longer-term refinancing operations have created a liquidity surplus which is recorded either in current accounts as surplus reserves, in the deposit facility or in TARGET2 (see note 18).

In Belgium, the amounts placed on current accounts increased from € 36.5 billion to € 97.1 billion.

Deposit facility

Standing facility allowing credit institutions to make 24-hour deposits with the Bank at a pre-specified interest rate. That rate has been -0.50 % since September 2019.

Credit institutions in Belgium greatly increased their deposits, which rose from € 9.0 billion in 2019 to € 48.6 billion in 2020. The amounts held in the deposit facility are not eligible for the exemption approved in September 2019. In principle, credit institutions therefore prefer to place the maximum amount of their excess liquidity on current account in the form of excess reserves up to the exemption limit. However, the increase in excess liquidity far exceeded that figure so that the lower remuneration on the deposit facility is no longer disadvantageous beyond six times the amount of the reserve requirement. Credit institutions therefore made more use of the deposit facility than last year. At the level of the Eurosystem, use of the deposit facility increased from € 275.7 billion to € 683.9 billion for the same reasons.

NOTE 12. OTHER LIABILITIES TO EURO AREA CREDIT INSTITUTIONS DENOMINATED IN EURO

This concerns "repurchase agreement" operations relating to the management of the securities portfolios.

NOTE 13. LIABILITIES TO OTHER EURO AREA RESIDENTS DENOMINATED IN EURO

General government

Balances of the current accounts opened in the name of the State and of general government. On the balance sheet date, the Treasury's current account balance stood at € 1.3 billion.

Other liabilities

Current account balances held mainly by financial intermediaries which do not have access to standing facilities.

NOTE 14. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN EURO

Current accounts held by central banks, other banks, international and supranational institutions and other account holders situated outside the euro area. Repurchase agreement operations relating to the management of the securities portfolios.

NOTE 15. LIABILITIES TO EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

These repurchase agreements in USD relate to the Bank's investment policy.

NOTE 16. LIABILITIES TO NON-EURO AREA RESIDENTS DENOMINATED IN FOREIGN CURRENCY

These repurchase agreements in USD relate to the Bank's investment policy.

NOTE 17. COUNTERPART OF SPECIAL DRAWING RIGHTS ALLOCATED BY THE IMF

Countervalue of SDRs which must be returned to the IMF if SDRs are cancelled, if the SDR Department established by the IMF is closed, or if Belgium decides to withdraw from it. This liability, of unlimited duration, amounts to SDR 4 323.3 million.

NOTE 18. INTRA-EUROSISTEM LIABILITIES

Other liabilities within the Eurosystem (net)

The Bank's net liabilities resulting from all the intra-Eurosystem liabilities and claims.

The intra-Eurosystem balances result from cross-border payments in euro within the EU, settled in central bank money. Most of these transactions are made by private entities (credit institutions, firms or individuals). They are settled via the TARGET2 system and lead to bilateral balances on the TARGET2 accounts of EU central banks. These bilateral balances are allocated daily to the ECB; each NCB thus has only one net bilateral position in relation to the ECB alone. The net position of the National Bank of Belgium in TARGET2 in relation to the ECB and the other euro-denominated intra-Eurosystem balances (such as interim dividends paid to the NCBs) are shown on the Bank's balance sheet in the form of a net position under the assets or the liabilities, and appear in the item "Other claims within the Eurosystem (net)" or "Other liabilities within the Eurosystem (net)". The balances of the NCBs outside the euro area in relation to the ECB, resulting from their participation in TARGET2, appear in the item "Liabilities to non-euro area residents denominated in euro".

The intra-Eurosystem balances resulting from the allocation of euro banknotes within the Eurosystem are shown in the form of a single net asset under the item "Net claims related to the allocation of euro banknotes within the Eurosystem". The intra-Eurosystem balances resulting from the transfer of reserve assets to the ECB by the NCBs joining the Eurosystem are denominated in euro and recorded under the item "Claims on the ECB equivalent to the transfer of foreign currency reserves" (see note 8).

The Bank's net liability vis-à-vis the Eurosystem can be broken down as follows:

1. the Bank's liability vis-à-vis the ECB resulting from transfers effected via TARGET2 (€ 65 915.4 million);
2. the intra-Eurosystem liability of € 328.8 million, resulting from the mechanism for the pooling and distribution of monetary income within the Eurosystem (see note 28);
3. the intra-Eurosystem claim of € 46.0 million relating to the allocation of the ECB's income (see note 27).

NOTE 19. OTHER LIABILITIES

Accruals and income collected in advance

Costs carried forward (€ 15.4 million) including interest accrued but not yet paid on liabilities and outstanding invoices.

Sundry

In particular:

- unavailable reserve of capital gains on gold (€ 298.9 million);
- taxes, wages and social contributions (€ 201.4 million);
- proceeds accruing to the State (€ 15.9 million);
- trade debts (€ 7.6 million);
- repurchase agreements under statutory investments (€ 125.2 million).

NOTE 20. PROVISIONS

In accordance with the reserve and dividend policy established in 2009 (see § 3.2.7.3), and owing to the creation of the available reserve, the Bank does not constitute any general provisions.

Provision in respect of monetary policy operations

In accordance with Article 32.4 of the ESCB Statutes, any losses incurred on securities purchased under the CSPP Programme are shared between the Eurosystem NCBs in proportion to their shares in the ECB's subscribed capital. In the case of the provision formed by the NCBs in 2018 and adjusted in 2019 in relation to the credit risks on monetary policy operations, a sum of € 63.6 million was used to cover the loss realised on the sale in 2020 of impaired CSPP securities held by one NCB. € 2.2 million of that figure was covered by the provision formed by the Bank, i.e. 3.52003 % corresponding to its share in the ECB's subscribed capital. The residual amount of the provision formed by the NCBs totalled € 25.8 million, or € 0.9 million for the Bank. That balance was written back in full at the end of the year.

NOTE 21. REVALUATION ACCOUNTS

Positive exchange rate and price revaluation differences between, on the one hand, the market value of the net foreign reserve and security positions (other than those valued at amortised cost) and, on the other hand, their average cost value.

(end-of-period data, in € million)

	2020	2019
Positive exchange revaluation differences on:		
■ gold	10 970.6	9 583.1
■ foreign currencies	93.1	294.6
Positive price revaluation differences on:		
■ securities in foreign currencies (items 2 and 3 of the assets)	278.8	167.8
■ securities in euro (items 4 and 7 of the assets)	39.3	22.5
Total	11 381.8	10 068.0

NOTE 22. CAPITAL, RESERVE FUND AND AVAILABLE RESERVE

Capital

The Bank has not received any declarations pursuant to Article 6 § 1 of the Law of 2 May 2007 on the disclosure of large shareholdings in listed companies, notifying shareholdings equal to 5 % or more of the voting rights, other than those held by the State.

Representation of the capital

(end-of-period data, number of shares)

	2020	2019
Registered shares	206 361	206 158
Dematerialised shares	193 639	193 842
Total	400 000	400 000

Reserve fund

The reserve fund declined by € 17.6 million in 2020 as a result of a decrease in the amortisation accounts for tangible and intangible fixed assets.

The tax-exempt part of the extraordinary reserve comes to € 18.5 million.

Change in the amortisation accounts in 2020
(in € million)

Balance as at 31-12-2019	346.3
Recorded	+19.7
Withdrawn of cancelled following sales or disposals	-37.3
Balance as at 31-12-2020	328.7

Available reserve

An amount of € 412.6 million related to the profit distribution for the previous year was allocated to the available reserve.

Capital, reserve fund, available reserve and corresponding profit distribution
(end-of-period data, in € million)

	2020	2019
Capital	10.0	10.0
Reserve fund	2 651.0	2 668.6
Available reserve	4 246.8	3 834.2
Total before profit distribution	6 907.8	6 512.8
Profit distribution	330.5	412.6
Total after profit distribution	7 238.3	6 925.4

On expiry of the Bank's right of issue, the State has a priority right to one-fifth of the reserve fund. That rule does not apply to the available reserve.

3.2.7.5 Notes to the profit and loss account

NOTE 24. NET INTEREST INCOME

In the current context of negative interest rates, some assets (longer-term refinancing operations, other euro-denominated claims on euro area credit institutions) generate interest expense, and some liabilities (current accounts, deposit facility) generate interest income.

In order to harmonise the presentation of interest income/expenses relating to monetary policy assets and liabilities within the Eurosystem, the interest income and expense are presented as net values under 1.1 "Interest income" or 1.2 "Interest expense" depending on the sign. The interest is calculated per sub-item on the balance sheet. That approach also applies to the other sub-items unrelated to monetary policy.

Interest income

(end-of-period data)

	Income	Average volume	Average rate	Income	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
	2020			2019		
Interest income of assets in euro						
Credit transactions related to monetary policy	0.0	3.8	0.0	0.0	38.3	0.0
Securities portfolios in euro held for monetary policy purposes	984.8	142 882.0	0.7	904.9	112 730.2	0.8
Other securities portfolios in euro	102.7	4 353.1	2.4	138.2	7 550.5	1.8
Claims equivalent to the transfer of foreign currency reserves	0.0	1 469.4	0.0	0.0	1 465.0	0.0
Net claims related to the allocation of euro banknotes within the Eurosystem	0.0	6 890.9	0.0	0.0	7 013.4	0.0
Statutory investments (bonds, reverse repurchase agreements and repurchase agreements)	111.4	6 175.1	1.8	123.0	5 795.4	2.1
Total	1 198.9	161 774.3	0.7	1 166.1	134 592.8	0.9
Interest income of external assets						
Claims related to international cooperation transactions	13.9	6 748.6	0.2	63.8	6 434.0	1.0
Investments in gold and in foreign currencies	138.1	10 045.8	1.4	155.6	8 188.2	1.9
Total	152.0	16 794.4	0.9	219.4	14 622.2	1.5
Interest income of liabilities in euro						
Monetary reserve accounts, deposit facility and other interest-bearing deposits	363.4	122 909.5	0.3	314.9	87 632.0	0.4
Repurchase agreement transactions in euro	0.0	0.7	0.0	0.2	28.7	0.6
Total	363.4	122 910.2	0.3	315.1	87 660.7	0.4
Total interest income	1 714.3			1 700.6		

Interest expense

(end-of-period data)

	Expense	Average volume	Average rate	Expense	Average volume	Average rate
	(in € million)		(in %)	(in € million)		(in %)
	2020			2019		
Interest expense on liabilities in euro						
Net liabilities to the ECB related to TARGET2	0.0	49 602.2	0.0	0.0	27 864.3	0.0
Total	0.0	49 602.2	0.0	0.0	27 864.3	0.0
Interest expense on external liabilities						
Liabilities in SDR	-10.8	5 244.3	-0.2	-53.2	5 217.2	-1.0
Repurchase agreement transactions in foreign currencies	-31.5	3 479.4	-0.9	-100.0	3 419.7	-2.9
Total	-42.3	8 723.7	-0.5	-153.2	8 636.9	-1.8
Interest expense on assets in euro						
Longer-term credit operations related to monetary policy	-466.5	52 933.8	-0.9	-86.5	21 591.8	-0.4
Other claims	0.0	0.0	0.0	-0.4	67.1	-0.6
Total	-466.5	52 933.8	-0.9	-86.9	21 658.9	-0.4
Proceeds accruing entirely to the State						
Income resulting from the capital gains on gold recorded in a special unavailable reserve account ¹	-6.4			-8.5		
Annual sum paid to the State in compensation for the additional expenses due to the conversion of its consolidated debt to the Bank into freely negotiable securities ²	-24.4			-24.4		
Total	-30.8			-32.9		
Total interest expense	-539.6			-273.0		

¹ That income is calculated by applying to the average balance of the unavailable reserve account during the year a rate of yield obtained by comparing the net financial income with the difference between the average amount, calculated on an annual basis, of the interest-bearing assets and the interest-bearing liabilities. The counterpart of the capital, reserves and amortisation accounts and the corresponding proceeds are excluded from that calculation. For the year 2020, the average balance on the unavailable reserve account came to € 298.9 million, net financial income came to € 952.3 million, the annual average amount of the interest-bearing assets came to € 226.0 billion and the annual average amount of the interest-bearing liabilities came to € 181.2 billion.

² The extra cost for the State of this conversion, which took place in 1991, amounts to the difference between the 3 % which accrued to the Bank in accordance with the allocation rule prevailing at that time, and the 0.1 % fixed allocation due from the State at that time on its consolidated debt to the Bank. That difference applied to the amount of that debt, namely 34 billion francs, gives a figure of 986 million francs, i.e. € 24.4 million.

NOTE 25. NET RESULT OF FINANCIAL OPERATIONS, WRITE-DOWNS AND PROVISIONS

Realised gains/losses arising from financial operations

(end-of-period data, in € million)

	2020	2019
Capital gains/losses (–)		
on statutory investments	–	–
on investments		
in USD	52.5	28.1
in EUR	33.8	42.4
Foreign exchange gains/losses (–)		
on USD	25.5	21.4
on other currencies	–	–
on SDR	–14.1	–21.4
on gold	–	–
Foreign exchange gains (–) / losses (+) accruing to the State (SDR and gold)	14.1	21.4
Total	111.8	91.9

Write-downs on financial assets and positions

(end-of-period data, in € million)

	2020	2019
Capital losses on investments		
in USD	–1.8	–2.9
in EUR	–	–
Foreign exchange losses		
on USD	–	–
on CNY	–3.4	–
on KRW	–2.7	–1.2
on SDR	–0.8	–
on other currencies	–	–
Foreign exchange losses charged to the State (SDR)	0.8	–
Total	–7.9	–4.1

Total realised gains/losses and write-downs

(end-of-period data, in € million)

	2020	2019
Realised gains/losses	111.8	91.9
Write-downs	–7.9	–4.1
Total	103.9	87.8

Capital gains on the markets for euro-denominated securities diminished slightly owing to a fall in the volume of sales following liquidation of the fixed-income securities portfolio.

In the case of dollar investments, the lower interest rates led to a strong increase in the realised capital gains.

Similarly, on the liabilities side of the balance sheet, revaluation gains on dollar-denominated securities increased.

In addition, as a result of the dollar's depreciation the Bank recorded smaller revaluation differences than in the previous financial year.

SDR operations led to realised and unrealised foreign exchange losses of € 14.9 million, charged to the State.

NOTE 26. NET INCOME/EXPENSE FROM FEES AND COMMISSIONS

Fees and commissions income

Commissions received as remuneration for the Bank's services as financial intermediary (€ 10.7 million), of which € 8.8 million related to collateralisation operations concerning monetary policy. The lion's share of the revenue comes from guarantees managed by the Bank within the framework of the Correspondent Central Banking Model (CCBM). The sharp rise in commissions received by the Bank compared to 2019 is related to monetary policy.

Fees and commissions expense

Commissions paid by the Bank for financial services rendered to the Bank by third parties (€ 8.3 million), including € 7.0 million related to monetary policy.

As in the case of income, the commissions paid in relation to monetary policy increased significantly in 2020.

NOTE 27. INCOME FROM EQUITY SHARES AND PARTICIPATING INTERESTS

(end-of-period data, in € million)

	2020	2019
Dividend on participation in the ECB	33.9	13.5
Income distributed by the ECB	46.0	52.0
Dividends on participations in the statutory investment portfolio	–	15.0
Dividends on investment funds	0.1	–
Total	80.0	80.5

At the end of the previous financial year, an interim dividend of € 52.0 million had been paid on the ECB's net profit for 2019. The balance of € 33.9 million corresponding to the dividend on the Bank's participation in the ECB's capital was paid in February 2020.

After allocation to its general risk provision, the ECB distributed the income from its allotted share in the issue of euro banknotes and the income generated by the securities which it purchased under the SMP, CBPP3, ABSPP, PSPP and PEPP programmes, in accordance with the Governing Council decision of 18 January 2021. The balance distributed as an interim dividend payment accruing to the Bank came to € 46.0 million.

For the 2019-2020 financial year the BIS did not pay any dividend; last year it had paid out € 15.0 million (SDR 245 per share).

NOTE 28. NET RESULT OF POOLING OF MONETARY INCOME

Net result of pooling of monetary income

(end-of-period data, in € million)

	Income (+) / Expense (–)		
	Result	Pooling of monetary income	Real result
	(1)	(2)	(3) = (1) + (2)
	2020		
Monetary income pooled by the Bank within the Eurosystem		–484.1	
Monetary income allocated to the Bank by the Eurosystem		155.3	
		–328.8	
Items taken into account in monetary income			
Credit operations related to monetary policy	–466.5	91.9	–374.6
Securities portfolios in euro held for monetary policy purposes	984.8	–397.6	587.2
Claims equivalent to the transfer of foreign currency reserves	–	–	–
Net claims related to the allocation of euro banknotes within the Eurosystem	–	–	–
Net liability towards the ECB in respect of TARGET2	–	–	–
Monetary reserve account and deposit facility	316.2	–7.8	308.4
Non-earmarkable assets	–	–	–
	834.5	–313.5	521.0
Items not taken into account in monetary income			
Net investments in gold and in foreign currencies	106.6		106.6
Net claims relating to international cooperation transactions	3.1		3.1
Securities portfolios and repurchase agreements in euro	102.7		102.7
Statutory investment portfolio	111.4		111.4
Other claims	0.0		0.0
Interest-bearing deposits not related to monetary policy	47.2		47.2
Proceeds accruing entirely to the State	–30.8		–30.8
	340.2		340.2
Net interest income (item 1)	1 174.7	–313.5	861.2
Net result of financial operations (item 2)		–13.1	
Revision of previous years		–2.2	
		–328.8	
Provision in respect of monetary policy operations		3.1	
		–325.7	

The monetary income is allocated to the euro area NCBs in accordance with the paid-up capital key (3.64324 % for the Bank since 1 February 2020).

The impact on the net monetary income allocated is due to the balance sheet structure of the NCBs.

The Bank plays a specific role in the CSPP and PECSPP programmes and contributes to the purchase of corporate securities in amounts proportionately greater than its share in the ECB's capital. In addition, the yield on securities acquired by the Bank in these portfolios exceeded the average yield on securities acquired by the Eurosystem.

Conversely, the Bank received interest collected on supranational securities held by other NCBs under the PSPP and PEPSP programmes.

Belgian credit institutions are still keeping larger volumes on current accounts and the deposit facility, in excess of the key, so that it was necessary to contribute to the allocation of monetary income.

This item also includes the change in the provision for risks on monetary policy operations.

NOTE 29. OTHER INCOME

(end-of-period data, in € million)

	2020	2019
Amounts recovered from third parties	171.1	169.1
Other	0.7	0.7
Total	171.8	169.8

The amounts recovered from third parties concern income from the supply of goods and rendering of services in various spheres, such as:

- the Central Balance Sheet Office, the Central Individual Credit Register, the Central Corporate Credit Register and the Central Contact Point (€ 43.4 million);
- prudential supervision (€ 101.0 million);
- work done by the printing works (€ 0.5 million);
- the TARGET2 payment system (€ 1.4 million);
- the securities settlement system (€ 12.2 million);
- the internationalisation of IT applications (€ 9.1 million).

In accordance with Article 12*bis* of the Organic Law, the Bank's operating costs related to the prudential supervision of financial institutions are borne by the institutions concerned.

In addition, on the basis of Article 12*ter* of the Organic Law, the Bank performs tasks as the resolution authority, and the corresponding operating costs are also borne by the institutions concerned.

The operating costs are calculated annually and imputed to the financial institutions in accordance with the Royal Decree of 17 July 2012 as amended by the Royal Decrees of 1 October 2012, 21 December 2013 and 5 July 2015.

For the year 2020, the costs came to € 64.1 million for banks and stock-broking companies, and € 36.2 million for insurance and reinsurance companies.

Other institutions subject to supervision, such as clearing and settlement institutions, mutual guarantee schemes and payment companies, pay a flat charge which totalled € 0.7 million for the year 2020.

The item "Other" comprises, if any, proceeds from the sale of real estate, the disposal of used equipment and furniture, and miscellaneous other proceeds.

NOTE 30. STAFF COSTS

These costs comprise the remuneration and social costs of the staff and the Board of Directors, and the attendance fees of the Regents and Censors.

In contrast to last year, there are no longer any expenses relating to the establishment of the early retirement plan; that is the main reason for the reduction in staff costs (+ € 12 million).

NOTE 31. ADMINISTRATIVE EXPENSES

This item comprises in particular administrative and IT expenses (€ 28.5 million), those related to the repair and maintenance of premises (€ 11.9 million), and work done and services rendered by third parties (€ 24.1 million). The withholding tax on income from immovable property, non-deductible VAT and the regional, provincial and municipal taxes are also included here (€ 5.6 million).

NOTE 32. DEPRECIATION OF TANGIBLE AND INTANGIBLE FIXED ASSETS

The depreciation covers the following investments:

(end-of-period data, in € million)

	2020	2019
Renovation of premises	8.3	8.4
Hardware and software	4.7	4.7
Equipment for the Printing Works	1.0	1.5
Other equipment and furniture	4.0	4.2
Total	18.0	18.8

NOTE 33. BANKNOTE PRODUCTION SERVICES

This item records the cost of services by external companies producing banknotes on behalf of the Bank.

NOTE 34. OTHER EXPENSES

This item records the tax-exempt amount, if any, included under the extraordinary reserve (see note 22) in accordance with the tax laws.

NOTE 35. CORPORATE TAX

Tax due

(end-of-period data, in € million)

	2020	2019
Tax on the profit for the year	124.1	193.1
Tax on the profit for previous years	0.2	1.5
Total (1)	124.3	194.6

Main differences

(end-of-period data, in € million)

	2020	2019
Profit before tax	785.2	1 019.9
Tax-free profit allocated to the State	-288.2	-363.6
Profit subject to tax (2)	497.0	656.3
Differences		
Social commitments	-9.3	-9.2
Risk capital deduction	0.0	-2.3
Depreciation surplus	-1.5	-1.5
Other	10.0	9.6
Taxable profit	496.2	652.9
Average tax rate (in %) (1) ÷ (2)	25.0	29.7

3.2.7.6 Notes on the profit distribution for the financial year (note 36)

An estimate of the quantifiable risks forms the basis for determining the minimum amount of the Bank's reserves. For the calculation of all the financial risks, the Bank applies either the value-at-risk/expected shortfall methodology for which it uses very cautious parameters in terms of probabilities and time horizons, or long-term scenarios.

The estimate of the minimum level of risks at the end of 2020 resulted in a figure of around € 6.5 billion, against € 4.6 billion at the end of 2019.

This amount comprises the financial risks on:

- the Bank's own securities portfolios in euros and in foreign currency;
- the monetary policy portfolios shown on the Bank's balance sheet on which the Bank alone bears the risks;
- the monetary policy credit operations and securities portfolios shown on the balance sheet of all NCBs in the Eurosystem, on which the risk is shared among the NCBs (see notes 5 and 7).

The profits for the year are allocated as follows in accordance with Article 32 of the Organic Law (in € million):

1. a first dividend of 6 % of the capital is assigned to the shareholders 0.6
 2. from the excess, an amount proposed by the Board of Directors and established by the Council of Regency, totally independently, is allocated to the reserve fund or to the available reserve. For 2020, the Council of Regency decided to allocate 50 % of the profit for distribution to the available reserves, namely 330.5
 3. from the second excess, a second dividend established by the Council of Regency is allocated to the shareholders, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and the available reserve.
- Gross proceeds from statutory investments and similar

	Income	Average volume	Yield
	(in € million)		(in %)
Bonds	111.4	6 175.1	1.8
Participating interests	–	332.2	–
Total	111.4	6 507.3	1.7

- Share of the income generated by the capital in the total proceeds from the statutory investments: $10 \times 111.4 : 6\,507.3 = 0.2$
 - Average tax rate: 25.0 % (see note 35)
 - Calculation of the second dividend $[(111.4 - 0.2) \times (1 - 0.25) \times 0.5]$ 41.7
4. the balance is allocated to the State; it is exempt from corporate tax 288.2

Profit for the year 660.9

3.2.7.7 Notes to the off-balance-sheet items

NOTE 37. FORWARD TRANSACTIONS IN FOREIGN CURRENCIES AND IN EURO

(end-of-period data, in € million)

	2020	2019
Forward claims		
EUR	5 199.9	4 663.5
USD	1 008.7	1 031.4
SDR	16.5	68.7
Forward liabilities		
EUR	16.6	69.0
USD	3 254.4	3 333.2
JPY	1 027.7	1 021.0
SDR	1 845.6	1 302.3

The currency swaps were concluded for the major part against euro. The forward claims and liabilities in foreign currencies were revalued in euro at the same exchange rates as those used for spot holdings in foreign currencies.

Forward transactions are intended to limit the net foreign currency position.

NOTE 38. FORWARD TRANSACTIONS ON INTEREST RATE AND FIXED-INCOME SECURITIES

At the end of the financial year the Bank had a net long position in futures on dollar-denominated securities of € 57.9 million and a net short position in US money market securities of € 1.6 billion. These transactions relate to the active management of the portfolios.

NOTE 39. LIABILITIES WHICH COULD LEAD TO A CREDIT RISK

Liabilities towards international institutions include the commitment signed by the Bank to lend to the IMF SDR 1 050 million (€ 1 237.5 million) via the PRGT.

At the end of 2016, to ensure that the IMF has sufficient resources the IMF Executive Board approved the renewal of the new borrowing agreements (multilateral

loan) for the period November 2017-November 2022 for a total of SDR 182.4 billion. Belgium's share in that total is SDR 3 994.3 million (€ 4 707.7 million). In 2016 the IMF Executive Board also approved a new framework for bilateral loans. In that connection, forty IMF member countries decided to provide bilateral finance amounting to around SDR 318 billion (to replace the loans concluded in 2013). The Belgian share in that total is € 9 990 million in the form of a loan by the Bank to the IMF, maturing on 31 December 2020.

At the end of 2020, the available amount (PRGT, new loan agreements and bilateral loan) comes to € 15 304.5 million. These loans are guaranteed by the Belgian State.

In 2020, the IMF decided to double the size of the new loan agreements and reduce the bilateral loans by a similar amount. The aim of this operation is to consolidate the IMF's resources at a level close to their current level for the coming years and to spread the contribution effort more evenly among the various IMF member countries. In that context, the Bank signed a loan contract for SDR 7.99 billion in respect of new borrowing agreements for the period 2021-2025 and a contract for € 4.3 billion in respect of the bilateral loans. These loans replace the previous ones and slightly reduce Belgium's exposure to the IMF. They are guaranteed by the Belgian State and came into force on 1 January 2021.

Liabilities towards other bodies comprise the guarantees which the Bank gives in connection with clearing operations for credit institutions established in Belgium. In return, the Bank itself received guarantees from those same institutions.

At the end of 2020, the outstanding amount came to € 1 443.5 million.

NOTE 40. VALUABLES AND CLAIMS ENTRUSTED TO THE INSTITUTION

The custody deposits comprise the nominal amount of securities (Treasury Certificates, linear bonds, securities resulting from the splitting of linear bonds, Treasury bills, certificates of deposit and certain classical loans) recorded under the securities settlement system and held on behalf of third parties.

The rise in custody deposits is due mainly to the growth in securities issued by enterprises and recorded in the securities settlement system, and the increase in guarantees received for the account of other central banks.

NOTE 41. CAPITAL TO BE PAID UP ON PARTICIPATIONS

The BIS shares held by the Bank are paid up to the extent of 25%. The amount shown under this item represents the uncalled capital, totalling SDR 187.9 million (€ 221.4 million).

This heading also includes the residual amount to be paid up on the Bank's increased share in the ECB's capital following the withdrawal of the Bank of England from the ESCB (€ 44.5 million).

3.2.7.8 Auditor's remuneration

The remuneration paid to Mazars Réviseurs d'entreprises came to € 80 500 for the statutory audit assignment, i.e. the certification of the annual accounts, the limited audit of the interim accounts and the certification of the method of calculating the prudential expenses.

The auditor did not receive any further remuneration for other assignments carried out for the Bank.

3.2.7.9 Legal proceedings

On 3 January 2014, a shareholder brought an action against the Bank before the Brussels Commercial Court. That shareholder claims that the Bank's annual accounts do not conform to the regulations applicable, and demands the correction of the annual accounts on three points. The Commercial Court handed down its ruling on 22 May 2015. It rejected all the requests and confirmed that the Bank had drawn up its accounts in line with the applicable rules.

On 15 July 2015, the applicant shareholder lodged an appeal against this ruling. On 28 October 2019 the Brussels Court of Appeal passed judgment. The Court declared that the shareholder's appeal was unfounded and confirmed the ruling of the court of first instance, namely that the Bank has drawn up its

accounts correctly in accordance with the accounting rules applicable to it. On 10 March 2020 the shareholder in question lodged an appeal in cassation against that judgment. On 19 October 2020 the Court of Cassation dismissed the appeal. This dispute has therefore been finally resolved.

Two other actions brought by the same shareholder were also resolved in 2020.

In the first case it was claimed that the Bank's Council of Regency is not composed in accordance with the rules, and the Brussels Business Court was asked to declare that the Council of Regency's decisions approving the 2016 and 2017 accounts are null and void. On 25 June 2020 the Brussels Business Court ruled that, as the Bank had argued, this claim was inadmissible. The applicant shareholder accepted that ruling.

The second case concerned an application for interim measures brought before the president of the Brussels Business Court. The shareholder concerned maintained that the Bank had infringed his right to raise questions at the Bank's general meeting of shareholders on 18 May 2020. He therefore asked the court to suspend the decisions of the general meeting and to order the Bank to organise a new general meeting. In an order dated 20 July 2020, the president of the Brussels Business Court totally rejected these requests. The court confirmed that the National Bank had properly informed its shareholders, and it expressly found that the Bank's answers given at the general meeting were adequate and sufficiently clear and precise. The court then added that the fact that a shareholder does not agree with the answers given does not mean that his right to ask questions has been infringed.

There are two other ongoing applications for annulment before the Council of State, brought by the same shareholder against the Council of Regency's decisions adopting the 2018 and 2019 accounts, and in particular the profit distribution for those financial years. In these proceedings it is alleged that the Council of Regency's decisions on the profit distribution do not accord with the principles of good governance (more particularly the obligation to state reasons and the proportionality principle).

The Bank considers that the Council of Regency's decisions concerning the approval of the annual accounts and the profit distribution conform fully to

the applicable rules. It therefore considers the aforesaid claims unfounded. Moreover, the Bank considers that these claims are inadmissible for various reasons. Finally, these two cases have no (quantifiable) impact on the Bank's assets, financial position or results. The Bank has therefore not made any provision for these disputes.

There are no other ongoing disputes which are so critical or material as to oblige the Bank to form a provision or to make more detailed comments under this heading.

3.2.7.10 Post-balance-sheet

Sale of the printing works building

On 26 January 2021, under the established sale procedure, the Bank's Board of Directors decided to accept the offer from a potential buyer concerning disposal of the property allocated exclusively to printing works activities.

This asset was sold for a price of € 19 750 000.

In accordance with Article 32 of the Bank's Organic Law and the reserve and dividend policy adopted by the Council of Regency on 22 July 2009 and adapted on 23 March 2016, for the purposes of the reserve and dividend policy the whole of the net proceeds from the sale of property is treated as income of the portfolio forming the counterpart to the Bank's reserves. Net proceeds means the proceeds from the sale following deduction of all costs including taxes and any replacement investments in real estate. In view of the termination of the printing works activities, no replacement investment in real estate is foreseen.

The impact of the sale of the building in question on the gross dividend per share for 2021 (payable in 2022) is around € 17. However, this is only an estimate since the final tax implications and the costs associated with the sale cannot be determined until later. Moreover, as the income from the other components of the statutory portfolio is still unknown at this stage, it is not currently possible to offer a reliable estimate of the total dividend to be paid to shareholders in 2022 for the 2021 financial year.

3.2.8 Comparison over five years

3.2.8.1 Balance sheet

Assets

(in € thousand)

	2020	2019	2018	2017	2016
1. Gold and gold receivables	11 287 575	9 900 064	8 195 519	7 909 800	8 027 984
2. Claims on non-euro area residents denominated in foreign currency	15 822 963	15 872 290	15 288 762	13 885 370	14 410 997
2.1 Receivables from the IMF	6 950 671	6 595 494	6 402 443	5 951 516	6 428 948
2.2 Balances with banks and security investments, external loans and other external assets	8 872 292	9 276 796	8 886 319	7 933 854	7 982 049
3. Claims on euro area residents denominated in foreign currency	400 034	474 210	405 191	328 489	395 750
4. Claims on non-euro area residents denominated in euro	138 376	169 538	1 666 137	848 633	804 648
5. Lending to euro area credit institutions related to monetary policy operations denominated in euro	81 017 880	19 279 480	22 690 200	24 383 650	14 322 090
5.1 Main refinancing operations	–	423 000	–	40 000	200 000
5.2 Longer-term refinancing operations	81 017 880	18 856 480	22 690 200	24 343 650	14 122 090
5.3 Fine-tuning reverse operations	–	–	–	–	–
5.4 Structural reverse operations	–	–	–	–	–
5.5 Marginal lending facility	–	–	–	–	–
5.6 Credits related to margin calls	–	–	–	–	–
6. Other claims on euro area credit institutions denominated in euro	909 600	65 646	17 543	227 673	1 863 078
7. Securities of euro area residents denominated in euro	171 031 799	119 704 133	122 199 708	107 720 140	72 988 859
7.1 Securities held for monetary policy purposes	167 023 248	113 918 412	113 574 838	96 877 893	59 066 568
7.2 Other securities	4 008 551	5 785 721	8 624 870	10 842 247	13 922 291
8. Intra-Eurosystem claims	9 121 199	7 939 450	8 199 806	9 648 703	11 380 427
8.1 Participating interest in ECB capital	336 097	328 735	287 101	287 101	287 101
8.2 Claims equivalent to the transfer of foreign currency reserves	1 469 828	1 465 002	1 435 911	1 435 911	1 435 911
8.3 Net claims related to the allocation of euro banknotes within the Eurosystem	7 315 274	6 145 713	6 476 794	7 925 691	9 657 415
8.4 Other claims within the Eurosystem (net)	–	–	–	–	–
9. Other assets	8 864 955	8 384 276	7 876 801	7 723 922	6 986 218
9.1 Coins of euro area	8 009	8 453	8 849	9 112	9 472
9.2 Tangible and intangible fixed assets	412 926	436 525	416 899	410 473	393 138
9.3 Other financial assets	6 988 312	6 507 559	6 041 445	5 846 341	5 450 528
9.4 Off-balance-sheet instruments revaluation differences	90 592	57 050	–	47 699	–
9.5 Accruals and prepaid expenditure	1 360 459	1 358 129	1 399 710	1 400 374	1 118 351
9.6 Sundry	4 657	16 560	9 898	9 923	14 729
Total assets	298 594 381	181 789 087	186 539 667	172 676 380	131 180 051

Liabilities

(in € thousand)

	2020	2019	2018	2017	2016
1. Banknotes in circulation	48 084 842	43 190 510	39 870 275	37 913 638	36 472 505
2. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	145 672 939	45 443 128	59 408 947	64 957 740	50 686 181
2.1 Current accounts (covering the minimum reserve system)	97 076 814	36 466 154	23 669 646	15 710 572	11 606 041
2.2 Deposit facility	48 596 125	8 976 974	35 739 301	49 247 168	39 080 140
2.3 Fixed-term deposits	–	–	–	–	–
2.4 Fine-tuning reverse operations	–	–	–	–	–
2.5 Deposits related to margin calls	–	–	–	–	–
3. Other liabilities to euro area credit institutions denominated in euro	1 479 685	301 391	543 628	838 406	138 657
4. Liabilities to other euro area residents denominated in euro	1 914 597	612 745	379 465	293 207	327 939
4.1 General government	1 304 531	80 616	11 355	25 605	35 223
4.2 Other liabilities	610 066	532 129	368 110	267 602	292 716
5. Liabilities to non-euro area residents denominated in euro	6 864 942	857 264	8 147 501	8 413 888	2 096 115
6. Liabilities to euro area residents denominated in foreign currency	2 320 512	3 350 988	710 480	236 388	–
7. Liabilities to non-euro area residents denominated in foreign currency	1 346 671	654 709	3 219 651	3 515 801	2 057 538
8. Counterpart of special drawing rights allocated by the IMF	5 095 493	5 334 574	5 254 592	5 134 403	5 510 534
9. Intra-Eurosystem liabilities	66 198 276	63 974 101	53 192 130	36 296 706	18 589 435
9.1 Liabilities related to promissory notes backing the issuance of ECB debt certificates	–	–	–	–	–
9.2 Net liabilities related to the allocation of euro banknotes within the Eurosystem	–	–	–	–	–
9.3 Other liabilities within the Eurosystem (net)	66 198 276	63 974 101	53 192 130	36 296 706	18 589 435
10. Other liabilities	665 831	660 484	706 583	727 179	808 010
10.1 Off-balance-sheet instruments revaluation differences	–	–	8 994	–	17 359
10.2 Accruals and income collected in advance	15 396	41 546	44 542	30 569	18 587
10.3 Sundry	650 435	618 938	653 047	696 610	772 064
11. Provisions	–	3 146	5 670	2 424	–
11.1 For future exchange losses	–	–	–	–	–
11.2 For new premises	–	–	–	–	–
11.3 For contingencies	–	–	–	–	–
11.4 In respect of monetary policy operations	–	3 146	5 670	2 424	–
12. Revaluation accounts	11 381 836	10 068 000	8 231 503	7 898 906	8 369 524
13. Capital, reserve fund and available reserve	6 907 813	6 512 795	6 123 680	5 815 009	5 485 429
13.1 Capital	10 000	10 000	10 000	10 000	10 000
13.2 Reserve fund:					
Statutory reserve	1 168 694	1 168 694	1 168 694	1 168 694	1 168 694
Extraordinary reserve	1 153 603	1 153 603	1 153 600	1 152 963	1 152 963
Amortisation accounts in respect of tangible and intangible fixed assets	328 680	346 288	329 958	338 266	327 778
13.3 Available reserve	4 246 836	3 834 210	3 461 428	3 145 086	2 825 994
14. Profit for the year	660 944	825 252	745 562	632 685	638 184
Total liabilities	298 594 381	181 789 087	186 539 667	172 676 380	131 180 051

3.2.8.2 Profit and loss account

(in € thousand)

	2020	2019	2018	2017	2016
1. Net interest income	1 174 757	1 427 590	1 532 936	1 284 936	994 699
1.1 Interest income	1 714 322	1 700 539	1 783 670	1 476 176	1 066 323
1.2 Interest expense	-539 565	-272 949	-250 734	-191 240	-71 624
2. Net result of financial operations, write-downs and provisions	103 866	87 790	-25 090	4 674	36 515
2.1 Realised gains/losses arising from financial operations	111 813	91 854	20 331	53 408	62 820
2.2 Write-downs on financial assets and positions	-7 947	-4 064	-45 421	-48 734	-26 305
2.3 Transfer to/from provisions	-	-	-	-	-
3. Net income/expense from fees and commissions	2 446	-661	-264	627	1 036
3.1 Fees and commissions income	10 713	7 217	6 859	7 452	7 025
3.2 Fees and commissions expense	-8 267	-7 878	-7 123	-6 825	-5 989
4. Income from equity shares and participating interests	79 958	80 530	66 271	61 190	57 078
5. Net result of pooling of monetary income	-325 693	-313 502	-367 648	-248 906	-40 482
6. Other income	171 805	169 788	173 484	161 556	154 697
7. Staff costs	-300 155	-311 572	-326 889	-336 948	-313 548
8. Administrative expenses	-90 194	-101 332	-105 028	-90 469	-88 546
9. Depreciation of tangible and intangible fixed assets	-18 004	-18 755	-14 791	-13 015	-11 299
10. Banknote production services	-13 563	n.	n.	n.	n.
11. Other expenses	-	-3	-637	-	-
12. Corporate tax	-124 279	-194 621	-186 782	-190 960	-151 966
Profit for the year	660 944	825 252	745 562	632 685	638 184

3.2.8.3 Dividend per share

(in €)

	2020	2019	2018	2017	2016
Gross dividend	105.77	122.57	138.47	127.63	140.79
Withholding tax	31.73	36.77	41.54	38.29	42.24
Net dividend	74.04	85.80	96.93	89.34	98.55

3.3 Auditor's report to the Council of Regency



NATIONAL BANK OF BELGIUM

Société Anonyme

boulevard de Berlaimont 14

Enterprise Number : BE 0203.201.340

AUDITOR'S REPORT

In accordance with Protocol No. 4 of the Statutes of the European System of Central Banks and of the European Central Bank, we were appointed by the General Meeting of Shareholders of 18 May 2020 as the auditor responsible for preparing a report to the Council of Regency on the audit of the financial statements of the National Bank of Belgium (the "Bank"). The scope of this mandate is defined in the relevant contractual documents. We have performed the audit of the Bank during 4 consecutive years.

This mandate as auditor was entrusted to us on the proposal of the Bank's Audit Committee and, ab initio, confirmed by the Council of the European Union on the recommendation of the Governing Council of the European Central Bank.

In the context of that mandate, we have the honour to submit our report on the audit of the Bank's financial statements, drawn up in accordance with the sui generis accounting standards applicable to the Bank - including the presentation rules and principles and the explanations provided -, as defined by the Council of Regency, and on the other provisions contractually agreed with the Bank.

Unqualified opinion

We have conducted the contractual audit of the Bank's financial statements - which show a balance sheet total of € 298,6 billion and a profit for the year of € 660,9 million – and the annexes, as mentioned in the Corporate Report, Report 2020, Chapter 3 'Annual accounts and reports on the financial year' ("financial statements").

In our opinion, these financial statements give a true and fair view of the Bank's net equity and financial position as at 31 December 2020, and its results for the financial year ending on that date, drawn up in accordance with the sui generis accounting standards applicable to the Bank – including the presentation rules and principles and the explanations provided – as defined by the Council of Regency.

Basis of the unqualified opinion

We conducted our audit in accordance with the International Standards on Auditing (ISA). Our responsibilities under those standards are described in more detail in the section of this report on "Responsibilities of the auditor concerning the audit of the financial statements". We complied with all the ethical requirements applicable to the audit of financial statements in Belgium, including the independency requirements.

We obtained from the Board of Directors and the Bank's officials the explanations and information necessary for our assignment.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

The key audit matters are the matters which, in our professional judgment, were the most significant in the audit of the financial statements for the current period. We dealt with those matters in the context of our audit of the financial statements and in forming our opinion on those statements. We do not express any separate opinion on these matters.

The report below takes the duty of confidentiality, applicable to the Bank in regard to a number of subjects, in consideration. This implies that some key audit matters may not/not be completely reported.

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 1 : CREDIT RISK</p> <p>Given its activities, the Bank incurs a credit risk. To determine the total risk exposure, related to fixed- income securities, both the portfolio managed by the Bank itself and the monetary policy portfolio registered on the Bank's balance sheet, as well as the Bank's share in the monetary policy portfolio of the Eurosystem are to be taken into account.</p> <p>However, communication concerning the monetary policy portfolios is the responsibility of the ECB.</p>	<ul style="list-style-type: none"> ▪ Obtaining of an understanding and assessment of the procedures and processes for the acceptance of counterparties (ratings of various rating agencies, implied ratings, financial ratios and any financial analyses, determination and treatment of limits). ▪ Regarding the portfolio for implementation of the Eurosystem's monetary policy, a check was conducted related to compliance with the eligibility criteria – the "Single List" of marketable and non-marketable assets (bank loans). ▪ Review of the defined control measures concerning the monitoring of the set limits in relation to the risk incurred and compliance with those limits, except for exposures to Belgian public authorities. ▪ Review and assessment of the work carried out by the Bank's Internal Audit, related to both procedures and the year-end closing. ▪ At reporting date, review of controls in place regarding risk identification and assessment of effectiveness of these procedures.

Key audit matter	Audit approach
<p>The Asset Purchase Programme implies increased risks which could have a negative influence on the Bank's results, especially since, in the light of the global SARS-Cov-2 pandemic, the purchase programmes were supplemented by the Pandemic Emergency Purchase Programme. To mitigate that risk, the Bank replenished an available reserve in accordance with its profit-distribution policy.</p> <p>Upon the decision of the ECB Governing Council, the Bank sets up, where appropriate, a specific provision to cover losses related to the monetary policy operations.</p> <p>In view of the potentially significant impact on the profit and loss account and/or the importance for the assessment of the size of the available reserves, we consider the identification and assessment of the credit risk to be a key audit matter.</p> <p><u>References to the Corporate Report – Chapter 3.</u></p> <p>3.1.1.1 Balance sheet 3.1.1.3 Profit distribution 3.1.2.1. Financial risk management</p> <p>Note 36 : Disclosures related to the result appropriation</p>	<ul style="list-style-type: none"> ■ Understanding of the calculation method related to the provisions accounted for. ■ Evaluation of the information reported in the financial statements in the light of the Bank's practices and the sui generis reference framework. ■ Confirmation by the Directors concerning information obtained from the ECB

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 2 : MARKET RISK</p> <p>In connection with the monetary policy and its own investment policy, the Bank invests funds to acquire securities which are recorded either at fair value or at what is termed the amortised acquisition cost.</p> <p>The Bank incurs a market risk on the portfolio measured at fair value. In a first instance, negative revaluation differences are deducted from the corresponding revaluation account, recorded as a liability. Any remaining balance is recorded in the profit & loss statement. Regarding the portfolios measured at amortised cost, the Bank incurs an indirect risk that is to be assessed in the light of the general market risk incurred by the Bank.</p> <p>In order to determine the total risk exposure of the fixed-income securities, the Bank's share in the monetary policy portfolios of the Eurosystem is taken into consideration. However, communication on that subject is the responsibility of the ECB.</p> <p>In view of the potentially significant impact on the profit and loss account and the importance for assessing the level of the available reserves, we consider the identification and assessment of the market risk as a key point of our assignment.</p> <p><u>References to the Corporate Report – Chapter 3.</u></p> <p>3.1.1.3. Profit distribution 3.1.2.1. Financial risk management Note 36 : Disclosures related to the result appropriation</p>	<ul style="list-style-type: none"> ▪ Evaluation of the procedures and processes for assessing market risk. ▪ Assessment of the market data, assumptions and estimates used by the Bank. ▪ Discussion of the outcome of the analysis performed by the Bank with department heads. ▪ Review of the consistency of the report to the Board of Directors. ▪ Taking note of the discussions in the Board of Directors. ▪ Assessment of the information contained in the financial statements in the light of the Bank's practices and the sui generis reference system. ▪ ECB confirmation of the monetary policy results and the reconciliation with profit & loss statements.

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 3 : COMPLIANCE RISK</p> <p>Taking the Bank's hybrid sui generis regulatory framework into account, the following compliance risks were identified:</p> <ul style="list-style-type: none"> ▪ Procurement policy - regulations regarding public contracts ▪ Money laundering regulations ▪ ECB rules and related regulations ▪ GDPR <p>The above regulations may have a significant impact on the interaction with other institutions and/or the Bank's reputation.</p> <p><u>References to the Corporate Report – Chapter 3</u></p> <p>3.1.2.2. Non-financial risk management</p>	<ul style="list-style-type: none"> ▪ Taking note of the design of the processes and procedures for the Bank's procurements. ▪ Review and assessment of the work done by the Bank's Internal Audit. ▪ Discussion of compliance risks with the Bank's Legal Compliance Officer. ▪ Discussion of different risks related to the management of data with the Data Protection Officer. ▪ Conduct of various tests on a sample basis related to certain fundamental aspects of the ECB rules and related regulations.

Key audit matter	Audit approach
<p>KEY AUDIT MATTER 4 : GENERAL DATA SYSTEM CONTROLS</p> <p>The Bank is dependent to a significant extent on the reliability and protection of its IT platforms and applications, both for its operational activities and for its accounting activities.</p> <p>In view of the its very diverse activities - including the systems for monitoring and assessing the risks incurred - the proper operation of the IT platforms and applications is essential for the Bank.</p> <p>As a central point for data collection as well as responsible for the processing of certain data (central credit registry, central balance sheet office, central securities depository/securities settlement system, payments, monetary policy, statistics, prudential supervision etc.), the management of this risk is not negligible for the Bank.</p> <p>In view of our specific assignment, we only reviewed certain specific key points of the general IT system controls directly relevant to the Bank's financial statements.</p> <p><u>References to the Corporate Report – Chapter 3</u></p> <p>3.1.2.2. Non-financial risk management</p>	<ul style="list-style-type: none"> ▪ Establishing, with the aid of the Internal Audit service, of a cartography of the various IT systems and platforms important for the accounting registrations of the Bank. ▪ Taking note of the main incidents related to IT systems and platforms with attention to incidents which affected the accounting data and assessment of the measures taken. ▪ Evaluation of the design – for some of the most important applications - and, if relevant, the operational effectiveness of certain key controls. ▪ Evaluation of the checks and audits carried out by the Internal Audit service.

Responsibilities of the Board of Directors in regard to the financial statements

The Board of Directors is responsible for the preparation and fair presentation of the financial statements in accordance with the sui generis accounting reference framework, as identified in the introduction, and for such internal control as the Board of Directors determines is necessary to enable the preparation of the financial statements free of material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Bank's ability to continue as a going concern and using the going concern basis of accounting.

Responsibilities of the auditor in regard to the audit of the financial statements

In accordance with the contractual provisions, we aim to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report to the Council of Regency that includes our opinion.

Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with the ISA's will always detect material misstatement when it exists. Misstatements can arise from fraud or error, and are considered material if, individually or in the aggregate, they could reasonably be to influence the economic decisions which users may take on the basis of these financial statements.

As part of an audit in accordance with ISA's, we exercise a professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations or override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the Bank's internal control;
- Evaluate the appropriateness of the accounting estimates made by the Board of Directors;
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, up to the date of Report to the Council of Regency;
- Evaluate the overall presentation, structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation, taking into account the sui generis legal framework - including the measurement and reporting principles and the usual explanation provided -applicable to the Bank.

Our audit procedures, however, do not provide any assurance regarding the future viability of the Bank, nor regarding the efficiency or effectiveness with which the governing body has taken or will undertake the operations of the Bank.

We communicate, in accordance with ISA 260 and 265, with the Audit Committee regarding, amongst others, the planned scope and timing of the audit procedures, of any significant audit findings, including any significant deficiencies in internal control, and regarding the key audit matters.

* * *

REPORT ABOUT SOME LEGAL AND REGULATORY OBLIGATIONS

Responsibilities of the Board of Directors

The Board of Directors is responsible for the preparation and content of the corporate report, and in particular Chapter 2 3 "Annual accounts and reports on the financial year", compliance with the legal and regulatory requirements regarding bookkeeping, and compliance with the Organic Law and the other legal and regulatory dispositions, and the Bank's By-Laws.

Responsibilities of the auditor

In the context of our mandate for the Council of Regency as determined in the contract documents, it is our responsibility to report, in all material aspects, specifically adapted if necessary to the Bank's hybrid character and its sui generis legal framework, on compliance with certain provisions of Article 3:75 of the Companies' and Associations' Code.

Other comments

In our opinion, and having performed specific procedures in relation to the reporting on the financial statements, this report is consistent with the annual accounts for the same financial year, and was prepared in accordance with Articles 3:5 and 3:6 of the Companies' and Associations' Code. We do not express any form of assurance whatsoever on the report.

Without prejudice to formal aspects of minor importance, with due regard for the Bank's practices, the accounting records were maintained in accordance with the sui generis accounting reference framework - including the presentation rules and principles and the usual provided explanation provided - applicable to the Bank, as interpreted and laid down by the Council of Regency.

The appropriation of the results proposed to the Council of Regency complies with the legal and statutory requirements.

The social balance sheet deals with both the form and the content of the disclosures required by the Company Code and, to our knowledge, does not contain any significant inconsistencies in relation to the information available to us for the purposes of our contractual assignment.

We are not aware of any transactions undertaken or decisions taken in breach of the Organic Law, the By-Laws, or the applicable provisions of the Company Code and Associations' Code (as considered applicable by the bank) which we were contracted to examine.



No additional assignment was conducted which is incompatible with our contractual mandate. Our firm of auditors, and if appropriate our network, remained independent of the Bank during our mandate.

Brussels, 25 March 2021

MAZARS RÉVISEURS D'ENTREPRISES

Auditor

Represented by

Digitally signed by

STRAGIER DIRK

PIERRE E

Date: 25/03/2021

23:35:05

Dirk STRAGIER

Auditor

Auditor's Report
31.12.2020

3.4 Approval by the Council of Regency

Having taken note of the examination by the Audit Committee, the Council of Regency approved the annual accounts and the report on the company's activities in the year 2020 on 31 March 2021 and

determined the final distribution of the profits for that year. In accordance with Article 44 of the Statutes, the approval of the accounts implies a discharge for the members of the Board of Directors.

3. Annexes

The Bank's Organic law and the Corporate governance charter are listed below. The version of these annexes included gives the texts in the form applicable on 1 March 2021.

The Statutes, the Rules of Procedure, the Audit Committee Regulations, the Remuneration and Appointments Committee Regulations and many other legislative and regulatory texts covering the National Bank, its sphere of activity and its reference framework are available on the Bank's website.

The Bank does its best to ensure that the texts presented on its website are constantly updated to take account of recent changes.

Annex 1 Organic Law	193
Annex 2 Corporate Governance Charter	241

Annex 1 Organic Law¹

Article 1. – This Law shall regulate a matter referred to in Article 78 of the Constitution.

Chapter I – Nature and objectives

Art. 2. – The National Bank of Belgium, in Dutch “Nationale Bank van België”, in French “Banque Nationale de Belgique”, in German “Belgische Nationalbank”, established by the Law of 5 May 1850, shall form an integral part of the European System of Central Banks, hereinafter referred to as ESCB, the Statute of which has been established by the Protocol relating to it and annexed to the Treaty establishing the European Community.

Furthermore, the Bank shall be governed by this Law, its own Statutes and, additionally, by the provisions relating to limited liability companies by shares [*so-cités anonymes – naamloze vennootschappen*]².

Art. 3. – The Bank’s registered office shall be in Brussels.

The Bank shall establish outside offices in locations on Belgian territory where the need for them exists.

Art. 4. – The Bank’s share capital, which shall amount to ten million euro, shall be represented by four hundred thousand shares, of which two hundred

thousand – registered and non-transferable – shall be subscribed by the Belgian State and two hundred thousand shall be registered or dematerialised shares. The share capital shall be fully paid up.

Except for those belonging to the State, the shares may be converted into registered or dematerialised shares, free of charge, as the owner wishes.

Chapter II – Tasks and transactions

Art. 5. – 1. In order to achieve the objectives of the ESCB and to carry out its tasks, the Bank may:

- operate in the financial markets, by buying and selling outright (spot and forward), or under repurchase agreement or by lending or borrowing claims and marketable instruments expressed in Community or in non-Community currencies, as well as precious metals;
- conduct credit operations with credit institutions and other money market or capital market participants, with lending being based on adequate collateral.

2. The Bank shall comply with the general principles defined by the ECB for open market and credit operations, including those relating to announcement of the conditions under which such transactions are carried out.

Art. 6. – Within the limits and in accordance with the detailed terms and conditions adopted by the ECB, the Bank may also carry out, *inter alia*, the following transactions:

- 1° issue and redeem its own loan instruments;
- 2° accept deposits of securities and precious metals, undertake the redemption of securities and act on

¹ Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium (Unofficial coordinated translation: January 2020).

² The provisions on limited liability companies by shares do not apply to the National Bank of Belgium except:
1° in regard to matters which are not governed either by the provisions of Title VII of Part Three of the Treaty establishing the European Community and the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, or by the above-mentioned Law of 22 February 1998 or the Statutes of the National Bank of Belgium; and
2° insofar as they are not in conflict with the provisions referred to in 1° (Article 141, § 1 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services).

behalf of other parties in transactions in securities, other financial instruments and precious metals;

3° carry out transactions in interest-rate instruments;

4° carry out transactions in foreign currencies, gold or other precious metals;

5° carry out transactions with a view to the investment and financial management of its holdings of foreign currencies and of other external reserve elements;

6° obtain credit from foreign sources and provide guarantees for that purpose;

7° carry out transactions relating to European or international monetary cooperation.

Art. 7. – The Bank's claims arising from credit transactions shall entail a preferential claim on all securities which the debtor holds in an account with the Bank or in its securities clearing system as his own assets.

This preferential claim shall have the same rank as the preferential claim of the creditor secured with a pledge. It takes precedence over the rights set out in Article 8, paragraph 3, of the Law of 2 January 1991 on the market in public debt securities and monetary policy instruments, Articles 12, paragraph 4, and 13, paragraph 4, of Royal Decree N° 62 on the deposit of fungible financial instruments and the settlement of transactions involving such instruments, as coordinated by the Royal Decree of 27 January 2004, and 471, paragraph 4, of the Company Code.

In the event of default on payment of the Bank's claims referred to in the first paragraph, the Bank may, after notifying the debtor in writing that he is in default, take action automatically, without a prior court decision, to realise the securities on which it has a preferential claim, notwithstanding the possible bankruptcy of the debtor or any other situation in which there is concurrence as between his creditors. The Bank must endeavour to convert the securities into cash at the most advantageous price and as quickly as possible, account being taken of the volume of the transactions. The proceeds from this conversion into cash shall be allocated to the Bank's claim in respect of principal, interest and costs, any balance remaining after settlement reverting to the debtor.

When the Bank accepts claims as a pledge, as soon as the pledge agreement has been entered into, it is noted in a register kept at the National Bank of Belgium or with a third party appointed for this purpose.

By being recorded in this register, which is not subject to any specific formalities, the National Bank of Belgium's pledge is given a firm date and becomes opposable *erga omnes*, with the exception of the debtor of the pledged claim.

The register may only be consulted by third parties who are considering acceptance of an *in rem* (collateral) right over claims which may be taken as a pledge by the National Bank of Belgium. Consultation of the register is governed by terms to be stipulated by the National Bank of Belgium.

In the event of insolvency proceedings being instituted, as set out in Article 3, paragraph 5 of the Law of 15 December 2004 relating to financial collateral and various tax provisions in relation to *in rem* collateral arrangements and loans relating to financial instruments, to the account of a credit institution having pledged claims to the National Bank of Belgium, the following provisions will apply:

a) the registered lien of the National Bank of Belgium on claims takes precedence of all other *in rem* collateral subsequently arranged or granted to third parties over the same claims, irrespective of whether or not the debtor of the pledged claims has been notified of the above-mentioned liens and whether or not the above-mentioned liens have been recognised by the debtor of the pledged claims; in the event that the National Bank of Belgium brings the pledge to the attention of the debtor of the pledged claim, the latter may now only make payment in full discharge to the National Bank of Belgium.

b) third parties acquiring a lien concurrent with that of the National Bank of Belgium, as described in the preceding paragraph, are obliged, in any event, to transfer to the National Bank of Belgium, without delay, the amounts which they have received from the debtor of the pledged claim upon insolvency proceedings being instituted. The National Bank of Belgium is entitled to demand payment of these amounts, without prejudice to its right to damages and interest.

c) notwithstanding any provision to the contrary, any set-off that could extinguish all or part of the

claims pledged to the Bank or realised by it may not under any circumstances be invoked in relation to the Bank or third-party buyers in the event of realisation.

d) Article 8 of the Law of 15 December 2004 relating to financial collateral and various tax provisions in relation to *in rem* collateral arrangements and loans relating to financial instruments, shall apply by analogy to the taking of claims as a pledge by the National Bank of Belgium, the words “financial instruments” being replaced by “claims”.

e) the combined provisions of Articles 5 and 40 of the Law relating to mortgages (*Loi hypothécaire*) do not apply.

Art. 8. – § 1. The Bank shall ensure that the clearing, settlement and payment systems operate properly and shall make certain that they are efficient and sound, in accordance with this Law, specific laws and regulations and, where relevant, with the applicable European rules.

It may carry out all transactions or provide facilities for these purposes.

It shall provide for the enforcement of the regulations adopted by the ECB in order to ensure the efficiency and soundness of the clearing and payment systems within the European Union and with other countries.

§ 2. In respect of matters for which it has competence pursuant to this Article, the Bank may adopt regulations to supplement the applicable legislative or regulatory provisions on items of a technical nature.

Without prejudice to any consultation procedure provided for by other laws or regulations, the Bank, may, in accordance with the public consultation process, offer clarification, in the course of a consultation, as to the content of any regulation it intends to adopt and disclose such information on its website for comments by interested parties.

These regulations shall come into force only after their approval by the King and their publication in the *Moniteur belge / Belgisch Staatsblad* (Belgian Official Gazette). The King may amend those regulations or establish any rules Himself if the Bank has not laid down those regulations.

§ 3. The Bank shall exercise the powers conferred on it by this Article exclusively in the general interest. Save in the event of fraud or gross negligence, the Bank, the members of its bodies and the members of its staff shall not be held civilly liable for their decisions, inactions, acts or conduct in the fulfilment of this mission.

Art. 9. – Without prejudice to the powers of the institutions and bodies of the European Communities, the Bank shall implement the international monetary cooperation agreements by which Belgium is bound in accordance with the procedures laid down by agreements concluded between the Minister of Finance and the Bank. It shall provide and receive the means of payment and credits required for the implementation of these agreements.

The State shall guarantee the Bank against any loss and shall guarantee the repayment of any credit granted by the Bank as a result of the implementation of the agreements referred to in the preceding paragraph or as a result of its participation in international monetary cooperation agreements or transactions to which, subject to approval by the Council of Ministers, the Bank is a party.

Art. 9bis. – Within the framework set by Article 105(2) of the Treaty establishing the European Community and Articles 30 and 31 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, the Bank shall hold and manage the official foreign reserves of the Belgian State. Those holdings shall constitute assets allocated to the tasks and transactions coming under this Chapter and the other tasks of public interest entrusted to the Bank by the State. The Bank shall record these assets and the income and charges relating thereto in its accounts in accordance with the rules referred to in Article 33.

Art. 10. – The Bank may, on the conditions laid down by, or by virtue of, law, and subject to their compatibility with the tasks within the domain of the ESCB, be entrusted with the performance of tasks of public interest.

Art. 11. – The Bank shall act as State Cashier on the conditions determined by law.

It shall be entrusted, to the exclusion of all other Belgian or foreign bodies, with the conversion into

euros of the currencies of States not participating in Monetary Union or of States which are not members of the European Community borrowed by the State.

The Bank shall be informed of all plans for the contracting of foreign currency loans by the State, the Communities and the Regions. At the request of the Bank, the Minister of Finance and the Bank shall consult together whenever the latter considers that these loans are liable to prejudice the effectiveness of monetary or foreign exchange policy. The terms and conditions of this giving of information and this consultation shall be laid down in an agreement to be concluded between the Minister of Finance and the Bank, subject to approval of this agreement by the ECB.

Art. 12. – § 1. The Bank shall contribute to the stability of the financial system. In this respect and in accordance with the provisions of Chapter IV/3, it shall in particular have the power to detect, assess and monitor different factors and developments which may affect the stability of the financial system, it shall issue recommendations on measures to be implemented by the various relevant authorities in order to contribute to the stability of the financial system as a whole, particularly through strengthening the robustness of the financial system, preventing the occurrence of systemic risks and limiting the effect of potential disruptions, and it shall adopt measures falling within the ambit of its competences with a view to achieving the objectives described.

For all decisions and transactions made in the context of its contribution to the stability of the financial system, the Bank shall enjoy the same degree of independence as that determined by Article 130 of the Treaty on the Functioning of the European Union.

§ 2. The Bank may further be charged with the gathering of statistical information or with the international cooperation relating to any task referred to in Article 10.

Art. 12bis. – § 1. The Bank shall exercise supervision of financial institutions in accordance with this Law and specific laws governing the supervision of these institutions and with the European rules governing the Single Supervisory Mechanism

§ 2. Within the areas of supervision pertaining to its competence, the Bank may lay down regulations

supplementing the legal or regulatory provisions on items of a technical nature.

Without prejudice to any consultation provided for in other laws or regulations, the Bank may, in accordance with the procedure of open consultation, explain, in a consultative memorandum, the content of any regulation it is considering adopting, and publish this on its website with a view to obtaining any comments by those concerned.

These regulations shall come into force only after their approval by the King and their publication in the *Moniteur belge / Belgisch Staatsblad* (Belgian Official Gazette). The King may amend those regulations or establish any rules Himself that He shall determine if the Bank has not laid down those regulations.

§ 3. The Bank shall carry out its supervisory tasks exclusively in the general interest. The Bank, the members of its bodies and the members of its staff shall not bear any civil liability for their decisions, non-intervention, acts or conduct in the exercise of the legal supervisory tasks of the Bank, save in the event of fraud or gross negligence.

§ 4. The Bank's operating costs relating to the supervision referred to in paragraph 1 are borne by the institutions subject to its supervision, according to the terms and conditions laid down by the King.

The Bank may make the Federal Public Service Finance's General Administration of Tax Collection and Recovery responsible for recovery of unpaid taxes.

Art. 12ter. – § 1. The Bank shall exercise the duties of resolution authority and shall, in that capacity, be authorised to implement the resolution tools and exercise the resolution powers in accordance with the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms.

§ 2. The operating costs relating to the task referred to in § 1 are borne by the institutions which are subject to the legislation referred to in § 1, according to the terms and conditions laid down by the King.

§ 3. The provisions of Article 12bis, § 3 apply to the tasks referred to in this Article. In particular, the existence of gross negligence shall be assessed taking account of the concrete circumstances of the case,

and in particular the urgency with which these persons were confronted, the practices on the financial markets, the complexity of the case, threats for the protection of savings and the risk of damage to the national economy.

Art. 12^{quater}. – § 1. In addition to the exceptions provided for in Articles 14(5), points (c) and (d), 17(3), point (b), 18(2), and 20(3) of Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, to safeguard the objectives of Article 23(1), points (d); (e) and (h), of the aforementioned Regulation, the exercise of the rights referred to in Articles 12 (transparent information, communication and modalities for the exercise of the rights of the data subject), 13 (information to be provided where personal data are collected from the data subject), 15 (right of access), 16 (right to rectification), 19 (notification obligation regarding rectification or erasure of personal data or restriction of processing), 21 (right to object) and 34 (communication of a personal data breach to the data subject) of this Regulation is completely restricted for the processing of personal data as referred to in Article 4(1) of the same Regulation by the Bank in its capacity as entity responsible for processing that is performing tasks carried out in the public interest, tasks relating to the prevention and detection of criminal offences, and a monitoring, inspection or regulatory function connected to the exercise of official authority:

1° with a view to carrying out its tasks listed in Article 12^{bis} of this Law or any other task relating to the prudential supervision of financial institutions assigned to the Bank by any other provision of national or European law, when such data have not been obtained from the person concerned;

2° in the context of the performance of its task as resolution authority referred to in Article 12^{ter} of this Law, or of any other resolution power assigned to the Bank by any other provision of national or European law, when such data have not been obtained from the person concerned;

3° in the context of the task assigned to the Bank by Article 8 of this Law to ensure that the clearing, settlement and payment systems operate properly and to make certain that they are efficient and sound, when

such data have not been obtained from the person concerned;

4° in the context of the procedures for the imposition of administrative fines used by the Bank pursuant to sections 2 and 3 of Chapter IV/1 of this Law, and in the context of the performance of the power granted to the Bank in this regard to impose periodic penalty payments pursuant to section 3^{bis} of the same Chapter, insofar as the personal data concerned are linked to the subject of the investigation or the supervision.

The derogations referred to in paragraph 1, 1°, 2° and 3° shall apply as long as the person concerned has not, where appropriate, gained legal access to the administrative file concerning him or her which is held by the Bank and contains the relevant personal data.

§ 2. Article 5 of the aforementioned Regulation 2016/679 shall not apply to the processing of personal data as referred to in § 1 insofar as the provisions of that Article correspond with the rights and obligations provided for in Articles 12 to 22 of that Regulation.

Art. 12^{quinquies}. – Insofar as the Bank has the status of administrative authority within the meaning of Article 22^{quinquies} of the Law of 11 December 1998 on security classification, security clearance, security certificates and security advisory notices, it is authorised to process personal data concerning criminal convictions or punishable acts where necessary for the performance of the tasks conferred upon it pursuant to the aforementioned Law of 11 December 1998. Articles 12 to 22 and Article 34 of Regulation 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, shall not apply to these types of processing or to other types of personal data processing by the Bank in this capacity when the processing is necessary for the performance of its tasks. Article 5 of this Regulation also shall not apply to these types of personal data processing insofar as the provisions of that Article correspond with the rights and obligations provided for in Articles 12 to 22 of that Regulation.

Art. 13. – The Bank may carry out all transactions and provide all services which are ancillary to or follow from the tasks referred to in this Law.

Art. 14. – The Bank may entrust the performance of tasks not within the domain of the ESCB with which it is charged or for which it takes the initiative, to one or more distinct legal entities specially set up for this purpose and in which the Bank holds a significant interest; one or more members of the Bank's Board of Directors shall participate in directing such entities.

If the task is entrusted by law to the Bank, the prior consent of the King, on the proposal of the competent minister, shall be required.

Art. 15. – *Repealed.*

Art. 16. – The legal entities referred to in Article 14 and controlled exclusively by the Bank shall be subject to auditing by the Accounts Audit Court [*Cour des Comptes – Rekenhof*].

Chapter III – Bodies – Composition – Incompatibilities

Art. 17. – The bodies of the Bank shall be the Governor, the Board of Directors, the Council of Regency, the Board of Censors, the Sanctions Committee and the Resolution College.

Art. 18. – 1. The Governor shall direct the Bank and preside over the Board of Directors, the Council of Regency and the Resolution College.

2. If he is unable to attend, he shall be replaced by the Vice-Governor without prejudice to the application of Article 10.2 of the Statute of the ESCB.

Art. 19. – 1. In addition to the Governor, who shall preside over it, the Board of Directors shall be composed of a maximum of five directors, one of whom shall bear the title of Vice-Governor, conferred on him/her by the King. The Board of Directors shall include an equal number of French-speaking and Dutch-speaking members. In addition to the Governor, who presides, the Board of Directors shall be composed of at least five but not more than seven Directors, one of whom shall bear the title of Vice-Governor, conferred on him by the King. The Board of Directors shall include an equal number of French and Dutch speakers, with, possibly, the exception of the Governor.

2. The Board shall be responsible for the administration and management of the Bank and shall decide on the direction of its policy.

3. It shall exercise regulatory power in the cases laid down by law. In circulars or recommendations, it shall lay down all measures with a view to clarifying the application of the legal or regulatory provisions whose application the Bank supervises.

4. It shall decide on the investment of the capital, reserves and depreciation accounts after consultation with the Council of Regency and without prejudice to the rules adopted by the ECB.

5. It shall pronounce upon all matters which are not expressly reserved for another body by law, the Statutes or the Rules of Procedure.

6. It shall provide opinions to the various authorities that exercise legal or regulatory power on all draft legislative or regulatory acts relating to the supervisory tasks with which the Bank is or may be charged.

7. In urgent cases determined by the Governor, except for adopting regulations, it may take decisions by written procedure or by using a voice telecommunications system, in accordance with the specific rules laid down in the Bank's Rules of Procedure.

Art. 20. – 1. The Council of Regency shall be composed of the Governor, the Directors and ten Regents. It shall include an equal number of French- and Dutch-speaking Regents.

2. The Council shall exchange views on general issues relating to the Bank, monetary policy and the economic situation of the country and the European Community, supervisory policy with regard to each of the sectors subject to the Bank's supervision, Belgian, European and international developments in the field of supervision, as well as, in general, any development concerning the financial system subject to the Bank's supervision; without however having any competence to intervene at operational level or take note of individual dossiers. It shall take cognisance every month of the situation of the institution.

On a proposal from the Board of Directors it shall lay down the Rules of Procedure, containing the basic rules for the operation of the Bank's bodies and the organisation of its departments, services and outside offices.

3. The Council shall fix the individual salaries and pensions of the members of the Board of Directors. These salaries and pensions may not include a share in the profits and no remuneration whatsoever may be added thereto by the Bank, either directly or indirectly.

4. The Council shall approve the expenditure budget and the annual accounts submitted by the Board of Directors. It shall finally determine the distribution of profits proposed by the Board.

5. The King shall appoint one of the Regents as president of the Council of Regency. The president of the Council of Regency shall be independent as defined by Article 526ter of the Company Code, come from a different linguistic group than the Governor and be of a different sex from the Governor. When a new Governor is appointed, the King shall confirm the appointment of the president in office or appoint a new president.

The president of the Council of Regency shall preside over meetings of the Council of Regency except when it is exchanging views on general issues as referred to in the first sentence of point 2 of this Article. These exchanges of views are chaired by the Governor.

Art. 21. – § 1. An Audit Committee shall be set up within the Council of Regency, comprising three Regents appointed by the Council of Regency. The majority of members of the Audit Committee shall be independent as defined by Article 526ter of the Company Code.

The Audit Committee shall exercise the advisory powers laid down by Article 21bis and supervise the preparation and implementation of the Bank's budget.

The Council of Regency appoints the president of the Audit Committee who shall be independent as defined by Article 526ter of the Company Code. The president of the Council of Regency may not assume the presidency of the Audit Committee.

§ 2. A Remuneration and Appointments Committee shall be set up within the Council of Regency, comprising three Regents appointed by the Council of Regency. The majority of members of the Remuneration and Appointments Committee shall be independent as defined by Article 526ter of the Company Code.

The Remuneration and Appointments Committee exerts the advisory powers in the field of remuneration

and appointments that are attributed to it by the Council of Regency.

The Governor shall attend meetings of the Remuneration and Appointments Committee in an advisory capacity.

Art. 21bis. – 1. Without prejudice to the responsibilities of the bodies of the Bank and without prejudice to the execution of the tasks and transactions within the domain of the ESCB and their review by the statutory auditor, the audit committee shall, at least:

- a) monitor the financial reporting process;
- b) monitor the effectiveness of the internal control and risk management systems, and of the Bank's internal audit;
- c) monitor the statutory audit of the annual accounts, including the compliance with the questions and recommendations formulated by the statutory auditor;
- d) review and monitor the independence of the statutory auditor, and in particular the provision of additional services to the Bank.

2. Without prejudice to Article 27.1 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank, and without prejudice to the competence of the Works Council with respect to the nomination, the proposal of the Board of Directors for the appointment of the statutory auditor shall be given on proposal of the audit committee. The Works Council shall be informed of this proposal. The audit committee shall also advise on the tender procedure for the appointment of the statutory auditor.

3. Without prejudice to any reports and notices of the statutory auditor to the bodies of the Bank, he shall report to the audit committee on key matters arising from the statutory audit, and in particular on material weaknesses in internal control in relation to the financial reporting process.

4. The statutory auditor shall:

- a) confirm annually in writing to the audit committee his independence from the Bank;
- b) disclose annually to the audit committee any additional services provided to the Bank;

c) discuss with the audit committee the threats to his independence and the safeguards applied to mitigate those threats and that have been documented by him in the audit working papers.

5. The Rules of Procedure shall specify the rules of procedure of the audit committee.

Art. 21^{ter}. – § 1. The Bank hereby establishes a Resolution College, which shall be responsible for performing the tasks referred to in Article 12^{ter}.

§ 2. The Resolution College shall be composed of the following persons:

1° the Governor;

2° the Vice-Governor;

3° the Director of the Department in charge of the prudential supervision of banks and stockbroking firms;

4° the Director of the Department in charge of prudential policy and financial stability;

5° the Director designated by the Bank as the person responsible for resolution of credit institutions;

6° *repealed*;

7° the President of the Management Committee of the Federal Public Service Finance;

8° the official in charge of the Resolution Fund;

9° four members designated by the King by Royal Decree deliberated in the Council of Ministers; and

10° a magistrate designated by the King.

§ 2/1. The Chairman of the Financial Services and Markets Authority shall attend meetings of the Resolution College in an advisory capacity.

§ 3. The persons referred to in § 2, paragraph 1, 9°, shall be appointed based on their particular experience in banking and in financial analysis.

The persons referred to in § 2, paragraph 1, 9° and 10° shall be appointed for a renewable term of four years. These persons can be relieved of their duties

by the authorities which have appointed them only if they no longer fulfil the conditions necessary for their role or in the event of serious misconduct.

§ 4. The King shall determine, by Royal Decree deliberated in the Council of Ministers:

1° the organisation and operation of the Resolution College and of the departments tasked with preparing its work;

2° the conditions under which the Resolution College shares information with third parties, including other bodies and departments of the Bank; and

3° the measures to prevent any conflicts of interest on the part of members of the Resolution College or between the Resolution College and other bodies and departments of the Bank.

§ 5. In the event of infringements of the provisions of Book II, Titles IV and VIII, Book XI and Articles 581 and 588 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms and of the measures taken to comply with these provisions, the Resolution College shall replace the Board of Directors for the purposes of applying section 3 of Chapter IV/1 of this Law.

Art. 22. – 1. Except as regards the tasks and transactions within the domain of the ESCB, the supervisory tasks referred to in Article 12^{bis} and the tasks referred to in Article 12 and Chapter IV/3, the Minister of Finance, through his representative, shall have the right to supervise the Bank's transactions and to oppose the implementation of any measure which is contrary to the law, the Statutes or the interests of the State.

2. The representative of the Minister of Finance shall, *ex officio*, attend the meetings of the Council of Regency and the Board of Censors. Except as regards the functions and transactions within the domain of the ESCB, the supervisory tasks referred to in Article 12^{bis} and the tasks referred to in Article 12 and Chapter IV/3, he shall supervise the Bank's transactions and suspend and bring to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State.

If the Minister of Finance has not given a decision within eight days on the suspension, the decision may be implemented.

3. The salary of the representative of the Minister of Finance shall be fixed by the Minister of Finance in consultation with the management of the Bank and shall be borne by the latter.

The representative of the Minister shall report to the Minister of Finance each year on the performance of his task.

Art. 23. – 1. The Governor shall be appointed by the King for a renewable term of five years. He may be relieved from office by the King only if he no longer fulfils the conditions required for the performance of his duties or if he has been guilty of serious misconduct. With regard to this decision, he shall have the right of appeal as provided in Article 14.2 of the Statute of the ESCB.

2. The other members of the Board of Directors shall be appointed by the King, on the proposal of the Council of Regency, for a renewable term of six years. They may be relieved from office by the King only if they no longer fulfil the conditions required for the performance of their duties or if they have been guilty of serious misconduct.

3. The Regents shall be elected for a three-year term by the General Meeting. Their term may be renewed. Two Regents shall be chosen on the proposal of the most representative labour organisations. Three Regents shall be chosen on the proposal of the most representative organisations from industry and commerce, from agriculture and from small firms and traders. Five Regents shall be chosen on the proposal of the Minister of Finance. The methods of proposing candidates for these appointments shall be laid down by the King, after deliberation in the Council of Ministers.

4. The Censors shall be elected for a three-year term by the General Meeting of Shareholders. They shall be chosen from among persons with special qualifications in the field of supervisory procedures. Their term may be renewed.

Art. 24. – The Regents shall receive attendance fees and, if appropriate, a travel allowance. The amount of such remunerations shall be fixed by the Council of Regency.

Art. 25. – Members of the Legislative Chambers, the European Parliament, the Councils of the Communities

and the Regions, persons who hold the position of Minister or Secretary of State or of member of the Government of a Community or Region and members of the staff of a member of the Federal Government or of the Government of a Community or Region may not hold the office of Governor, Vice-Governor, member of the Board of Directors, member of the Sanctions Committee, member of the Resolution College, Regent or Censor. The last-mentioned functions shall automatically cease when their holder takes the oath of office for exercise of the above-mentioned offices or performs such functions.

Art. 26. – § 1. The Governor, the Vice-Governor and the other members of the Board of Directors may not hold any office in a commercial company or a company which is commercial in form or in any public body which carries on an industrial, commercial or financial activity. Subject to the approval of the Minister of Finance, they may however hold office in:

1. international financial institutions established under agreements to which Belgium is party;
2. the Deposits and Financial Instruments Protection Fund (*Fonds de protection des dépôts et des instruments financiers – Beschermingsfonds voor deposito's en financiële instrumenten*), the Rediscount and Guarantee Institute (*Institut de Réescompte et de Garantie – Herdiscontering- en Waarborginstituut*) and the National Delcredere Office (*Office National du Ducreire – Nationale Delcredere dienst*);
3. the legal entities referred to in Article 14.

For duties and mandates in an institution subject to the Bank's supervision or in an institution incorporated under Belgian law or foreign law established in Belgium or in a subsidiary of these institutions and subject to the supervision of the European Central Bank, the prohibitions referred to in the first paragraph shall continue to apply for one year after the Governor, Vice-Governor and other members of the Board of Directors have relinquished their office.

The Council of Regency shall determine the conditions relating to the relinquishment of office. It may, on the recommendation of the Board of Directors, waive the prohibition laid down for the period concerned after the relinquishment of office if it finds that the activity envisaged has no significant influence on the independence of the person in question.

§ 2. The Regents may not be a member of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank or in an institution incorporated under Belgian law or foreign law established in Belgium or in a subsidiary of these institutions and subject to the supervision of the European Central Bank, nor may they perform management duties in such an institution.

§ 3. On a proposal from the Board of Directors, the Council of Regency shall lay down the code of conduct which must be respected by the members of the Board of Directors and the staff, as well as the monitoring measures concerning respect for this code. Persons responsible for supervising compliance with that code must maintain professional secrecy as provided for in Article 458 of the Penal Code.

Art. 27. – The terms of the members of the Board of Directors and the Council of Regency shall expire no later than when they reach the age of sixty-seven years.

However, subject to authorisation by the Minister of Finance, they may complete their current term. The terms of the members of the Board of Directors may afterwards still be extended by one year, which term may be renewed. In the case of the Governor's term of office, the authorisation to complete the current term or its extension shall be granted by Royal Decree deliberated in the Council of Ministers.

On no account may the office-holders referred to above remain in office beyond the age of seventy years.

Art. 28. – The Governor shall send to the Chairman of the Chamber of Representatives the annual report referred to in Article 284(3) of the Treaty on the functioning of the European Union, as well as a yearly report on the tasks of the Bank in the field of prudential supervision of financial institutions and on its tasks relating to its contribution to the stability of the financial system as referred to in Chapter IV/3. The Governor may be heard by the competent committees of the Chamber of Representatives at the request of these committees or on his own initiative.

Communications made under this Article may not, because of their contents or the circumstances, jeopardise the stability of the financial system.

Chapter IV – Financial provisions and revision of the statutes

Art. 29. – *Repealed.*

Art. 30. – Any capital gain realised by the Bank through arbitrage transactions of gold assets against other external reserve components shall be entered in a special unavailable reserve account. This capital gain shall be exempt from all taxation. However, where some external reserve components have been arbitrated against gold, the difference between the purchase price of that gold and the average purchase price of the existing gold stock shall be deducted from the amount of that special account.

The net income from the assets which form the counterpart to the capital gain referred to in the first paragraph shall be allocated to the State.

External reserve components acquired as a result of the transactions referred to in the first paragraph shall be covered by the State guarantee as provided in Article 9(2) of this Law.

The terms and conditions for application of the provisions contained in the preceding paragraphs shall be fixed by agreements to be concluded between the State and the Bank. These agreements shall be published in the Belgian Gazette (*Moniteur belge / Belgisch Staatsblad*).

Art. 31. – The reserve fund is intended for:

1. compensating for losses in capital stock;
2. supplementing any shortfall in the annual profit up to a dividend of six per cent of the capital.

Upon expiration of the Bank's right of issue¹, the State shall have a priority claim to one fifth of the reserve fund. The remaining four fifths shall be distributed among all the shareholders.

Art. 32. – The annual profits shall be distributed as follows:

¹ The right of issue shall include the right which the Bank may exercise pursuant to Article 106(1) of the Treaty establishing the European Community (Art. 141 § 9 of the Law of 2 August 2002 on the supervision of the financial sector and on financial services).

1° a first dividend of 6 % of the capital shall be allocated to the shareholders;

2° from the excess, an amount proposed by the Board of Directors and established by the Council of Regency shall be independently allocated to the reserve fund or to the available reserves;

3° from the second excess, a second dividend, established by the Council of Regency, forming a minimum of 50 % of the net proceeds from the assets forming the counterpart to the reserve fund and available reserves shall be allocated to the shareholders;

4° the balance shall be allocated to the State; it shall be exempt from company tax.

Art. 33. – The accounts and, if appropriate, the consolidated accounts of the Bank shall be drawn up:

1. in accordance with this Law and the mandatory rules drawn up pursuant to Article 26.4 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank;

2. and otherwise in accordance with the rules laid down by the Council of Regency.

Articles 2 to 4, 6 to 9 and 16 of the Law of 17 July 1975 on business accounting and their implementing Decrees shall apply to the Bank with the exception of the Decrees implementing Articles 4(6) and 9, § 2.¹

Art. 34. – The Bank and its outside offices shall comply with the statutory provisions on the use of languages in administrative matters.

Art. 35. – § 1. Except when called upon to give evidence in court in a criminal case, and except for communications given in the context of a parliamentary

commission of inquiry, the Bank, members and former members of its bodies and its staff and experts upon whom it calls shall be subject to professional secrecy and may not divulge to any person or authority whatsoever confidential information of which they have had knowledge on account of their duties.

The persons referred to in § 1 shall be exempt from the obligation contained in Article 29 of the Code of Criminal Procedure.

Contraventions of this Article shall incur the penalties laid down by Article 458 of the Penal Code. The provisions of Book 1 of the Penal Code, including Chapter VII and Article 85, shall be applicable to contraventions of this Article.

This Article does not prevent the observance, by the Bank, the members of its bodies and its staff, of specific legal provisions as to professional secrecy, whether more restrictive or not, notably when the Bank is charged with collecting statistical data or information on prudential supervision.

§ 2. Notwithstanding paragraph 1, the Bank may communicate confidential information:

1° where the communication of such information is stipulated or authorised by or pursuant to this Law and the laws regulating the tasks entrusted to the Bank;

2° to expose criminal offences to the judicial authorities;

3° within the framework of administrative or judicial appeal proceedings against acts or decisions of the Bank and in any other proceedings to which the Bank is a party;

4° in abridged or summary form, in order that individual natural or legal persons cannot be identified.

The Bank may publish the decision to expose criminal offences to the judicial authorities.

§ 3. Within the limits of European Union law and any restrictions expressly laid down by or pursuant to a law, the Bank may use any confidential information that it holds in the context of its legal tasks, in order to carry out its tasks referred to in Articles 12, § 1, 12ter, 36/2, 36/3 and its tasks within the ESCB.

¹ Pursuant to Articles 11 and 12 of the Law of 17 July 2013 inserting a Book III entitled "Freedom of establishment, to provide services and general obligations of undertakings" in the Code of Economic Law and inserting specific definitions under Book III and specific implementing legislation under Book III, in Books I and XV of the Code of Economic Law, this provision should be interpreted as: "Articles III.82 to III.84, III.86 to III.89 and XV.75 of the Code of Economic Law and their implementing Decrees shall apply to the Bank, with the exception of the Decrees implementing Articles III.84, paragraph 7, and III.89, § 2.".

Art. 35/1. – § 1. By derogation from Article 35 and within the limits of European Union law, the Bank may communicate confidential information:

1° *repealed*;

2° in performing its tasks referred to in Article 12*ter*, § 1, for the purposes of carrying out these tasks,

a) to the resolution authorities of the European Union and of other Member States of the European Economic Area as well as the authorities of third countries entrusted with equivalent tasks to those referred to in Article 12*ter*, § 1;

b) to persons or authorities referred to in Article 36/14, § 1, 1°, 2°, 3°, 4°, 5°, 8°, 11°, 18° and 19°;

c) to the Minister of Finance;

d) to any person, whether governed by Belgian or by foreign law, whenever deemed necessary for the planning or execution of a resolution measure, and notably;

- to the special administrators appointed pursuant to Article 281, § 2 of the Law of 25 April 2014 on the legal status and supervision of credit institutions;
- to the body in charge of resolution financing arrangements;
- to auditors, accountants, legal and professional counsellors, assessors and other experts hired directly or indirectly by the Bank, a resolution authority, a competent Ministry or a potential buyer;
- to a bridge institution referred to in Article 260 of the Law of 25 April 2014 on the legal status and supervision of credit institutions or to an asset management vehicle referred to in Article 265 of the same Law;
- to persons or authorities referred to in Article 36/14, § 1, 6°, 7°, 9°, 10°, 12°, 15° and 20°;
- to potential buyers of securities or assets respectively issued or held by the institution subject to the resolution procedure.

e) without prejudice to points a) to d), to any person or authority that has a function or task pursuant

to Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, when the communication of confidential information concerning a person referred to in Article 1, paragraph 1, point a), b), c) or d) of the said Directive has received the prior approval of this person or the authority carrying out identical tasks to those referred to in Articles 12, § 1 and 12*ter* as regards this person, when the information comes from this person or authority.

§ 2. The Bank may communicate confidential information in accordance with § 1 only on condition that the recipient authorities, institutions or persons use that information to carry out their tasks and that, as regards that information, they are subject to an obligation of professional secrecy equivalent to that referred to in Article 35. Furthermore, information communicated by an authority of another Member State may be divulged to a third-country authority only with the express agreement of that authority and, as the case may be, only for the purposes for which that authority has given its consent. Likewise, information coming from a third-country authority may only be divulged with the express agreement of that authority and, as the case may be, only for the purposes for which that authority has given its consent.

The Bank may only communicate confidential information pursuant to § 1 to the authorities of the third-country State with which it has concluded a cooperation agreement providing for an exchange of information.

§ 3. Without prejudice to the more stringent provisions of the specific laws governing them, Belgian persons, authorities and bodies shall be bound by professional secrecy as referred to in Article 35 as regards the confidential information they receive from the Bank pursuant to § 1 and shall ensure their internal regulations guarantee that any confidential information received from the Bank in accordance with paragraph 1, 2°, by persons involved in the resolution process is treated as confidential.

Art. 35/2. – By derogation from Article 35 and within the limits of European Union law, the Bank may send the Belgian Data Protection Authority (*Gegevensbeschermingsautoriteit / Autorité de protection des*

données) confidential information insofar as this information is necessary for the performance of this Authority's tasks.

Art. 35/3. – Article 35 shall apply to statutory auditors, to company auditors and to experts as regards the information of which they have become cognisant by virtue of the tasks of the Bank or by virtue of the verifications, expert appraisals or reports that the Bank, within the framework of its tasks as referred to in Articles 36/2 and 36/3, has charged them with carrying out or producing.

§ 1 and Article 86, § 1, first indent of the Law of 7 December 2016 on the organisation of the profession and the public supervision of auditors, shall not apply to the communication of information to the Bank that is stipulated or authorised by the legal or regulatory provisions governing the tasks of the Bank.

Art. 36. – The Council of Regency shall amend the Statutes in order to bring them into conformity with this Law and with the international obligations which are binding on Belgium.

Other amendments to the Statutes shall be adopted, on the proposal of the Council of Regency, by a majority of three quarters of the votes pertaining to the total number of shares present or represented at the General Meeting of Shareholders.

Amendments to the Statutes shall require the approval of the King.

Chapter IV/1 – Provisions concerning the supervision of financial institutions

Section 1 – General provisions

Art. 36/1. – Definitions: For the purpose of this Chapter and Chapter IV/2, the following definitions shall apply:

1° “the Law of 2 August 2002”: the Law of 2 August 2002 on the supervision of the financial sector and on financial services;

2° “financial instrument”: an instrument as defined in Article 2, 1° of the Law of 2 August 2002;

3° “credit institution”: any institution referred to in Book II and in Titles I and II of Book III of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms;

4° “electronic money institution”: any institution referred to in Article 2, 74° of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems;

5° “investment firm with the status of stockbroking firm”: any investment undertaking referred to in Book XII of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms that is recognised as a stockbroking firm or authorised to provide investment services which would require authorisation to operate as a stockbroking firm to be obtained if they were being provided by a Belgian investment firm;

6° “insurance or reinsurance company”: any undertaking referred to in Article 5, paragraph 1, 1°, or 2° of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies;

7° *repealed*;

8° “mutual insurance association”: any undertaking referred to in Article 57 of the Programme Law of 10 February 1998 on the promotion of the independent company;

9° “payment institution”: any undertaking referred to in Article 2, 8°, of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems;

10° “regulated market”: any Belgian or foreign regulated market;

11° “Belgian regulated market”: a multilateral system, run and/or managed by a market operator, which ensures or facilitates the matching – even within the system itself and according to its non-discretionary rules – of manifold interest expressed by third parties in buying and selling

financial instruments, in a way that leads to making contracts in financial instruments admitted to trading under its rules and/or its systems, and that is recognised and operates regularly in accordance with the provisions of Chapter II of the Law of 2 August 2002;

12° “foreign regulated market”: any market for financial instruments that is organised by a market operator whose home State is a Member State of the European Economic Area other than Belgium and that has been recognised in this Member State as a regulated market pursuant to Title III of Directive 2014/65/EU;

13° “central counterparty”: a central counterparty as defined in Article 2(1) of Regulation (EU) No. 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories;

14° *repealed*;

15° “FSMA”: the Financial Services and Markets Authority (“*Autorité des services et marchés financiers*” / “*Autoriteit voor Financiële Diensten en Markten*”, in German “*Autorität Finanzielle Dienste und Märkte*”);

16° “competent authority”: the Bank, the FSMA or the authority indicated by each Member State pursuant to Article 67 of Directive 2014/65/EU, Article 22 of Regulation 648/2012 or Article 11 of Regulation 909/2014, unless otherwise specified in the said Directive or Regulations;

17° “Directive 2014/65/EU”: Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU;

18° “CSRSFI”: the Committee for Systemic Risks and System-Relevant Financial Institutions;

19° *repealed*;

20° “European Banking Authority”: the European Banking Authority set up by Regulation No. 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority),

amending Decision No. 716/2009/EC and repealing Commission Decision 2009/78/EC;

21° “European Insurance and Occupational Pensions Authority”: the European Insurance and Occupational Pensions Authority set up by Regulation No. 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/79/EC;

21°/1 “European Securities and Markets Authority”: the European Securities and Markets Authority set up by Regulation No. 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No. 716/2009/EC and repealing Commission Decision 2009/77/EC;

22° “Regulation 648/2012”: Regulation (EU) No. 648/2012 of the European Parliament and of the European Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories;

23° “financial counterparty”: a counterparty as defined in Article 2(8) of Regulation 648/2012 or in Article 3(3) of Regulation 2015/2365;

24° “non-financial counterparty”: a counterparty as defined in Article 2(9) of Regulation 648/2012 or in Article 3(4) of Regulation 2015/2365;

25° “central securities depository”: a central securities depository as defined in Article 2(1)(1) of Regulation 909/2014;

26° “Regulation 909/2014”: Regulation (EU) No. 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012;

27° “Regulation 2015/2365”: of the European Parliament and of the Council of 25 November 2015 on transparency of securities financing transactions and of reuse and amending Regulation (EU) No. 648/2012;

28° “the Law of 7 April 2019”: the Law of 7 April 2019 establishing a framework for the security of network and information systems of general interest for public security;

29° “Bankruptcy Court”: the Bankruptcy Court referred to in Article I.22, 4°, of the Code of Economic Law.

30° “the Law of 18 September 2017”: the Law of 18 September 2017 on preventing money laundering and terrorist financing and limiting the use of cash;

31° “SSM Regulation”: 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;

32° “Directive 2015/849”: Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing, amending Regulation (EU) No. 648/2012 of the European Parliament and of the Council, and repealing Directive 2005/60/EC of the European Parliament and of the Council and Commission.

Art. 36/2. – § 1. In accordance with Article 12*bis*, with the provisions of this Chapter and the specific laws governing the supervision of financial institutions, the Bank’s mission shall be to undertake prudential supervision of credit institutions, investment firms with the status of stockbroking firm, insurance companies, reinsurance companies, mutual insurance associations, central counterparties, settlement institutions, institutions equivalent to settlement institutions, payment institutions, electronic money institutions, central securities depositories, institutions providing support to central securities depositories and custodian banks.

As regards supervision of insurance companies, the Bank shall appoint within the Board of Directors or among member of staff a representative who shall sit in an advisory capacity on the management committee for occupational accidents and certain technical committees of Fedris.

By derogation from paragraph 1, supervision of mutual insurance companies referred to in Articles 43*bis*, § 5,

and 70, §§ 6, 7 and 8 of the Law of 6 August 1990 on mutual insurance companies and national unions of mutual insurance companies, as well as their operations, falls within the competence of the Control Office of mutual health funds and national unions of mutual health funds.

In carrying out its tasks, the Bank shall take account, in its capacity as competent prudential authority, of the convergence, in terms of supervision instruments and practices, of the implementation of the legislative, regulatory and administrative obligations imposed under the applicable European Directives.

To this end, it is required to:

a) take part in the work of the European Banking Authority, the European Insurance and Occupational Pensions Authority and, if necessary, the European Securities and Markets Authority;

b) comply with the guidelines, recommendations, standards and other measures agreed by the European Banking Authority, by the European Insurance and Occupational Pensions Authority and, if necessary, the European Securities and Markets Authority and, if it fails to do so, shall explain the reasons.

In its capacity as competent prudential authority, when carrying out its general interest duties, the Bank shall take due account of the potential impact of its decisions on the stability of the financial system in all the other Member States concerned and, particularly, in emergency situations, on the strength of information available at the time.

§ 2. In accordance with Article 12*bis* and the provisions of this Chapter, and to the extent laid down by Article 85 of the Law of 18 September 2017, the Bank’s mission shall also be to monitor respect by the financial institutions referred to in paragraph 1, first indent, for the legal and regulatory provisions or provisions of European law designed to prevent the use of the financial system for purposes of money laundering and terrorist financing, as well as financing of proliferation of weapons of mass destruction.

Art. 36/3. – § 1. Without prejudice to Article 36/2, and in accordance with Articles 12 and 12*bis* and the specific laws that govern the supervision of financial institutions, the Bank’s mission shall also be,

1° to intervene in the detection of any threats to the stability of the financial system, in particular by following up and assessing strategic developments in and the risk profile of systemic financial institutions;

2° to submit recommendations to the federal government and federal parliament on measures that are necessary or useful for the stability, the smooth running and the efficiency of the country's financial system;

3° to coordinate financial crisis management;

4° to contribute to the missions of the European and international institutions, organisations and bodies in the areas described in 1° to 3° and to collaborate in particular with the European Systemic Risk Board.

§ 2. The Bank shall determine, among the financial institutions referred to in Article 36/2, with the exception of credit institutions, stockbroking firms, payment institutions and electronic money institutions and insurance and reinsurance companies, those that must be considered as system-relevant and shall inform each one of these institutions. From this moment onwards, these institutions are required to send the Bank their proposals for strategic decisions. Within two months of receipt of a complete file supporting the strategic decision, the Bank may oppose these decisions if it feels that they go against sound and prudent management of the system-relevant financial institution or are liable to have a significant effect on the stability of the financial system. It may use all the powers conferred on it by this Law and the specific laws governing the supervision of the financial institutions concerned.

Strategic decisions shall be understood to mean decisions, once they assume a certain degree of importance, that concern any investment, disinvestment, participation or strategic cooperation relationship on the part of the system-relevant financial institution, notably decisions to acquire or establish another institution, to set up a joint venture established in another State, to conclude cooperation agreements or agreements on capital investment or acquisition of a branch of activity, merger or demerger.

The Bank shall specify the decisions that are to be considered as strategic and of a certain importance

for the application of this Article. It shall publish these stipulations.

§ 3. When the Bank considers that a system financial institution has an inadequate risk profile or that its policy is liable to have a negative impact on the stability of the financial system, it may impose specific measures on the institution in question, notably particular requirements in respect of solvency, liquidity, risk concentration and risk positions.

§ 4. To enable the Bank to exercise the competences laid down by the preceding paragraphs, each system-relevant financial institution shall send it a report on developments in its business activities, its risk position and its financial situation.

The Bank shall determine the content of the information that must be sent to it as well as the frequency and the arrangements for this reporting.

§ 5. Failure to respect the provisions of this Article may give rise to the imposition of administrative fines, penalties and penal sanctions provided for by this Law and the specific laws applicable to the financial institutions in question.

§ 6. The FSMA shall provide the Bank with the information it possesses and which the latter has requested for the purposes of carrying out the tasks referred to in this Article.

Art. 36/4. – In carrying out its tasks referred to in Article 12*bis*, the Bank shall have no competence in respect of fiscal matters. However, it shall notify the judicial authorities of any special mechanisms set up by an institution falling within the scope of its supervision pursuant to Article 36/2, the aim or result of which mechanisms is to promote fraud by third parties, where it is aware of the fact that those special mechanisms constitute a fiscal offence under the Penal Code, punishable by penal sanctions for the institutions themselves as author, co-author or accessory.

Art. 36/5. – § 1. In the instances stipulated by the law regulating the task in question, the Bank may give prior written consent on an operation. The Bank make its consent dependent on the conditions that it deems appropriate.

§ 2. The consent referred to in § 1 shall be binding on the Bank, save:

1° where it appears that the operations to which it refers are incompletely or incorrectly described in the request for consent;

2° where those operations are not performed in the manner proposed to the Bank;

3° where the effects of those operations are modified by one or more subsequent operations, with the result that the operations to which the consent refers no longer conform to the definition given of them in the request for consent;

4° where the conditions upon which the consent is dependent are not or no longer fulfilled.

§ 3. Upon the recommendation of the Bank, the King determines the terms and conditions for application of the present Article.

Art. 36/6. – § 1. The Bank shall organise a website and keep it up to date. This website shall contain all regulations, proceedings and resolutions that are required to be published in the context of its legal tasks pursuant to Article 12*bis*, as well as any other information that the Bank deems appropriate to disseminate in the interest of these same tasks.

Without prejudice to the means of publication prescribed by the appropriate legal or regulatory provisions, the Bank shall specify other possible means of publishing the regulations, resolutions, opinions, reports and other proceedings it makes public.

§ 2. The Bank shall also provide the following information on its website:

1° besides the legislation on the legal status and supervision of credit institutions and stockbroking firms and the legislation on the legal status and supervision of insurance and reinsurance companies, along with any Decrees, Regulations and Circulars issued under or pursuant to this legislation or Regulations of European Union law relating to these matters, a table setting out the provisions of European Directives on the prudential supervision of credit institutions and stockbroking firms and on the legal status and supervision of insurance and reinsurance companies, stating the chosen options;

2° the supervisory objectives that it exercises pursuant to the legislation referred to in 1°, and in particular the functions and activities carried out as such, the verification criteria and the methods it uses to carry out the assessment referred to in Article 142 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms and Articles 318 to 321 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance;

3° aggregate statistical data on the main aspects relating to the application of the legislation referred to in 1°;

4° any other information laid down by the Decrees and Regulations issued under this Law.

The information referred to in paragraph 1 shall be published according to the guidelines established, as the case may be, by the European Commission, the European Banking Authority or the European Insurance and Occupational Pensions Authority. The Bank shall ensure that the information provided on its website is updated regularly.

The Bank shall also publish any other information required under acts of European Union law applicable in the area of supervision of credit institutions and stockbroking firms and in the area of supervision of insurance and reinsurance companies.

The Bank may publish, under arrangements that it shall determine and in compliance with European Union law, the results of the stress tests carried out in accordance with European Union law.

Art. 36/7. – All notifications that the Bank or the Minister are required to make by registered letter or recorded delivery in accordance with the laws and regulations whose application is supervised by the Bank may be made by writ of execution or by any other method determined by the King.

Art. 36/7/1. – § 1. The person who has informed the Bank, in good faith, of an alleged or infringement of the laws and regulations governing the legal status and supervision of financial institutions referred to in Article 36/2, may not be subjected to any civil, penal or disciplinary proceedings nor have any professional sanctions imposed on him or her that might be lodged or imposed because he/she reported the said

information. This report shall not be considered in breach of any restrictions on the disclosure or communication of information imposed by a contract or by a legal, regulatory or administrative provision, and the responsibility of the person who raised such an alert may not in any way be liable for having reported this information.

Paragraph 1 may not benefit the lawyers who report any information that they have received from one of their clients or obtained from one of their clients.

§ 2. The Bank shall not reveal the identity of the person who makes a report referred to in § 1, first indent. Unless this person consents, the Bank shall reject any request for consultation, explanation or communication, in any form whatsoever, of an administrative document in which his or her identity appears directly or indirectly.

Without prejudice to paragraph 1, upon request of the person concerned, the Bank may assist the person who raised the alert as referred to in paragraph 1, first indent, before the administrative or judicial authorities asked to hear a case of unfair treatment or measure prohibited under paragraph 3, first indent, and on that occasion in particular may confirm in labour disputes the status of informant of the person who raised the alert.

§ 3. Reprisals, or any discrimination or other types of unfair treatment or measure related to the report referred to in § 1, first indent, shall be prohibited against anybody in a labour relationship who raises the alert in good faith, whether or not they are in a contractual or statutory relationship.

§ 4. In the event of any unfair treatment or measure for a period of twelve months from the alert being raised, the burden of proof that this treatment or measure is not related to the said report is on the employer, provided that the person concerned provides reasonable arguments suggesting that the unfair treatment constitutes reprisals because of this person raising the alert.

§ 5. If, in breach of paragraph 3, an employer terminates an employment relationship or unilaterally and unfavourably amends the working conditions of a person who raises an alert as referred to in paragraph 1, first indent, the person concerned or the representative organisation to which he or she

belongs, may request his or her reintegration on the conditions prevailing before the breach of the employment relationship or the adverse amendment of the working conditions. The request shall be made by registered letter within thirty days of the date of notice of termination of employment or adverse amendment of the working conditions. The employer must act on that request within thirty days of receipt of the request for reintegration. The employer who reintegrates the person concerned under the same terms, is required to compensate for any lost benefits and salary during the period preceding the reintegration.

§ 6. Any employer who does not reinstate the person concerned on the same terms after the request referred to in paragraph 5, is required to pay them, without prejudice to any compensatory payment due in the event of any breach of contract. At the option of the person concerned, the compensation shall be equal to either a flat-rate sum corresponding to six months' total gross salary, including all non-statutory employee benefits, or to the actual harm suffered. In the latter case, the person concerned has to prove the extent of that damage.

The employer is required to pay the same compensation, without the request referred to in paragraph 5 being introduced when the reprisals, discrimination and other types of unfair treatment or measure have been established by the competent jurisdiction as being applied because of the report referred to in § 1, first indent.

When a measure or any unfair treatment in breach of paragraph 3 is agreed after severance of the employment relationship, the person who raised the alert, referred to in § 1, first indent, has the right to the compensation referred to in the first indent, for the duration of the employment relationship, when the unfair treatment or measure has been established by the competent jurisdiction as being applied because of the report referred to in § 1, first indent.

§ 7. Contractual or statutory provisions or provisions set out in a collective labour agreement which run contrary to this Article or to the relevant implementing measures, as well as any contractual clauses that provide for a waiver of the protection conferred by this Article or the relevant implementing measures shall be deemed null and void.

Section 2 – Sanctions Committee

Art. 36/8. – § 1. The Sanctions Committee shall pronounce on the imposition of administrative fines laid down by the laws referred to in Articles 8, 12*bis* and 12*ter* and in Article 161 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems.

§ 2. The Sanctions Committee shall comprise six members appointed by the King:

1° a State counsellor or honorary State counsellor, appointed on a proposal from the First President of the Council of State

2° a counsellor at the Court of Cassation or honorary counsellor at the Court of Cassation, appointed on a proposal from the First President of the Court of Cassation;

3° two magistrates who are neither councillors at the Court of Cassation, nor at the Brussels Court of Appeal;

4° two other members.

§ 3. The chairman is elected by the members of the Sanctions Committee from among the persons mentioned in § 2, 1°, 2° and 3.

§ 4. For the three years preceding their appointment, the members of the Sanctions Committee may not have been either member of the Board of Directors of the Bank, or of the Resolution College of the Bank, or of the Bank's staff, or of the CSRSFI.

During the course of their mandate, members may not carry out any duties whatsoever or any mandate whatsoever in an institution subject to the supervision of the Bank or in a professional association representing institutions subject to the supervision of the Bank, nor may they provide services for a professional association representing institutions subject to the supervision of the Bank.

§ 5. The mandate of the members of the Sanctions Committee is six years and renewable. In the event of non-renewal, the members shall remain in office

until the first meeting of the Sanctions Commission in its new composition. Members may be removed from office by the King only if they no longer fulfil the conditions for the performance of their duties or if they have been guilty of serious misconduct.

Should a member of the Sanctions Committee's seat fall vacant, whatever the reason, a replacement for that member shall be found for the remaining term of office.

§ 6. The Sanctions Committee may take valid decisions when two of its members and its chairman are present and in a position to deliberate. If its chairman is unable to attend, it may take valid decisions when three of its members are present and in a position to deliberate.

Members of the Sanctions Committee may not deliberate in a case in which they have a personal interest that may influence their opinion.

§ 7. The King shall determine, in consultation with the management of the Bank, the amount of compensation allocated to the chairman and to the members of the Sanctions Committee in accordance with the cases on which they have deliberated.

§ 8. The Sanctions Committee shall lay down its rules of procedure and its rules of conduct.

Section 3 – Rules of procedure for the imposition of administrative fines

Art. 36/9. – § 1. Where, in carrying out its legal tasks pursuant to Articles 8, 12*bis* or 12*ter*, the Bank determines that there are serious indications of the existence of a practice liable to give rise to the imposition of an administrative fine or where, following a complaint, it is made aware of such a practice, the Board of Directors shall decide to open an investigation and entrust the investigations officer with it. The investigations officer shall investigate the charges and the defence.

The investigations officer is designated by the Council of Regency from among the members of staff of the Bank. He shall enjoy total independence in the performance of his duties as investigations officer.

In order to carry out his task, the investigations officer may exercise all the powers of investigation vested in

the Bank by the legal and regulatory provisions governing the matter concerned. He shall be assisted in the conduct of each inquiry by one or more members of the Bank's staff that he chooses from among the members of staff designated to this end by the Board of Directors.

§ 1/1. Notwithstanding § 1, paragraph 3, the investigations officer has the power to summon and interview any person, according to the rules set out below.

The summons to a hearing shall be delivered either by simple notification, by registered post, or by writ by a court officer.

Any person summoned under paragraph 1 must appear.

When interviewing persons in any capacity whatsoever, the investigations officer shall at least observe the following rules:

1° at the beginning of the hearing, the respondent shall be informed that

a) he may ask that all the questions asked to him and all the answers given by him be recorded exactly as stated;

b) he may ask that a specific taking of evidence or interview be carried out;

c) his statements may be used as evidence in court;

2° the respondent may use the documents in his possession, provided that this does not involve the hearing being delayed. He may, at the time of the hearing or thereafter, ask that these documents be attached to the minutes of the hearing;

3° at the end of the hearing, the report shall be given to the respondent to read, unless he asks for it to be read out to him. He shall be asked whether his statements need to be corrected or completed;

4° if the respondent wishes to express himself in a language other than the language of the proceedings, his statements shall be noted in his language, or he shall be asked to write his statement himself;

5° the respondent shall be informed that he may obtain a copy of his hearing free of charge; where

applicable, this copy will be given or sent to him immediately or within a month.

§ 2. At the end of the investigation, once the persons concerned have been heard or at least duly summoned, the investigations officer shall draw up a report and send it to the Board of Directors.

Art. 36/10. – § 1. On the basis of the investigations officer's report, the Board of Directors shall decide to close the case, propose a compromise settlement or refer it to the Sanctions Committee.

§ 2. If the Board of Directors decides to close a case, it shall the persons concerned of this decision. It may make the decision public.

§ 3. If the Board of Directors puts forward a proposal for a compromise settlement, and its proposal is accepted, the compromise settlement shall be published on the Bank's website without specifying any names, except in cases where the compromise settlement is proposed for infringements of Articles 4, 5 and 7 to 11 of Regulation 648/2012 and where such publication would seriously jeopardise the financial markets or cause disproportionate damage to the relevant central counterparties or their members.

The amount of the compromise settlements shall be recovered in favour of the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

§ 4. If the Board of Directors decides to refer the case to the Sanctions Committee, it shall send a notification of grievance together with the investigation report to the persons concerned and the chairman of the Sanctions Committee.

§ 5. In the event that one of the grievances is liable to constitute a criminal offence, the Board of Directors shall inform the Crown prosecutor. The Board of Directors can decide to make its decision public.

When the Crown prosecutor decides to set criminal proceedings in motion for the charges to which the notification of grievances refers, he shall immediately inform the Bank. The Crown prosecutor can give the Bank, automatically or upon request from the latter, a copy of any material from the procedure relating to the charges that are the subject of the transmission.

Decisions taken by the Board of Directors pursuant to this Article are not open to appeal.

Art. 36/11. – § 1. Persons to whom a notification of grievances has been addressed have two months in which to submit their written observations on the charges to the chairman of the Sanctions Committee. In exceptional circumstances, the chairman of the Sanctions Committee may extend this period.

§ 2. Persons implicated may obtain copies of case documents from the Sanctions Committee and may be assisted or represented by a lawyer of their choice.

They may request an objection to a member of the Sanctions Committee if they have any doubts about the independence or impartiality of this member. The Sanctions Committee shall pronounce on this request by a reasoned decision.

§ 3. Following an adversary procedure and after the investigations officer has been heard, the Sanctions Committee may impose an administrative fine on the persons in question. The Sanctions Committee shall pronounce by a reasoned decision. No sanctions may be decided without the person or his/her representative first having been heard or at least duly summoned. At the hearing, the Board of Directors shall be represented by the person of its choice and may have its observations heard.

§ 4. Except where additional or different criteria are set out in specific laws, the amount of the fine shall be set in accordance with the seriousness of the breaches committed and in relation to any benefits or profits that may have been drawn from these breaches.

§ 5. The Sanctions Committee's decision shall be sent by registered letter to the persons concerned. The letter of notification shall indicate the legal remedies, the competent authorities in order for cognisance to be taken of them, as well as the form and terms that are required to be respected, failing which the period of limitation for bringing an appeal shall not come into effect.

§ 6. The Sanctions Committee shall publish its decisions on the Bank's website, specifying the names of the persons concerned, for a period of at least five years, unless such publication is liable to jeopardise the stability of the financial system or an ongoing criminal investigation or proceedings, or to

be disproportionately detrimental to the interests of those concerned or the institutions to which they belong, in which case the decision shall be published on the Bank's website without specifying any names. In the event of an appeal against the sanction decision, this decision shall be published without specifying any names pending the outcome of the legal proceedings.

Sanctions concerning infringements of Articles 4, 5 and 7 to 11 of Regulation 648/2012 shall not be disclosed where such disclosure would seriously jeopardise the financial markets or cause disproportionate damage to the relevant central counterparties or their members.

The Board of Directors shall be notified of the Sanctions Committee's decisions before they are published.

Art. 36/12. – The administrative fines imposed by the Sanctions Committee and that have become definitive, as well as the compromise settlements made before the criminal judge has made a definite pronouncement on the same facts, shall be imputed to the amount of any penal fine that is imposed for those facts in respect of the same person.

Art. 36/12/1. – § 1. Without prejudice to other measures laid down by this Law, the Bank may, where it ascertains an infringement of Article 36/9, § 1/1, paragraph 3 of this Law, impose on the offender an administrative fine which shall not be less than € 2 500 nor, for the same fact or the same set of facts, more than € 2 500 000.

§ 2. Any fines imposed pursuant to § 1 shall be recovered and payable to the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

Section 3bis – Periodic penalty payments imposed by the Bank

Art. 36/12/2. – § 1. The Bank may order any person to comply with Article 36/9, § 1/1, paragraph 3 of this Law, within the time limit specified by the Bank.

If the person to whom it has addressed an order pursuant to paragraph 1 fails to comply at the end of the period specified, and provided that this person has been heard, the Bank may impose the payment of a periodic penalty which shall not be more than € 50 000 per calendar day, nor exceed the total sum of € 2 500 000.

§ 2. Any periodic penalty payments imposed pursuant to § 1 shall be recovered and payable to the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

Art. 36/12/3. – Where a periodic penalty payment is imposed by the Bank pursuant to this Law or other legal or regulatory provisions, and as long as the person on whom it is imposed has not complied with the obligation underlying the imposition of this penalty, the Bank may publish its decision to impose the penalty on its website, specifying the names of the persons concerned.

Section 3ter – Professional secrecy – purpose principle

Art. 36/12/4. – The Bank may use the information obtained by it by virtue of its powers referred to in Articles 36/2 and 36/3 solely for the purpose of performing its tasks, including the imposition of sanctions, or in the context of an administrative appeal or legal action taken against a decision by the Bank. This refers to the tasks mentioned in Article 36/2 § 1, including in particular the use of information to monitor respect for the conditions of access to the business of the institutions subject to its supervision pursuant to Article 36/2 and in order to facilitate supervision, on an individual or consolidated basis, of the conditions for carrying out this business, to impose corrective measures or sanctions, where applicable, in the framework of the extrajudicial mechanism for settling investors' complaints.

Section 4 – Exceptions to the professional secrecy obligation

Sub-section 1 – Task of preventing money laundering and terrorist financing

Art. 36/13. – § 1. By derogation from Article 35 and within the limits of European Union law and the provisions of specific laws, in particular the Law of 18 September 2017, the Bank may communicate to the following authorities and institutions confidential information received in the exercise of its tasks referred to in Article 36/2, § 2:

1° to the Belgian supervisory authorities referred to in Article 85 of the Law of 18 September 2017;

2° to the supervisory authorities of other Member States of the European Economic Area and the

supervisory authorities of third-country States which exercise one or more supervisory powers by virtue of Directive 2015/849 or the equivalent provisions of their national law;

3° to the FSMA;

4° to the Federal Public Service Economy, SMEs, Middle Classes, and Energy in its capacity of supervisory authority within the meaning of Article 120/2, 7° of the Law of 18 September 2017;

5° to the competent authorities of the European Union and of other Member States of the European Economic Area and to the competent authorities of third-country States that perform tasks for the supervision of compliance with the provisions of European or national law relating to the supervision of credit institutions and/or financial institutions as referred to by Article 2, (1) and (2) of Directive 2015/849 or the equivalent provisions of national law, and to the European Central Bank with regard to the tasks conferred on it by the SSM Regulation;

6° to the Financial Intelligence Processing Unit (CTIF/CFI);

7° to the General Treasury Administration of the Federal Public Service Finance, where such communication is provided for by the law of the European Union or by a legal or regulatory provision regarding financial sanctions (in particular binding provisions relating to financial embargos as laid down in Article 4, 6° of the Law of 18 September 2017) or where the General Treasury Administration acts as supervisory authority ensuring compliance with Council Regulation (EC) No. 2271/96 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom;

8° within the limits of European Union law, to the European Securities and Markets Authority, to the European Insurance and Occupational Pensions Authority and the European Banking Authority.

§ 2. The Bank may only communicate confidential information pursuant to § 1 subject to the following conditions:

1° the information is intended for the carrying-out of the tasks of the recipient authorities or

institutions, including the communication of the said information to third parties under a legal obligation applying to such authorities or institutions; in other cases, the Bank may authorise, within the limits of European Union law, the recipients of the said information to divulge it to third parties, with the Bank's prior agreement and, where applicable, only for the purposes for which the Bank has given its consent;

2° the information communicated in this manner to foreign authorities and institutions is subject to an obligation of professional secrecy equivalent to that referred to in Article 35;

3° in the event that the exchange takes place with the authorities of a third-country State, a cooperation agreement has been concluded;

4° where the information concerned comes from an authority of another Member State of the European Economic Area, it may only be divulged to an authority of a third-country State with the explicit consent of the communicating authority and, where applicable, only for the purposes for which this authority has given its consent.

§ 3. Without prejudice to more stringent provisions of the specific laws governing them, persons, authorities and institutions governed by Belgian law referred to in § 1 shall be bound by professional secrecy as referred to in Article 35 as regards the confidential information they receive from the Bank pursuant to § 1.

Sub-section 2 – Tasks relating to prudential supervision

Art. 36/14. – § 1. By derogation from Article 35, the Bank may also communicate confidential information in the exercise of its tasks referred to in Article 36/2, § 1:

1° to the European Central Bank and the other central banks and institutions with a similar mission in their capacity as monetary authorities when such information is relevant for carrying out their respective legal duties, notably conduct of monetary policy and provision of liquidity connected with it, oversight of payment, clearing and settlement systems, as well as preserving the stability of the financial system, and also to other public authorities in charge of overseeing payment systems.

Whenever an emergency situation arises, including unfavourable developments on the financial markets, that is likely to threaten market liquidity and the stability of the financial system in one of the Member States in which entities of a group comprising credit institutions or investment firms have been authorised or in which branches of significant importance are established within the meaning of Article 3, 65° of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, the Bank may pass on information to the central banks in the European System of Central Banks when this information is relevant for carrying out their respective legal duties, notably conduct of monetary policy and provision of liquidity connected with it, oversight of payment, clearing and settlement systems, as well as preserving the stability of the financial system.

In the event of an emergency situation as referred to above, the Bank may disclose, in all the Member States concerned, any information that may be of interest for central government departments responsible for legislation governing the supervision of credit institutions, financial institutions, investment services and insurance companies;

2° within the limits of European Union law, to the competent authorities of the European Union and of other Member States of the European Economic Area that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3, including the European Central Bank as regards the tasks conferred on it by the SSM Regulation;

2°/1 within the limits of European Union law, to the competent authorities of other Member States of the European Economic Area that exercise one or more supervisory powers with regard to the obliged entities listed in Article 2(1), points 1) and 2) of Directive (EU) 2015/849, for the purpose of complying with the said directive, for the carrying-out of the tasks conferred on them by that directive;

3° in compliance with European Union law, to the competent authorities of third countries that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3, including authorities with competences of the same nature as those of the authorities referred to in 2°/1 and with which the Bank has concluded a cooperation agreement providing for the exchange of information;

4° to the FSMA;

5° to Belgian institutions or to institutions of other Member States of the European Economic Area that manage a system for the protection of deposits, investors or life insurance and to the body in charge of financing facilities for resolution;

6° to central counterparties, to institutions for the settlement of financial instruments or to central securities depositories that are authorised to provide services for transactions in financial instruments conducted on a Belgian organised market, where the Bank deems that communication of the information concerned is necessary for the orderly operation of those central counterparties, settlement institutions and central securities depositories to be protected against the shortcomings – potential, even – of participants on the market in question;

7° within the limits of European Union law, to market operators for the orderly operation, control and supervision of the markets that they organise;

8° during civil or commercial proceedings, to the authorities and legal representatives involved in bankruptcy or composition proceedings or analogous collective proceedings concerning companies subject to the Bank's supervision, with the exception of confidential information in respect of the participation of third parties in rescue attempts prior to such proceedings;

9° to statutory auditors, to company auditors and to other persons charged with the legal examination of the accounts of companies subject to the supervision of the Bank, of the accounts of other Belgian financial institutions or of the accounts of similar foreign companies;

10° to sequestrators for the exercise of their task as envisaged in the laws regulating the tasks entrusted to the Bank;

11° to the Audit Oversight College (*College van toezicht op de bedrijfsrevisoren / Collège de supervision des réviseurs d'entreprises*) and the authorities of Member States or third parties supervising the persons charged with the legal examination of the annual accounts of companies subject to the supervision of the Bank;

12° within the limits of European Union law, to the Belgian Competition Authority;

13° repealed;

14° to the General Treasury Administration of the Federal Public Service Finance, where such communication is provided for by the law of the European Union or by a legal or regulatory provision regarding financial sanctions (in particular binding provisions relating to financial embargos as laid down in Article 4, 6° of the Law of 18 September 2017) or where the General Treasury Administration acts as supervisory authority ensuring compliance with Council Regulation (EC) No. 2271/96 of 22 November 1996 protecting against the effects of the extra-territorial application of legislation adopted by a third country, and actions based thereon or resulting therefrom;

15° within the limits of European Union law, to actuaries independent of enterprises who, by virtue of the law, carry out an assignment whereby they supervise those enterprises, and to the bodies in charge of supervising these actuaries;

16° to Fedris;

17° within the limits of European Union law, to the Federal Public Service Economy, in its capacity as competent authority for monitoring compliance with the provisions referred to in Book VII, Titles 1 to 3, Title 5, Chapter 1, and Titles 6 and 7 of the Code of Economic Law, as well as to officers commissioned by the Minister, who have authority, within the context of the task assigned to them under Article XV.2 of the Code of Economic Law, to investigate and report infringements of the provisions of Article XV.89 of the said Code;

18° to the authorities subject to the law of Member States of the European Union which have competence in macroprudential oversight, and to the European Systemic Risk Board established by Regulation (EU) No. 1092/2010 of the European Parliament and of the Council of 24 November 2010;

19° within the limits of the European Regulations and Directives, to the European Securities and Markets Authority, to the European Insurance and Occupational Pensions Authority and to the European Banking Authority;

20° within the limits of European Union law, to the Government Coordination and Crisis Centre of the Federal Public Service Home Affairs, to the

Coordination Unit for Threat Analysis established by the Law of 10 July 2006 on threat analysis, to the authority referred to in Article 7, § 1, of the Law of 7 April 2019 and to the police services referred to in the Law of 7 December 1998 organising a two-level structured integrated police service, should the application of Article 19 of the Law of 1 July 2011 on security and protection of critical infrastructures require so;

20°/1 within the limits of European Union law, to the police services and the authority referred to in Article 7, § 1, of the Law of 7 April 2019 establishing a framework for the security of network and information systems of general interest for public security – the NIS Law For the purposes for the purposes of implementing Article 53, § 2, of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems;

21° the Control Office of mutual health funds and national unions of mutual health funds, for carrying out its legal tasks referred to in Article 303, § 3 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies, as regards mutual insurance companies referred to in Articles 43*bis*, § 5, and 70, §§ 6, 7 and 8 of the Law of 6 August 1990 on mutual insurance companies and national unions of mutual insurance companies and their operations;

22° within the limits of European Union law, to the resolution authorities referred to in Article 3 of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, to the authorities the authorities of third countries entrusted with equivalent tasks to those referred to in Article 12*ter*, § 1, with which the Bank has concluded a cooperation agreement providing for an exchange of information, as well as to the competent Ministries of the Member States of the European Economic Area whenever deemed necessary for the planning or execution of a resolution measure;

23° to any person performing a function specified by or pursuant to the law who takes part in or contributes to the performance of the Bank's supervision

tasks, if that person was designated by the Bank or with the Bank's approval for the purposes of that function, such as:

a) the cover pool monitor referred to in Article 16 of Annex III to the Law of 25 April 2014 on the legal status and supervision of credit institutions and stock-broking firms;

b) the cover pool administrator referred to in Article 8 of Annex III to the Law of 25 April 2014 on the legal status and supervision of credit institutions and stock-broking firms; and

c) the special commissioner referred to in Article 236, § 1, 1° of the said law, Article 517, § 1, 1° of the Law of 13 March 2016 on the legal status and supervision of insurance or reinsurance companies, Article 35, § 1 second indent, 1° of the Law of 21 December 2009 on the legal status of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing of electronic money, and on access to payment systems, Article 87, § 1, second indent, 1° of the said law, Article 48, first indent, 1° of the Royal Decree of 30 April 1999 regulating the legal status and supervision of mutual guarantee societies, and Article 36/30, § 1, second indent, 3° of this Law;

24° within the limits of European Union law, to the authorities referred to in Article 7 of the Law of 7 April 2019 for the purposes of implementing the provisions of the Law of 7 April 2019 and the Law of 1 July 2011 on security and protection of critical infrastructures;

25° to the Federal Public Service Economy, SMEs, Middle Classes, and Energy in the performance of its tasks referred to in Article 85, § 1 and 5° of the Law of 18 September 2017 with regard to the entities referred to in Article 5, § 1, 21° of the same law.

§ 2. The Bank may only communicate confidential information pursuant to § 1 subject to the following conditions:

1° the information is intended for the carrying-out of the tasks of the recipient authorities or institutions, including the communication of the said information to third parties under a legal obligation applying to such authorities or institutions; in other cases, the Bank

may authorise, within the limits of European Union law, the recipients of the said information to divulge it to third parties, with the Bank's prior agreement and, where applicable, only for the purposes for which the Bank has given its consent;

2° the information communicated in this manner to foreign authorities and institutions is subject to an obligation of professional secrecy equivalent to that referred to in Article 35; and

3° where the information concerned comes from an authority of another Member State of the European Economic Area, it may only be divulged to the following authorities or institutions with the explicit consent of the communicating authority and, where applicable, only for the purposes for which the latter has given its consent:

a) the authorities or institutions referred to in § 1, 5°, 6°, 8° and 11°;

b) the authorities or institutions of third-country States referred to in § 1, 3°, 5°, 8°, 9°, 11°, 18° and 22°;

c) the authorities or institutions of third-country States carrying out tasks equivalent to those of the FSMA.

§ 3. Without prejudice to more stringent provisions of the specific laws governing them, persons, authorities and institutions governed by Belgian law referred to in § 1 shall be bound by professional secrecy as referred to in Article 35 as regards the confidential information they receive from the Bank pursuant to § 1.

Art. 36/15. – *Repealed.*

Section 4/1 – Cooperation with foreign authorities and exchange of information

Sub-section 1 – General obligation of cooperation

Art. 36/16. – § 1. Without prejudice to Articles 35, 35/2, 35/3, 36/13 and 36/14 and to the provisions of specific laws, the Bank shall, in matters pertaining to its competence, cooperate with foreign competent authorities that exercise one or more competences comparable to those referred to in Articles 36/2 and 36/3.

In particular, for the purposes of Directive 2015/849, the Bank shall cooperate, within the context of its competences referred to in Article 36/2, § 1 with the competent foreign authorities referred to in Articles 130 and 131/1 of the Law of 18 September 2017.

Likewise, in accordance with European Union law, the Bank cooperates with the European Banking Authority, the European Insurance and Occupational Pensions Authority, the European Securities and Markets Authority, as well as the European Central Bank as regards the tasks conferred on it by the SSM Regulation.

§ 2. Without prejudice to the obligations arising for Belgium from the law of the European Union, the Bank may, on the basis of reciprocity, conclude agreements with competent authorities, as referred to in § 1, first indent, with a view to establishing the terms and conditions of that cooperation, including the method of any distribution of supervisory tasks, the designation of a competent authority as supervision coordinator and the method of supervision through on-the-spot inspections or otherwise, what cooperation procedures shall apply, as well as the terms and conditions governing the collection and exchange of information.

§ 3. Without prejudice to Articles 35, 35/2, 35/3, 36/13 and 36/14 and to the provisions of specific laws, the Bank shall conclude cooperation agreements with the Control Office of mutual health funds and national unions of mutual health funds on the subject of supplementary health insurance practised by the mutual insurance companies referred to in Articles 43bis, § 5, and 70, §§ 6, 7 and 8, of the Law of 6 August 1990 on mutual insurance companies and national unions of mutual insurance companies. The cooperation agreements shall govern, inter alia, exchange of information and the uniform application of the legislation concerned.

Sub-section 2 – Specific cooperation obligations in relation to the task of prudential supervision arising from Directive 2014/65/EU

Art. 36/17. – § 1. Without prejudice to the relevant provisions of Article 36/19, the following provisions shall apply in the context of the competences referred to in Articles 36/2 and 36/3 with regard to mutual cooperation between the Bank and the other competent authorities referred to in Article 4(1)

(26) of Directive 2014/65/EU and Article 3(1)(36) of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, for the purposes of meeting the obligations arising from the said Directive 2014/65/EU:

1° The Bank shall collaborate with the other competent authorities whenever that is necessary in order to fulfil their duties, by making use of the legal prerogatives at its disposal. The Bank shall offer its assistance to the competent authorities of the other Member States. In particular, it shall exchange information and cooperate with the other competent authorities in enquiries or supervisory activities including on-the-spot checks, even if the practices that are subject to an investigation or verification do not constitute a violation of any rules in Belgium. The Bank may also cooperate with the other competent authorities in order to facilitate the collection of fines.

2° The Bank shall immediately notify any information required for the purposes referred to in 1°. To this end, apart from the appropriate organisational measures for facilitating the correct execution of the cooperation referred to in 1°, the Bank shall immediately take the necessary measures to collect the information requested. As regards the competences referred to in this paragraph, when the Bank receives a request for an on-the-spot verification or for an enquiry, it shall follow this up within the limits of its powers:

- by inspecting or investigating itself;
- by permitting the authority submitting the request or auditors or experts to carry out the inspection or investigation directly.

3° The information exchanged in the context of the cooperation is covered by the professional secrecy obligation referred to in Article 35. When it passes on information in the framework of such cooperation, the Bank may specify that this information cannot be disclosed without its express consent or can only be disclosed for purposes for which it has given its agreement. Likewise, when it receives information, the Bank must, by derogation from Article 36/14,

respect any restrictions that may be set out to it by the foreign authority as to the possibility of passing on the information thus received.

4° Where the Bank has serious grounds to suspect that acts infringing the provisions of Directive 2014/65/EU or Regulation 600/2014 are being or have been committed on the territory of another Member State, it shall inform the competent authority of that other Member State, the European Securities and Markets Authority and also the FSMA, about those acts in as detailed a manner as possible. If the Bank has been informed by an authority of another Member State that such acts have been committed in Belgium, it shall inform the FSMA accordingly, take appropriate measures and communicate the results of its intervention to the authority that informed it, the European Securities and Markets Authority and the FSMA, in so far as possible stating the significant points emerging in the meantime.

§ 2. In the execution of § 1, the Bank may refuse to follow up a request for information, investigation, on-the-spot verification or monitoring if:

- following up such a request is liable to threaten Belgium's sovereignty, security or public order, or
- legal proceedings have already been initiated for the same charges against the same persons in Belgium, or
- these persons have already been tried irrevocably for the same charges in Belgium.

In these cases, it shall inform the competent applicant authority and the European Securities and Markets Authority of the situation, by providing them, if necessary, with as much detailed information as possible about the procedure or the judgment in question.

§ 3. *Repealed.*

§ 4. Paragraphs 1 and 2 shall also apply, according to the conditions determined in the cooperation agreements, in the context of cooperation with the authorities of third States.

§ 5. The FSMA is the authority that acts as the single point of contact in charge of receiving requests for exchange of information or cooperation in execution of § 1.

The Minister shall notify the European Commission, the European Securities and Markets Authority and the other Member States of the European Economic Area accordingly.

Art. 36/18. – *Repealed.*

Section 5 – Powers of investigation, penal provisions and means of appeal

Art. 36/19. – Without prejudice to the powers of investigation conferred upon it by the legal and regulatory provisions governing its tasks, the Bank may, in order to verify whether an operation or an activity is envisaged by the laws and regulations whose application it is responsible for supervising, demand all necessary information from those carrying out the operation or activity in question and from all third parties permitting that operation or activity to take place.

The Bank shall have the same power of investigation in order to verify whether, within the framework of a cooperation agreement concluded with a foreign authority and in respect of the substantive points indicated in the written request from that authority, an operation or activity carried out in Belgium is envisaged by the laws and regulations whose application that foreign authority is responsible for supervising.

The person or institution concerned shall communicate that information within the deadline and in the form specified by the Bank.

The Bank may verify or have verified in the books and documents of interested parties the accuracy of the information communicated to it.

If the person or institution in question has not sent the information requested upon expiry of the deadline set by the Bank, once the person or institution concerned have been heard, and without prejudice to the other measures provided for by law, the Bank may impose the payment of a fine which may not be less than € 250 nor higher than € 50 000 per calendar day, nor exceed € 2 500 000 in total.

The penalties and fines imposed pursuant to this Article shall be recovered in favour of the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

Art. 36/20. – § 1. The following shall be punishable by a prison term of between one month and one year and by a fine of between € 250 and € 2 500 000 or by one of these penalties alone:

- those who hamper the Bank's investigations pursuant to the present Chapter or who knowingly provide it with inaccurate or incomplete information;
- those who knowingly, through declarations or otherwise, intimate or allow it to be believed that the operation or operations that they carry out or intend to carry out are conducted under the conditions stipulated by the laws and regulations whose application is supervised by the Bank, whereas those laws and regulations either do not apply to them or have not been respected by them.

§ 2. The provisions of Book I of the Penal Code shall, without the exception of Chapter VII and Article 85, be applicable to the infringements referred to in § 1.

Art. 36/21. – § 1. An appeal with the Market Court may be lodged against any decision by the Bank imposing an administrative fine.

§ 2. Without prejudice to the special provisions laid down by or pursuant to the law, the term for appeal shall, on pain of extinction, be 30 days.

The term for appeal shall commence from notification of the decision in dispute.

§ 3. On pain of inadmissibility, pronounced officially, the appeal as referred to in § 1 shall be lodged by signed petition delivered to the Registry of the Brussels Court of Appeal in as many copies as there are parties.

On pain of inadmissibility, the petition shall contain:

- 1° mention of the date, month and year;
- 2° where the petitioner is a natural person, his or her name, first names and address; where the petitioner is a legal entity, its name, legal form, registered office and the body that is representing it;
- 3° mention of the decision that is the subject of the appeal;
- 4° statement of the arguments;

5° indication of the place, day and hour of the court appearance fixed by the Registry of the Court of Appeal;

6° inventory of the supporting documents lodged together with the petition with the Registry.

Notification of the petition shall be given by the Registry of the Brussels Court of Appeal to all parties summoned in the suit by the petitioner.

The Market Court may at any time officially summon to appear in the suit all other persons whose situation threatens to be affected by the ruling on the appeal.

The Market Court shall determine the term within which the parties are required to exchange their written comments and to lodge a copy of those comments with the Registry. It shall likewise determine the date of the hearing.

Each of the parties may lodge his/her/its written comments with the Registry of the Brussels Court of Appeal and consult the dossier there on the spot.

The Market Court shall determine the term within which the comments are required to be produced. The Registry shall notify the parties of them.

§ 4. Within five days after registration of the petition, the Registry of the Brussels Court of Appeal shall request the Bank to forward the procedure dossier. The dossier shall be forwarded within five days after receipt of the request.

§ 5. The appeal as referred to in § 1 shall serve to suspend the decision of the Bank.

Art. 36/22. – According to an accelerated procedure determined by the King, an appeal may be lodged with the Council of State:

1° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Article 12 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms. Such an appeal may also be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 12; in the latter case, the appeal shall be handled as if the request had been rejected;

2° by the credit institution and by the stockbroking firm, against decisions taken by the Bank pursuant to, respectively, Articles 86, paragraph 4, 88/1, 544 and 546 of the aforementioned Law of 25 April 2014, insofar as these three articles render the said Article 86, paragraph 4, applicable;

3° by the credit institution and by the stockbroking firm, against decisions taken by the Bank pursuant to, respectively, Articles 234, § 2, 1° to 12°, 236, § 1, 1° to 6, and Articles 583 and 585, insofar as these articles render the above-mentioned Articles 234, § 2, 1° to 12° and 236, § 1, 1° to 6, applicable to stockbroking firms, and against similar decisions taken pursuant to, respectively, Articles 328, 329 and 340, and Articles 599 and 607 of the aforementioned Law of 25 April 2014, insofar as these latter articles render the said Articles 328, 329 and 340 applicable to stockbroking firms. The appeal shall serve to suspend the decision and its publication save where the Bank, for reasons of serious threat to savers or to investors, has declared its decision executory notwithstanding any appeal;

3°*bis* by the credit institution and by the stockbroking firm, against decisions taken by the Resolution College pursuant to, respectively, Article 232 and 581 of the aforementioned Law of 25 April 2014, insofar as this last article renders the said Articles 232 applicable to stockbroking firms;

4° by the applicant, against decisions taken by the Bank regarding authorisation pursuant to Article 495 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms. A like appeal may be lodged by the applicant where the Bank has made no ruling within the periods laid down in Article 495, first indent, paragraph 1 of the aforementioned Law of 25 April 2014. In the latter case, the appeal shall be handled as if the request had been rejected;

5° *repealed*;

6° *repealed*;

7° by the applicant for an authorisation, against decisions taken by the Bank pursuant to Articles 28 and 584 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies;

8° *repealed*;

9° by the insurance or reinsurance undertaking, against decisions to raise tariffs taken by the Bank pursuant to Article 504 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies;

10° by the insurance or reinsurance undertaking, against decisions taken by the Bank pursuant to Articles 508, § 2, 1° to 10°, and 517, § 1, 1°, 2°, 4°, 6° and 7°, of the aforementioned Law of 13 March 2016;

11° by the insurance or reinsurance undertaking, against decisions to withdraw authorisation taken by the Bank pursuant to Article 517, § 1, 8°, 541 and 598, § 2, of the aforementioned Law of 13 March 2016;

12° by the insurance or reinsurance undertaking, against decisions to protest taken by the Bank pursuant to Articles 108, § 3 and 115, § 2, of the aforementioned Law of 13 March 2016, or where the Bank has not ruled within the period laid down in Articles 108, § 3, paragraph 2, and 115, § 2, paragraph 2, of the same Law;

12°*bis* by the insurance undertaking, against decisions taken by the Bank pursuant to Article 569 of the aforementioned Law of 13 March 2016;

13° by the applicant for authorisation and by the authorised institution, against the decision by the Bank to refuse, suspend or revoke the authorisation pursuant to Articles 3, 12 and 13 of the Law of 2 January 1991 on the national debt securities market and monetary policy instruments, and its implementing Decrees. The appeal shall serve to suspend the decision unless the Bank, for serious reasons, has declared its decision executory notwithstanding any appeal;

14° *repealed*;

15° by the reinsurance undertaking, against decisions to protest taken by the Bank pursuant to Articles 114 and 121 of the aforementioned Law as they refer respectively to Articles 108, § 3 and 115, § 2, of the same Law or where the Bank has not ruled within the period laid down in Articles 108, § 3, paragraph 2, and 121, 2°, of the same Law;

16° *repealed*;

17° *repealed*;

18° by the reinsurance undertaking, against decisions taken by the Bank pursuant to Articles 600 and 601 as they refer respectively to Articles 580 and 598 of the aforementioned Law;

19° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Article 12 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 12. In the latter case, the appeal shall be handled as if the request had been rejected;

19°*bis* by the applicant for the registrations referred to in Articles 82, § 2, and 91 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, against decisions taken by the Bank in this respect. A like appeal may be lodged by the registration applicant where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 82, § 2 and paragraph 1 of the aforementioned Article 91, respectively. In the latter case, the appeal shall be handled as if the request had been rejected;

20° by the authorised and registered payment institution referred to, respectively, in Articles 12 and 91 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, against decisions taken by the Bank pursuant to Article 61 of the aforementioned Law;

21° by the payment institution, against decisions taken by the Bank pursuant to Articles 116, § 2, and 117, §§ 1 and 2 and against similar decisions taken pursuant to Article 142, § 1, of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service

provider and the activity of issuing electronic money, and access to payment systems. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to users of payment services, the Bank has declared its decision executory notwithstanding any appeal;

22° by the institution concerned, against decisions taken by the Bank pursuant to Article 517, § 6, of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies and Article 585 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, insofar as it renders Article 236, § 6 of the said Law applicable to stockbroking firms;

23° by the applicant for an authorisation, against decisions taken by the Bank pursuant to Article 36/25, § 3;

24° *repealed*;

25° *repealed*;

26° *repealed*;

26°/1 by the applicant for an authorisation, against decisions taken by the Bank pursuant to Articles 17 and 55 of Regulation 909/2014. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in 17(8). In the latter case, the appeal shall be handled as if the request had been rejected;

26°/2 by the applicant for an authorisation, against decisions taken by the Bank pursuant to Article 36/26/1, § 5 or § 6. A like appeal may be lodged where the Bank has made no ruling within the periods laid down pursuant to the aforementioned Article. In the latter case, the appeal shall be handled as if the request had been rejected;

26°/3 by the central securities depository, against decisions taken by the Bank pursuant to Article 23 (4) of Regulation 909/2014, and by the institution providing support to a central securities depository or by the custodian bank, against similar decisions taken by the Bank pursuant to Article 36/26/1, § 5 or § 6;

26°/4 by the central securities depository, against decisions taken by the Bank pursuant to Articles 20 and 57 of Regulation 909/2014, and by the institution

providing support to a central securities depository or by the custodian bank, against similar decisions taken by the Bank pursuant to Article 36/26/1, § 5 or § 6. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to clients or financial markets, has declared its decision executory notwithstanding any appeal;

26°/5 by the central securities depository, against decisions taken by the Bank pursuant to Article 36/30/1, § 2, 3° to 6°, and by the institution providing support to a central securities depository or by the custodian bank, against similar decisions taken by the Bank pursuant to Article 36/26/1, § 5 or § 6. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to clients or financial markets, has declared its decision executory notwithstanding any appeal;

27° *repealed*;

28° *repealed*;

29° *repealed*;

30° *repealed*;

31° *repealed*;

32° by the applicant for an authorisation, against decisions taken by the Bank in respect of authorisation pursuant to Article 169 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems. A like appeal may be lodged where the Bank has made no ruling within the periods laid down in paragraph 1 of the aforementioned Article 169. In the latter case, the appeal shall be handled as if the request had been rejected;

32°*bis* by the applicant for the registration referred to in Article 200, § 2 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, against decisions taken by the Bank in this respect. A like appeal may be lodged by the registration applicant where the Bank has made no ruling within the periods laid down in paragraph 1

of the aforementioned Article 200, § 2. In the latter case, the appeal shall be handled as if the request had been rejected;

33° by the payment institution, against decisions taken by the Bank pursuant to Article 186 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, insofar as it renders Article 61 of the same Law applicable;

34° by the electronic money institution, against decisions taken by the Bank pursuant to Article 214, insofar as it renders Article 116, § 2, applicable, and Article 215, § 1, and against similar decisions taken pursuant to Article 227 of the Law of 11 March 2018 on the legal status and supervision of payment institutions and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, insofar as it renders Article 142, § 1, applicable. The appeal shall serve to suspend the decision and its publication, save where the Bank, for reasons of serious threat to holders of electronic money, the Bank has declared its decision executory notwithstanding any appeal;

34°*bis* by any regulated entity referred to in Article 5, § 1, 4° to 10°, of the Law of 18 September 2017 on preventing money laundering and terrorist financing and limiting the use of cash, against decisions taken by the Bank pursuant to Articles 94 and 95 of the said Law;

34°*ter* by the payment scheme operator, against the prohibition imposed by the Bank pursuant to Article 19, § 1, of the Law of 24 March 2017 on the oversight of payment transaction processors;

35° by any person to whom a penalty has been imposed by the Bank pursuant to Articles 36/3, § 5, 36/19, paragraph 5, 36/30, § 1, paragraph 2, 2°, and 36/30/1, § 2, 2°, of this Law, Article 93, § 2, 2° of the Law of 18 September 2017 on preventing money laundering and terrorist financing and limiting the use of cash, Article 603, § 2, paragraph 3 of the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies, Articles 147, § 2, paragraph 3, 161, § 1, 2° and 229, § 2, paragraph 3 of the Law of 11 March 2018 on the legal status and supervision of payment institutions

and electronic money institutions, access to the activity of payment service provider and the activity of issuing electronic money, and access to payment systems, Article 16, § 2 of the Law of 24 March 2017 on the oversight of payment transaction processors, Article 346, § 2 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms and Article 608 of the aforementioned Law of 25 April 2014, insofar as it renders the said Article 346, § 2 applicable to stockbroking firms;

Art. 36/23. – With a view to requesting enforcement of the criminal law, the Bank is authorised to intervene, at any stage of the proceedings, before the criminal court to which an infraction punishable by this Law or by a law charging the Bank with supervision of its provisions has been referred, without the Bank thereby being required to demonstrate the existence of any prejudice. The intervention shall be according to the rules applying to the plaintiff.

Section 6 – Anti-crisis measures

Art. 36/24. – § 1. Upon the recommendation of the Bank, the King may, in the event of a sudden crisis on the financial markets or in the event of a serious threat of a systemic crisis, with a view to limiting the extent or the consequences of this crisis:

1° determine regulations supplementing or derogating from the Law of 13 March 2016 on the legal status and supervision of insurance and reinsurance companies, the Law of 2 January 1991 on the national debt securities market and monetary policy instruments, the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, the Law of 25 October 2016 on the regulation of investment services and on the legal status and supervision of companies for portfolio management and investment advice, the Law of 2 August 2002 on the supervision of the financial sector and on financial services, Book VIII, Title III, chapter II, section III, of the Company Code, and Royal Decree 62 on the deposit of fungible financial instruments and the settlement of transactions in these instruments, coordinated by Royal Decree of 27 January 2004;

2° put in place a system for granting a State guarantee for commitments entered into by institutions supervised pursuant to the aforementioned laws that He shall determine, or for granting the State guarantee to certain claims held by these institutions;

3° put in place, if necessary by means of regulations laid down in accordance with 1°, a system for granting a State guarantee for the reimbursement of associates who are natural persons of their share of the capital of cooperative societies, authorised in accordance with the Royal Decree of 8 January 1962 on the licence requirements for the national groups of cooperative societies and for cooperative societies, which are institutions supervised pursuant to the aforementioned laws or at least half of whose capital is invested in such institutions;

4° put in place a system for granting State cover for losses incurred on certain assets or financial instruments by institutions supervised pursuant to the aforementioned laws;

5° put in place a system for granting a State guarantee for commitments entered into by entities whose activity consists of acquiring and managing certain assets held by institutions supervised pursuant to the aforementioned laws;

The Royal Decrees taken under the terms of paragraph 1, 1°, shall cease to have effect if they have not been confirmed by law within twelve months from their date of entry into force. The confirmation shall be retroactive to the date of entry into force of the Royal Decrees. The Royal Decrees taken pursuant to paragraph 1, 2° to 6°, shall be deliberated in the Council of Ministers.

§ 2. As regards the application of paragraph 1, first indent, 2° to 5°, institutions supervised pursuant to the laws referred to in paragraph 1, first indent, 1° are financial companies included on the list referred to in Article 14, paragraph 2 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, mixed financial companies, credit institutions, investment firms and insurance undertakings, as well as their direct or indirect subsidiaries.

§ 3. The total principal amount of the guarantees referred to in § 1, paragraphs 1, 2° and 5°, and of the cover commitments referred to in § 1, paragraph 1, 4°, shall not exceed € 25 billion per supervised institution, or group of supervised institutions affiliated within the meaning of Article 11 of the Company Code.

In determining the groups referred to in paragraph 1, any links between institutions that is the result of

State control over such institutions shall not be taken into consideration.

Any crossing of the limit determined in paragraph 1 as a result of changes in exchange rates shall not affect the validity of the guarantees or cover commitments granted.

Chapter IV/2 – Provisions concerning the authorisation, supervision and oversight of central counterparties and financial and non-financial counterparties and provisions concerning the authorisation and supervision of settlement institutions, institutions equivalent to settlement institutions, central securities depositories, institutions providing support to central securities depositories and custodian banks

Art. 36/25. – § 1. Institutions authorised as central counterparties in their Member State of origin or recognised as such in accordance with Regulation 648/2012, may provide services as central counterparties in Belgium and from Belgium.

§ 2. Pursuant to Article 22 of Regulation 648/2012, the Bank is the designated competent authority responsible for carrying out the duties resulting from Regulation 648/2012 as regards the authorisation, supervision and oversight of central counterparties, without prejudice to the powers conferred on the FSMA by Article 22 of the Law of 2 August 2002.

§ 3. In accordance with the provisions of Regulation 648/2012, the Bank shall grant authorisation to institutions established in Belgium which intend to offer services as central counterparties. The Bank shall decide on the request for authorisation based upon a recommendation from the FSMA in accordance with Article 22 of the Law of 2 August 2002.

The Bank shall monitor compliance with the conditions for authorisation by a central counterparty and shall review and evaluate central counterparties in accordance with Article 21 of Regulation 648/2012.

§ 3bis. The Bank shall decide on interoperability agreements as governed by Title V of Regulation 648/2012. Furthermore the Bank shall monitor compliance by

central counterparties of the rules relating to interoperability agreements.

§ 4. The Bank is responsible for the prudential supervision of central counterparties.

The Bank monitors compliance by central counterparties of the provisions of Chapters 1 and 3 of Title IV of Regulation 648/2012, with the exception of Article 33 of Regulation 648/2012, which falls within the competence of the FSMA.

Pursuant to Chapter 2 of Title IV of Regulation 648/2012, the Bank shall control the admission criteria and their application pursuant to Article 37 of Regulation 648/2012 in order to ensure that they are sufficient to control the risk to which those central counterparties are exposed, without prejudice to the powers conferred on the FSMA by Article 22, § 5 of the Law of 2 August 2002.

§ 5. The Bank shall provide the FSMA with all relevant and useful information on the operational requirements defined in Chapter 1 of Title IV of Regulation 648/2012 in order to allow the FSMA to exercise the powers conferred on it by Articles 31(1) and 31(2) of Regulation 648/2012.

The Bank shall consult with the FSMA when assessing the professional integrity of natural persons who will be members of the statutory administrative body of the central counterparty, the board of directors, or, if there is no board of directors, of the natural persons who will be responsible for the effective running of the credit institution, if these persons are being proposed for the first time for positions of this kind in a financial company which is subject to the Bank's supervision pursuant to Article 36/2.

Any natural or legal person who has taken the decision either to acquire, directly or indirectly, a qualifying holding in a central counterparty, or to increase, directly or indirectly, his qualifying holding in a central counterparty, must give the Bank advance notice in accordance with Regulation 648/2012. The Bank shall assess this notification in accordance with the provisions of Regulation 648/2012 and after consultation with the FSMA where the potential purchaser is a regulated company subject to supervision by the FSMA.

The Bank shall publish the list referred to in Article 32(4) of Regulation 648/2012.

§ 6. The provisions of this Article and of its implementing Decrees shall be without prejudice to the powers of the Bank as laid down in Article 8 of this Law.

§ 7. Pursuant to the second subparagraph of Article 22(1) of Regulation 648/2012, the Bank shall coordinate cooperation and the exchange of information with the Commission, the European Securities and Markets Authority (ESMA), other Member States' competent authorities, the European Banking Authority (EBA) and the relevant members of the European System of Central Banks (ESCB), in accordance with Articles 23, 24, 83 and 84 of Regulation 648/2012.

Art. 36/25bis. – § 1. The Bank shall have the power to ensure compliance with Regulation 648/2012 by financial and non-financial counterparties which are subject to its supervision pursuant to Article 36/2 of this Law.

The Bank is in particular responsible for monitoring compliance by the counterparties referred to in paragraph 1, with Title II of Regulation 648/2012 concerning the clearing obligation, reporting obligation and risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty and with Article 37(3) of Regulation 648/2012 in respect of the financial resources and the operational capacity required to perform the activity of clearing member in accordance with Regulation 648/2012.

§ 2. The Bank shall have the power to ensure compliance with Articles 4 and 15 of Regulation 2015/2365 by financial and non-financial counterparties which are subject to its supervision pursuant to Article 36/2.

Art. 36/25ter. – § 1. To fulfil the tasks referred to in Article 36/25bis, the Bank shall exercise the powers conferred upon it by the provisions of Chapters IV/1 and IV/2.

§ 2. Non-compliance with the provisions laid down by or pursuant to Regulation 648/2012 or of Regulation 2015/2365 by a central counterparty, a financial counterparty or a non-financial counterparty subject to supervision by the Bank pursuant to Article 36/2 of this Law may give rise to the application of penalties and other coercive measures as well as sanctions laid down in this Law and in the specific laws applicable to the institutions which are subject to the Bank's supervision.

Art. 36/26. – Repealed.

Art. 36/26/1. – § 1. Pursuant to Article 11 of Regulation 909/2014, the Bank shall be designated as the competent authority responsible for carrying out duties with regard to the authorisation and supervision of central securities depositories established in Belgium, without prejudice to the specific powers conferred by the said Regulation on the authorities responsible for monitoring trading venues.

In its capacity as designated competent authority, the Bank shall have the power to monitor compliance with the provisions of Regulation 909/2014, including those of Title II of this Regulation, unless the said Regulation provides otherwise and without prejudice to the powers conferred on the FSMA by Article 23*bis* of the Law of 2 August 2002.

Without prejudice to the powers of the Bank, the FSMA shall exercise supervision of central securities depositories established in Belgium, in terms of their compliance with the rules referred to in Article 45, § 1, 1° of the Law of 2 August 2002, and with the rules for ensuring honest, fair and professional treatment of participants and their customers. In this respect, the FSMA shall monitor compliance by central securities depositories with Articles 26(3), 29, 32 to 35, 38, 49 and 53 of Regulation 909/2014.

In applying Regulation 909/2014, the Bank shall consult the FSMA for matters falling within the ambit of its competences, in accordance with Article 23*bis* of the Law of 2 August 2002. If the Bank does not take account of the opinion of the FSMA, it shall mention this and state the reasons thereof in the explanation accompanying its decision. The opinion of the FSMA shall be attached to the notification of the Bank's decision, unless it relates to matters as referred to in Article 23*bis*, § 3, paragraph 4 of the Law of 2 August 2002.

The FSMA and the Bank may conclude a protocol setting out the terms of their cooperation, in particular as regards the cooperation arrangements established by the Bank in accordance with Article 24 of Regulation 909/2014.

§ 2. In accordance with Regulation 909/2014, the Bank may provide services as a central securities depository.

§ 3. The Bank shall be responsible for exercising supervision of the authorised central securities depositories pursuant to § 1. Without prejudice to the provisions of Regulation 909/2014, the King may, upon the recommendation of the Bank, determine:

1° the rules, as well as the corrective measures, regarding prudential supervision of central securities depositories as referred to in § 1 that are not credit institutions established in Belgium;

2° both on a consolidated basis and on an individual basis, the minimum requirements in respect of organisation, operation, financial position, internal control and risk management applicable to central securities depositories as referred to in § 1 that are not credit institutions established in Belgium.

§ 4. Central securities depositories may, in accordance with Article 30 of Regulation 909/2014, entrust an institution providing support with the provision of support services or the performance of important operational functions to ensure the performance of its services and activities, including the operational management of ancillary banking services.

§ 5. Institutions providing support as referred to in § 4 are required to obtain an authorisation from the Bank upon the recommendation of the FSMA. The Bank shall be responsible for exercising supervision of such institutions. On the recommendation of the Bank and the FSMA, the King shall lay down in particular:

1° both on a consolidated basis and on an individual basis, the conditions and procedures for the granting of the authorisation and for maintaining the authorisation of such institutions by the Bank, including the scope of the FSMA's opinion and the conditions that persons who are in charge of the actual management and persons who hold a major stake must meet;

2° the rules, as well as the corrective measures, regarding the prudential supervision exercised by the Bank on institutions as referred to in § 4 that are not credit institutions established in Belgium;

3° the minimum requirements in terms of organisation, operation, financial position, internal control and risk management applicable to institutions as referred to in § 4 that are not credit institutions established in Belgium.

The Bank may authorise an institution providing support to provide other services than those referred to in § 4 and shall determine the conditions for such authorisation.

Upon the recommendation of the Bank and the FSMA, the King may, in compliance with Belgium's international obligations, apply fully or partially the rules referred to in §§ 4 and 5 to institutions established abroad whose business consists in securing, in whole or in part, the provision of support services or the performance of important operational functions to ensure the performance of the services and activities of central securities depositories established in Belgium.

Paragraphs 4 and 5 shall not apply to the provision of support services or the performance of important operational functions to ensure the performance of the services and activities of central securities depositories, where these services or functions are provided or performed by one or more Eurosystem central banks.

§ 6. For the purposes of this § 6, custodian banks shall be understood to mean credit institutions established in Belgium whose business consists exclusively in providing custody, account maintenance and financial instrument settlement services, as well as associated non-banking services, apart from the business activities referred to in Article 1, § 3, first paragraph of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, when these activities are ancillary or related to the above-mentioned services.

The custodian banks referred to in the first paragraph are required to obtain an authorisation from the Bank, upon the recommendation of the FSMA. The Bank is responsible for exercising prudential supervision of these institutions. Upon the recommendation of the Bank and the FSMA, the King shall notably regulate, both on a consolidated and non-consolidated basis, the conditions and procedures for the granting of the authorisation and for maintaining the authorisation of such institutions by the Bank, including the scope of the FSMA's opinion and the conditions that persons who are in charge of the actual management and persons who hold a major stake must meet.

The Bank may authorise custodian banks to provide other services than those referred to in paragraph 1 and shall determine the conditions of such authorisation.

§ 7. The provisions of this Article shall be without prejudice to the powers of the Bank as laid down in Article 8. Upon recommendation of the Bank, the King may determine :

1° the standards regarding the supervision of securities settlement systems;

2° the obligation on the operator of a securities settlement system or the institution providing support to disclose information requested by the Bank;

3° coercive measures where the operator of a securities settlement system or the institution providing support no longer satisfies the standards laid down or where the obligation to disclose has not been observed.

§ 8. The Bank shall coordinate cooperation and the exchange of information with other Member States' competent authorities, the relevant authorities, the European Securities and Markets Authority (ESMA) and the European Banking Authority (EBA).

§ 9. Without prejudice to Articles 273 and 378 of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms, before any decision is taken on the opening of bankruptcy proceedings with respect to a central securities depository or of an institution providing support, the president of the Bankruptcy Court shall submit to the Bank a request for an opinion. The clerk of the court shall transmit this request immediately. He shall inform the Crown prosecutor.

The Bank shall submit the case to the court in writing. This request shall include the items necessary for information.

The Bank shall hand down its opinion within fifteen days from the date of receipt of the request for an opinion. In the event of a procedure relating to a central securities depository or an institution providing support that it deems liable to have major systemic implications or which requires prior coordination with foreign authorities, the Bank may hand down its opinion within a longer timeframe, on condition, however, that the total period does not exceed thirty days. When it considers that it must make use of this exceptional period, the Bank shall inform the court called upon to decide. The period available to the Bank to hand down its opinion shall serve to suspend

the period within which the Bankruptcy Court must rule. If the Bank has not responded within the period specified, the court may decide on the request.

The opinion of the Bank shall be in writing. It shall be transmitted by any means to the clerk, who shall hand it over to the president of the Bankruptcy Court and the Crown prosecutor. The opinion shall be annexed to the dossier.

Art. 36/27. – § 1. When a settlement institution or an equivalent institution as referred to in Article 36/26, or a central securities depository or an institution providing support as referred to in Article 36/26/1 is not operating in accordance with the provisions of this Law and of the decrees issued implementing them, when its management or financial position are of a nature to call into question the performance of its obligations or do not offer sufficient guarantees for its solvency, liquidity or profitability, or when its management structures, its administrative or accounting organisation or its internal audit reveal serious shortcomings such that the stability of the Belgian or international financial system is likely to be affected, the King may, by Decree deliberated in the Council of Ministers, either upon the Bank's request, or on own initiative, after receiving the Bank's opinion, lay down any act of disposal, in favour of the State or any other person, Belgian or foreign, a public or private legal entity, notably any act of disposal, sale or capital investment with regard to:

1° assets, liabilities or one or more branches of activity and, more generally, all or part of the rights and obligations of the institution concerned, including proceeding to transfer client assets consisting of financial instruments governed by coordinated Royal Decree 62 on the deposit of fungible financial instruments and the settlement of transactions in these instruments, as well as underlying securities held with depositories in the name of the institution concerned, just as proceeding with the transfer of resources, notably information technology resources, necessary for processing transactions concerning these assets and the rights and obligations relating to such processing;

2° securities or shares, representative or not of the capital, with or without voting rights, issued by the institution concerned.

§ 2. The Royal Decree taken pursuant to paragraph 1 shall fix the compensation to be paid

to the owners of the property or to the right-holders subject to the transfer specified by the Decree. If the transferee designated by the Royal Decree is a person other than the State, the price payable by the transferee under the terms of the contract concluded with the State shall pass to the said owners or right-holders as compensation, according to the distribution formula defined by the same Decree.

Part of the compensation may be variable as long as this part is determinable.

§ 3. The institution concerned shall be notified of the Royal Decree taken pursuant to paragraph 1. Furthermore, the measures provided for in this Decree shall be announced by publication of a notice in the *Moniteur belge / Belgisch Staatsblad*.

As soon as it has received the notification referred to in paragraph 1, the organisation shall lose the right to dispose of the assets referred to in the acts of disposal provided for by the Royal Decree.

§ 4. The acts referred to in paragraph 1 may not be subject to non-invocability pursuant to Articles XX.111, XX.112 or XX.114 of the Code of Economic Law.

Notwithstanding any conventional provision to the contrary, the measures determined by the King pursuant to the first paragraph may not have the effect of modifying the terms of a contract concluded between the institution and one or more third parties, or of terminating such a contract, nor of giving any of the parties concerned the right to terminate it unilaterally.

As regards the measures decreed by the King pursuant to paragraph 1, any statutory or contractual authorisation clause or pre-emption clause, any option to buy from a third party, as well as any statutory or contractual clause preventing a change in the supervision of the institution concerned, shall be ineffective.

The King has the power to make any other rules that are necessary for the proper execution of the measures taken pursuant to paragraph 1.

§ 5. The civil liability of persons, acting in the name of the State or upon its request, intervening in the framework of the measures referred to in this Article, incurred as a result of or in relation to their decisions, acts or conduct in the context of these measures is

limited to cases of fraud or gross negligence concerning them. The existence of gross negligence must be assessed taking account of the concrete circumstances of the case, and in particular the urgency with which these persons were confronted, the practices on the financial markets, the complexity of the case, threats for the protection of savings and the risk of damage to the national economy due to the failure of the institution concerned.

§ 6. All disputes that might arise as a result of the measures referred to in this Article, as well as the liability referred to in paragraph 5, are subject to the exclusive jurisdiction of the Belgian courts, which only apply Belgian law.

§ 7. For the purposes of applying collective labour agreement 32*bis* concluded on 7 June 1985 within the National Labour Council, concerning the safeguarding of employees' rights in the event of a change of employer as a result of a conventional company transfer and governing the rights of employees taken on in the event of a takeover of assets following bankruptcy, acts committed pursuant to paragraph 1, 1°, are considered as acts committed by the settlement institution or equivalent institution itself or by the central securities depository or the institution providing support.

§ 8. Without prejudice to the general principles of law that it could invoke, the board of directors of the institution concerned may derogate from the statutory restrictions to its management powers when one of the specific circumstances laid down in paragraph 1 is liable to affect the stability of the Belgian or international financial system. The board of directors shall draw up a special report justifying the use of this provision and setting out the decisions taken; this report shall be sent to the general meeting within two months.

Art. 36/28. – § 1. For the purposes of this Article, the following definitions shall apply:

1° Royal Decree: the Royal Decree deliberated in the Council of Ministers that shall apply to the extent of Article 36/27, § 1;

2° transfer act: the transfer or other ownership transfer act provided for in the Royal Decree;

3° the court: the Brussels Court of First Instance;

4° the owners: the natural persons or legal entities that, on the date of the Royal Decree, are the owners, or the right-holders, of the assets or shares subject to the transfer act;

5° the third-party transferee: the natural person or legal entity other than the Belgian State that, according to the Royal Decree, is called on to acquire the assets or shares, or rights, subject to the transfer act;

6° the compensation: the indemnification that the Royal Decree fixes in favour of the owners in compensation for the ownership transfer act.

§ 2. The Royal Decree shall enter into force on the day of publication in the *Moniteur belge* / *Belgisch Staatsblad* of the judgment referred to in paragraph 8.

§ 3. The Belgian State shall lodge with the office of the clerk of the court a petition with the purpose of stating that the ownership transfer act is in conformity with the law and that the compensation is deemed to be fair, taking account notably of the criteria referred to in paragraph 7, 4th indent.

On pain of extinction, the petition shall contain:

1° the identity of the settlement institution or equivalent institution concerned, the identity of the central securities depository or of the institution providing support concerned;

2° if necessary, the identity of the third-party transferee;

3° justification for the transfer from the point of view of the criteria laid down in Article 36/27, § 1;

4° the compensation, the bases on which this has been determined, notably as regards the variable part from which it is composed and, if necessary, the key for distribution of the capital between the owners;

5° if necessary, the authorisations required from the public authorities and all the other suspensive conditions to which the transfer act is subject;

6° if necessary, the price agreed with the third-party transferee for the assets or shares subject to the transfer act and the mechanisms for revising or adjusting this price;

7° indication of the day, month and year;

8° the signature of the person representing the Belgian State or the State's lawyer.

A copy of the Royal Decree shall be attached to the petition.

The provisions of Part IV, Book II, Title *Vbis* of the Legal Code, including Articles 1034*bis* to 1034*sexies* are not applicable to the petition.

§ 4. The proceedings introduced by the petition referred to in paragraph 3 excludes all other simultaneous or future appeals or actions against the Royal Decree or against the transfer, with the exception of the request referred to in paragraph 11. By virtue of the filing of the petition, there shall be no grounds for any other proceedings, directed against the Royal Decree or the act of disposal, that may have been previously introduced and still pending before another legal or administrative jurisdiction.

§ 5. Within seventy-two hours of the filing of the petition referred to in paragraph 3, the president of the court shall fix, by court order, the day and time for the hearing referred to in paragraph 7, which must take place within seven days following the filing of the petition. This order shall reproduce the entire wording specified in paragraph 3, second indent.

The order shall be notified by the clerk's office by judicial letter to the Belgian State, the institution concerned as well as the third-party transferee, as the case may be. It shall be published simultaneously in the *Moniteur belge / Belgisch Staatsblad*. This publication shall qualify as notification to any possible owners other than the institution concerned.

Within twenty-four hours of the notification, the institution concerned shall also publish the order on its website.

§ 6. Until the pronouncement of the judgment referred to in paragraph 8, the persons referred to in paragraph 5, second indent, may consult the petition referred to in paragraph 3 as well as its appendices, free of charge, at the clerk's office.

§ 7. During the hearing set by the president of the court and at any later hearings that the court may deem useful to arrange, the court shall hear

the Belgian State, the institution concerned, as the case may be, the third-party transferee as well as the owners who intervene voluntarily in the proceedings.

By derogation from the provisions of Chapter II of Title III of Book II of the fourth Part of the Legal Code, no person other than those referred to in the previous paragraph may intervene in the proceedings.

After having heard the observations of the parties, the court shall verify whether the ownership transfer act is in conformity with the law and whether the compensation is deemed to be fair.

The court shall take account of the actual situation of the institution concerned at the time of the ownership transfer act, and notably of its financial situation such as it was or would have been had the public aid from which it benefited, either directly or indirectly, not been granted. For the purposes of application of this paragraph, advances of emergency liquidity and guarantees granted by a statutory corporate body shall be deemed similar to public aid.

The court shall pronounce by one and the same judgment that shall be handed down within twenty days following the hearing fixed by the president of the court.

§ 8. The judgment with which the court rules that the act of disposal is in conformity with the law and that the compensation is deemed to be fair, shall convey ownership of the assets or shares that are subject to the transfer act, albeit subject to the suspensive conditions referred to in paragraph 3, second indent, 5°.

§ 9. The judgment referred to in paragraph 8 is neither susceptible of appeal nor opposition nor third-party opposition.

It shall be notified by judicial letter to the Belgian State, the institution concerned as well as the third-party transferee, as the case may be, and shall be published simultaneously by extract in the *Moniteur belge / Belgisch Staatsblad*.

This publication shall qualify as notification to any possible owners other than the institution concerned, and makes the act of disposal valid with regard to third parties, without further formalities.

Within twenty-four hours of the notification, the institution concerned shall also publish the judgment on its website.

§ 10. Following notification of the judgment referred to in paragraph 8, the Belgian State or, as the case may be, the third-party transferee shall deposit the compensation at the *Caisse des dépôts et consignations / Deposito- en Consignatiekas* (Deposit and Consignment Office), without any formalities being required in this respect.

The Belgian State shall take steps to have a notice confirming the fulfilment of the suspensive conditions referred to in paragraph 3, second indent, 5°, published in the *Moniteur belge / Belgisch Staatsblad*.

As soon as the notice referred to in paragraph 2 has been published, the Deposit and Consignment Office is required to hand over to the owners, according to the terms and conditions laid down by the King, the amount of compensation consigned, without prejudice to any possible distraints or oppositions regularly made on the sum consigned.

§ 11. On pain of extinction, the owners may lodge with the court a request for review of the compensation, within a period of two months from the publication in the *Moniteur belge / Belgisch Staatsblad* of the judgment referred to in paragraph 8. This request shall have no effect on the transfer of ownership of the assets or shares that are subject to the transfer act.

For the rest, the request for review is provided for by the Legal Code. Paragraph 7, fourth indent, shall apply.

Art. 36/29. – With regard to central counterparties, settlement institutions, central securities depositories, institutions providing support and custodian banks, including their subsidiaries established on the territory of the European Union, the Bank shall have the following powers of investigation for the execution of its task of supervision, as referred to in Articles 36/25, 36/26 and 36/26/1 or their implementing Decrees, or for responding to requests for cooperation from competent authorities within the meaning of Article 36/14, § 1, 2° and 3°:

a) it may have forwarded to it all information and documents, in any form whatsoever;

b) it may undertake on-the-spot investigations and expert appraisals, take cognisance of and copy, on the spot, any document, file, and recording, and have access to any IT system;

c) it may demand the statutory auditors or persons in charge of supervising the financial statements of these entities, to send it special reports, at these entities' expense, on subjects that it shall determine;

d) when these entities are established in Belgium, it may require them to forward to it all useful information and documentation regarding the companies that form part of the same group and are established abroad.

Art. 36/30. – § 1. The Bank may order any central counterparty, as well as any settlement institution, institution providing support to a central securities depository or any custodian bank to comply with the provisions laid down by or pursuant to Articles 36/25, 36/26 and 36/26/1, as well as with any provisions laid down by or pursuant to Regulation 648/2012, Regulation 909/2014 or Regulation 2015/2365, within a period specified by the Bank.

Without prejudice to the other measures provided for by law, if the central counterparty, settlement institution, institution providing support to a central securities depository or custodian bank to which it has addressed an order pursuant to paragraph 1 fails to comply by the expiry of the period specified, and provided that the central counterparty, settlement institution, institution providing support to a central securities depository or custodian bank has been heard, the Bank may:

1° make public the infringement or shortcoming concerned;

2° impose the payment of a fine which may not be higher than € 50 000 per calendar day, nor exceed € 2 500 000 in total;

3° appoint a special auditor to a central counterparty, settlement institution, institution providing support to a central securities depository or custodian bank with registered office established in Belgium whose authorisation shall be required for the acts and decisions that the Bank determines.

In urgent cases, the Bank may take the measures as referred to in paragraph 2, 1° and 3°, without prior order pursuant to paragraph 1, provided that the central counterparty, settlement institution, institution providing support to a central securities depository or custodian bank has been heard.

§ 2. Without prejudice to other measures laid down by law, the Bank may, where, pursuant to Articles 36/9 to 36/11, it establishes an infringement of the provisions laid down by or pursuant to Articles 36/25, 36/26 and 36/26/1, as well as with any provisions laid down by or pursuant to Regulation 648/2012, Regulation 909/2014 or Regulation 2015/2365, impose an administrative fine on any central counterparty, as well as any settlement institution, institution providing support to a central securities depository or any custodian bank that, for the same offence or same totality of offences, may not be less than € 2 500 and not more than € 2 500 000. Where the infringement has resulted in the offender obtaining a capital gain, that maximum shall be raised to twice the capital gain and, in the event of a repeat offence, to three times the capital gain.

§ 3. The penalties and fines imposed pursuant to §§ 1 or 2, shall be recovered in favour of the Treasury by the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

§ 4. The amount of the fine shall notably be set in accordance with

- a) the seriousness and the duration of the infringements committed;
- b) the degree of responsibility of the person concerned;
- c) the capital base of the person concerned, as apparent from the total turnover of the legal person in question or the annual income of the natural person concerned;
- d) any benefits or profit that may have been gained from these infringements;
- e) any harm suffered by third parties as a result of the infringements, insofar as it can be ascertained;
- f) the degree of cooperation with the competent authorities demonstrated by the natural or legal person in question;

g) any previous infringements committed by the person concerned;

h) any potential negative impact of the breaches on the stability of the financial system.

Art. 36/30/1. – § 1. When the Bank sees one of the infringements referred to in Article 63 of Regulation 909/2014, it may impose the sanctions and other administrative measures defined in Article 63 of Regulation 909/2014 on the offender. The sanctions and other administrative measures will be applied in accordance with Article 64 of Regulation 909/2014. In particular, the Bank may impose administrative fines as referred to in Article 63, paragraph 2, e), f) and g) of Regulation 909/2014 in accordance with Articles 36/9 to 36/11. The decisions imposing a sanction or any other administrative measure will be published in keeping with Article 62 of Regulation 909/2014.

§ 2. If the central securities depository to whom the Bank has addressed an order to comply with the provisions of Regulation 909/2014 fails to do so at the end of the period specified, and provided that the central securities depository has been heard, the Bank may:

1° make public its opinion with regard to the infringement or shortcoming concerned;

2° impose the payment of a fine which may not be higher than € 50 000 per calendar day, nor exceed € 2 500 000 in total;

3° appoint a special auditor to a central securities depository with registered office established in Belgium whose authorisation shall be required for the acts and decisions that the Bank determines.

4° suspend for the duration that it shall specify the exercise, either directly or indirectly, of all or part of the central securities depository's activities or prohibit such activities.

Members of the administrative and management bodies and the persons in charge of management who engage in conduct or take decisions that violates the suspension or prohibition shall be jointly and severally liable for any resultant damage for the establishment or third parties.

If the Bank has published the suspension or prohibition in the *Moniteur belge* / *Belgisch Staatsblad*, any

actions and decisions taken in contravention of it shall be null and void;

5° impose stricter requirements for solvency, liquidity, concentration of risk and other limitations;

6° order the replacement of the whole or part of the central securities depository's legal administrative body within a time limit that it shall determine, and, failing such replacement within this time limit, substitute all the administrative or management bodies of the central securities depository with one or several interim directors or managers who, alone or collectively, according to the individual case, have the powers of those replaced. The Bank shall publish its decision in the *Moniteur belge / Belgisch Staatsblad*.

The remuneration of the interim director(s) or manager(s) shall be set by the Bank and borne by the central securities depository.

The Bank may at any time replace the interim director(s) or manager(s), either automatically, or at the request of a majority of shareholders or members, when there is justification that the management of interested parties no longer provides the necessary guarantees.

In urgent cases, the Bank may take measures referred to in paragraphs 2, 1°, 3° and 4° to 6° without prior order pursuant to the 1st indent, provided the central securities depository has been heard.

§ 3. The fines and periodic penalty payments imposed pursuant to this Article shall be recovered for the benefit of the Federal Public Service Finance's General Administration of Tax Collection and Recovery.

§ 4. In accordance with Article 65 of Regulation 909/2014 and without prejudice to Article 36/7/1, the rules and procedures applicable to the reporting of infringements shall be set by the Bank through a Regulation pursuant to Article 12*bis*.

Art. 36/31. – § 1. The following shall be punishable by a prison term of between one month and one year and by a fine of between € 50 and € 10 000 or by one of these penalties alone:

1° those that, in Belgium, carry out clearing or settlement activities in respect of financial instruments,

without being authorised to do so pursuant to Articles 36/25, 36/26 and 36/26/1 or where that authorisation has been withdrawn;

2° those that contravene the provisions laid down pursuant to Articles 36/25, 36/26 and 36/26/1, and indicated by the King in the relevant Decrees;

3° those that hamper the investigations and expert appraisals of the FSMA pursuant to the present chapter, or knowingly provide it with incorrect or incomplete information.

§ 2. The provisions of Book I of the Penal Code shall, without the exception of Chapter VII and Article 85, be applicable to the infringements referred to in § 1.

Chapter IV/3 – Tasks of the Bank in the context of its contribution to the stability of the financial system

Section 1 – General provisions

Art. 36/32. – § 1. This Chapter defines certain tasks of the Bank and the legal instruments available to it in the context of its task to contribute to the stability of the financial system as referred to in Article 12, § 1.

§ 2. For the purposes of this Chapter, the following definitions shall apply:

1° “stability of the financial system”: situation where the probability of discontinuity or disruption in the financial system is low or, if such disruptions should occur, where the consequences for the economy would be limited;

2° “national authorities”: the Belgian authorities, regardless of whether they fall under the federal State or the Regions, which, by virtue of their respective powers, may implement the recommendations issued by the Bank pursuant to this Chapter;

3° “SSM Regulation”: Regulation (EU) No. 1024/2013 of the Council of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions;

4° “European supervisory authorities”: the European Banking Authority established by Regulation (EU)

No. 1093/2010, the European Insurance and Occupational Pensions Supervisors established by Regulation (EU) No. 1094/2010 and the European Financial Markets Authority established by Regulation (EU) No. 1095/2010.

Section 2 – Detection and monitoring of factors which may affect the stability of the financial system

Art. 36/33. – § 1. The Bank shall be responsible for detecting, evaluating and monitoring various factors and developments which may affect the stability of the financial system, particularly in terms of affecting the resilience of the financial system or an accumulation of systemic risks. In this context, the Bank has access to any information which would be relevant for the exercise of this task.

§ 2. In particular, for the purposes referred to in § 1, the Bank shall be authorised to:

1° use the information available to it under its other statutory tasks, as resulting from or specified by or under other legislations, including those governing the status and supervision of the financial institutions referred to in Article 36/2 or the supervision on a consolidated basis of these institutions;

2° use the prerogatives regarding access to information available to it under its other statutory tasks, as resulting from or specified by or under other legislations, including those governing the status and supervision of the financial institutions referred to in Article 36/2 or the supervision on a consolidated basis of these institutions;

3° request the information which is relevant for the exercise of this task from any private sector entity which is not subject to its supervision, or, where appropriate, through the authorities responsible for these entities.

§ 3. Notwithstanding the obligation of professional secrecy to which they may be subject, the public sector entities, regardless of their level of autonomy, shall cooperate with the Bank in order to provide it with any information which would be relevant for the exercise of its task as referred to in this Article. To this end, this information shall be made available to the Bank on the entity's own initiative or at the request of the Bank.

§ 4. For the purposes of this Article, the Bank may also conclude cooperation agreements with the Regions, the European Central Bank, the European Systemic Risk Board (ESRB), the European Supervisory Authorities and the relevant foreign authorities in the field of macroprudential oversight and disclose confidential information to these institutions.

Section 3 – Adoption of legal instruments in order to contribute to the stability of the financial system

Art. 36/34. – § 1. Without prejudice to the European Directives and Regulations, in particular with regard to the prerogatives of the European Central Bank in the field of banking supervision, including in the macro-prudential area, the Bank may, for macroprudential policy purposes, in order to contribute to the stability of the financial system, exercise any prerogatives, including regulatory prerogatives, provided for by or under this Law or the legislation governing the status and supervision of the financial institutions referred to in Article 36/2 or the supervision on a consolidated basis of these institutions.

In addition to the prerogatives referred to in paragraph 1, the Bank may, in order to contribute to the stability of the financial system and without prejudice to the powers assigned to the European Central Bank, use the following instruments towards the financial institutions subject to its supervision:

1° imposing capital or liquidity requirements which complement or are more stringent than those provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

2° as part of capital requirements, imposing specific requirements according to the nature of exposures or the value of collateral received, or according to the industry or the geographical area of the debtor, which complement or are more stringent than those provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

3° the power to impose quantitative limits on exposures to a single counterparty or a group of related counterparties, or on an industry or geographical area, which complement or are more stringent than those provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

4° imposing limits on the total level of business of companies subject to its supervision as compared to their capital (leverage ratio), that complement or are more stringent than those provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

5° imposing conditions for the assessment of collateral taken for loans granted for verification of compliance with solvency requirements provided by or under prudential legislation;

6° imposing a total or partial retention of distributable profits;

7° imposing rules for valuing assets which differ from those provided for under accounting regulations, with a view to monitoring compliance with the requirements provided by or under prudential legislation;

8° the power to impose disclosure of information, and to set the terms thereof, which complement the terms provided by or under prudential legislation, for all institutions or per category of institutions subject to its supervision;

9° the power to communicate about the measures adopted pursuant to this Article and about the objectives of such measures, according to the procedures established by the Bank.

10° the power to enforce compliance, either on an individual basis or per category or for all credit institutions and stockbroking firms established under Belgian law, with a minimum funding requirement, which consists of:

a) core Tier 1 capital or additional Tier 1 or Tier 2 capital within the meaning of the Law of 25 April 2014 on the legal status and supervision of credit institutions and stockbroking firms;

b) subordinate debt;

c) debt referred to in Article 389/1, 2° of the Law of 25 April 2014;

d) if appropriate, other eligible debts within the meaning of Article 242/10° of the Law of 25 April 2014, for which the Bank shall stipulate the conditions;

The power referred to in paragraph 2, 10° also implies the power to determine:

- the method for calculating this minimum funding requirement, if appropriate as a percentage of total liabilities;
- the respective proportion of the sources of funding referred to in paragraph 2, 10°, a) to d) within this minimum funding requirement.

This power shall also apply, on an individual or consolidated basis, to financial holding companies, mixed financial holding companies and mixed-activity holding companies established under Belgian law as referred to in Article 3, 38°, 39° and 40° of the Law of 25 April 2014.

§ 2. Where the measures adopted pursuant to § 1, paragraph 2, are general and therefore regulatory, their adoption shall require compliance with the royal approval procedure laid down by Article 12*bis*, § 2, paragraph 3.

§ 3. For the purposes of this Article, the Bank shall take into account the recommendations adopted by the European Systemic Risk Board (ESRB) and, if necessary, render them applicable by means of Regulations adopted pursuant to Article 12*bis*, § 2, according to the procedures established by the Bank. The Bank shall also take account of the positions or decisions of the European Commission and the European Central Bank, in particular when the latter requires credit institutions to comply with additional capital requirements or other measures to reduce systemic risk.

Before implementing the measures referred to in § 1, the Bank shall inform the European Systemic Risk Board (ESRB), the European Central Bank and, where relevant, the European Supervisory Authorities and the European Commission of the concrete measures it intends to take. Except in duly substantiated cases of urgency and unless Community law provides for specific deadlines for the implementation of legal instruments, the Bank shall wait, for a period not exceeding one month, for the aforementioned institutions to respond, before effectively implementing the measures planned.

The Bank shall also take into account the objections raised by the European Central Bank or, where

applicable, by other European authorities, where they require credit institutions or the groups to which they belong to comply with additional capital requirements or to take other measures in order to reduce systemic risk.

Section 4 – Recommendations issued in order to contribute to the stability of the financial system

Art. 36/35. – The Bank shall determine, by way of recommendations, the measures to be adopted and implemented by the relevant national authorities, the European Central Bank or other European authorities, each for its own account, in order to contribute to the stability of the financial system as a whole, in particular by strengthening the resilience of the financial system, by preventing systemic risks and by limiting the impact of any disruptions.

The Bank shall follow up its recommendations by verifying their actual implementation, in particular by the relevant national authorities, and by assessing the impact of the measures taken to that effect

Moreover, the Bank shall ensure consistency between its task and the tasks relating to the prudential oversight of credit institutions, including in the macroprudential area, which, pursuant to Community law, have been assigned, *inter alia*, to the European Central Bank.

Art. 36/36. – The sole purpose of the recommendations of the Bank shall be to contribute to the stability of the financial system. They shall take into account the recommendations adopted by the European Systemic Risk Board (ESRB) and the positions or decisions of the European institutions, including the European Commission and the European Central Bank. The recommendations shall be duly substantiated and shall be forwarded on a confidential basis to the national authorities charged with their implementation, as well as to the European Systemic Risk Board (ESRB) and to the European Central Bank.

If it deems it necessary, the Bank may also make proposals to the European Central Bank or other European authorities where the instruments to be implemented fall within their competence.

The Bank shall respond within the period laid down by Community law to notifications made by the

European Central Bank pursuant to Article 5(4) of the SSM Regulation, informing it of its intention to increase the capital requirements for credit institutions or to adopt other measures to reduce systemic risk. Any objections against such a measure shall be duly supported by reasons vis-à-vis the European Central Bank.

Art. 36/37. – Notwithstanding Articles 35 and 36/36 and without prejudice to paragraph 2, the Bank shall publish its recommendations. It decides on the terms of this publication.

Communications made pursuant to this Article may not, because of their contents or the circumstances, present a risk to the stability of the financial system.

Art. 36/38. – § 1. In order to implement the recommendations of the Bank that fall within their competence, national authorities may use any instruments, decision-making powers, regulatory powers and prerogatives provided by or under the legislation and/or Decrees governing their legal status and tasks.

§ 2. In particular, the King, by Royal Decree deliberated in the Council of Ministers and on the advice of the Bank, may require credit providers to comply with coefficients:

1° regarding coverage, which determine up to which percentage of the value of collateral a loan may be granted (loan to value ratio);

2° regarding the maximum total debt in relation to the income available to the borrower.

The opinion of the Bank is not required where the measure adopted by the King pursuant to this paragraph is, in all respects, consistent with a recommendation issued by the Bank pursuant to Article 36/35.

Art. 36/39. – Without prejudice to specific procedures provided for by Community law, the national authorities which fall under the federal State shall inform the Bank of the concrete measures they intend to take in order to comply with its recommendations. The Bank shall inform without delay the European Systemic Risk Board (ESRB), the European Central Bank and, where relevant, the European Supervisory Authorities and the European Commission. Except in duly substantiated cases of urgency and unless Community law provides for

specific deadlines for the implementation of legal instruments, the relevant authorities shall wait, for a period not exceeding one month from the date of notifying the Bank, for the aforementioned institutions to respond, before effectively implementing the measures planned.

Art. 36/40. – Where the relevant authorities which fall under the federal State fail to comply with the recommendations of the Bank, they shall provide to the Bank, by reasoned opinion, the reasons for departing from its recommendations. This reasoned opinion shall accompany the notification referred to in Article 36/39.

Art. 36/41. – Where the national authorities which fall under the federal State fail to adopt measures in order to implement the recommendations issued by the Bank pursuant to this Chapter within the time limit which may be specified or, in the absence of a time limit, within two months of the notification of the said recommendations, or are affected by any of the circumstances referred to in Article 36/40, the King shall be empowered by Royal Decree deliberated in the Council of Ministers, to take the measures referred to in Article 36/38, § 1. In this event, the procedure provided for in Article 36/39 shall apply.

Section 5 – Objectives, special provisions and sanctions

Art. 36/42. – In adopting acts and measures pursuant to this Chapter, the Bank and the national authorities shall contribute to the stability of the financial system as a whole, in particular by strengthening the resilience of the financial system and by preventing the occurrence of systemic risks.

Art. 36/43. – The Law of 11 April 1994 on open government shall not apply to the Bank in the context of its task as referred to in this Chapter, nor to the national authorities, in the context of the implementation of the recommendations of the Bank in accordance with this Chapter.

Art. 36/44. – The Bank and the national authorities as well as the members of their respective bodies and staff shall not be liable for their acts or conduct in connection with measures and acts adopted pursuant to this Chapter, except in cases of fraud or gross negligence.

Art. 36/45. – § 1. No petition for suspension or appeal for annulment may be submitted to the Council of State against the recommendations issued by the Bank pursuant to this Chapter.

§ 2. To the exclusion of any other possibility of recourse, an appeal for annulment may be submitted to the Council of State against acts of a regulatory or individual nature adopted by the Bank pursuant to Article 36/34 or by the national authorities pursuant to Articles 36/38 and 36/41, according to an accelerated procedure determined by the King. This appeal is not suspensive.

Art. 36/46. – Shall be punishable by a fine of € 50 to € 10 000, any person :

1° who is required to provide information which is available or which is easily accessible, pursuant to this Chapter or to its implementing measures, but does not comply with this requirement;

2° who opposes the inquiries conducted by the Bank, and its findings, pursuant to Article 36/33;

3° who fails to comply with the measures imposed by this Chapter.

The provisions of Book I of the Penal Code, without the exception of Chapter VII and Article 85, shall apply to the infringements which are punishable pursuant to this Chapter.

Chapter IV/4 – Bank Oversight under the Law of 7 April 2019 establishing a framework for the security of network and information systems of general interest for public security

Art. 36/47. – For the purposes of the Law of 7 April 2019 establishing a framework for the security of network and information systems of general interest for public security, the Bank is designated as sectoral authority and inspection service for financial service providers, with the exception of trading platform operators within the meaning of Article 3, 6°, of the Law of 21 November 2017 on the market infrastructures for financial instruments and transposing Directive 2014/65/EU.

Articles 36/19 and 36/20 shall apply.

The Sanctions Committee shall pronounce on the imposition of administrative fines laid down by Article 52 of the above-mentioned Law of 7 April 2019. Articles 36/8 to 36/12/3 and Article 36/21 shall apply.

The Bank shall share all relevant information with the ECB as soon as possible on incident reports that it receives pursuant to the Law of 7 April 2019.

Chapter V – Transitional and repealing provisions – entry into force

Art. 37. – The capital gain made from the transfer of assets in gold with regard to the issuing by the State of numismatic or commemorative coins, shall be allotted to the State to the extent of the unused balance of the 2.75% of the weight of gold which appeared in the Bank's assets on 1 January 1987, and which could be used by the State, particularly for issuing coins, by virtue of Article 20*bis*(2) of the Law of 24 August 1939 on the National Bank of Belgium.

Art. 38. – *p.m.*

Annex 2 Corporate Governance Charter¹

1. Introduction

The National Bank of Belgium, established by the Law of 5 May 1850 to take on tasks in the public interest, has always had a special governance structure, deviating from ordinary law. Designed from the start to enable the Bank to perform its tasks in the public interest, this special system of governance has evolved in line with the role and objectives assigned to the Bank as the country's central bank.

Today, as the central bank of the Kingdom of Belgium, the Bank – together with the European Central Bank (ECB) and the central banks of the other European Union Member States – is one of the components of the European System of Central Banks (ESCB), set up by the Treaty on the Functioning of the European Union (the Treaty).

By that token, it is governed first of all by the relevant provisions of the Treaty (Title VIII of Part Three) and by the Protocol on the Statute of the ESCB and of the ECB which is annexed to the Treaty, and then by the Law of 22 February 1998 establishing the Organic Statute of the National Bank of Belgium (Organic Law), and its own Statutes, approved by Royal Decree.

The provisions relating to public limited liability companies are applicable only additionally, i.e. in respect of subjects not governed by the Treaty, the Protocol annexed to it, the Organic Law and the Bank's Statutes, and provided the provisions on public limited liability companies do not clash with those higher level rules.

As a central bank, it shares the main objective which the Treaty assigns to the ESCB, namely maintaining price stability. It contributes towards the performance of the basic tasks of the ESCB which

consist in defining and implementing the monetary policy of the European Union, conducting foreign exchange operations in accordance with Article 219 of the Treaty, holding and managing the official foreign exchange reserves of the Member States, and promoting the smooth operation of payment systems.

In addition, it is entrusted with microprudential supervision (governing credit institutions and investment firms with the status of stockbroking firm, insurance and reinsurance companies, central counterparties, settlement institutions, institutions equivalent to settlement institutions, payment institutions, electronic money institutions, central securities depositories, institutions providing support to central securities depositories, custodian banks and surety companies) as well as macroprudential policy in Belgium. The Bank has also been designated as national resolution authority. All these tasks are carried out under a European framework, in particular, the single supervisory mechanism (SSM) as regards prudential supervision of banks and the single resolution mechanism (SRM) for responsibilities in the field of resolution. Subject to compatibility with the tasks which come under the ESCB, the Bank is furthermore entrusted with carrying out other tasks in the public interest, on conditions laid down by law. The pre-eminence of its tasks in the public interest, present from the start and now anchored in the Treaty on the Functioning of the European Union, is reflected in a system of governance whose very objectives are different from those of the governance of a company incorporated under ordinary law.

¹ Latest amendments: January 2021.

First, in accordance with the Treaty, it has to ensure that the rules which govern it are compatible with those of the Treaty itself, and with the Statute of the ESCB, including the requirement concerning the independence of the Bank and of the members of its decision-making bodies in the exercise of their powers and the performance of their tasks, assigned to them by the Treaty and the Statute of the ESCB, in respect of the institutions and bodies of the European Union, governments and all other bodies.

Next, in its governance, the Bank has to reserve a dominant position for the expression of the interests of Belgian society as a whole. That explains, in particular, the arrangements for appointing members of its organs, the specific composition and role of the Council of Regency, the limited powers of the General Meeting of Shareholders, the special arrangements for the exercise of supervision, including the powers of the representative of the Minister of Finance, and the way in which the Bank reports on the performance of its tasks. That also explains the provisions governing the financial aspects of its activities, intended to give it a sound financial basis and to allocate to the State, as a sovereign State, any surplus seigniorage revenue, after covering costs, including the constitution of required reserves and return on capital.

The Bank's special tasks and its specific, unique role in Belgium caused the legislator to give this institution its own particular legal framework and a special form of governance.

This explains why a number of provisions in the Belgian corporate governance code obviously do not apply to the Bank.

Nevertheless, the Bank considers that the system of governance imposed on it partly by its own Organic Law and Statutes, and partly by EU rules, is just as exacting as the recommendations of the Belgian corporate governance code, or even more so in various respects, such as oversight.

It believes that, even though the Belgian corporate governance code is inappropriate to the Bank, it is its duty, in view of its dual status as a central bank and a listed company, to accept an obligation to provide extensive information and report on its activities to the public in general. That is the spirit in which it has drawn up this corporate governance charter.

2. Organisation, governance and supervision of the Bank

2.1 Comparison of the allocation of powers at the Bank and in limited liability companies governed by ordinary law

The table below shows the atypical character of the Bank's organisation.

2.2 Presentation of the Bank's organs and other institutions

The Bank's organs are the Governor, the Board of Directors, the Council of Regency, the Sanctions Committee and the Resolution College (cf. Article 17 of the Organic Law).

Other institutions of the Bank are the General Meeting, the representative of the Minister of Finance, the auditor and the Works Council.

The Bank's organs and their respective powers are fundamentally different from those of conventional public limited liability companies (see table).

2.3 Organs of the Bank

2.3.1 Governor

Powers

The Governor exercises the powers conferred on him by the Statute of the ESCB, the Organic Law, and the Bank's Statutes and Rules of Procedure.

He directs the Bank and its staff with the assistance of the Directors. He presides over the Board of Directors, arranging the implementation of its decisions, and over the meetings of the Council of Regency when it exchanges views as provided for in Article 20, point 2, first paragraph of the Organic Law. He also presides over the Resolution College and chairs the General Meeting. He attends the meetings of the Remuneration and Appointments Committee in an advisory capacity. He exercises direct authority over the members of staff, whatever their grade and their function.

At the General Meeting, he presents the annual accounts and the Annual Report which have been approved by the Council of Regency. He submits to the

Allocation of powers at the Bank and in public limited liability companies governed by ordinary law

The Bank		Public limited liability companies governed by ordinary law	
King	Appointment of the Governor Appointment of the Directors (on the proposal of the Council of Regency)	Appointment of the directors	General Meeting
General Meeting	Election of the Regents (from a dual list of candidates) Appointment of the auditor (on the proposal of the Works Council and with the approval of the EU Council of Ministers, on the recommendation of the ECB Governing Council) Hearing of the Annual Report Amendment of the Statutes except for Council of Regency prerogatives	Appointment of the auditors Hearing of the annual report, auditors' report and discharge of the auditors Amendment of the articles of association	
Council of Regency	Amendment of the Statutes to bring them into line with the Organic Law and international obligations which are binding on Belgium Discussion and approval of the annual accounts Approval of the Annual Report Appropriation of the profits Discharge of the Board of Directors Setting the remuneration of the members of the Board of Directors Approval of the budget	Discussion and approval of the annual accounts Appropriation of the profits Discharge of the directors Setting the remuneration of the Board of Directors	
Board of Directors	Definition of company policy <ul style="list-style-type: none"> ■ as central bank ■ as microprudential authority ■ as macroprudential authority Administration and management Drawing up of the annual accounts Preparation of the Annual Report Management and routine operation	Approval of the budget Definition of company policy Administration and management Drawing up of the annual accounts Drawing up of the annual report Optional delegation of day-to-day management (day-to-day managers)	Board of Directors
Sanctions Committee	Pronounces on the imposition by the Bank of the administrative fines laid down by the laws applicable to the institutions that it supervises		
Resolution College	Resolution authority authorised to apply the resolution instruments and to exercise the resolution powers		
Representative of the Minister of Finance	Monitoring of the Bank's operations (right to oppose any measure which is contrary to the law, the Statutes or the interests of the State), except for those which come under the ESCB		

Chairmen of the Chamber of Representatives and the Senate the Annual Report referred to in Article 284.3 of the Treaty on the Functioning of the European Union, as well as a yearly report on the activities of the Bank in the field of prudential supervision. He may be heard by the competent committees of the Chamber of Representatives and of the Senate, at the request of those committees or on his own initiative.

He represents the Bank in legal proceedings

He submits proposals to the Board of Directors on the allocation of the Departments and Services among the Board's members, and on the representation of the Bank in national and international organisations and institutions.

He also has a seat on the ECB Governing Council, which decides *inter alia* on the monetary policy for the euro area.

Appointment

The Governor is appointed by the King for a renewable term of five years. He may be removed from office by the King only if he has been guilty of serious misconduct or if he no longer fulfils the conditions required for the performance of his duties. An appeal may be lodged with the Court of Justice against such a decision, on the initiative of the Governor or of the ECB Governing Council.

Thus, the EU and Belgian legislation ensures the personal independence of the Governor, both by the length of his term of office and by the restrictions on his removal from office.

2.3.2 Board of Directors

Powers

The Governor and the Directors jointly exercise their powers as members of the Board of Directors.

The Board of Directors is a collegiate body, responsible for the administration and management of the Bank in accordance with the Organic Law, the Statutes and the Rules of Procedure, and is in charge of the direction of its policy.

The Governor and the Directors each have authority over one or more of the Bank's departments and

services. They ensure that the latter implement, within the framework of their respective duties, the decisions taken by the organs.

The Board of Directors appoints and dismisses the members of staff and determines their salaries.

It has the right to make settlements and compromises. It exercises regulatory power in the cases laid down by law.

In Circulars or Recommendations, it lays down all measures with a view to clarifying the application of the legal or regulatory provisions whose application the Bank supervises. It provides opinions to the various authorities that exercise legal or regulatory power on all draft legislative or regulatory acts relating to the supervisory tasks with which the Bank is or may be charged.

It pronounces on all matters which are not expressly reserved for another organ by law, the Bank's Statutes or Rules of Procedure.

It draws up the budget and prepares the Annual Report and the annual accounts, which it submits to the Council of Regency for approval.

It decides on the investment of the capital, the reserves and the amortisation accounts after consultation with the Council of Regency and without prejudice to the regulations adopted by the ECB.

It proposes the Bank's Rules of Procedure for the approval of the Council of Regency.

The Bank's Board of Directors therefore exercises the powers of administration, management and strategic direction of the enterprise which are delegated to the administrative board in public limited liability companies governed by ordinary law, as well as the actual management powers.

It is not accountable for its activities to the General Meeting, which has no power to give it a discharge; instead, it is accountable to the Council of Regency to which it submits the Annual Report and the annual accounts. The approval of the annual accounts by the Council of Regency constitutes a discharge for the members of the Board of Directors.

Composition

The Board of Directors is composed of the Governor and a maximum of five Directors. It includes an equal number of French and Dutch speakers. The members of the Board of Directors must be Belgians.

The Directors are appointed by the King, on the proposal of the Council of Regency. The method of nominating the Directors was specifically designed by law in 1948 to emphasise the character of the Bank's activities as tasks performed in the public interest.

The Directors are appointed for a renewable term of six years.

The King confers the title of Vice-Governor on one of the Directors. The Vice-Governor replaces the Governor if the latter is unable to perform his duties, without prejudice to Article 10.2. of the Statute of the ESCB.

In order to avoid any conflict of interests, the Organic Law stipulates that, except in a limited number of specified instances, the members of the Board of Directors may not perform duties in commercial companies or companies which are commercial in form, or in public institutions engaged in industrial, commercial or financial activities. They are also prohibited from taking on certain political posts (as members of a parliament, government or ministerial cabinet).

The members of the Board of Directors may be removed from office by the King only if they have been guilty of serious misconduct or if they no longer fulfil the conditions required for the performance of their duties.

Thus, the Organic Law ensures the personal independence of the members of the Board of Directors, both by the length of their term of office and by the restrictions on their removal from office.

Functioning

The functioning of the Board of Directors is governed by the Organic Law, the Statutes and the Rules of Procedure.

The Board of Directors meets whenever circumstances dictate, and at least once a week. In urgent cases determined by the Governor, except for adopting

regulations, it may take decisions by written procedure or by using a voice telecommunications system.

If a member of the Board of Directors has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision or transaction within the sphere of competence of the Board of Directors, he informs the other members before the Board deliberates. He does not attend discussions concerning that transaction or decision and does not take part in the voting. His declaration and the reasons underlying the conflicting interest are entered in the minutes of the meeting. The Board of Directors describes in the minutes the nature of the decision or transaction, justifies the decision taken and specifies the implications in terms of proprietary rights of that decision for the Bank. Those minutes are included in the Annual Report for the year in question.

The Director concerned also informs the auditor of his conflicting interest. The auditor's report must contain a separate description of the implications in terms of proprietary rights for the Bank resulting from Board of Directors decisions involving a conflicting interest within the meaning of the previous paragraph.

2.3.3 Council of Regency

Powers

The Council of Regency exchanges views on general issues relating to the Bank, monetary policy and the economic situation of the country and the European Union, supervisory policy with regard to each of the sectors subject to the Bank's supervision, Belgian, European and international developments in the field of supervision, as well as, in general, any development concerning the financial system subject to the Bank's supervision; without however having any competence to intervene at operational level or take note of individual dossiers. Every month it takes note of the institution's situation.

It has power to lay down the accounting rules for all aspects of the annual accounts which are not covered by the provisions of the Bank's Organic Law and are not mandatory for the compilation of the consolidated balance sheet of the Eurosystem. It approves the expenditure budget and the annual accounts. It has the power, as an independent body, to set the Bank's reserve and dividend policy. It determines the final distribution of the profits proposed by the Board of

Directors and ensures that the financial interests of the Bank, its shareholders and the State, as a sovereign State, are taken into account in a balanced manner.

It approves the Annual Report.

It amends the Statutes of the Bank in order to bring them into line with the Organic Law and the international obligations which are binding on Belgium.

On a proposal from the Board of Directors, it lays down the Rules of Procedure, containing the basic rules for the operation of the Bank's organs and the organisation of its departments, services and outside offices, and the code of conduct which must be respected by the members of the Board of Directors and the staff.

It appoints and dismisses the Secretary and the Treasurer.

The Council of Regency has the power to set remuneration policy and fix the salaries of the members of the Board of Directors, including the Governor, and of the Council of Regency. More detailed information about the remuneration policy and salaries is provided on an annual basis in the remuneration report which forms part of the Governance Statement included in the Annual Report.

The Council of Regency therefore exercises certain powers which, in companies governed by ordinary law, are reserved for the Board of Directors, and others reserved for the General Meeting of Shareholders. This is a very special organ which introduces an element of duality into the Bank's governance structure. Composed predominantly of non-executive members, the Council of Regency plays a key role in the appointment of Directors, remuneration and supervision, and does so on a more continuous basis than the special committees of ordinary companies, in view of the frequency of its meetings.

In regard to the budget, the Council of Regency is assisted by the Audit Committee, which has the power to examine the Bank's budget before it is submitted for approval to the Council of Regency.

The Audit Committee is established within the Council of Regency and is composed of three Regents appointed by the Council of Regency. The chair of the

Audit Committee is appointed by the Council of Regency. The Audit Committee exercises the advisory powers referred to in Article 21*bis* of the Organic Law (specified in the Audit Committee Regulations) and supervises the preparation and implementation of the Bank's budget. The Audit Committee Regulations further define the powers, composition and functioning of that committee.

In the performance of its duties in relation to remuneration and appointments, the Council of Regency is assisted by the Remuneration and Appointments Committee, which comprises three Regents appointed by the Council of Regency. The Governor attends the meetings of this committee in an advisory capacity. The Remuneration and Appointments Committee Regulations define the powers, composition and functioning of that committee.

Composition

The Council of Regency is composed of the Governor, the Directors and fourteen Regents. It includes an equal number of French- and Dutch-speaking Regents.

At least one third of the members of the Council of Regency are of a different gender than the other members.

The Regents are elected by the General Meeting for a renewable term of three years, on the basis of dual lists of candidates. Two Regents are chosen on the proposal of the most representative labour organisations, three on the proposal of the most representative organisations from industry and commerce, from agriculture and from small and medium-sized enterprises and traders, and nine on the proposal of the Minister of Finance.

The method of appointing the Regents has been organised in a special way. In the preparations for the Law of 28 July 1948 which amended the Organic Law and reorganised the Bank, the legislator expressed its desire that the method of appointing the Directors and Regents should ensure both the Bank's total independence vis-à-vis individual interests and the technical competence of the candidates. The procedure for proposing the Regents was designed to ensure that the various Belgian socio-economic interests were fairly represented.

In order to avoid any conflict of interests, the Organic Law stipulates that the Regents may not be members of the administrative, management or supervisory bodies of an institution subject to the supervision of the Bank, a Belgian institution or institution established in Belgium subject to the supervision of the ECB or a subsidiary of one of these institutions subject to the supervision of the ECB, nor may they perform management duties in such an institution or take on certain political posts (as members of a parliament, government or ministerial cabinet).

The Regents may be dismissed by the General Meeting of Shareholders deciding by a majority of three-quarters of the votes of the shareholders present, holding at least three-fifths of the shares.

One of the Regents is appointed Chair of the Council of Regency by the King. The Chair of the Council of Regency is independent within the meaning of Article 7:78, first paragraph of the Companies and Associations Code, comes from a different linguistic group than the Governor and is of a different gender than the Governor. The Chair of the Council of Regency presides over the meetings of the Council of Regency except when it exchanges views on the general issues referred to in Article 20, point 2 of the Organic Law. These exchanges of views are presided over by the Governor.

Functioning

The functioning of the Council of Regency is governed by the Organic Law, the Statutes and the Rules of Procedure.

The Council of Regency meets at least twenty times a year and passes its decisions by a majority of the votes. In urgent cases determined by the Governor, the Council of Regency may take decisions by written procedure or by using a voice telecommunications system.

If a member of the Council of Regency has, directly or indirectly, an interest relating to proprietary rights which conflicts with a decision within the sphere of competence of the Council of Regency, he informs the other members before the Council deliberates. He must not attend discussions concerning that decision, or take part in the voting. In particular, the Governor and the Directors are not permitted to attend the discussions and take part in the voting concerning the approval of the annual accounts.

2.3.4 Sanctions Committee

Powers

The Sanctions Committee pronounces on the imposition by the Bank of administrative fines laid down by the laws applicable to the institutions that it supervises. The rules of procedure for the imposition of administrative fines are set out in the Organic Law.

Composition

The Sanctions Committee is composed of six members appointed by the King:

- 1° a State counsellor or honorary State counsellor, appointed on a proposal from the First President of the Council of State;
- 2° a counsellor at the Court of Cassation or honorary counsellor at the Court of Cassation, appointed on a proposal from the First President of the Court of Cassation;
- 3° two magistrates who are neither counsellors at the Court of Cassation, nor at the Brussels Court of Appeal;
- 4° two other members.

The chairman is elected by the members of the Sanctions Committee from among the persons mentioned in 1°, 2° and 3°.

For the three years preceding their appointment, the members of the Sanctions Committee may not have been on either the Board of Directors of the Bank or the Resolution College of the Bank, or a member of the Bank's staff.

During the course of their mandate, members may not carry out any duties whatsoever or any mandate whatsoever in an institution subject to the supervision of the Bank or in a professional association representing institutions subject to the supervision of the Bank, nor may they provide services for a professional association representing institutions subject to the supervision of the Bank.

They are also prohibited from taking on certain political posts (as members of a parliament, government or ministerial cabinet).

The mandate of the members of the Sanctions Committee is six years and renewable. Members may be removed from office by the King only if they no longer fulfil the conditions for the performance of their duties or if they have been guilty of serious misconduct.

Functioning

The functioning of the Sanctions Committee is governed by the Organic Law, the Statutes and the Rules of Procedure which it has adopted.

The Sanctions Committee meets whenever the chairman deems necessary. Its decisions are passed by a majority of the votes.

Members of the Sanctions Committee may not deliberate in a case in which they have a personal interest that may influence their opinion.

2.3.5 Resolution College

Powers

The Resolution College is the body competent to perform the tasks of the resolution authority authorised to apply the resolution instruments and to exercise the resolution powers in accordance with the legislation on the status and supervision of credit institutions.

Composition

The Resolution College is composed of the following persons:

1° the Governor;

2° the Vice-Governor;

3° the Director of the Department in charge of the prudential supervision of banks and stockbroking firms;

4° the Director of the Department in charge of prudential policy and financial stability;

5° the Director designated by the Bank as the person responsible for resolution of credit institutions;

6° the President of the Management Committee of the Federal Public Service Finance;

7° the official in charge of the Resolution Fund;

8° four members designated by the King by Royal Decree deliberated in the Council of Ministers; and appointed in view of their particular expertise in banking and financial analysis; and

9° a magistrate designated by the King.

The Chairman of the Financial Services and Markets Authority attends Resolution College meetings in an advisory capacity.

The persons referred to in 8° and 9° are appointed for a renewable term of four years. These persons can be relieved of their duties by the authorities which have appointed them only if they no longer fulfil the conditions necessary for their role or in the event of serious misconduct.

Members of the Resolution College may not take on certain political posts (as members of a parliament, government or ministerial cabinet).

Functioning

The functioning of the Resolution College is governed by the Organic Law, the Royal Decree of 22 February 2015 and the Rules of Procedure which it has adopted.

Unless it is unable to do so, the Resolution College meets at least four times a year and whenever circumstances dictate or whenever three of its members request a meeting. Its decisions are passed by a majority of the votes. In urgent cases determined by its chairman, the Resolution College may take decisions by written procedure or by using a voice telecommunications system.

In the event of a conflict of interests, the member concerned refrains from taking part in the deliberations and the voting on the agenda items in question.

2.4 Other institutions of the Bank

2.4.1 General Meeting

Powers

The Ordinary General Meeting hears the Annual Report on the past year and elects the Regents for

the offices which have become vacant, in accordance with the stipulations of the Organic Law. It appoints the external auditor. It amends the Statutes in cases where that power is not reserved for the Council of Regency.

The General Meeting deliberates concerning the matters mentioned in the convening notice and those submitted to it by the Council of Regency.

The Organic Law does not confer organ status on the General Meeting, whose powers are limited.

Composition

The General Meeting is composed of the shareholders who have fulfilled the legal formalities for admission to the general meeting of a listed company.

The General Meeting represents the totality of the shareholders.

Functioning

The General Meeting is chaired by the Governor. The Ordinary General Meeting is held on the third Monday in May or, if that is a public holiday, on the next bank working day. An Extraordinary General Meeting may be convened whenever the Council of Regency deems fit. A meeting must be convened if the number of Regents falls below the absolute majority or if it is requested by shareholders representing one tenth of the capital stock.

Before the meeting is opened, the shareholders sign the attendance register.

The function of scrutineers shall be performed by the two shareholders present who own the largest number of shares, who do not form part of the administration and who accept this duty.

Each share confers entitlement to one vote.

All resolutions are passed by an absolute majority of the votes. If the votes are equally divided, the proposal is rejected. Voting will take place either electronically, by roll call, by a show of hands, or by ballot papers. Elections or dismissals take place by secret ballot.

Decisions passed in accordance with the rules are binding on all the shareholders.

Minutes are drawn up in respect of each meeting. They are signed by the tellers, the chairman and the other members of the bureau. They are published on the Bank's website. Exemplified copies and extracts to be issued to third parties are signed by the Secretary.

2.4.2 Representative of the Minister of Finance

Except as regards the tasks and operations within the domain of the ESCB, the tasks of prudential supervision and the tasks of the Bank in contributing to the stability of the financial system, the representative of the Minister of Finance supervises the Bank's operations, and suspends and brings to the attention of the Minister of Finance any decision which is contrary to the law, the Statutes or the interests of the State. If the Minister of Finance has not given a decision within one week of the suspension, the decision may be implemented.

The representative of the Minister of Finance attends, ex officio, in an advisory capacity, the meetings of the Council of Regency, the Audit Committee and the Remuneration and Appointments Committee.

He attends the General Meetings when he deems fit.

He reports to the Minister of Finance each year on the performance of his duties.

Via his representative, the Minister of Finance thus exercises, on behalf of the sovereign State, supervision over the Bank's activities in regard to tasks in the national interest.

The salary of the representative of the Minister of Finance is set by the said Minister in consultation with the management of the Bank, and is paid by the Bank.

2.4.3 Auditor

The auditor performs the auditing functions prescribed by Article 27.1 of the Protocol on the Statute of the ESCB and of the ECB, and reports to the Council of Regency on those activities. He certifies the annual accounts. He also performs certification functions for the attention of the ECB auditor.

He reports to the Works Council once a year on the annual accounts and the Annual Report. He certifies the accuracy and completeness of the information supplied

by the Board of Directors. He analyses and explains, particularly for the members of the Works Council appointed by the employees, the economic and financial information submitted to this Council, in terms of its significance in relation to the financial structure and the assessment of the Bank's financial position.

The auditor is appointed on the basis of a procedure in accordance with the public procurement legislation to which the Bank is subject. He is then appointed by the General Meeting of the Bank on the proposal of the Works Council. He must be approved by the EU Council of Ministers, on the recommendation of the ECB.

2.4.4 Works Council

Pursuant to the Law of 20 September 1948 on the organisation of the economy, the Bank has a Works Council, a joint consultation body composed of representatives of the employer and representatives of the staff, elected every four years.

The main function of the Works Council is to give its opinion and formulate any suggestions or objections in regard to all measures which could change the working arrangements, working conditions and efficiency of the enterprise.

Specific economic and financial information is made available by the Board of Directors, in accordance with the law.

2.5 Mechanisms for controlling the activities

A series of control mechanisms ranging from operational to external controls govern the Bank's activities and operations, ensuring that they proceed smoothly with due regard for the set objectives and in accordance with the dual concern for security and the economical use of resources.

The control requirements applicable to the Bank on account of its tasks as the country's central bank and its membership of the ESCB differ from, and extend beyond, those laid down in the Belgian corporate governance code recommended for public limited liability companies governed by ordinary law.

From the point of view of the general management of the enterprise, the Board of Directors is responsible

for establishing an internal control system and for ensuring its adequacy.

This internal control system is based on the concept of three lines of defence.

The departments and autonomous services take on *primary responsibility* for the actual operation of the internal control system. That involves:

- identifying, assessing and attenuating the risks of their entities;
- establishing adequate internal control and management systems in order to control the risks of their entities within the risk tolerance limits set by the Board of Directors;
- ensuring that their entities respect the objectives, policies and internal control.

Secondary responsibility for the actual operation of the internal control system rests with the members of the Board of Directors designated for this purpose:

- as regards financial risks, the Director-Treasurer is responsible for the Middle Office, which is in charge of identifying, assessing, managing and reporting on the risks resulting from the Bank's portfolio management activities. The Middle Office reports monthly and quarterly to the Board of Directors via the Director-Treasurer.
- as regards non-financial risks, the member of the Board of Directors designated for this purpose is responsible for Operational Risk Management (ORM), Business Continuity Management (BCM), the compliance function, information security, secondary aspects of physical security and of activities concerning banknotes.

The Internal Audit Service takes on *tertiary responsibility* for the actual operation of the internal control system.

The Internal Audit Service is tasked with giving the Board of Directors additional assurance, based on the highest degree of organisational independence and objectivity, concerning the effectiveness of the Bank's governance, risk management and internal control, including the attainment of the risk management and control objectives by the first and second lines of defence.

In order to guarantee its independence vis-à-vis the departments and services, the Internal Audit Service comes directly under the Governor and does not carry any direct operational responsibility. It reports to the Board of Directors and the Audit Committee.

The head of the Internal Audit Service is a member of the Internal Auditors Committee (IAC) of the ESCB. The Internal Audit Service conforms to the methodology, objectives, responsibilities and reporting procedure laid down within the ESCB, including those in the Eurosystem/ESCB Audit Charter approved by the ECB Governing Council. An Internal Audit Charter, approved by the Board of Directors and the Council of Regency on the proposal of the Audit Committee, describes the role of the audit function, its responsibilities and the powers conferred on it for the performance of its tasks.

Certain control functions are performed by specific administrative entities (e.g. the management of access to computer systems), while structural conflicts of interest are resolved by segregating the activities concerned (system of Chinese walls): thus, for example, the operation and oversight of the payment systems are entrusted to two different departments.

The Audit Committee supervises the preparation and implementation of the budget and takes note of the activities of the Internal Audit Service. Every year, its chair informs the Council of Regency and answers its questions.

The Audit Committee is responsible, in an advisory capacity, for the monitoring of the effectiveness of the internal control and risk management systems and the monitoring of the Bank's internal audit.

To that end, the Audit Committee periodically examines, in accordance with a plan which it draws up, the internal control and risk management systems set up by the various Departments and Services. It ensures that the main risks, including the risks relating to compliance with the current legislation and rules, are correctly identified, managed and drawn to its own attention and to that of the Board of Directors. The Audit Committee also examines the notes contained in the Annual Report concerning internal control and risk management.

The Audit Committee examines the effectiveness of the internal audit. It examines the internal

audit charter and verifies whether the Internal Audit Service has the resources and expertise appropriate to the nature, size and complexity of the Bank. Where appropriate, it makes recommendations on this subject to the Board of Directors. Before the internal audit's programme of work is approved by the Board of Directors, the Audit Committee examines that programme, taking account of the complementarity with the work of the statutory auditor. The Audit Committee receives the periodic internal audit reports. It examines the extent to which the departments and services take account of the internal audit's findings and recommendations. At the request of the Board of Directors, the Audit Committee gives its opinion concerning the profile of the internal audit officer.

The Audit Committee also assesses the relevance and consistency of the accounting rules drawn up by the Council of Regency.

The Council of Regency approves the annual accounts, the annual budget, the accounting rules and the rules on the Bank's internal organisation. It consults the Audit Committee before approving the annual accounts, and may ask this committee to examine specific questions on that subject and report back to it.

The Bank is also subject to various external controls.

The first form of control is provided by the auditor, who verifies and certifies the Bank's accounts.

Except as regards the tasks and operations within the domain of the ESCB, the tasks of prudential supervision and the tasks of the Bank in contributing to the stability of the financial system, the representative of the Minister of Finance supervises the Bank's operations on the behalf of the Minister. The latter in fact has the right to monitor those operations and to oppose the implementation of any measure which would be contrary to the law, the Statutes or the interests of the State.

In addition, the Governor may be heard by the competent committees of the Chamber of Representatives and of the Senate, at the request of those committees or on his own initiative.

Finally, pursuant to the Statute of the ESCB and of the ECB, the Bank acts in accordance with the directions

and instructions of the ECB. The Governing Council takes the necessary measures to ensure compliance with those directions and instructions, and requires all necessary information to be supplied to it.

2.6 Rules of conduct

A code of conduct imposes strict rules of behaviour on the members of the Board of Directors and on the Bank's employees.

The members of the Board of Directors maintain the highest standards of professional ethics.

The members of the Bank's organs and staff are subject to strict professional secrecy pursuant to Article 35 of the Organic Law. They are also subject to the legal rules on insider trading and market manipulation.

The members of the Council of Regency – namely, the Directors and the Regents – have a legal obligation to submit an annual list of their mandates, duties and occupations to the Court of Auditors. In addition, they are bound to make an annual wealth declaration, unless there have been no appointments, terminations or renewals in the past year with regard to the mandates, duties and occupations that they have to declare.

The Bank's code of conduct lays down rules for members of the Board of Directors and of its staff on the holding of and transactions in the Bank's shares and shares or parts issued by certain enterprises subject to supervision by the Bank or the ECB, and rules on urgent withdrawals concerning certain enterprises subject to supervision by the Bank or the ECB. The Chairman of the Sanctions Committee and the competent Director exercise supervision over compliance with these provisions, respectively by the members of the Board of Directors and by the members of staff.

The Regents do not effect any transactions, for their own account or on behalf of a third party, in shares of the Bank or financial instruments relating to those shares during the annual closed period of thirty calendar days before publication of the annual accounts. Outside of those fixed closed periods, they exercise prudence in trading in the Bank's shares and refrain at all times from any speculative transaction in those shares. They also respect the closed periods fixed ad hoc by the Board of Directors.

2.7 The Secretary and the Treasurer

The Secretary draws up the minutes and the records of the meetings of the Board of Directors and of the Council of Regency. He draws up the minutes of the General Meeting of Shareholders and has them signed by the chairman of the General Meeting, the scrutineers and the other members of the bureau. He certifies copies conforming to the original. He deals with changes to the Bank's Rules of Procedure.

Under the Bank's internal control system based on the concept of three lines of defence, the Treasurer carries secondary responsibility for the management of all financial risks.

3. Shareholders

3.1 Capital and shares

The Bank's share capital totals ten million euro. It is represented by four hundred thousand shares of no face value. Two hundred thousand registered, non-transferable shares are held by the Belgian State. The two hundred thousand other registered, bearer or dematerialised shares are held by the public and listed on Euronext Brussels.

The share capital is fully paid up.

Except for those belonging to the State, the shares can be converted to registered or dematerialised shares, free of charge, at the owner's request.

Ownership of the registered shares is established by entry in the Bank's shareholders register. The registered shareholder receives a certificate which does not constitute a transferable instrument. Dematerialised shares are represented by an account entry in the name of their owner or holder with an authorised intermediary or with the settlement institution, S.A. Euroclear Belgium.

3.2 Shareholder structure

Since 1948, and pursuant to the Organic Law, the Belgian State has held two hundred thousand of the Bank's shares, or 50% of the total voting rights.

The Bank has no knowledge of other holdings of 5% or more of the voting rights.

3.3 Dividends

The setting of the dividends is organised by the Organic Law. A first dividend of 6% of the capital is guaranteed by all reserves. The second dividend corresponds to 50% of the net proceeds from the portfolio which the Bank holds as a counterpart to its total reserves. The second dividend is guaranteed by the available reserve, unless the level of the reserves were to fall too low as a result.

In view of the special nature of the Bank and its tasks in the public interest, including the primary objective of maintaining price stability, the dividend is largely dissociated from profit or loss. In this way, the shareholder is protected against the volatility of the Bank's results, which are influenced by the monetary policy of the Eurosystem and exogenous factors such as demand for banknotes or exchange rate movements.

4. Communication with shareholders and the public

4.1 Principles

As the country's central bank, the Bank performs special tasks in the public interest, on which it has to render account to the democratic institutions and to the public in general, and not only to its shareholders and employees.

4.2 Reports

Every year, the Bank publishes a Report providing the public with extensive information on recent economic and financial developments in Belgium and abroad. The summary presented by the Governor on behalf of the Council of Regency focuses on key events in the past year and delivers the Bank's main messages concerning economic policy.

Each year, the Bank also publishes a report on its activities in the field of prudential supervision, as well as a Corporate Report presenting for the shareholders' and the public's attention the Annual Report and the annual accounts for the preceding year and explaining the organisation and governance of the Bank.

These Reports are made available in printed form to the shareholders and the public. They are also

published on the Bank's website, which offers all the Annual Reports issued since 1998.

The Bank is not subject to the rules governing the drawing up and issuing of periodical information.

4.3 Relations with parliament

Pursuant to the Organic Law and the Statutes, the Governor may be heard by the competent committees of the Chamber of Representatives and of the Senate, at their request or on his own initiative. He shall send to the Chairmen of the Chamber of Representatives and the Senate the Annual Report on the activities of the Bank in the field of prudential supervision.

4.4 General Meetings

The Bank's Ordinary General Meeting provides an opportunity for shareholders and the Bank's management to meet. Every year at the meeting, the Board of Directors presents the Annual Report and the annual accounts for the past financial year.

4.5 Website

On its website, the Bank offers the public and the shareholders a large quantity of regularly updated information on its activities and operations, available at all times.

The Rules of Procedure, Audit Committee Regulations and Remuneration and Appointments Committee Regulations are available on the Bank's website.

5. Representation of the Bank and signing of acts

5.1 Representation of the Bank

The Governor represents the Bank in legal proceedings.

The Governor and the Board of Directors may expressly or tacitly grant special authority to represent the Bank.

5.2 Signing of acts

All acts which are binding upon the Bank may be signed either by the Governor, or, in the absence of the latter, by the Vice-Governor, either by a majority

of the members of the Board of Directors or by a Director together with the Secretary, without any need to substantiate their authority to third parties. They may also be signed by one or two persons mandated either by the Governor or by a majority of the members of the Board of Directors or by a Director together with the Secretary.

Moreover, routine administrative acts may be signed either by the Vice-Governor or a Director, or by the Secretary or the Treasurer or by one or two members of the staff mandated by the Board of Directors.

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