

Examining the Future of Regulatory Reporting

Infoline

Regulatory Reporting for Banks

Outlining and Implementing the Future of Bank Reporting

Examining the Future of Regulatory Reporting

- 1. Regulatory reporting is mainly of maximum harmonization**
- 2. A need for more proportionality**
- 3. The European Reporting Framework (EFR) as a long term objective**

1 - Regulatory reporting is mainly of maximum harmonization

Reporting: what for?

Assessing bank risk profile

- Regulatory assessment: own funds, liquidity, leverage...
- Risk profile assessment (Supervisory Risk Evaluation Process – SREP)

Financial stability

- Risk data: FSB, BIS, ESRB...
- Macro prudential analysis

Financing the economy

- Monetary and statistical data
- Sectoral and geographical data

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Regulatory reporting is mainly of maximum harmonization

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Maximum harmonization

Why?

- ❑ Consistent with LAMFALUSSY process insuring convergence
- ❑ With the objectives:
 - ▶ increasing efficiency and reducing the administrative burden
 - ▶ to ensure consistency and comparability of information

How?

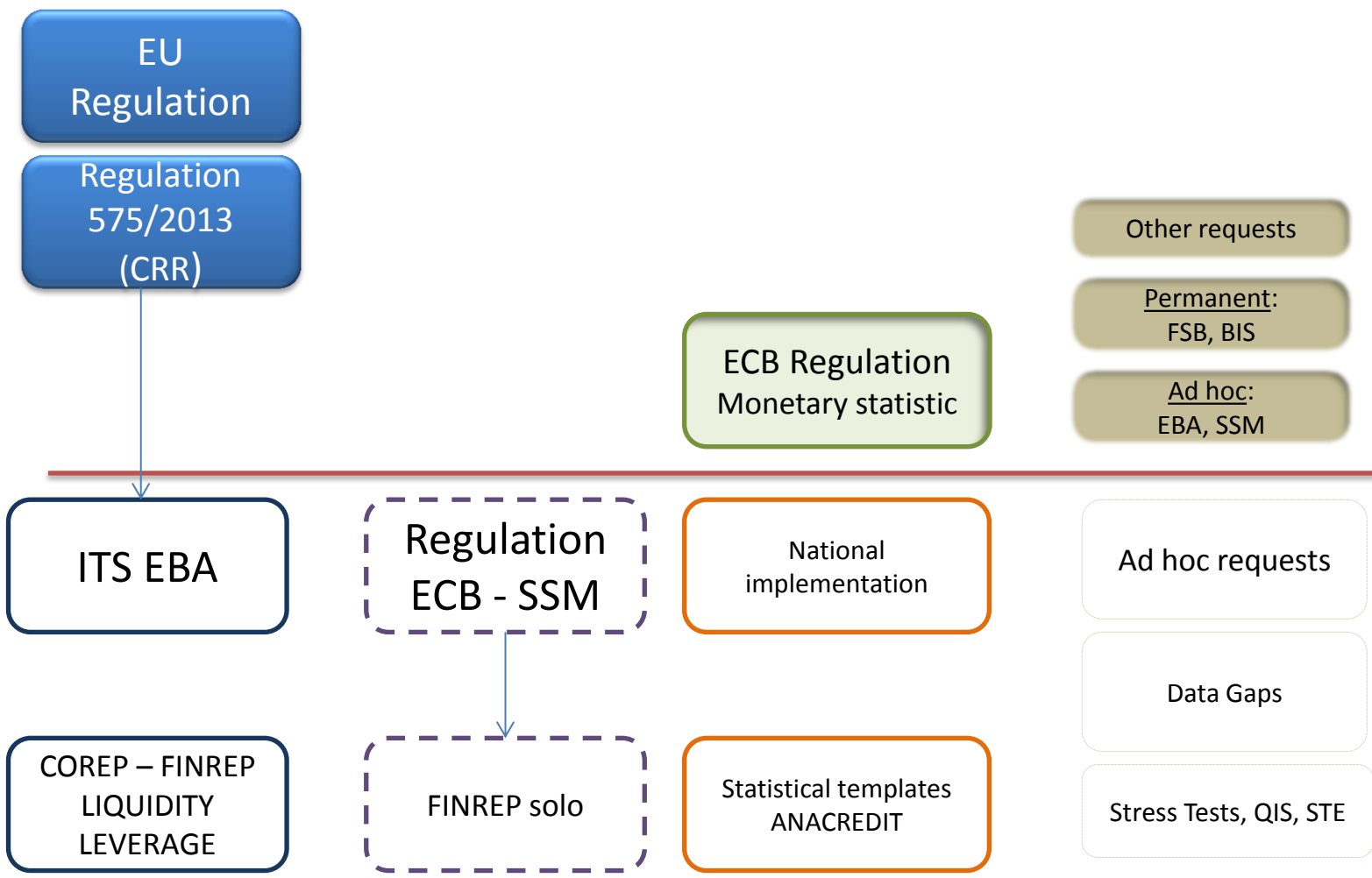
- ❑ Include all related implementing technical standards required by CRR in a single Regulation
- ❑ Binding in their entirety
- ❑ Directly applicable (automatically become part of the “Single rule books”)



with the scope of application of the ITS, competent authorities cannot add nor delete data to be reported, nor can they require the reporting of that data in a different format nor in a different (less or more granular) breakdown

1 - Regulatory reporting is mainly of maximum harmonization

But banks have to comply to many other requests



Proportionality is already taken into account

- ❑ Proportionality is an integral part of the ITS, with **certain reporting requirements being applicable only to institutions using complex approaches** to measure own funds requirements (standardised approach versus internal ratings-based (IRB) approach)
- ❑ The most burdensome data points do not have to be reported by all institutions but only by those **institutions which have significant risk exposures or significant activities**
 - quantitative criteria with the aim of exempting institutions with insignificant activities or insignificant systemic importance
 - the case for instance for institutions which have a significant level of non-domestic exposure in their balance sheet and have to report the geographical breakdown of assets.
- ❑ Uniform frequencies on a **template by template basis** (quarterly, semi-annual, annual)
- ❑ Uniform remittance dates which ensure a **balance between timeliness and quality** of reported data and the administrative burden imposed on reporting institutions

What to be done?

Commissioner Jonathan Hill at the EBA' 5th Anniversary Conference – February 2016

For me, we need to make sure this regulation and its sister directive CRD4, achieves its prudential objective while imposing the lowest possible administrative burden so that banks can get on with their job of lending to the wider economy. **So I want to look at how we can simplify reporting requirements, and costs that are associated with compliance more generally.**

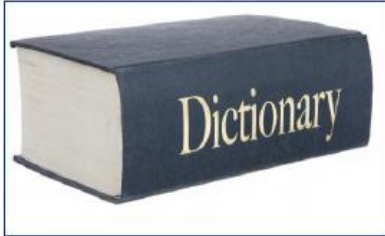
- ❑ Current regulatory data reporting are disproportionate with regards to effective supervisory needs and risk-based supervision principle
- ❑ Making regulatory data requirements proportionate to supervisory points of focus
- ❑ If regulatory data are deemed essential, supervisor should not and cannot rely only on regulatory data



1. Simplified reporting for intermediate quarterly remittances based on prudential requirements and on KRI/dashboards designed by supervisors
2. Possibility to lower some template frequency in FINREP/COREP and provide more threshold
3. Need to introduce more flexibility in the ITS adoption process and need to grant a minimum period (12 months) before the first application date

The European Reporting Framework (ERF) as a long term objective

Holistic approach to data reporting : BIRD, SDD and ERF



Banks' Integrated Reporting Dictionary (BIRD)

Common language **with the industry**

Logical description of data at the banks and transformation rules to produce existing reports



ECB Single Data Dictionary (SDD)

Common language **within the ECB**

Methodological and semantic integration of existing European reporting frameworks



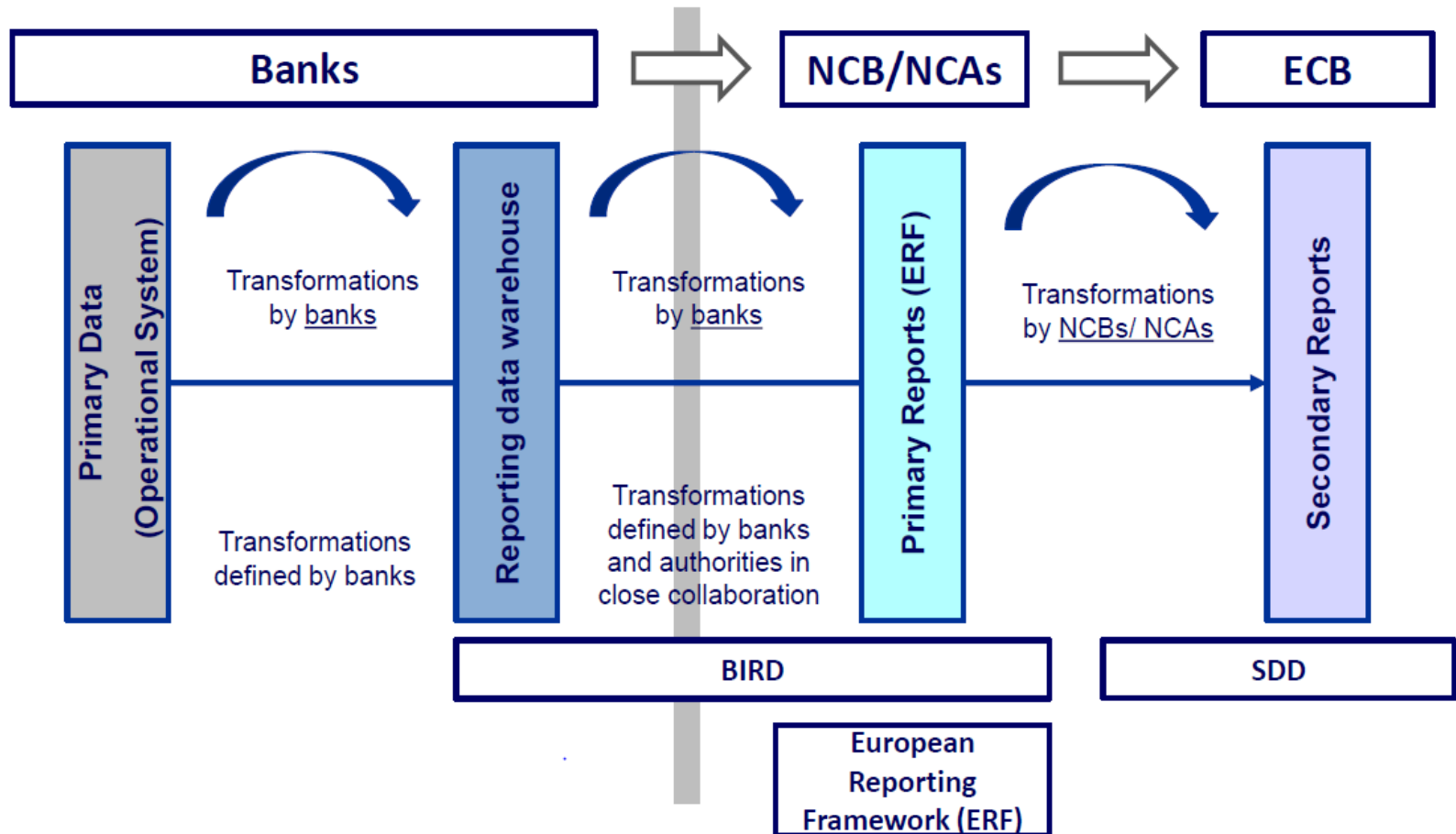
European Reporting Framework (ERF)

“One report” replacing the multiple, overlapping reports

Vision: single and integrated ERF for the ECB and EBA (ITS)

The European Reporting Framework (ERF) as a long term objective

The role of BIRD, SDD and ERF



The European Reporting Framework (EFR) as a long term objective

BIRD advantages

For the banking industry

- ✓ **Data consistency:** integrated production of different reports
- ✓ **Univocal interpretation of requirements**
- ✓ **Facilitates IT solution for reporting:** automated data processing from banks' internal systems to the authorities
- ✓ **Contained reporting burden**

For the authorities

- ✓ **Data quality**
 - More harmonised data at the banking system level
 - Ease to detect and correct mistakes
- ✓ **Flexibility:** quickness to satisfy new reporting requirements

The European Reporting Framework (EFR) as a long term objective

EFR: what is meant?

Integrated and harmonised reporting schemes for banks, covering most reporting requirements of ECB and EBA

- Best practice for collecting banks' data for different purposes, avoiding duplication across various reports
- Basis for harmonised production of secondary statistics via unique transformation rules
- Project in its early stages: design, adoption and timeline of eventual implementation are “work in progress”
- Need to take into account the EU maximum harmonisation principle for ITS reporting

Thanks for your attention

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