

## APPENDIX: MERGER/DISCONTINUATION OF MFIS

Danmarks Nationalbank – Danish Financial Supervisory Authority

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This appendix describes the guidelines for handling mergers/discontinuation of MFIs when reporting to the credit register. For example, if two or more MFIs merge, there will be at least one MFI that is discontinued and one that continues.

### **SELECTION OF POPULATION IN THE CREDIT REGISTER**

The selection of population and breakdown by full reporters and tail reporters in the credit register follows the selection of population and breakdown for the MFI3 statistics, cf. section 1.2.2 Selection of population and reporting frequency of the reporting guidelines for the credit register. In other words, if an institution is a full reporter or a tail reporter in the MFI3 statistics, this will, as a main rule, also be the case in the credit register.

### **Handling population changes (from tail to full or vice versa)**

If changes are made to the MFI3 population, these changes will also apply to the relevant institution's/institutions' reporting to the credit register. So if the status of an institution changes from tail reporter to full reporter (or vice versa) in the MFI3 statistics, the same will apply to the institution's population category in the credit register. And (as a general rule) the change will apply from the same reference date as in the MFI3 statistics.

## **MERGERS:**

### **Determining the reporting status and initial reporting as a merged institution**

The MFI3 statistics manual "[Indberetning ved fusioner mellem MFI'er](#)" provides guidelines for handling a merger in MFI3, including the supplementary data to be reported to MFI3 and the reporting deadlines in connection with the merger. On the basis of the supplementary data, it is determined which population the merged/continuing MFI belongs to. In that connection it will be agreed between Danmarks Nationalbank and the MFIs affected when the initial merged reporting is to take place to the MFI3 statistics (monthly reporting for full reporters, annual reporting for tail reporters) and the credit register (quarterly reporting for full reporters, annual reporting for tail reporters). Until the agreed date, the relevant institutions will continue to report separately, cf. the reporting frequency applicable to each institution (if, say, a full reporter and a tail reporter merge, the full reporter will continue to report on a quarterly basis and the tail reporter on an annual basis to the credit register).

From the reference month for which it has been agreed that the merged MFI3 reporting will take place for the continuing institution, the next quarterly reporting (annual reporting if it is a tail reporter) to the credit register must be merged. Hence, the first reference period/reporting to MFI3 for the merged/continuing MFI should preferably relate to the first month of a new quarter (a new year for tail reporters) as reporting to the credit register takes place on a quarterly (annual for tail reporters) basis and a few attributes will relate to the whole quarter (year) (cf. the flow attributes below). This will also ensure that checks can be performed between the two sets of statistics.

If an institution is discontinued because it merges with another institution, the final reporting will relate to the quarter (full reporters) or year (tail reporters) before the first merged reporting takes place.

### **Content requirements**

#### ***Time of calculation***

When reporting the counterparties, instruments and protection data acquired in connection with the merger, the continuing institution must follow the guidelines for time of calculation for the individual attributes stated in the reporting guidelines for the credit register. The time of calculation is described under the individual attributes, and for amount attributes also in section 1.6.2. Currency conversion, Table 3, Overview of calculation dates for amount attributes. As a main rule, the same/original

data is to be reported, unless updates have been made in accordance with the reporting guidelines.

### ***Specific attributes***

Below is a list of attributes that require particular attention in connection with a merger, because they cannot, as a main rule, be changed, have been accrued/amortised/accumulated over a period of time, need to be calculated or create relations between datasets.

**Amount attributes** that cannot be changed/updated:

- 4.7.9 Original protection value

**Date attributes** that cannot be changed/updated:

- 4.2.7 Inception date
- 4.2.20 Settlement date
- 4.7.10 Date of original protection value

**"Flow" attributes** for which the amounts accrued/amortised within the quarter/year or accumulated over several reference periods are to be reported:

- 4.3.8 Accrued interest
- 4.3.11 Accrued administration margin payments
- 4.3.13 Ordinary principal payments
- 4.3.14 Ordinary principal payments – bond payments
- 4.3.15 Extraordinary principal payments
- 4.6.3 Accumulated write-offs
- 4.6.4 Accumulated impairment amount
- 4.6.10 Provisions associated to off-balance sheet exposures
- 4.6.13 Cumulative recoveries since default

**Calculation attribute:**

- 4.2.21 Fair value changes due to changes in credit risk before purchase

**Relation attributes:**

The attributes that ensure the relations between datasets must be unique and may not be changed over time, cf. the reporting guidelines. These attributes are:

- 4.1.1 Counterparty identifier
- 4.2.1 Contract identifier
- 4.2.2 Instrument identifier
- 4.7.1 Protection identifier

If possible, Danmarks Nationalbank would prefer that the above relation attributes are not changed in connection with mergers. But if they are (can be expected) changed, the institutions/data centres in question should contact Danmarks Nationalbank to agree how the changes are to be handled in relation to e.g. checks and outliers, etc.

**Counterparty reference dataset:**

It is expected that counterparty reference data is transferred to the continuing institution. For example, the same national identifier will be used in attribute 4.1.3 National identifier. If a counterparty has been reported as a counterparty by several of the institutions involved, the most recent and correct data must be continued, e.g. the most recent debt factor or disposable income is to be reported.

As regards attribute 4.1.1 Counterparty identifier in the counterparty dataset, this is a relation attribute and its handling is described above.

**CLOSING MFI:****Final reference period**

When an MFI is closing, final reporting to the credit register must take place for the last quarter (full reporters) or year-end (tail reporters) in which the institution exists on the reporting reference date, unless otherwise agreed, e.g. if it is discontinued because it merges, cf. the section on mergers. So for a full reporter that is closed down from 1 May, final reporting will relate to the reference period 31 March. For a tail reporter that is discontinued from 1 May in the year  $t$ , final reporting will relate to the reference period 31 December in the year  $t-1$ .