

Consultation response

From : NVB, DACSI

Subject : **Reply to the European Commission's consultation re Fitness check on supervisory reporting**

14 Mar 2018

What follows is the text of the response by the NVB and DACSI to the European Commission's consultation document "FITNESS CHECK ON SUPERVISORY REPORTING"¹.

NVB and DACSI submitted a joint response to this consultation, which covers a broad range of reporting fields in the remit of both organisations. The text in this memo reflects the explicit and implicit contributions of member banks, collated by NVB and DACSI staff as a result of dedicated meetings and from e-mail and oral conversations.

This memo itself has not been sent to the EC, as the consultation process requires that respondents fill in an on-line questionnaire. This questionnaire is highly structured and requires choices and explanations per detailed item. As a consequence, particular phrases or even paragraphs appear more than once: where they apply to more than one question, they are mentioned for each relevant item. Cross-referencing is avoided on purpose.

The consultation is structured **along three sections** reflecting the main issues and challenges that have been identified with respect to the EU supervisory reporting framework:

1. Assessing the effectiveness, efficiency, relevance, coherence, and added value of supervisory reporting requirements in place by the end of 2016;
2. Quantifying the cost of compliance with supervisory reporting requirements;
3. Identifying possible ways to simplify and streamline supervisory reporting.

General remarks

The NVB and DACSI highly welcome this consultation. Regulation and supervision have always implied a substantial need for reporting, but in the last decade new regulation and amendments to existing reporting requirements have made regulatory reporting extremely cumbersome for financial institutions, and probably also for regulators. With further changes and implementations upcoming, it is indeed time to assess the effectiveness, efficiency, relevance, coherence, and added value of supervisory reporting requirements in place.

Given the earlier consultation "Call for evidence" in September 2015 and the new reporting requirements established since then, we think it is not opportune to restrict the scope of the consultation to the supervisory reporting in force on 31 Dec 2016. Recent new regulations (CRR, MiFIR etc.) and requirements issued by the ECB Statistics Department, such as AnaCredit and Securities Holdings Statistics (SHS) which will come into force by Sep 2018, contribute further to market-wide concerns about supervisory reporting.

In addition, information requests by national central banks and supervisory authorities – driven by incumbent national statistics – are overlapping with ECB/EBA requirements and lead to double reporting.

Therefore, we have broadened the scope of our response to this consultation in terms of date (reporting entered into force post 31 Dec 2016 and future reporting still under finalisation), in terms of goals (supervisory matters, statistical matters) and in terms of final users (ECB/Single Supervisory Mechanism (SSM) and NCB/NSA).

Next to fragmentation of supervision at EU level, we also have to cope with different supervisors at national level, all requiring data for their own purposes and according to their own standards.

¹ http://ec.europa.eu/info/consultations/finance-2017-supervisory-reporting-requirements_en

We believe the European Commission - in cooperation with the other competent authorities, particularly the ECB, EBA and ESMA - should compile a comprehensive study on a necessary revision to the reporting system. This should form the basis of a legislative proposal by the European Commission how to deal with data driven supervision. The purpose of this study should be the creation of an integrated and standardised system for reporting obligations as regards statistical, regulatory and conduct data for all financial institutions situated within the Union. Such a system should, amongst other things, use consistent definitions and standards for the data to be collected, guarantee a reliable and permanent exchange of information between the competent authorities, and establish a central location for statistical, regulatory and conduct/market data, which administers, pools and distributes data requests and collected data. By centralising and harmonising data collection and requests in such a way, the goal is to prevent multiple requests for similar or identical data by different authorities and thereby to significantly reduce the administrative and financial burden, both for the competent authorities and for the institutions.

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

The primary objective of supervisory reporting requirements is to provide supervisory authorities with the necessary data for them to monitor systemic risk in the markets, with the aim of safeguarding the stability of the financial system and ensure investor protection. In order to be effective, this data needs to be provided rapidly and be of sufficiently high quality. Section 1 of the consultation therefore aims to assess whether existing supervisory reporting requirements – in particular in light of the fairly recent move to more granular reporting frameworks – are working as intended. In order to do so, it is necessary to assess their effectiveness, relevance, efficiency, coherence, and EU added value.

For the purposes of this section, the above criteria are understood as follows:

- 1. Effectiveness** – whether the supervisory reporting requirements have produced relevant and high quality data;
- 2. Relevance** – whether all of the supervisory reporting requirements are necessary and appropriate for their intended objectives;
- 3. Efficiency** – whether the set-up of the supervisory reporting requirements is proportionate in terms of costs/burden in view of its objectives (or, for supervisors, compared to the benefit it brings);
- 4. Coherence** – whether the supervisory reporting requirements are consistent across the different reporting frameworks;
- 5. EU added value** – whether supervisory reporting requirements at EU level have contributed to the achievement of the intended objectives in a better way than would have been the case if the reporting requirements were only introduced at the national level.

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)

Significantly

We do agree that supervisory reporting requirements have produced relevant and high-quality data for financial stability purposes. However, this goal could have been reached with much less burden and at lower costs. In many cases, authorities could have focused on less data, but more relevant and harmonised data. What happened is the opposite: a lot of non-material and non-relevant data needs to be reported. Data for Supervisory Reporting could only be used or understood if it is placed in the context of civil, fiscal and insolvency law. Currently, these laws are not yet harmonised in Europe, which affects the application of supervisory law. Example here is the calculation/ definition of Loan to Value.

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

Significantly

We do agree that supervisory reporting requirements have contributed to market integrity. However, the same comments apply as with regard to financial stability (Q 1.1 a): this goal could have been reached with much less burden and at lower costs. In many cases, authorities could have focused on less data, but more relevant and harmonised data. What happened is the opposite: a lot of non-material and non-relevant data needs to be reported.

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

Don't know / not applicable

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

Most of them are relevant

In principle, all regulatory reporting is relevant. The problems are overlaps and inconsistencies between different reporting streams, data definitions, data models and data points. For example, exposure classes and counterparties are frequently treated differently across reports, e.g. 1) the EIB might be listed as a financial institution in some reports, while it is not in another report. There are also unclarified differences within a single set of reports, e.g. in FINREP guidance on mapping of exposure classes and counterparty sectors requires securitisation exposure to be assigned to FINREP counterparty sectors according to the underlying risk of the securitisation, however F 4.1 – F 4.4, the possible counterparty choices for “Debt securities” do not include “Households” as a counterparty sector.

From a reporter's point of view, it seems irrelevant to report same things multiple times for different reporting streams and to different authorities. Furthermore, even though the Union has one rulebook for COREP/FINREP reporting (since 1 Jan 2014) and created the Single Supervisory Mechanism and Single Resolution Mechanism, the way banks have to deliver this information to their (national) competent authorities (in order to deliver this to the ECB/SRB) differs. The one rulebook 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, ANACredit) or other relevant parties in the supervision framework. This makes it inefficient for the supervised EU-wide orientated 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.

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.)?

Not coherent (mostly or totally 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. For example, definitions are inconsistent between different reporting streams (different reports but also for Finance and Risk data). The use of different classifications (for example client segmentation) also causes difficulties.

One example is AnaCredit, where the data delivery to the ECB is organised by the national competent authority. Each national competent authority uses its own data model and timelines for the first data submission vary across jurisdictions (e.g. some of the definitions used in France and Spain are different from those in the Netherlands; German banks need to start reporting earlier than banks in the Netherlands). This is overly burdensome.

Other examples are COREP and FINREP reporting. Even though we have one rulebook, the reporting of the templates to each national competent authority (who delivers the data on its turn to the ECB/EBA) is still organised nationally, each with their own reporting requirements. This is also overly burdensome.

Another example: under EMIR it is obliged to report with an active LEI, while under MiFID II you can report with a lapsed LEI or a lapsed passport. Double reporting e.g. exchange traded derivatives reportable under EMIR and MiFID II. SFTR follows the reporting guidelines of EMIR but is linked to MiFID II. Different way of reporting, either via trade repository (EMIR) or direct to NCA (MiFID II) or via ARM/APA (MiFID II).

We understand that for the ECB the current data set being reported with regard to the monetary environment is inadequate for a sufficiently detailed understanding of and grip on the entire monetary system. In order to enable the ECB to continue performing its task, we are of the view that data driven supervision should and will increase in the near future.

We know that the Dutch Central Bank and the Dutch Central Bureau of Statistics want to have a better understanding of the Dutch residential real estate market. Therefore, they have required banks to provide them with very detailed data files in order to slice and dice the profile of the Dutch mortgage market (Residential Real Estate loan tape). Another example where supervisors in addition to AnaCredit require data driven reporting from institutions.

In other words, data driven supervision is added to template driven supervision, which makes the reporting requirements for banks complex and burdensome. In addition, the supervisors often perform a QIS in order to check the potential impact of upcoming legislation and the ECB requests additional reporting due to inadequate or insufficient templates developed by the EBA or before the implementation of reporting technical standards.

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

Rather inefficient

Although we have one single rulebook and one European prudential supervisor and resolution authority, the data delivery is still nationally oriented and we face different approaches between the SSM and EU. Furthermore we miss, from a data delivery point of view, a holistic approach when looking at the different supervisory angles:

- Prudential regulation and supervision
- Conduct regulation and supervision
- Resolution regulation and supervision

Taking into account the history of prudential reporting, by using directives instead of regulations and creating different supervisory authorities for monetary, prudential and conduct supervision, it is understandable that the efficiency has not been the leading principle when determining the reporting frameworks. For reporting institutions, it seems like authorities are asking everything, "just in case", before really examining whether the specific data item is relevant or not. There are a lot of examples:

1. EMIR reporting: every single transaction with derivatives is reported. How is this information being analysed and how do these analyses contribute to financial stability? One would expect a very sophisticated analysis of derivative markets with such detailed data. We do not see that the same highly granular data is used by other supervisors; this implies that we report data about the same events/transactions in a different manner more than once.

2. AnaCredit: we are afraid that AnaCredit might end up like EMIR – millions of data pieces will be reported, but is everything really relevant and how will this data be used? At the beginning of discussions on AnaCredit, we had hopes that it would replace some of the existing reporting requirements. However, it is now only on top of all existing reports and thus overlapping in many issues 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 member states have a sound banking industry and the non-existence of FINREP was not a problem. We think that FINREP includes (at standalone level) a lot of overlapping information with ECBs BSI (balance sheet items) data collection and on consolidated level with BIS consolidated banking statistics.

The most significant obstacle with efficiency is that many authorities (FSB, ECB, EBA, SRB, ESMA, BIS; AFM, DNB) all have data collections of their own that often overlap. It seems difficult to coordinate and harmonise between data frameworks.

Other (sources of) inefficiencies:

- unclear definitions and changing interpretations by EBA Q&A's without consultation
- member state options
- additional national law
- non alignment with non-EU requirements (e.g. US) and non-supervisory reporting (e.g. IFRS-9)
- gold plating
- QIS in addition to regulatory reporting to pre-sort in upcoming legislation
- no harmonisation of civil law etc.
- no alignment of statistical and supervisory reporting
- timelines implementation technical standards
- two-sided reporting (by clients and traders under EMIR and MiFID II/MiFIR)
- no sharing of information between supervisors (even when the ECB and NCAs have an obligation to do so under the SSM Regulation)

Now that data processing and storage has become cheaper and cheaper and data requirements by supervisors and monetary/statistic departments of the ECB and national competent authorities increases, we are of the view that the Commission should set the next step 'towards centralised and harmonised data driven supervision'. This however requires a holistic, European approach.

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

We are confronted with the fact that each (national) authority uses its own data model and has its own technical requirements for delivering the data. Currently, there is no view on integrated reporting except for the statistical division of the ECB (i.e. with the BIRD initiative). However, this is solely statistical reporting, and not an integrated reporting as we envision with data driven supervision. Harmonised reporting by using harmonised technical platforms or formats and information sharing between different supervisors would create ICT advantages (e.g. LEI used in several reporting obligations in a harmonised way).

We also still see a lot of authorities that solely require MS Excel based reporting, like the 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

Many national requirements still exist even though the EU level reporting has been in force since 1-1-2014. This is because national authorities used to have country specific items in their data collections which were not included into EU level reporting frameworks. That is how they justify keeping national data collections going on, many of which are totally overlapping with EU data frameworks.

When the Commission wants to strengthen the Euro and likes to deepen the Capital Market Union we are also of the view that the Commission should limit the extent to which national authorities have the ability to request for national data collections when a similar initiative already exists at EU level.

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?

Significantly

For banking groups operating in many member states it is a significant extra burden to implement rules that are almost the same, but differ slightly. Maximum harmonisation should be the guiding principle. However, it should not mean that all the demands in every country are put together. There should be a critical evaluation on the EU level what is included in the harmonised package.

No matter what, there are always some national exceptions. There should be a flexible way to tackle these issues without giving too much freedom to national authorities to change the concepts too much or to maintain double frameworks.

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

When the reporting requirements are different, one has to implement and maintain many different reporting frameworks, increasing the reporting cost exponentially. The implementation time forces banks to start implementation based on draft technical standards to be compliant in time.

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

Yes, both environmental and social

The tremendous – current and anticipated - reporting burden is forcing smaller banks to merge or to be acquired by other banks, as they cannot cope with the high costs of and management attention for the continuously growing and frequently changing reporting requirements on their own. This will lead to less competition in the CMU and give the European citizens less diversity and increased costs of banking services.

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

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

The feedback received from stakeholders suggests that, over the past few years, the cost of implementation and compliance with supervisory reporting requirements has increased in a couple of ways. Firstly, the introduction of new reporting frameworks and the more granular approach (e.g. AnaCredit, EMIR) to reporting have increased the number and frequency of reports, necessitating additional investments into IT systems and related areas such as hiring, training, updating working processes or services delivered by external contractors. Secondly, the increasing complexity of reporting has increased operational risk, including the costs of correcting errors and financial penalties or fines for not reporting in the required formats or within required deadlines. Section 2 of the consultation aims to gather concrete quantitative data concerning these compliance costs incurred by the end of 2016 for reporting frameworks in force by this date.

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

The European legislator issues different supervisory legislation for banks and investment firms and insurance companies. Furthermore, he has created different supervisory authorities, like the ESMA, EBA, EOIPA and the ECB in addition to the national competent authorities. This 'silo' approach leads to each legislation and subsequently supervisor having its own requirements, making the total of the requirements complex. It creates inconsistencies in reporting requirements, the provision of redundant information, the creation of different technical requirements how to deliver the data, with what detail and different frequencies, etc. This significantly increases the costs of compliance and increases the risk of being unable to comply with all these different and - in particular cases - inconsistent requirements.

Solo reporting: the CRR requires banks to report COREP and FINREP data on an entity as well as consolidated level. Reporting on an entity basis is also known as 'solo' reporting. We noted that the concept of solo reporting is not clarified in the regulation and in certain cases conflicts with regulation written on a consolidated basis, like for article 351 and 352 CRR. This is about the hedging of FX positions. The concept of FX hedging requires a bank to make a choice: either to hedge the FX on a solo or consolidated level. However, the CRR - when reading it literally - does not give banks a choice.

The concept of 'solo reporting' is worked out in the accounting literature; however, we note that not all legislators and supervisors use the concept in the same way. We experienced this recently when discussing this concept in BIRD (ECB) and we also noted that the EBA does not fully understand the issue. In addition, the resolution authorities can have a different view. Due to this 'non-harmonised' - and possibly sometimes even incorrect - use of the concept, we experience inconsistencies in the legislation, interpretation differences by supervisors and therefore difficulty to implement solo reporting, which makes it a costly requirements. We consider it relevant that a critical evaluation is performed in what respect 'solo reporting' is performed consistently and that further explanation is given by the legislator with regard to 'solo reporting'.

Proportionality: the principle of proportionality is often mentioned, but in practice it is missing in many cases. It should be given much more attention. The current framework is unnecessarily burdensome especially for smaller institutions.

Materiality: only material information should be reported. In many cases banks are asked to report irrelevant or non-material information.

The relevance of the listed factors is indicated by 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			

2.2 To what extent have 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	solo-level reporting	4
Factor 2	missing proportionality	4
Factor 3	missing materiality	4
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?

The relevance of the following types of legislative/regulatory requirements is indicated by 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	

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

Banks have to report for example to non-EU NCA's and to the Financial Stability Board (FSB 1, 2 and 3 reporting). This information is almost similar to FINREP and statistical reporting, but in a different tabular format.

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 particular proposed changes in Basel guidance. However, the EBA requires QIS information as well.

The ESMA, based on the RTS it issued requires banks for example to report, in a very detailed and highly frequent manner, information about derivatives exposures. The EBA and ECB also require 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 require information on securities and loan exposures, but do not take into account the information banks already have to deliver to the ECB.

In the Netherlands the Dutch Central Bank requires detailed information on residential real estate, and is not awaiting the AnaCredit requirement to report in detail about retail exposures. In case AnaCredit will require to report about retail exposures, the detailed requirements what data elements to provide will be different, creating an additional level of complexity and reporting requirement.

Entities with a Dutch Banking license (and their branches) need to comply with Dutch law by delivering within 3 days data about client deposits falling under the Dutch Deposit Guarantee Scheme (D-DGS), including their address, account number etc. in order to be paid out under the D-DGS. However, this requirement how to collect data and report this to the supervisor, is different in the Netherlands than for example under Belgian, French or German law, making it difficult for European Banks to create an efficient cross-border banking environment.

Additional national supervisory reporting requirements for e.g. Belgian "Reynders Tax" are not aligned on European level.

EU directives: very substantial change MiFID 2 on top of MiFID 1 when at the same time EMIR regulation refinements were also being made.

2.4 Does the obligation to use structured reporting² and/or predetermined data and file formats³ for supervisory reporting increase or decrease the compliance cost of supervisory reporting?

Increases the compliance cost

Existing use of mandatory structure in reporting requires banks to enrich raw data by means of building the required structure for the context of the particular reporting involved, where other reports (or the same report at another point in time) may require a different structure applied to the same raw data.

For example, article 101 of the CRR requires banks to report (on a semi-annual basis) losses stemming from exposures for which an institution has recognised residential and commercial property as collateral. The details required to fill in the template are so specific that the template cannot be built up with data collected to fill in other COREP templates. It therefore requires a separate (manual) data gathering exercise by the banks in order to be able to provide this report. Banks, investment firms and insurance companies, as well as their European Supervisors, would benefit significantly from a uniform data dictionary in which the content and context of a data field are provided in detail. This would give banks, investment firms and insurance companies the possibility to create data sets based on these data point definitions and provide the requested data to the supervisors (based on the frequency required).

Based on the (unstructured) data the supervisors can create the structure(s) they need themselves.

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):

- CRD IV
 - COREP
 - Large exposures
 - Leverage ratio
 - FINREP
 - Asset encumbrance
 - LCR
 - NSFR
 - Funding plans
 - ALMM
- STE for ECB
- BRRD
 - Resolution reporting to SRB & ECB
- MIFID
- CSDR
- EMIR
- SFTR
- PSD2
- DGS reporting
- FICO reporting
- Basle III QIS
- FSB reporting
- Benchmarking

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).

- G-SIB rapportage for FSB
- AnaCredit
- Residential Real Estate
- Regulatory stress testing
- Money Market Statistical Reporting
- ICAAP & ILAAP
- BCBS239/Perdarr
- Ad hoc
 - EBA data requests
 - Ad hoc reporting to Dutch Central Bank (like carbon footprint)
 - ECB off and on sight investigations, information requests and additional reporting obligations

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

As Dutch banking sector we have been providing supervisory data for a long time, where the various reports were started, amended or (re)developed under different heading and on different points in time. Therefore, initial implementation costs are very difficult to estimate.

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

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 (we are responding as a trade association, not as an individual institution)

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 (we are responding as a trade association, not as an individual institution)

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 (we are responding as a trade association, not as an individual institution)

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 (we are responding as a trade association, not as an individual institution)

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 (we are responding as a trade association, not as an individual institution)

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 (we are responding as a trade association, not as an individual institution)

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.):

We are responding as a trade association, not as an individual institution.

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.

- CRD IV (including COREP, Large exposures, Leverage ratio, FINREP, Asset encumbrance, LCR, NSFR)
- EMIR
- MIFID/MIFIR.
- DGS reporting
- Basle III QIS
- FSB reporting
- Benchmarking
- AnaCredit
- Residential Real Estate

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

Partially outsourced

Given the wide scope of reporting requirements our members are confronted with, this cannot be answered in a uniform manner.

As changes for COREP reporting are very frequent, we noted that software providers are not able to cope with them and are not able to deliver up to date software. Given the specific data requirements provided by DNB for AnaCredit reporting, no standard packages are available and therefore banks are required to develop it one-by-one in-house.

For ESMA reporting, certain elements are based on in-house solutions and certain elements are outsourced, so for example internal uniform security codes can be used.

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

2.8.1 a) at the end of 2016:

Not possible to estimate (we are responding as a trade association, not as an individual institution)

2.8.1 b) in 2009:

Not possible to estimate (we are responding as a trade association, not as an individual institution)

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 (we are responding as a trade association, not as an individual institution)

2.8.2 b) in 2009:

Not possible to estimate (we are responding as a trade association, not as an individual institution)

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 (we are responding as a trade association, not as an individual institution)

2.8.3 b) in 2009:

Not possible to estimate (we are responding as a trade association, not as an individual institution)

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.)?

Hardly, on balance no benefits

Bringing the reporting frameworks to an EU level had the potential of cost savings in general. Regretfully, savings did only materialise in very few situations.

On balance, the new frameworks resulted in more detailed requirements that have increased the compliance costs significantly as the requirements are in certain cases overlapping, not clear and require significant investments in IT and staffing. In addition to fragmentation of supervision at EU level, we also have to cope with different supervisors at national level, all requiring data for their own benefit and needs. There is no cooperation and no harmonisation whatsoever between these supervisors, making it difficult for banks to comply with all these reporting requirements at a national level and even more complex for banks that operate in more than one member state. This attitude of individualism by different countries or supervisors is also a threat for the BIRD project.

Furthermore, we note that supervisors are requesting more and more data to perform their tasks, while banks still need to fill in templates. In our view, regulators should make a clear choice: either template driven reporting, or data driven reporting, but not both. Data driven reporting requires a new taxonomy, with the cooperation and support of all supervisory colleges. This is currently non-existent and therefore not available, increasing compliance costs significantly.

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

In response to the Call for Evidence, some stakeholders expressed strong support for targeted standardisation measures to allow a more effective use of technology to streamline and – to the extent possible – automate compliance and reporting functions. This is related to the framework of “RegTech” (“regulatory technology”), a recent initiative to address issues of regulatory compliance in the financial services sector through the use of innovative technology. However, detailed evidence on how exactly the use of ICT can help with supervisory reporting, and whether it is facilitated or hindered by the present set up of supervisory reporting requirements – is scarce. Section 3 of the consultation is therefore more forward-looking, and seeks stakeholders’ views on possible future developments in supervisory reporting, in particular with regard to greater use of ICT and greater automation.

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			

We bring to your attention the BIRD (Banking Integrated Reporting Dictionary) project. Creating this data dictionary is an initiative of the ECB statistical division with a strong cooperation of the European banking sector, including the Dutch Banking sector. We consider this approach a very good initiative in order to get EU- and SSM-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 supported by the statistical division of the ECB and - in our view - scoped too narrowly to solve the significant reporting requirements posed on supervised entities. In order to make this successful, also the prudential supervision division of the ECB as well as ESMA and EBA should participate. Moreover, we consider it of eminent importance that the European Commission recognises that the difference in supervisory regulation from supervision and conduct point of view, creates overlapping reporting requirements for the EU financial sector.

Next to this fragmentation of supervision at EU level, we also have to cope with different supervisors at national level, all requiring data for their own benefit and needs. There is no cooperation and no harmonisation whatsoever between these supervisors, making it difficult for banks to comply with all these reporting requirements at a national level and even more complex for banks that operate in more than one member state. This attitude of individualism by different countries or supervisors is also a threat for BIRD.

We therefore strongly support the amendment to the CRR made by Rapporteur Simon recently, asking the ECB, EBA and the national competent authorities to investigate how they can reduce the reporting burden for Credit Institutions and investment firms. However, we consider its scope too narrow, as it does not comprise a request to also include relevant information for supervision that banks already provide to ESMA and national conduct authorities.

Concerning the development of a common financial language (i.e. a set of harmonised definitions of the terms used in supervisory reporting):

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

Very significantly

As explained under Q 3.1, the ECB's BIRD initiative is a good starting point. However, its scope is 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 and harmonising the concepts across the various reporting streams from different supervisors to each other.

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?

Very significantly

By providing a common financial language, the legislator and its supervisors provide banks with clear definitions that they will use to create data lakes for supervisory (data driven) reporting.

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

Yes

The common financial language (semantics) should fit a common data model that needs to be used by all supervisors using a cross-sectoral approach. This data definition should be uniform (e.g. SFTR referring to EMIR definitions), flexible, and open-source (not dependent on a particular software provider).

Semantics: Are the terms or concepts defined, are the terms referenced to standards (ISO, BCBS239 or formal regulations or handbooks, etc.), do all supervisors agree about this definition, what is its context, how is it classified, how is it communicated, what can be derived with it? Language used is natural language as much as possible and/or fact based model and/or ontology.

Logical: The data provided should be integer, consistent, derivable, valid and machine-readable. Is it possible to persist the requested data in such a way that it can be communicated unequivocally (mathematical-logical, machine readable) to all parties involved in exchanging information (incl. vendors). The language used is modelling language; relational data modelling, fact based modelling, etc.

Implementation: The implementation should be executable, deployable, persistent and should be processed with a good performance, etc. Two dimensions of this type of harmonisation are considered important:

- How the data physically will be exchanged (file or API, XBRL, SDMX, JSON, XML, CSV, etc.)
- Centralised vs. decentralised infrastructure in relation to the Shared Platform discussion.

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

It requires cooperation between:

- a. The European Commission – as legislator

- b. The European supervisors (ECB (supervisory department and monetary department) and ESAs)
- c. The National supervisors

We note that each of these supervisors has its own priorities.

Consensus on a common language within two years is very optimistic considering the broadness and complexity of the subject matter and the pace of change within the industry. It might be doable for a few strictly defined subsets.

It requires strategic choices to be made. Will supervisors steer towards data driven supervision? We note that with the current technical development, supervisors will request more and more data for their supervisory role. On the other hand, EU legislation requires banks to deliver a significant amount of information in a tabular driven format. In our view a choice needs to be made.

Another obstacle is that the creation of an EU wide data dictionary and one common EU reporting framework will require time plus available capacity from commercial banks. One should care for realistic assumptions about institutions delivering fulltime specialist to work on BIRD (for example).

Concerning interoperability between reporting frameworks (i.e. alignment/harmonisation of the reporting requirements) and/or receiving entities (i.e. the ability of entities receiving supervisory data to share it amongst themselves in such a way that it remains legible):

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

Very significantly

A harmonised data dictionary and interoperability between reporting frameworks and data delivery towards supervisors, will reduce the compliance costs of supervisory reporting. With this pre-requisite, credit institutions, investment firms and insurance companies can create uniform data lakes, which make reporting to the different supervisors consistent and more reliable without an increase in compliance costs. This would be a win-win for both the entities under supervision and the supervisors.

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?

Very significantly

It will increase the data quality significantly and will reduce questions about the interpretation of the data delivered.

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

Yes

It requires cooperation between:

- a. the European Commission – as legislator;
- b. the European supervisors (ECB (supervisory department and monetary department) and ESAs);
- c. the national supervisors and legislators.

We note that each of these supervisors has its own priorities.

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Another obstacle is that the creation of an EU wide data dictionary and one common EU reporting framework will require time plus available capacity from commercial banks. One should care for realistic assumptions about institutions delivering fulltime specialist to work on BIRD (for example).

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

It requires cooperation between:

- a. the European Commission – as legislator;
- b. the European supervisors (ECB (supervisory department and monetary department) and ESAs);
- c. the national supervisors and legislators.

We note that each of these supervisors has its own priorities.

Consensus on a common language within two years is very optimistic considering the broadness and complexity of the subject matter and the pace of change within the industry. It might be doable for a few strictly defined subsets.

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Another obstacle is that the creation of an EU wide data dictionary and one common EU reporting framework will requires time plus available capacity from commercial banks. One should care for realistic assumptions about institutions delivering fulltime specialist to work on BIRD (for example).

Concerning greater use of ICT in supervisory reporting:

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

Marginally

In our experience, the majority of recurring reports is already automated. For those reporting efforts that are still performed manually the root cause is instability (due to frequent changes), inconsistency (definitions and criteria differing from other reports) or infrequency (incidental requests). There is simply no business case justifying a higher degree of automation. Cost reduction with the help of ICT/automation can only be reached by stabilising requirements, using harmonised definitions and criteria and/or requiring the reporting of (relatively) basic data elements that can be aggregated/analysed by the receiving authority according to its needs.

Greater use of ICT is complicated by each supervisor using its own (or slightly different) requirements and therefore this does not comply with the requirements of another supervisor. We therefore believe that a transition to EU harmonised data driven supervision is required and would facilitate greater use of ICT in supervisory reporting. One data model and one set of data definitions and one transmission line will help greater automation. This would facilitate the reuse of data through harmonised data models and agreed transformation rules, and through third parties providing reporting services to institutions. This could also reduce the burden on smaller institutions.

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

This doesn't significantly differ from the potential of ICT for reduction of compliance cost: the majority of recurring reports is already automated. For those reporting efforts that are still performed manually the root cause is instability (due to frequent changes), inconsistency (definitions and criteria differing from other reports) or infrequency (incidental requests). There is simply no business case justifying a higher degree of automation. Cost reduction with the help of ICT/automation can only be reached by stabilising requirements, using harmonised definitions and criteria and/or requiring the reporting of (relatively) basic data elements that can be aggregated/analysed by the receiving authority according to its needs.

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

Yes

In order to create a harmonised EU reporting framework, one needs to have the semantics right as well as the logical data model. As explained extensively under Q 3.4, the common financial language (semantics) should fit a common data model that needs to be used by all supervisors using a cross-sectoral approach. This data definition should be uniform (e.g. SFTR referring to EMIR definitions), flexible, and open-source (not dependent on a particular software provider).

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)?

Yes

In our experience, ICT is already used for the majority of recurring reports. For those reporting efforts that are still performed manually the root cause is instability (due to frequent changes), inconsistency (definitions and criteria differing from other reports) or infrequency (incidental requests). There is simply no business case justifying a higher degree of automation or greater use of ICT. Cost reduction with the help of ICT/automation can only be reached by stabilising requirements, using harmonised definitions and criteria and/or requiring the reporting of (relatively) basic data elements that can be aggregated/analysed by the receiving authority according to its needs.

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Concerning greater automation of the reporting process:

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

Marginally

ICT and automation are already extensively used for reporting supervisory data (as explained under Q 3.10). Their use is mainly restricted by instability, inconsistency or infrequency; if these barriers are removed, a higher degree of automation can be achieved relatively easy.

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

ICT and automation are already extensively used for reporting supervisory data (as explained under Q 3.10). Their use is mainly restricted by instability, inconsistency or infrequency; if these barriers are removed, a higher degree of automation can be achieved relatively easy.

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

Yes

Harmonisation in reporting requirements between EBA, ECB, ESMA and national competent authorities.

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

Yes

Harmonisation in reporting requirements between EBA, ECB, ESMA and national competent authorities.

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

Crucial role

The most crucial contribution regulators can provide is stimulating a transition to EU harmonised data driven supervision. One data model and one set of data definitions and one transmission line will help greater automation. This would facilitate the reuse of data through harmonised data models and agreed transformation rules, and through third parties providing reporting services to institutions. This could also reduce the burden on smaller institutions.

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

Crucial role

We believe the European Commission - in cooperation with the other competent authorities, particularly the ECB, the EBA and ESMA - should compile a comprehensive study on a necessary revision to the reporting system. This should form the basis of a legislative proposal from the European Commission how to deal with data driven supervision. The purpose of this study should be the creation of an integrated and standardised system for reporting obligations as regards statistical, regulatory and conduct/market data for all financial institutions situated within the Union. Such a system should, amongst other things, use consistent definitions and standards for the data to be collected, guarantee a reliable and permanent exchange of information between the competent authorities, and establish a central location for statistical, regulatory and conduct data which administers, pools and distributes data requests and collected data.

By centralising and harmonising data collection and requests in such a way, the goal is to prevent multiple requests for similar or identical data by different authorities and thereby to significantly reduce the administrative and financial burden, both for the competent authorities and for the institutions.

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

When on-site inspections are performed, the supervisor should provide the institution with a detailed list of data requirements. Before the data is requested, the supervisor should assess 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

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

One general trade reporting requirement asking for standardised data only instead of requiring multiple reports of the same trade each "targeted" slightly differently. Target at the regulator side instead. Regulators should also strive to collect industry reference data directly from the sources instead of requiring the whole industry to acquire and report the same information. It would lower the burden for (most of) the industry and greatly improve the consistency of the collected data.

No carve-out of products for the transaction reporting and an 'all-in-one' report to one (home country) NCA/TR. Look at the total supervisory framework, e.g. Market Abuse Directive creates the obligation to detect market abuse within the reporting entity, which is the same as what the NCA uses the transaction reporting for. Create one reporting standard across all different reporting frameworks, preferably one report to catch all requirements.