Brussels, February 2018

EACB RESPONSE TO THE EC CONSULTATION DOCUMENT FITNESS CHECK ON SUPERVISORY REPORTING

Introduction:

The European Association of Co-operative Banks (EACB) welcomes the fact that the Commission has acknowledged that supervisory reporting is one of the key challenges facing stakeholders and launched a dedicated fitness check exercise. In this contact, we has taken note of the Report on the Call for Evidence - EU regulatory framework for financial services- to which it also participated- and we support the findings as presented therein when it comes to reporting.

Going forward we therefore hope that this exercise will help addressing the challenges our banks have been facing, and allow ensuring efficient supervisory reporting, and streamlining administrative and compliance costs for firms while ensuring data quality.

We understand that the Commission needed to frame the scope of its consultation in terms of dates, however many significant reporting requirements have entered into force after the end of 2016, and further future requirements are still under preparation. In this regard, we herewith also provide evidence on reporting requirements in force beyond 2016 and we urge the Commission to broaden the scope of its fitness check to take these into account.

In general, we note that:

- The number of reporting requirements is disproportionately high when compared to the relevance of the requested information; there is a multiplicity of information requests on identical themes albeit with different presentation formats and for different authorities thus forcing us to do the exercise several times and revealing a suboptimal level of information-sharing between authorities.
- Several supervisory reporting requirements are incoherent due to redundancy, overlapping and discrepancies (definition of exposure classes, EMIR/MiFIR transaction reportings, leverage ratio reporting…) resulting in a growing burden for reporting entities.

Indeed, the lack of sufficient harmonisation, convergence and information-sharing amongst authorities lead to duplicative reporting requirements and costly implementation tools as we will try to demonstrate in our response below.

Thus, what is really missing is a European holistic approach on how banks can provide the authorities with the relevant information they need to fulfil their mandate at reasonable cost and avoiding overlaps (i.e. harmonize data across data frameworks and to eliminate duplication of reporting requirements).

At the same time, we strongly believe that the guiding principle proportionality should be implemented more consistently with a focus on ensuring financial stability. Small institutions that do not pose a risk to financial stability should only report the positions at a frequency that is strictly necessary for supervision. It is not a lot of information, but high quality and targeted reporting sets that contribute to improved financial stability. Reporting requirements that have little or no added value from this point of view, and for which the costs and (supervisory) benefits are disproportionate, should no longer apply.

In the same vain, financial stability considerations require a rather high level view on risks in relevant sectors. Current reporting requirements in many cases focus too much on details and we fear that the great detail of reported data might not allow the competent authorities to get the necessary overview but let them drowned in details.

At the same time, it is indeed important to reduce the frequency of changes to supervisory reporting requirements –as this creates substantial burden, cost and complexity on its own-, and to allow market participants sufficient time to properly implement any reporting requirements and any – necessary- subsequent changes.

It should also be noted that supervisors are extending their mandate by issuing ITSs and guidelines that go beyond the original mandate given by level-1 legislation (for example in the areas of NPLs and disclosures). Some of these requirements could have unintended consequences for financial stability.

Please find our responses to the Consultation below.

Responses to the Consultation Questions

Section 1: Assessing whether the supervisory reporting requirements are fit-for-purpose

1.1 Taken together, to what extent have EU level supervisory reporting requirements contributed to improving the following:

a) financial stability (i.e. monitoring systemic risk)

- **Moderately**

Please elaborate and provide examples to justify your answer to question 1.1.a):

In general, the EACB members do agree that reporting requirements have produced relevant data flows for financial stability purposes.

However, the same result could have been achieved with a much reduced burden and with much lower costs.

Banks have to produce reporting to different authorities for different purposes: financial reporting (IFRS), supervisory reporting, statistical reporting, transaction reporting and many other types of reporting at EU and national level. Even within the supervisory reporting, banks have to report to different regulatory or

supervisory authorities at EU level (European Banking Authority, European Securities and Market Authority, European Central bank, European Systemic Risk Board, Single Supervisory Mechanism) and then also at national level. Each different European Authority (ECB/EBA/ESMA/EIOPA) and national authority to fulfil its respective mandate has set-up its own data collection requirements which often overlap. Each authority organizes regular reporting streams, but can also ask for ad-hoc reporting when they assess that more detailed information is needed.[1]

Thus, what is really missing is a European holistic approach on how banks can provide the authorities with the relevant information they need to fulfil their mandate at reasonable cost and avoiding overlaps (i.e. harmonize data across data frameworks and to eliminate duplication of reporting requirements). We take the example of the BIRD project by ECB where we see a lack of coordination between the different institutions as the initiative remains departmental driven.

At the same time, financial stability considerations require a rather high level view on risks in relevant sectors. Current reporting requirements in many cases focus too much on details and we fear that the great detail of reported data might not allow the competent authorities to get the necessary overview but let them drowned in details.

It should also be noted that supervisors are extending their mandate by issuing ITSs and guidelines that go beyond the original mandate given by level-1 legislation (for example in the areas of NPLs and disclosures). Some of these requirements could have unintended consequences for financial stability.

b) market integrity (i.e. surveillance of market abuse and orderly functioning of the markets)

- **Significantly**

  Please elaborate and provide examples to justify your answer to question 1.1.b):

The requirements on the surveillance of market abuse have been raised the MAR. Investment firms under MAR are obliged to introduce arrangements, systems and procedures to detect and report suspicious transactions and orders. Cooperative banks have insofar introduced software systems, in addition to the arrangements and procedures already in place. Through training of bank employees regarding insider trading and market manipulation, awareness of this issue has been strengthened.

For the rest the same comments apply as above (1.1 a).

c) investor protection (i.e. ensuring proper conduct by firms to ensure that investors are not disadvantaged/negatively impacted)

- **Moderately**

Please elaborate and provide examples to justify your answer to question 1.1.c):

[1] The CRD IV Package sets minimum standards with respect to capital ratios, capital quality and liquidity management. In this context, banks in the Eurozone need to report to the ECB and show if and how they comply with these standards. The European Banking Authority (EBA) has developed Implementing Technical Standards on supervisory reporting applying to the entire EU.
Banks are also confronted with stress testing, AQR reporting, or any other information, which the supervisor considers necessary to fulfil its supervisory tasks.
For transaction/trade reporting EMIR, MiFIR and SFTR are all regulations meaning that they are directly applicable to the capital markets sector.

In general, significant efforts have been made towards this direction (e.g.MiFID II).

1.2 Are all of the existing supervisory reporting requirements relevant for maintaining financial stability and upholding market integrity and investor protection?

- **Some of them are relevant**

If you do not think that all of the requirements are relevant, please provide specific examples of any requirements which in your view are superfluous and explain why you believe they are not necessary:

In principle, most regulatory reporting is relevant. The problems are caused by overlaps and inconsistences across different reporting streams, data definitions, data models and data points. From a reporting entity point of view, it seems irrelevant to report the same things many times for different reporting streams and to different authorities. Furthermore, even though since 2014 a single rule book for COREP/FINREP reporting has been established and for the Eurozone the Single Supervisory Mechanism and Single Resolution Mechanism are operational, the way banks have to deliver this information to their (national) competent authorities (in order to then deliver this to the ECB/SRB) differs. The single rule book is unfortunately not including statistical information that needs to be reported to the ECB or information that needs to be reported to ESMA, trade repositories (i.e. derivatives, securitisation positions) or other relevant parties in the supervision framework. This makes it inefficient for the supervised institutions to create one data warehouse that can be used to serve the different reporting requirements at institution level, no matter in what member state the data warehouse is located and for what supervisory purpose the data is used.

Huge amount of data is reported to supervisors but only small fraction of the data is used for supervisory purposes. The reporting requirements are not defined from a top down perspective, so that supervisory need would be identified first and then the reporting requirement designed to meet the needs. Reporting framework is also changing with increasing frequency which provides evidence of inadequate planning when requirements are set. Further evidence of superfluous reporting requirements is the increasing amount of country or supervisor specific reporting requirements. Moreover, supervisors fail to recognize proportionality as a main principle when small financial sector entities are considered and legislation does not encourage the use of proportionality.

We take the example of COREP and FINREP supervisory reporting which has been built from bottom up by combining national reporting requirements to one EU level reporting framework, while consideration of supervisory needs has been rather minimal. Evidence to this is at European level the ECB's STE reporting. Indeed, there still exist some national reporting frameworks where almost the same information is reported, as found in Finrep/Corep.

In addition, we strongly believe that the guiding principle proportionality should be implemented more consistently with a focus on ensuring financial stability. Small institutions that do not pose a risk to financial stability should only report the positions at a frequency that is strictly necessary for supervision. It is not a lot of information, but high quality and targeted reporting sets that contribute to improved financial stability. Reporting requirements that have little or no added value from this point of view, and for which the costs and (supervisory) benefits are disproportionate, should no longer apply.

1.3 Is there information that should be reported but which currently is not (i.e. there are reporting requirements that should be added)?

- **No**

1.4 To what extent are supervisory reporting requirements across different EU level reporting frameworks coherent (e.g. in terms of scope, content, methodology, timing/frequency of submission, etc.)?

- **Somewhat coherent (numerous inconsistencies)**

Please provide specific examples of reporting requirements which in your view are inconsistent and explain why you believe they are inconsistent:

The fact that supervisory reporting requirements across different EU level reporting frameworks are far from coherent is one of the main problems causing unnecessary burden for reporting institutions. The inconsistencies in various reports regularly lead to coordination efforts and queries from the supervisor. Multiple reports of the same or very similar information in different reporting formats and to different addressees are available, to name a few, for the following reporting requirements:

- Extensive credit data (AnaCredit to ECB and large exposure and credit risk related reporting to national supervisors);
- Financial information (FINREP at European level and other financial reporting at national level);
- Different treatment of collaterals in COREP and FINREP: While already in COREP for calculating the RWA and the large exposure two different methods are provided for the calculation of the corresponding collaterals, the recently published FINREP-Regulation (Version 2.7) even stipulates a third method of how to calculate the collaterals.
- Market values vs. Book values (Securities are to be reported in the LCR and the NSFR / ALMM with different values although the intention is similar).
- Encumbrance of assets is detailed in the NSFR and again in the Asset Encumbrance Reporting.
- Off-balance-sheet assets receive different weighting factors in the leverage ratio than in the solvency reporting (own funds requirements).
- Ad-hoc queries usually do not have the same breakdowns as existing sets (data consolidation needs to be adapted with great effort) or are not relevant EU-wide / nationally.
- Different treatment of SME deposits in ALMM, FINREP and LCR.
- In the case of the bank levy or the Single Resolution Fund, a large part of the data is already available to supervisory and resolution authorities. This already applies to lump-sum contributors, who each year have to re-submit their address and master data, including LEI, MFI and donor number, as well as balance sheet total, regulatory own funds and covered deposits. The covered deposits per institution have already been reported to the Single Resolution Board by the Deposit Guarantee Schemes for each institution. Non-lump-sum contributors must also report a range of data that has already been provided under the COREP reporting. Here, consideration should be given to moving to pre-filled templates, which are only checked by institutions and, if necessary, supplemented for specific data (e.g. liabilities within the institutional protection scheme).

- For the purposes of the leverage ratio, credit derivatives are calculated and reported differently than for own funds purposes: While a credit default swap (CDS) is recorded as an off-balance-sheet item at its nominal value or a credit-linked note (CLN) is reported in two components (bond and off-balance sheet item) with the nominal value, for the purposes of the leverage ratio a standard application of the market valuation method is required. This is explicitly excluded for credit derivatives in the context of the own funds disclosure.

1.5 To what extent is supervisory reporting in its current form efficient?

- **Rather inefficient**

If you think that supervisory reporting is not fully efficient, please provide specific examples and explain why you believe it is not efficient:

The most significant obstacle to efficiency is that many authorities (FSB, ECB, EBA, SRB, ESMA) have all data collections of their own which often overlap. It seems difficult to coordinate and harmonise between data frameworks. This is aggravated by the partial short implementation timelines.

Ad hoc inquiries and notifications that appear to be only conditionally coordinated between European and national supervision indicate further inefficiencies at the expense of institutions.

In terms of efficiency, the sheer number of reports, especially in the capital markets sector, is considered problematic, since a new reporting logic is being developed for each product (e.g. SFTR, ECB money market statistics, EMIR, MiFIR). The number and complexity of the reports do not lead to improved supervision.

For reporting institutions, it seems like authorities are asking everything, just in case, before really examining if the specific data item is relevant or not. There are lot of examples like:

1. EMIR reporting: every single transaction with derivatives are reported. How is this information being analyzed and how these analysis contribute to financial stability? One could think that there would be very sophisticated analysis about derivative markets with such a detailed data. However, such analysis are missing.
2. AnaCredit: we are afraid that AnaCredit might end up like EMIR – millions of data pieces will be reported but the question is whether everything is really relevant and how this data will be used. At the beginning of discussions on AnaCredit, there were hopes in the industry that it would replace some of the existing reporting requirements. However, now it is only an add-on to all other existing reports and is thus overlapping in many respects with ECB BSI, ECB MIR, FINREP and COREP, in some cases.
3. FINREP: there are member states where FINREP did not exist before it became mandatory in 2014. Those members states have sound banking industry and the non-existence of FINREP was not a problem. We think that FINREP includes on solo level a lot of overlapping information with ECBs BSI (balance sheet items) data collection and on consolidated level with BIS consolidated banking statistics.

1.6 How well are the supervisory reporting requirements adapted to developments in the fields of modern information and communication technologies (ICT) and digital processes?

- **Not very well**

Please elaborate and provide examples to justify your answer to question 1.6:

We are confronted with the fact that each national and European authority uses its own data model and has its own technical requirements on how to deliver the data. Currently there is no view on integrated reporting with a small exception of the statistical division of the ECB (i.e. with its BIRD initiative).

Moreover, the time from the publication of new regulatory requirements to their entry into application is often very short. At the same, time regulatory requirements change frequently. Due to this and the high complexity of the legal framework itself, the complete timely IT-technical implementation is hardly feasible. This in turn entails a high manual processing effort from banks.

It is also relevant to note that many authorities solely require excel based reporting (e.g. resolution authorities.)

1.7 To what extent has the adoption of supervisory reporting requirements at EU level facilitated supervisory reporting in areas where previously only national requirements existed?

- **It has made supervisory reporting more complicated**

Please elaborate and provide examples to justify your answer to question 1.7:

15 reporting regulations have been introduced since 2014 as a response to the financial market crisis. 8 reporting requirements have been changed since 2014. Behind this lie about 400 individual reporting procedures. This made the delivery of the reports more complex. This also applies to differences in the technical representation of the reporting formats (matrix compared to several lines with only one column). The content of the reports, even in restricted LSI form, are not relevant for all countries concerned, but must be reviewed and assessed by all institutions.

Especially small institutions had to disproportionately expand the staff assigned with the reporting system and thus increase the costs.

Moreover, in the area of capital market regulation, new reporting requirements have been increasingly introduced in recent years, which did not even exist at national level. Therefore, reporting has become more complicated over the years and it has become more complex.

In addition, national reporting requirements have remained in place alongside the newly introduced supervisory reporting requirements of the EU. This results in double reporting when comparing whole reports at national level with European reports. For solely nationally or regionally active small institutes, the reporting obligations have become even much more complicated and hardly manageable.

1.8 To what extent have options left to Member States in terms of implementing EU level supervisory reporting requirements (e.g. due to their adoption as Directives rather than Regulations) increased the compliance cost?

- **Moderately**

If you think divergent Member State implementation has increased the compliance cost, please provide specific examples of reporting frameworks or requirements where you believe this to be the case and explain your suggestions:

For banking groups operating in many member states there is a significant extra burden to implement almost the same rules but in a slightly different way. Maximum harmonisation should be the guiding principle in that regard. There should be a flexible way to tackle these issues taking into account national specificities by way of exceptions.

In addition, small institutions that do not pose a risk to financial stability should only report the positions with a frequency that is strictly necessary for supervision. Not a lot of information, but high quality and targeted information contributes to improved financial stability. Reporting requirements that have little or no added value from this point of view, and for which the costs and (supervisory) benefits are disproportionate, should no longer apply.

1.9 Are there any challenges in terms of processing the data, either prior to (i.e. within the reporting entity) or subsequent to (i.e. within the receiving/processing entity) it being reported?

- **Yes**

If you answered yes to question 1.9, please elaborate and provide specific examples:

When the reporting requirements are not harmonized, one has to implement and maintain many different reporting frameworks, each for its own purposes, increasing the reporting cost exponentially.

1.10 Are there any negative environmental and/or social impacts related to supervisory reporting stemming from EU legislation?

- **Yes, both environmental and social**

If you answered yes to question 1.10, please elaborate and provide specific examples:

Cooperative Banks are especially dedicated to provide loans to small and medium-sized companies in local regions and to retail clients. However, the increasing regulatory burdens, particularly in the reporting system, as well as the resulting costs, are increasingly restricting institutions' ability to lend and offer services shifting focus from client service to compliance. Not only banks, but also the real economy suffers from this.

Further, there is a concrete risk that due to the significant reporting burden, smaller banks that are otherwise profitable will be forced to merge in order to reduce cost and keep up with the increasing frequency of regulatory changes. This will give the European citizens less diversity and could reduce competition and increase lending costs.

Furthermore, data driven supervision will require more data centers to store all the data. With more and more data, data processing will also increase. This will increase the use of electricity exponentially and therefore might cause harm to the environment.

Section 2: Quantifying the cost of compliance with supervisory reporting requirements

2.1 Is supervisory reporting in its current form unnecessarily costly for its intended purposes (i.e. ensuring financial stability, market integrity, and investor protection)?

- **Yes**

Please specify what other factors, if any, contributed to the excessive cost of supervisory reporting:

Banks have to produce reporting for different purposes and to different regulatory or supervisory authorities at EU level (European Banking Authority, European Securities and Market Authority, European Central bank, European Systemic Risk Board, Single Supervisory Mechanism) trade repositories and then also at national level.

Moreover, there is a 'silo' approach with each piece of legislation and subsequently each authority having its own requirements, making the total of the requirements a complex construction. It creates inconsistencies in reporting requirements, providing redundant information, creating different technical requirements on how to deliver the data, with what detail and different frequencies, etc. This significantly increases the cost of compliance and increases the risk of not being able to comply with all these different and in certain cases inconsistent requirements. This could also pose issues of data quality.

There is a need to apply requirements in a proportionate manner. The principle of proportionality is often mentioned but in practice it is disregarded in many cases. It should be given much more attention and only necessary and relevant data should be reported and if possible to only one authority.

Moreover, the current framework is unnecessarily burdensome especially for small institutions. Small institutions that do not pose a risk to financial stability should only report the positions in a frequency that is strictly necessary for supervision. Not a lot of information, but high quality and targeted information contributes to improved financial stability. Reporting requirements that have little or no added value from this point of view, and for which the costs and (supervisory) benefits are disproportionate, should no longer apply.

Please indicate the relevance of the listed factors by giving each a rating from 0 (not contributed at all) to 4 (contributed greatly)

	0 (not contributed at all)	1	2	3	4 (contributed greatly)	Don't know / not applicable
Too many requirements				X		
Need to report under several different reporting frameworks					X	
Need to report to too many different entities					X	
Lack of interoperability between reporting frameworks and/or between receiving/processing entities or supervisory authorities					X	

Need to report too frequently			X			
Overlapping requirements					X	
Redundant requirements					X	
Inconsistent requirements					X	
Unclear/vague requirements					X	
Insufficient use of (international) Standards				X		
Need to introduce/update IT Systems					X	
Need for additional human Resources					X	
Too many/too frequent amendments in the relevant legislation					X	
Lack of a common financial Language				X		
Insufficient use of ICT Note: use of ICT is understood as presenting data in an electronic format rather than on paper and /or submitting it using electronic means (e.g. by email, via an online template) rather than by post or in person.			X			
Insufficient level of automation of the reporting process Note: automation is understood as reducing or even fully eliminating human intervention from the supervisory reporting process.					X	
Lack of (adequate) technical guidance/specifications			X			

Please specify what other factors, if any, contributed to the excessive cost of supervisory reporting:

Please indicate the relevance of the listed factors by giving each a rating from 0 (not contributed at all) to 4 (contributed greatly).

	Factors	rate from 0 to 4
Factor 1	**missing proportionality**	**4**
Factor 2	**missing materiality**	**3**
Factor 3		
Factor 4		
Factor 5		

2.3 To what extent have the following types of legislative/regulatory requirements been a source of excessive compliance costs in terms of supervisory reporting?

Please indicate the relevance of the following types of legislative/regulatory requirements by giving each a rating from 0 (not at all a source of costs) to 4 (very significant source of costs).

	0 (not contributed at all)	1	2	3	4 (contributed greatly)	Don't know / not applicable
Supervisory reporting requirements imposed by EU Regulations and/or Directives					X	
Different Member State implementation of EU financial legislation, resulting in diverse national supervisory reporting requirements for the same financial entity/product				X		
National supervisory reporting requirements in addition to those in EU legislation for a specific financial entity /product				X		
Other supervisory reporting requirements in addition to those in EU legislation for a specific financial entity /product			X			

Please specify what other supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product have been a source of excessive compliance costs:

For small, non-complex credit institutions, missing proportionality of EU-level regulation is a major cost driver. In addition to EU-level regulation the national authorities require institutions to participate in national reporting frameworks which mostly collect the exact same data that has already been reported under EU requirements to the same authority under a different framework. This is burdensome, costly and provides no additional information.

To give some examples: banks have to report to Financial Stability Board (FSB 1, 2 and 3 reporting). This is information that is quite similar to FINREP and statistical reporting, but in a different tabular format.

The banks have to report to the Basel Committee on Banking Supervision (BCBS) the so called Quantitative Impact Study (QIS) information. The BCBS uses this in order to understand the impact of certain prosed changesin the Basel standards. However, also the EBA requires QIS information.

Please elaborate and provide examples to justify your answers to question 2.3:

The ESMA, based on its RTS requires banks for example to report in a very detailed and highly frequent manner information about derivatives exposures. The EBA and ECB also requires information on derivatives exposures, but do not take into account the information banks already had to deliver under ESMA regulation.

The ECB requires banks to deliver detailed information on Securities Holdings information (SHS-G) and detailed information about corporate loans (AnaCredit) for their statistical division. The ESMA and EBA also requires information on securities and loan exposures, but do not take into account the information banks already have to deliver to the ECB.

For example article 101 CRR requires banks to report on a semi-annual basis losses stemming from exposures for which an institution has recognized residential and commercial property as collateral. The details required to fill in the template are so specific that the template cannot be build up with data collected to fill in other COREP templates. It therefore require a separate (manual) data gathering exercise by the banks in order to be able to report this data set.

2.4 Does the obligation to use structured reporting[2] and/or predetermined data and file formats[3] for supervisory reporting increase or decrease the compliance cost of supervisory reporting?

- **Decreases the compliance cost**

Please provide specific examples to substantiate your answer to question 2.4:

In general yes, standardized, IT-generated notifications can be used to standardize work processes in the bank and stabilize the quality of the notifications, thus limiting the time and effort required to complete processing. However, to make these practical it is necessary to involve the institutions concerned early in the design phase of structured notifications or data and file formats – and to take into account the business reality of small and medium-sized financial institutions and the business model of cooperative banks for instance.

This process should also be recommended for the development of a common financial language, which is discussed in Section 3, sub-items 1 to 5. Banks, investment firms and insurance companies as well as their (European) Supervisors would benefit significantly common financial language.

Having said that, it should always be borne in mind that in order to meet the requirements of structured reporting, it is also necessary to expand the existing reporting structure and make adjustments to the IT systems. This also causes considerable costs. Compliance with existing reporting structures / IT systems is often not possible.

2.5 Please specify the supervisory reporting frameworks to which you are subject (or, in the case of entities receiving and/or processing the data or supervisory authorities, which you deal with or make use of):

[2] (i.e. templates or forms in which specific data elements to be reported are listed).
[3] (i.e. (i) the exact way in which the individual data elements are to be encoded or (ii) the file format in which the information to be reported is exchanged/submitted).

1. **ECB, statistical reporting requirements**

Regulations:

- BSI, (Balance Sheet Items) ECB/2013/33, amended ECB/2014/51
- MIR, (MFI Interest Rates) ECB/2013/34, amended ECB/2014/30
- SHS, (Securities Holdings Statistics) ECB/2012/24, amended ECB/2015/18
- AnaCredit (Analytical credit database) ECB/2016/867
- Payments Statistics ECB/2013/43 (going to be amended in 2018-2019)

Guidelines:

- Guideline on monetary and financial statistics (ECB/2014/15, amended ECB/2014/43)
- BoP, (Balance of Payments) ECB/2011/23, amended ECB/2013/25)
- SHS, (Securities Holdings Statistics) (ECB/2013/7)

2. **ECB, SSM Reporting requirements**

- FINREP solo regulation, ECB/2015/13
- STE reporting package
    - Profitability, Credit, Concentration, Market, IRRBB, Sovereign, Liquidity, Loan-to-income, pension risk
- OSI loan tapes
- ICAAP
- ILAAP
- Ad-hoc data tapes for ECB off and on sight investigations

3. **EBA**

- Regulation (EU) No 680/2014 – ITS on supervisory reporting of institutions (as amended)
    - COREP
    - LCR
    - NSFR
    - Leverage ratio
    - Large exposures
    - Additional monitoring metrics
    - FINREP
    - Asset encumbrance
    - Funding plans

- ITS on Supervisory Benchmarking framework
- Regulation (EU) No 1423/2013 – ITS on disclosure of own funds requirements
- EBA/GL/2014/03 – Guidelines on disclosure of encumbered and unencumbered assets
- EBA/GL/2016/11 – Guidelines on disclosure requirements under Part Eight of CRR
- EBA/GL/2017/01 – Guidelines on LCR disclosure to complement the disclosure if liquidity risk management under Article 435 CRR
- Guidance to banks on non-performing loans
- 2018 stress test

4. **FSB & BIS**

- BIS locational banking statistics and consolidated banking statistics
- FSB G-SIBs reporting package:
  - Phase 1: Top 50 counterparties
  - Phase 2: Main Funding Providers, Holding of tradable debt securities issued by other Hub reporting firms
  - Phase 3: Immediate Counterparty Report, Financial Derivatives Template, Foreign Exchange Derivatives Template, Bridge Template
  - Phase 4: Systemic indicators

5. **SRB, Resolution Reporting requirements**

- SRB requirements, based on Commission delegated regulation DELEGATED (EU) 2016/778:
  - Liability data report
  - Financial Market Infrastructures report
  - Critical functions report
- EBA ITS 2015/06 on procedures, forms and templates for the provision of information for resolution plans (to be amended)

6. **ESMA**

- MIFID
- EMIR
- SFTR
- MAR

7. **Others:**

- Incident reporting under:
  - PSD2
  - NIS Directive
  - GDPR
  - AML Directive
  - Regulation on transfers of funds

8. **National:** The EACB member institutions and their members are subject to different sets of (additional) national requirements

NB: Some other reporting requirements (e.g. under Securitisation Framework) will also kick-in soon in the future and this would also need to be taken into account.

2.5.1 Please estimate the cost (in monetary terms and as a percentage of operating cost) for your entity of meeting supervisory reporting requirements (or, in the case of entities receiving and processing the data or supervisory authorities, of processing the data).

a) Average initial implementation cost (i.e. one-off cost):

a i) please estimate its average initial implementation cost (i.e. one-off cost) in euro for your supervisory reporting frameworks:

- Not possible to estimate

Average initial implementation cost in euro as a percentage of total operational cost:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

Please explain why you cannot estimate the average initial implementation cost:

a ii) please estimate the average initial implementation cost (i.e. one-off cost) as a percentage of total assets/turnover/other:

- **Not possible to estimate**

Average initial implementation cost as a percentage of total assets: -

Average initial implementation cost as a percentage of turnover: -

Please specify on which other basis you are able to estimate the proportion of the average initial implementation:

Please elaborate on why you cannot estimate the average initial implementation cost as a percentage of total assets/turnover/other:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

b) Annual running cost (i.e. recurrent cost) in 2016:

b i) please estimate annual running cost in 2016 in euro:

- Not possible to estimate

Annual running cost in 2016 in euro:

Please elaborate on why you cannot estimate the annual running cost in 2016:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

b ii) please estimate the annual running cost in 2016 (i.e. one-off cost) as a percentage of operating cost:

- Not possible to estimate

Please elaborate, as applicable, on the annual running cost in 2016 as a percentage of operating cost:

Please elaborate on why you cannot estimate the annual running cost in 2016 as a percentage of operating cost:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

c) Average annual running cost (i.e. recurrent cost) over the last 5 years:

c i) please estimate average annual running cost over the last 5 years in euro:

- Not possible to estimate

Average annual running cost over the last 5 years in euro:

Please elaborate on why you cannot estimate the average annual running cost over the last 5 years in euro:
The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

c ii) please estimate the average annual running cost over the last 5 years (i.e. one-off cost) as a percentage of operating cost:

- Not possible to estimate

Please elaborate, as applicable, on the average annual running cost over the last 5 years as a percentage of operating cost:

Please elaborate on why you cannot estimate the average annual running cost over the last 5 years as a percentage of operating cost:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

d) Average annual running cost (i.e. recurrent cost) over the last 10 years:

d i) please estimate average annual running cost over the last 10 years in euro:

- **Not possible to estimate**

Average annual running cost over the last 10 years in euro:

Please elaborate on why you cannot estimate the average annual running cost over the last 10 years in euro:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

d ii) please estimate the average annual running cost over the last 10 years (i.e. one-off cost) as a percentage of operating cost:

- **Not possible to estimate**

Average annual running cost over the last 10 years as a percentage of operating cost:

Please elaborate, as applicable, on the average annual running cost over the last 10 years as a percentage of operating cost:

Please elaborate on why you cannot estimate the average annual running cost over the last 10 years as a percentage of operating cost:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

2.5.2 Please indicate whether the above figures concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.).:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

2.6 Which reporting frameworks contribute the most to the cost of compliance with supervisory reporting requirements? Please indicate as many frameworks as necessary and explain your answer.

Exemplary list of the reporting framework responsible for the costs:

- European Reporting: FINREP, COREP, LCR, ALMM, Asset Encumbrance, NSFR, Funding Plans, MiFIR (Transaction Reporting in accordance with Art. 26), EMIR, SFTR
- National reporting systems
- Statistical reporting: AnaCredit, balance sheet statistics, foreign status, AWV / AWG, money market statistics, emission statistics, statistics on WP investments, EMU interest rate statistics, payment statistics,

- Surveys including external stress tests: e.g. Low interest rate survey and LSI stress test 2015 and 2017

2.7 Does your entity deal with supervisory reporting directly in-house or has this task been outsourced to an external provider?

- **Don't know / not applicable**

Please elaborate on your answer to question 2.7 and, if possible, explain the reasons for your business choice:

Given the wide scope of reporting requirements and the different size of members, we cannot provide a response in a uniform manner. Most of our members indicated however that the task was undertaken fully in house or partially outsourced.

2.8.1 Please indicate the size of your entity's department dealing with supervisory reporting in full-time equivalents (FTE):

2.8.1 a) at the end of 2016:

- **Not possible to estimate**

Number of full-time equivalents (FTEs):

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting in full-time equivalents (FTE) for 2016:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

2.8.1 b) in 2009:

- **Not possible to estimate**

Number of full-time equivalents (FTEs):

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting in full-time equivalents (FTE) for 2009:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

2.8.2 Please indicate the size of your entity's department dealing with supervisory reporting as a percentage of the compliance work force:

2.8.2 a) at the end of 2016:

- **Not possible to estimate**

Percentage of the compliance work force:

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting as a percentage of the compliance work force for 2016:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

2.8.2 b) in 2009:

- **Not possible to estimate**

Percentage of the compliance work force:

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting as a percentage of the compliance work force for 2009:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

2.8.3 Please indicate the size of your entity's department dealing with supervisory reporting as a percentage of the total work force:

2.8.3 a) at the end of 2016:

- **Not possible to estimate**

Percentage of the total work force:

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting as a percentage of the total work force for 2016:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

2.8.3 b) in 2009:

- Not possible to estimate

Percentage of the total work force:

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting as a percentage of the total work force for 2009:

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

2.8.4 Please indicate whether the figures you provided in your answers to questions 2.8.1, 2.8.2 and 2.8.3 concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.):

The EACB is a European Association and as such cannot provide estimates on its own.

However, some of our members have provided numbers in their individual responses quantifying the cost to the extent possible.

2.9 Have any of the EU level reporting frameworks brought (or partially brought) cost-saving benefits (e.g. simplified regulatory reporting, facilitated internal data management processes, improved risk management, increased operational efficiencies, etc.)?

- **No**

Section 3: Identifying possible ways to simplify and streamline supervisory reporting

3.1 Please indicate which of the following could reduce the compliance cost while maintaining a sufficient level of supervisory reporting to ensure that the intended objectives are achieved:

Please select all relevant answers that apply.

	Short term (2 years or less)	Long term (more than 2 years)	Don't know / not applicable
Reduction of the number of data elements	X		
Clarification of the content of the data elements		X	
Greater alignment of reporting requirements		X	
Greater standardisation/use of international standards			X
Development of a common financial language		X	
Ensuring interoperability between reporting frameworks and/or receiving/processing entities or supervisory authorities			X
Greater use of ICT		X	
Greater automation of the reporting process		X	
Other			

Please specify what other elements could reduce the compliance cost while maintaining a sufficient level of supervisory reporting to ensure that the intended objectives are achieved:

Please elaborate, in particular explaining how you believe the answer(s) you selected for question 3.1 could be achieved in practice:

Reducing the number of data items to cover what is necessary for achieving the objective could enhance the clarity of the reporting requirement for institutions and thus improve their internal controls on reporting data in terms of additions or corrections, while ensuring that the appropriate data is available. This should also be combined with the idea that no multiple reporting of the same information would be necessary.

To take an example: The EU Implementing Regulation on Regulatory Reporting (Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014) represents the European harmonized reporting requirements with a total of approx. 60,000 data points. From this data pool, the ECB has defined 121 data points that must always be reported. It can be assumed that these 121 data points will primarily be the basis for the ongoing risk monitoring of institutions in the SSM. This approach shows that the supervisor acknowledges that key elements can be generated from just a few data points. Particularly for smaller institutions with a less complex business model, reliable information about the solvency and liquidity of the institution can be obtained from just a few data points.

Also, clarifications on the content of the data points would be helpful in the long term, since it will take some time to adjust the database and the technical provision accordingly.

Greater uniformity of reporting obligations would have a long-term impact, as the systems can access consistent data and thus increase the traceability of data for internal controls. However, here too, it takes some time to adapt the banking systems and databases.

Increased standardization or application of international standards would make sense, but such an application at the individual bank level would reduce the customer-specific product range, which is particularly successful at regionally rooted institutes, and thus have negative effects on the financing possibilities of the customer diversity.

The development of a common financial language is very important. We would like to take the example of the BIRD project (Banking Integrated Reporting Dictionary). Creating this data dictionary is an initiative of the ECB statistical division with a strong cooperation of the European banking sector. We consider this approach a very good initiative in order to get EU wide clarification of data elements and a common financial language. Ultimately it could become a part of the European Reporting Framework that should create interoperability between reporting frameworks and the receiving and processing of data by entities and supervisory authorities. However, this project is solely driven by the statistical division of the ECB and in our view too narrow in scope in order to solve the significant reporting requirements of supervised entities. In order to make this successful, also the prudential supervision division of the ECB as well as ESMA and EBA should participate and it should receive a stronger mandate from the Commission.

Increased automation of the notification procedure can reduce the reporting costs in the long term, since fewer adjustments would have to be made.

3.2 To what extent would the development of a common financial language help reduce the compliance cost of supervisory reporting?

- Significantly

Please elaborate on your answer to question 3.2:

Reporting sets and statistical surveys are currently characterized by imprecise and inconsistently used terms, so that the definition of the respective reporting fields means an inappropriately high expenditure. A common financial language would be beneficial in that regard. As mentioned before, the ECBs BIRD initiative is a good starting point. However, the scope it yet too narrow i.e. it includes only some parts of the existing reporting requirements. It is crucial to prevent the BIRD from resulting in a mere compilation of existing definitions. It should contribute to a basic simplification by aligning the concepts which are being used across the various reporting streams to each other.

Moreover, a common financial language cannot solve the problem on its own. It should be done in parallel with reducing reporting requirement and requested information to what it relevant, material and proportionate.

3.3 To what extent would the development of a common financial language help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

- **Significantly**

Please elaborate on your answer to question 3.3:

See our response above in Q 3.2. above. A common financial language would be surely beneficial. However, it cannot solve the problem on its own. As a solution, better coordination and synchronization of regulatory content between different regulators/requirements should ensure in advance the quality and transparency needed for implementation, which could be facilitated by a common understanding of the definitions/terms.

Frequently, products must be multi-dimensionally encoded to serve the various reporting sets. This often causes IT problems. To give an example: For the purposes of the leverage ratio, credit derivatives are calculated and reported differently than for own funds purposes: While a credit default swap (CDS) is recorded as an off-balance-sheet item at its nominal value or a credit-linked note (CLN) is reported in two components (bond and off-balance sheet item) with the nominal value, for the purposes of the leverage ratio a standard application of the market valuation method is required. This is explicitly excluded for credit derivatives in the context of the own funds disclosure.

3.4 Are there any prerequisites for the development of a common financial language?

- **Yes**

If you answered yes to question 3.4, please elaborate and provide specific examples:

See our response above in Q.3.3.

3.5 Are there any obstacles to the development of a common financial language in the short term (i.e. 2 years or less)?

- **Yes**

If you answered yes to question 3.5, please elaborate and provide specific examples:

It requires cooperation between:

a. The European Commission – as legislator
b. The European supervisors
c. The National supervisors

Each authority has its own priorities. Furthermore as already referred to in our answers, the creation of an EU wide data dictionary and one common EU reporting framework requires times.

3.6 To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help reduce the compliance cost of supervisory reporting?

- **Significantly**

Please elaborate on your answer to question 3.6:

In particular, with regard to the reporting obligations to different addressees at EU level, duplicate reporting sets could be avoided. For example, for the purpose of the bank levy, the total risk exposure, Common Equity Tier 1 capital and LCR quota are collected separately. However, this information can also be found in the COREP message for each institution.

Improving the ability of authorities that receive supervisory data to share them with each other would reduce costs at the level of the institution in the long run. Credit institutions, investment firms and insurance companies can create uniform data pools, which make reporting to the different supervisors consistent and more reliable without an increase in compliance cost. Not only for the entities under supervision would this be a win-win, but also for the supervisor themselves.

3.7 To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

- **Significantly**

Please elaborate on your answer to question 3.7:

See our response to Q 3.6. above.

3.8 Are there any prerequisites for introducing greater interoperability between reporting frameworks and/or receiving entities?

- **Yes**

If you answered yes to question 3.8, please elaborate and provide specific examples:

See our response to Q 3.4. and Q3.6 above

3.9 Are there any obstacles to introducing greater interoperability between reporting frameworks and/or receiving entities in the short term (i.e. 2 years or less)?

- **Yes**

If you answered yes to question 3.9, please elaborate and provide specific examples:

See our response to Q3.5 above.

3.10 To what extent would greater use of ICT help reduce the compliance cost of supervisory reporting?

- **Marginally**

Please elaborate on your answer to question 3.10:

In order to comply with the enormous reporting burden, ICT is fully used. ICT is a tool that is developed for and depends on reporting requirements. In our view it's more the fact that each supervisor has its own requirements or is slightly different and therefore that does not comply with the requirements of the other supervisor. We therefore believe that a transition to EU harmonized data drive supervision is required.

3.11 To what extent would greater use of ICT help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

- **Marginally**

Please elaborate on your answer to question 3.11:

ICT is a tool that is developed for and depends on reporting requirements and therefore addressing other issues first (e.g. reducing reporting fields) is a prerequisite.

3.12 Are there any prerequisites for the greater use of ICT in supervisory reporting?

- **Yes**

If you answered yes to question 3.12, please elaborate and provide specific examples:

Please see our responses above.

3.13 Are there any obstacles to the greater use of ICT in supervisory reporting in the short term (i.e. 2 years or less)?

- **No**

If you answered yes to question 3.13, please elaborate and provide specific examples:

Please see our responses above.

3.14 To what extent would greater automation of the reporting process help reduce the compliance cost supervisory reporting?

- **Marginally**

Please elaborate on your answer to question 3.14:

Although the reporting system is already largely automated on the institutions' side, further automation can reduce the manual collection effort. However, it is more that the different requirements as stipulated by regulation, different data definitions and different transmission lines are creating inefficiencies.

3.15 To what extent would greater automation of the reporting process help improve the management (i.e. reporting and/or processing) of supervisory data required to be reported?

- **Marginally**

Please elaborate on your answer to question 3.11:

See our response to Q. 14 above.

3.16 Are there any prerequisites for a greater automation of supervisory reporting?

- **Yes**

If you answered yes to question 3.16, please elaborate and provide specific examples:

One data model and one set of data definitions and one transmission line will help greater automation and provide for significant cost savings, both for Banking Authorities and the banking industry.

3.17 Are there any obstacles to a greater automation of supervisory reporting in the short term (i.e. 2 years or less)?

- **Yes**

If you answered yes to question 3.17, please elaborate and provide specific examples:

Where banks are able to automate their reporting processes they will do so. It's more that the different requirements as stipulated by regulation, different data definitions and different transmission lines are creating inefficiencies.

3.18 What role can EU regulators play in facilitating or stimulating greater use of ICT in supervisory reporting?

- **Crucial role**

Please elaborate on your answer to question 3.18 and provide specific examples of where and how you believe EU regulators could help:

As already expressed, reducing the complexity and simplifying reporting (could facilitate and encourage increased use of ICT. In particular, regulators can play a key role in standardizing specifications (definition of overarching, uniform and binding standards for reconciliation and definition of interfaces among each other) as well as non-ICT Reporting.

In this context, we consider that a more centralised EU approach to reporting, including harmonisation of data reporting between different sets of legislation and the development of EU-wide database(s). Such an approach will enhance the ability of EU and National Authorities to collect and effectively use data regarding transactions in financial instruments to fulfil their objectives, will reduce duplication of data collection and processing by multiple authorities, and will make it more process and cost efficient for firms reporting this information. We are indeed in favour of an approach that follows the principle that market participants should only have to report the relevant information once, to one single authority, in one format.

Therefore, we consider that the relevant EC work is of utmost important. In this context, and even though any improvements are always welcomes it is important to avoid any intermediate changes and costs for adopting systems for a very short period of time that would need to change again soon after, we would suggest taking this initiatives into account when making relevant proposals.

3.19 What role can EU regulators play in facilitating or stimulating greater automation of the reporting process?

- **Crucial role**

Please elaborate on your answer to question 3.19 and provide specific examples of where and how you believe EU regulators could help:

See our response to Q 3.18 above.

3.20 What else could be done to simplify supervisory reporting while ensuring that regulated entities continue to fulfil their supervisory reporting requirements?

As already stated above, there is a need to apply requirements in a proportionate manner. The principle of proportionality is often mentioned but in practice it often overlooked. It should instead be given dedicated focus and only necessary and relevant data should be reported and if possible to only one authority. Reporting requirements should always be assessed against their benefit for the purpose of verifying and ensuring financial stability, and necessarily based on the risk profile and size of the reporting institutions. Indeed, the current framework is unnecessarily burdensome especially for small institutions. Small institutions that do not pose a risk to financial stability should only report the information in a frequency that is strictly necessary for supervision. Not a lot of information, but high quality and targeted information contributes to improved financial stability.

In addition, a better coordination and synchronization of regulatory content, interpretations and pursued objectives between different regulators would ensure the quality and transparency required for the implementation.

Moreover, it would be helpful to adapt validation procedures so that judgment and supervisory benefit take precedence over computational accuracy and quantity. More messages at ever-shorter intervals mean no more supervisory added benefit. Therefore, focus on a few core messages with essential data points and no query of "number cemeteries", which elude a meaningful evaluation.

In this context, we would like to reiterate the benefits of the exemption limit for minimum amounts and tolerance limits for corrections and / or demands from the supervisor. The reporting of micro amounts is completely irrelevant to micro- and macro-prudential banking supervision. According to ITS on Reporting deviations from the audited and unaudited figures as well as other corrections must be reported immediately. Again, the principle of materiality should be anchored more firmly. A tolerance limit or materiality threshold of, for example, five percent on the basis of key monitoring metrics in conjunction with a lightening period would create legal certainty here. For technical questions of validation solutions must be found. A necessary simplification should not stand in the way of such questions.

When on-sights are performed, the supervisor should provide the institution with a detailed list of data requirements. Before the data is requested, the supervisor should make an assessment whether the supervised entity has already provided the data to the supervisor.

3.21 Can you provide any practical example of improvements to data management processes that could be applied to supervisory reporting with a view to reducing the compliance cost and/or improving the management of supervisory reporting?

- **Yes**

If you answered yes to question 3.21, please specify and explain your suggestions:

The ECB, in performing a part of their stress testing, used data already available in their databases. This reduced the reporting burden for banks.

Contact:

The EACB trusts that its comments will be taken into account.For further information or questions on this paper, please contact:

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