

EBF comments to the EC call for evidence for an initiative on rationalisation of reporting requirements

The European Banking Federation (EBF) welcomes the opportunity to put forward our comments on the European Commission's call for evidence on its initiative for the rationalisation of reporting requirements. The EBF is very supportive of all efforts for rationalizing and simplifying reporting requirements not only to improve the system but also helping to increase the competitiveness of EU businesses.

The EBF response to the consultation represents the consolidated view from all EBF members i.e., 33 national banking associations from across Europe representing in total about 3,500 banks. While we appreciate that the scope of the call for evidence concerns the whole spectrum of sectors, the EBF response focuses on the banking sector.

Background

The regulatory reporting system for financial institutions has been for years laborious, costly and increasingly complex. The volume of data requirements to banks by European and national authorities has exploded, together with an increase in the supervisory expectations and demands on the quality of the data reported. Banks have accordingly invested significantly in systems, in staff and in processes to capture, store, process and report that data.

In particular, the financial and economic crisis of 2008 led to a period of intensive rule making resulting in a large amount of legislation that financial institutions needed to comply with. It is in this context that the European Commission launched in 2015 a Call for Evidence on the EU regulatory framework for financial services to assess if the rules adopted were working as intended and identify any unintended consequences¹. As a targeted follow up, the European Commission launched a Fitness Check on Supervisory Reporting in 2017 for a comprehensive approach of the EU supervisory reporting framework. In this context, the EBF presented and comprehensively explained in its response the concerns by the banking industry about the compliance burdens stemming from the reporting requirements in various pieces of EU legislation (enclosed).

¹ In addition, banks are subject to the general public reporting requirements which were reviewed in a Fitness Check on Public Reporting in 2018.

EBF calls for a single reporting framework in Europe

Furthermore, the EBF engaged in a wide-ranging assessment of the current reporting system for banks and, as outcome of this work, called authorities for the need to work towards an integrated and standardised EU framework for regulatory reporting. More than merely the volume of reporting requirements, the issue was the lack of efficiency and consistency among the key stakeholders in the design and transfer of data from banks to supervisors and regulators, and duplication of reporting between supervisors. Accordingly, the EBF has called for regulators and supervisors to work together with the industry in order to make the reporting process as efficient and as clear as possible, so that the right data gets to the right people at the right time while reducing the burden for the industry.

The EBF has formulated four guiding principles as key steps for an integrated data reporting:

- **Define Once:** using a single data dictionary with all the data definitions.
- **Report Once:** enhancing reusability and interoperability of the data.
- **Share Information:** amongst the authorities instead of asking several times for data that has been already provided.
- **Enhanced Governance:** including the advice of the industry as the main stakeholder in every new data request.

Initiatives to revamp the reporting framework in Europe

We strongly welcomed the fact that authorities took note of the EBF calls and launched initiatives to improve the efficiency of reporting having as basis the EBF guiding principles.

- Integrated Reporting System

In 2019, the European Parliament and EU Council mandated the EBA, involving relevant authorities (including ESCB, SRB, EC and national competent authorities), to engage on a feasibility study on an Integrated Reporting System as specified in a mandate in Article 430c of Capital Requirements Regulation (CRR) towards the harmonization and integration of all type of reporting by banks, including statistical, prudential and resolution data. We are confident this ongoing dialogue will help reaching the common objectives that rely on the creation of a single EU data reporting dictionary as the cornerstone that can contribute to better supervision and support financial stability by enabling improved data quality and reducing the reporting burden for financial institutions.

The reporting required by supervisors is based on EU legislation and on the fact that the supervisor is mandated to require any information needed to support its assessment. In many cases, it is in practice unclear for what purpose the data provided to supervisors is used or will be used. Such situation often leads to unnecessary duplication of requests. It is also as part of the Integrated Reporting System project that it is foreseen the coordination between EU legislators and authorities to make sure that the data collected is useful and aligned with policy objectives ensuring a proper governance with support by the industry. In fact, the setting up of the Joint Bank Reporting Committee (JBRC) will increase integration and coordination between authorities to also help promoting a clear and common understanding of reporting requirements as well as improving sharing and reusing of data among authorities. If a

duplicated request happens, the reporting entity must identify for the requesting authority, where the data point can be found, and which authority is in possession of the data, and the reporting authority must request the data from the possessor authority. Together with support of the future Reporting Contact Group (RCG), comprised by industry representatives, these will look at the design of reporting to avoid duplications of data requests and ad hoc collections, and make reporting more efficient and less costly to produce.

A concrete step is for example the work towards the ESCB's Integrated Reporting Framework (IReF) where the ESCB has taken a first step aiming to consolidate its statistical reporting requirements within a unified reporting framework with the maximum harmonization of additional national requirements. This framework would seek to standardize, harmonize and integrate existing statistical information collection requirements from financial institutions across various sectors and countries, as much as possible. The EBF is fully supportive of IReF being scalable from statistical reporting and expanding to meet the data needs by supervisors too; becoming the first step towards a true integrated reporting relying on a unique IT solution, data model, data dictionary and reporting processes.

– EC Strategy on Supervisory Data

The Commission adopted in 2021, as follow up to the 2018 Fitness Check on Supervisory Reporting, a strategy on supervisory data in EU financial services aiming to modernize the supervisory reporting system in the EU while minimizing the burden and cost for all relevant parties. With the ultimate objective of reaching a common data dictionary that covers all EU financial services, the EC strategy will largely leverage on the progress of the above mentioned project on the Integrated Reporting System for the banking sector. The EBF is very supportive of this initiative and is working closely with the Commission's services discussing views and expectations towards, for example, what the common data dictionary in EU financial services should be and the best way to develop this.

The EBF is also supportive that the EC strategy aims to facilitate the data sharing among authorities and remove reporting requirements that have become redundant with initiatives such as the parallel EC proposal 'Data Sharing and Rationalisation of reporting requirements' COM(2023)593.

Both major projects are in line with the EBF calls to create an integrated and standardized framework, under an enhanced governance, for data reporting in order to improve efficiency, consistency and quality of the data, avoiding duplication and unnecessary complexity while reducing the reporting burden. Therefore, we consider that the matter of rationalisation of reporting requirements towards a simpler and more useful reporting in the banking sector has started to be tackled by these projects with due involvement by the industry.

Other initiatives

In parallel, there are other ongoing initiatives addressing other outstanding concerns imbedded in the current reporting framework.

The EBF is engaged in dialogue with the EBA on the foreseen guidelines setting out a common approach to the resubmission by financial institutions of historical data to the competent and resolution authorities in case there are errors, inaccuracies or other changes in the data reported in accordance with the supervisory and resolution reporting framework developed by the EBA. Another relevant initiative in this context is the ECB work towards adopting a definition of significant resubmissions and a clear set of principles and rules to determine the significance of resubmitted supervisory data stemming from EBA's Implementing Technical Standards (ITS).

The EBF has also been supporting the EBA in the preparatory work towards the implementation of a Pillar 3 data hub for disclosures made under the Basel III regulatory framework. The project is now in a pilot phase with a group of large banks to test processes towards ensuring the objectives are met without the risk of redundancy, data mismatch or increasing the burden to banks.

As part of the close interaction with authorities, we welcome the SRB approach which is performing a strategic review of its activities, including in the area of transparency and engagement with the industry which would facilitate addressing outstanding matters, such as the insufficient and late instructions, the vague foundation of the initiatives and current insufficient follow up. A closer and more efficient dialogue would be helpful to stabilize the target expectations by the SRB and to enable banks to adapt their reporting processes to meet those stable expectations. Also, with the SRB as part of the project on Integrated Reporting, the duplication of data and requests will be tackled by identifying the attributes that can be obtained in other existing requirements.

While we acknowledge that steps are being taken to address the complex and burdensome framework of reporting for banks, we consider useful to share (in the Annex) a list of examples portraying the current complexity and reporting burden as result of the increase of regulatory reporting over the last years.

Call for a separate fitness check on sustainable finance framework

The reporting of ESG information as such is relatively new but early experience already shows material implementation and operational challenges not only with the data collection, analysis, monitoring and control for which massive investments in IT and operational processes were necessary², but also the need for simplification given that the Sustainable Finance (SF) Framework has become excessively complex, inconsistent and difficult to apply. As a matter of urgency, the Commission should not only focus on the identification of reporting requirements that may be considered overwhelming, obsolete, unclear or costly, but also allow for pragmatic approaches and consider providing common tools that will substantially reduce the cost of individual reporting and increase data availability.

We therefore welcome the Commission's intention to review how the Sustainable Finance Framework is being implemented in practice, with the aim to simplify and enhance the ESG frameworks' usability, coherence and clarity. It is important to reduce inconsistencies, duplications, remove unnecessary complexity and review the usefulness of the framework in particular for supporting the uptake of transition finance.

² The one off implementation cost reported by some of our members for SFDR alone easily exceeded €1 million.

A 'usability' omnibus legislative proposal early in the next legislature should be considered. This proposal should address the following aspects:

- i) clarification and harmonization of definitions across the SF Framework;
- ii) alignment of timing and sequencing;
- iii) removal of duplications;
- iv) reduction of administrative costs;
- v) explicit integration of the transition finance framework in the existing regulatory framework;
- vi) elimination of the unintended consequences and dispensable complexities.

Simplification of the regulatory requirements and increase of their usefulness, usability and practical application of the framework should be an overarching aspect and objective of the revision.

While the Sustainable Finance Disclosure Regulation is currently under review, a revision of other pieces of the SF Framework is also needed. In particular, difficulties in reporting the Green Asset Ratio (GAR) have been identified in relation to GAR complexity, its lack of clarity and limited ability to portray activities in line with their environmental performance due to the lack of data availability and documentation. Given the limited coverage and comparability of the GAR numbers as well as limited information value on one hand and the cost of its reporting on the other, the usefulness of the Green Asset Ratio is being questioned. It was also reported by some of our members that the volume of Pillar 3 disclosures has increased by minimum 20% after incorporating the ESG elements. We therefore propose that Pillar 3 is also included in the review.

Further streamlining and reduction of administrative cost could be achieved by removing the obligation for subsidiaries to separately report under Corporate Sustainability Reporting Directive (CSRD), where the parent undertaking (or the largest subsidiary of the non-EU parent entities) reporting provides adequate information, in particular for financial subsidiaries whose ESG strategy and disclosure cannot deviate from those of the parent company given that all policies are defined centrally. Duplicating sustainability reporting within the same group would contrast the 'once only' principle that underpins the CSRD.

While a right balance needs to be found between regulatory stability and the frequency of the review, where justified, the changes should be addressed. In all changes to the regulatory framework, whether at level 1, 2, or 3, it is crucial to emphasize that the market should be granted sufficient time to implement any changes or guidance.

As further elaborated in our letter to the President of the European Commission (enclosed), we would suggest to the European Commission to consider the following aspects in the revision process:

- 1) Finding the right balance between, on the one hand, information needs of different economic stakeholders to facilitate the achievement of EU objectives and, on the other, reporting burdens;
- 2) Consistency of the reporting requirements in the reporting value chain, including data points and timing;
- 3) Consistency of requirements across different pieces of regulation with the objective of eliminating duplications and redundancies and ensuring common definitions;

- 4) Symmetry in reduction of data requirements with questionable or immaterial information value between the financial and non-financial industry;
- 5) Ensuring the availability of data relevant for the financial industry;
- 6) Reducing the cost of calculation and reporting of individual datapoints;
- 7) Consistent implementation, reduction of national discretions and gold-plating methods by Member States, which would also contribute to the reduction of reporting costs for cross border institutions; and
- 8) Alignment with international standards and commonly used conventions and the provision of reconciliation tables to significantly reduce reporting costs and reconciliation efforts.

Given that some parts of the EU Framework are still in the making, any new ESG regulatory requirements need to be well articulated with all other pieces of ESG legislation, with attention paid to sequencing and timing to ensure that companies are able to fulfil their obligations. Attention must also be paid to the issue of regulatory overload and international developments, ensuring that the EU ESG regulatory reporting requirements are proportionate and do not threaten the competitiveness of EU businesses.

The EBF plans to issue a report on the usability of the SF Framework which will include concrete suggestions of improvement as well as examples where the SF Framework could be simplified. Once finalized, we will be pleased to share with the European Commission and contribute to its efforts to increase the usability of the SF Framework. The EBF will be also contributing to the debate on the usability as members of the EU Platform on Sustainable Finance.

We sincerely hope our comments are useful in depicting the current engagement towards a more efficient reporting for banks in Europe. We remain at your full disposal to clarify and/or provide further details on any comment.

Annex

Please note that this section is not exhaustive. For the purpose of this exercise, only main examples, in the context of non-ESG reporting, have been provided to illustrate the EBF response.

1. Duplication of request

- Reporting to central banks:
Banks are requested to report granular information concerning statistical data from the Group entities. Yet, similar information is already available in template 40 of FINREP.
- Reporting on compensation:
 - Most information is produced in different formats as many times as there are reports i.e., FINREP, SREP, Benchmarking, High Earners and Approved higher ratios reports requested by the EBA. The upcoming CSRD and Pay transparency Directive will also require producing different gender pay gaps (mean, median, per quartile, etc.) on different perimeters.
 - Some information is requested as part of the reporting process when it is directly accessible via the entities'/Group disclosures under article 450 of CRR. For example, information requested by the EBA in the Benchmarking reporting package when already provided in the Group Disclosures: R03, R09, R10, R11 and R12.

2. Principle of proportionality insufficiently imbedded in reporting

- In FINREP, institutions with large balance sheets, such as G-SIBs, need to perform modifications/ corrections for several thousand Euros and below to meet the automatic controls of the templates, not driven by the principle of proportionality, which creates an additional burden and leads to a lack of efficiency.

3. Problems of timing

- Misalignment of calendars:
 - The EBA usual ITS development timeline requires circa 27 months before ITS being applicable, going through the following standard process:
 - 1) drafting phase which lasts between 6 to 9 months
 - 2) consultation period of 3 months
 - 3) a finalization phase of 6 months before submitting a final version to the EC
 - 4) a 12 months period of implementation (of which up to 6 months' time for EC adoption, before 1st reporting).

With the understanding of a first CRR3 reporting as of March 31st, 2025 (based on CRR3 application date set at January 1st 2025), there is a mismatch in timing since the EBA ITS on supervisory reporting and Pillar 3 disclosures should have been published since June 30th 2023 to meet the foreseen timeline. By comparison, publications of CRR2 ITS were done in a far more appropriate timing i.e., consultation published on 16th October 2019 with a final ITS published on 24th June 2020 meaning 12 months before 1st reporting. Consequently, the probability of delay in the specification of both supervisory reporting and Pillar 3 disclosure will induce an excessive cost for banks (e.g., development of tactical solutions until

target solution is stabilized) and jeopardize their ability to fulfill their supervisory reporting and Pillar 3 disclosure requirements with industrialized target solution.

- Untimely review of recently launched standards:
 - Following the entry into force in December 2022 of the “RC-IGT reporting ITS” (Regulation (EU) 2022/2454) for financial conglomerates, the ECB decided to publish additional general policy guidance on the reporting. The fundamental principles of the ITS have been deeply reviewed through this draft Guide, especially regarding the IGT threshold calculation. The draft Guide has been published in a context where the first reporting date is fast approaching and where extensive implementation projects are close to completion, with implementation scenarios set on the basis of the existing ITS requirements and the existing regulations.

4. Difficulty providing requested information due to complexity of data

- Financial conglomerates reporting (TS on IGT-RC) on interactions between banking and insurance activities is complex and burdensome. Based on a certain threshold, entities are required to provide information on intragroup transactions with information not always available at Group consolidated level, such as the analysis of these operations by variations between the opening and closing positions.
- Individual-level remuneration reporting within large groups is complex to implement due to (i) submission in XBRL format relying on a specific technology difficult to manipulate and time consuming, (ii) issues and burden linked to signature and submission of multiple reports, and (iii) the control process is burdensome with many irrelevant controls.

5. Coordination between EU legislators and authorities is crucial to make sure that the data collected is useful and aligned with policy objectives

- For some Directives related to transactions such as “Disclosure of interests” reporting, banks could find themselves in situations to comply with 27 different legislative frameworks and complete 27 different templates based on national transpositions of European Directives. This is not only particularly burdensome, but could also increase operational risk. Increased homogeneity and simplification at European level is required to alleviate the costs of reporting without prejudice to the benefit of the legislation.
- Significant overlap and inefficiencies are present in liquidity reporting where banks are required to fill in three similar but still different templates. This entails higher cost as the process cannot be fully automated.

6. Securitization

Securitization private market participants strive to fill adequately ESMA templates, but the information these contain is not really used in practice to detect, assess and monitor risk, for which this reporting is considered as an unnecessary and costly burden.

- In the private financing business, banks contractually agree with their clients/originators on the necessary information to monitor their securitization transactions. Most importantly, the type of information required by banks to assess the risk they are taking on is not necessarily aligned with both the content and format of ESMA reports. For instance, the reporting required by banks needs to be aligned

with the way the eligibility criteria, concentration limits and performance tests and specific covenants are defined in each transaction. This means that each reporting is “tailor-made” to reflect the specificity of each deal. The “one-size fits all” approach of the ESMA template is not fit for this purpose.

- ESMA templates are not meaningful for private deals like synthetic securitizations that involve a small number of specialized investors who will simply ignore reporting made available under Article 7 of SEC-R (even though the EU originator will nevertheless be required to go into great lengths and expense of preparing Article 7 reporting) and will instead focus on (and expect) disclosures and reporting which are much more tailored to the deal.

7. Additional reporting to supervisors

While we note that the call for evidence is seeking feedback and input only on the reporting burden originating from EU legislation, we consider this initiative should also address the ability for supervisory authorities e.g., SSM and SRB, to require additional ad hoc reporting since those are not subject to any control or limitation and therefore constitute a significant part of the current reporting burden e.g., SRB reporting and Short-Term exercise.

- **SRB reporting**
 - Starting 2024, institutions will be requested to provide additional information already available and provided by the SRB itself. Duplication of reporting could be prevented by pre-filling different fields of the Data Reporting Form e.g., MREL data indicator could potentially be collected through the ITS EBA MREL/TLAC and/or the LDR.
 - Valuation Data Sets:
225 data points are requested, with a target for delivery of 24 hours, of which 70 are common with the SSM Loan Tape Standard requirements on the credit risk scope. It is not clear the usefulness of this large amount of data points to be delivered within 24 hours. Furthermore, the number of securities is not required which makes all the data points useless to value securities held by a bank.
 - Bail-In Data Set:
The scope covered includes all bail-inable liabilities: 87 data points are requested of which 11 only are optional (IRT discretion) resulting in at least 76 mandatory data points which is highly significant. To successfully execute a bail-in in a very short timeframe, it is compulsory to stick to the essential datapoints during the resolution weekend. In our view, the minimum list of datapoints concerned by the bail-in execution (in the absence of which the bail-in execution would not be possible) is significantly shorter than 76. Furthermore, the articulation between the bail-in data set and the valuation data set in terms of valuation is not clear and consequently the usefulness of all this information is rather questionable.
- **Short term exercise**
The normalization of STE exercises increases the amount, complexity and granularity of data required (from EBA and ECB). Even though STE exercises are supposed to be short term exercises, some fields have been in use for years in a manual and changing mode instead of being included in the industrialized recurring EBA reporting.

Institutions have thus to face important changes to templates and reporting instructions:

- Significant draft changes to the STE package have been reported this year as well as numerous related requests for new information, which may not be readily available in IT systems of institutions (notably for the new templates on digitalisation, market risk, IRRBB, CSRBB and custodian activities).
- On IRRBB/CSRBB, the draft ECB STE 2024 does not seem coordinated with the one of the EBA about upcoming changes in ITS on IRRBB. Consequently, significant institutions will have to submit very extensive and overlapping data on IRRBB during the respective EBA ad hoc data collection.
- The template includes datapoints under an adverse scenario that, according to the instructions, shall correspond to the one used for ICAAP purposes. In that respect, despite the template including ICAAP related information, the proposed remittance date (15th March 2024) is not aligned to the one of the ICAAP and ILAAP templates (28th March 2024).

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EBF RESPONSE TO EUROPEAN COMMISSION'S PUBLIC CONSULTATION ON FITNESS CHECK ON SUPERVISORY REPORTING

Executive summary

The European Banking Federation (EBF) welcomes this second consultation. We would however like to underline that the industry has not seen any improvements since the previous consultation 'Call For Evidence' of September 2015. In addition, we question the relevance of the scope of the consultation limited to the supervisory reporting in force on 31/12/2016, because since that date, new guidelines or Implementing Technical Standards (ITS) have aggravated the concerns on supervisory reportings.

At present, banks must deal with other demanding requirements issued by the ECB Statistics Department such as AnaCredit and Securities Holdings Statistics (SHS) which will come into force on 30/09/18 as well as the unharmonized ad-hoc templates and granular files requests from the joint supervisory teams (JSTs) and on-site inspections (OSI) teams with their unrealistic deadlines.

The National central banks/ National supervisory authorities (NCB/NSA) local requests under the reason of national statistics are overlapping with ECB/EBA requirements and lead to double reporting, thus we urge the Commission to play a role amongst regulators and supervisors to align and harmonize as much as possible their needs in terms of reporting and to create a sound European level playing field.

For all these reasons, we propose to broaden the scope of the consultation in terms of date (reporting entered into force post 31/12/2016 and future reporting still under finalization), in terms of goals (supervisory matters, statistical matters) and in terms of final users (ECB/Single Supervisory Mechanism (SSM), Member State).

We would also encourage the project of a granular data collection under ECB governance that, aligned with BCBS239 principles, would enhance single source of truth, data re-use, data quality and cost decrease for the industry. The Banks Integrated Reporting Dictionary (BIRD) / European Reporting Framework (ERF) may be the dawn of that project but should be more clearly supported at all levels within European Authorities. However, this initiative should not result in multiple requests from different authorities for the same granular data. Authorities should review data which banks must report to other authorities and avoid duplicate requests. They should also consult properly with the industry on any new data requests to ensure that the benefits clearly outweigh the costs to the industry.

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Furthermore, the EBF fully supports the concerns expressed by respondents to the Call for Evidence about the compliance burdens stemming from the reporting requirements in various pieces of EU legislation¹:

- Supervisory reporting requirements are perceived as too numerous and too complex. The complexity is to a large extent due to duplications and overlap across different reporting frameworks, but also to insufficient standardisation and the lack of clarity on what needs to be reported (e.g. lack of harmonised financial data definitions, lack of references to existing international standards).
- Major changes to EU legislation on supervisory reporting often result in substantial one-off costs, in particular where IT systems or internal procedures need to be adapted. Stakeholders therefore stressed the importance of reducing the frequency of changes to supervisory reporting requirements, and of allowing sufficient time to implement any changes.
- Ad hoc requirements, e.g. requests by supervisors that go beyond the regular reporting requirements, were perceived as particularly disruptive and costly.

With regard to costs, it is very difficult for banks to separate out the cost of supervisory reporting when they are part of wider investments in IT and people. However, the costs of managing risk and finance data are substantial. For example, McKinsey estimated in 2015 that *"total incremental investment between USD 12 billion and USD 15 billion on Risk and Finance Data and Technology transformation (Average G-SIB: USD 230 million, average D-SIB: USD 75 million). Much of this investment is already underway (mainly in G-SIBs, with the bulk starting around 2013) and will continue for the next 3-5 years (mostly by recently designated D-SIBs)"*².

The more complex and more frequent the changes, the more difficult it is for banks to plan ahead and make strategic investments. As a result, significant and avoidable ad hoc costs are being incurred by banks.

Finally, The EBF would like to emphasise the need for alignment to be achieved on an international level. Most firms now operate in more than one jurisdiction, and many on a global scale. Trading with international counterparties and clients gives rise to reporting obligations to a wide range of international supervisors.

There are various approaches to achieving such alignment. Adopting international standards such as the Legal Entity Identifiers will improve co-ordination. Regulators should also consider how products reported under different regulations can be aligned – ultimately it should be realistic for the same product to be reported in an aligned manner across multiple regulators.

There also needs to be alignment between the approach of local NCA practices. While we acknowledge each needs to take into account their own local market idiosyncrasies, achieving a level playing field must always be an active ambition for the EU.

A harmonised and coherent approach to reporting will increase the quality of data submitted, help regulators assimilate the information, and enhance the ability to compare different data sets with each other.

¹ COM (2017) 736 final. Follow up to the Call for Evidence – EU regulatory framework for financial services

² McKinsey & Company, (2015), *A marathon, not a sprint: Capturing value from BCBS 239 and beyond*.

The following is a list of the different regulatory reporting requirements for credit institutions:

1 ECB, statistical reporting requirements

1.1 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)

1.2 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

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 of liquidity risk management under Article 435 CRR
- Guidance to banks on non-performing loans

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
 - Draft of a granular loan tape request on clients, loans and collaterals
- [EBA ITS](#) 2015/06 on procedures, forms and templates for the provision of information for resolution plans (to be amended)

6 Transaction Reporting Requirements

- CSDR
- EMIR
- MiFIR / MiFID
- SFTR

7 Basel Committee on Banking Supervision

- BSBC 239

8. Reporting requirements for CIs to the deposit insurance schemes

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

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

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:

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)

- Very significantly
- Significantly
- **Moderately**
- Marginally
- Not at all
- Don't know / not applicable

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

The EBF agrees that supervisory reporting requirements have produced relevant and high-quality data for financial stability purposes but potentially could have been reached in a more efficient manner and with lower costs. In many cases, authorities could have focused on less but more relevant data. Currently there is a level of non-material and non-relevant

data is being reported. Also, the lack of coordination between the ECB and the national competent authorities (NCA) results in a degree of redundancy in the reporting requirements / regulatory exercises. In addition, it seems that some reporting is not used by supervisors such as the Additional Monitoring Liquidity Tools at group level and solo level, or FINREP reportings at solo level. For example, current De Nederlandsche Bank / ECB validations on reports operate with an accuracy of EUR 1,000. Reports cannot otherwise be technically delivered. Although it does not seem to add significant value to the supervision, it creates a lot of work to solve rounding differences that arise because not all reporting systems report in units of EUR 1,000.

Furthermore, from the perspective of a Multiple Point of Entry (MPE) bank, reporting requirements have not been adapted to the different structures. Due to the decentralised structure, some of these requirements are not applicable; for instance, a consolidated LCR makes no sense for an MPE strategy.

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

- Very significantly
- Significantly
- **Moderately**
- Marginally
- Not at all
- Don't know / not applicable

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

While we agree that supervisory reporting requirements have contributed to market integrity, the same comments on point 1.1a apply for market integrity.

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

- Very significantly
- **Significantly**
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

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

We agree that supervisory reporting requirements have contributed to improving investors' protection as they are more transparent and standardized. In addition, comparable information minimizes investors' risks.

Increased capital requirements and buffers increase investor protection.

The EC should guard against information overload – more data is not necessarily better – and avoid a situation in which investors have too much data to consistently and efficiently review, understand and compare banks' businesses.

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

- Yes, they are all relevant
- **Most of them are relevant**
- Some of them are relevant

- Very few are relevant
- Don't know / not applicable

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. Issues arise where there are overlaps and inconsistencies between different reporting streams and reporting at a solo level. From the reporter's point of view, it seems irrelevant to report the same things repeatedly for various reporting streams and authorities (please refer to comments to 1.1.a). Furthermore, the different reporting streams often use similar, but not exactly the same definitions, for the same concept, which increases complexity and compliance costs.

For example, the recently introduced ECB data quality policy sets new and more restrictive demands on the quality of reports. The policy works retroactively which leads to an overload of questions for resubmissions of the reports. Also, FINREP and I2A (FSB Data Gaps Initiative) are both required on a consolidated level and based upon accounting rules, these two reporting are addressing the same information which is nonetheless broken down in different ways. We believe these could be merged: the BIS (I2A) could have a view on FINREP (ECB).

We suggest that the supervisor focus on a reduced set of relevant data instead of comprehensive sets of data which are not material for the purposes of financial stability, market integrity and investor protection.

Most of the supervisory reporting requirements are relevant – the main issues are overlaps and inconsistencies between different reporting streams. See section 1.4.

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

- Yes
- No
- Don't know / not applicable

If you answered yes to question 1.3, please provide specific examples of reporting requirements which in your view should be added and explain why you believe they are needed:

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.)?

- Fully coherent
- Mostly coherent (a few or minor inconsistencies)
- Somewhat coherent (numerous inconsistencies)
- Not coherent (mostly or totally inconsistent)
- Don't know / not applicable

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

The main challenge during the last years has been the harmonization of the different reporting requirements in terms of definitions, scope, content and methodologies. There are a number of differences in the various jurisdictions, owing to the national options and discretions, which entails different non-comparable information being provided to the

supervisors thereby increasing the costs and burden faced by the banks. Different jurisdictions have different levels of supervisory reporting expectations.

There is also a long lead-time to cease collecting data that is no longer fit for purpose.

The use, for example, of different classifications is causing difficulties e.g. exposures classes not consistent between FINREP, COREP, LCR and NSFR; these might create confusion for both supervisor bodies and banks (costly implementation). Other examples include:

- FINREP solo reporting and ECB BSI statistical reporting – both require detailed information on balance sheet items at a solo level. However, many balance sheet items are very similar but not the same;
- COREP additional monitoring metrics and FSB funding template – G-SIBs in Europe face two different but similar reporting requirements which draw on the the same data systems. Authorities should align the definitions, remittance dates and reporting frequencies between these reporting streams. From a reporter's point of view, the EBA requirements are more reasonable with regard to reporting frequency and remittance dates;
- BRRD reporting (mainly sourced from COREP & FINREP) and COREP – some data that are required by resolution authorities overlap with supervisory reporting requirements. Could the transparency model be used for this, as this would reduce costs and time?;
- Validations – there have been cases where there were errors / wrong references in the validation checks in the QIS templates e.g. of 2016. These issues demand additional time and effort to analyse if the checks are failing due to real causes or wrong references. Supervisors apply validations differently from the prescribed methodology (e.g. non-blocking validations in EBA DPM are coded as blocking in the report submission portal). There is inconsistency with regard to the interpretation of non-blocking EBA validation rules, or at least the way these are processed differs among the NCAs. Failed EBA validation rules that are non-blocking should not result in blocking errors but some NCAs process these EBA validation rules as blocking the submission of reports, and thus requiring analysis and explanation within the reporting deadlines. This is especially a problem for banks that are subsidiaries and whose production of IT templates is integrated in the reporting process of a parent established in a country where non-blocking validation rules are processed as non-blocking errors.
- Limited alignment in definitions – in many cases the same data is defined differently, which limits the comparability of information reported. For example, 'retail' is defined differently in FINREP (definition coming from BSI), whereas in COREP it is based on the definition given in the CRR. New additional liquidity reporting, which should be based on the FINREP funding data, will need to apply a different definition to retail deposit, which will mean that the reports will not reconcile;
- Ad-hoc requests – the list of values requested by the ECB in the SME loan tape (Type of Instrument) had more values than the list in the AnaCredit specifications. When a list of values is not aligned across different requests, it requires manual intervention and takes the reporting teams more time to map the same data according to different specifications for diverse requests;
- Sector code classification:
 - Significant risk transfer (SRT) largely uses the NACE code classification but diverts from it in some cases (e.g. constriction exposures).
 - FINREP T6 is based entirely on NACE codes.
 - The sector codes for some international bodies, such as the EIB, in FINREP differs from the sector codes applied by the NCA for the local financial statements reporting.

- Short positions:
 - FINREP – these are classified as liabilities
 - SRT – these are reflected as a “negative asset”.
- Solo and consolidated reporting returns where data is very similar;
- ‘One size fits all’ approach – all returns required irrespective of size and/or business model questions how these returns are being used e.g. data requests from the SRB;
- National competent authorities (NCAs) should not request additional or duplicative data related to COREP, FINREP or NPE reporting without exhausting European sources. NCAs should consult with national banking industries to identify alternative data sources. NCAs should also regularly review reporting requirements and retire out-of-date reports or legacy returns that are surplus to current requirements;
- Note the following return issues that could be simplified by the EC:
 - Basel 3 monitoring is bi annual. Mainly sourced from COREP and Leverage. Templates change each submission. It is not clear how this is used by supervisors.
 - Amalgamate the national reporting requirements, such as the Sustainable Mortgage Resolution Template (SMRT) in Ireland and NPE reporting templates. Or could NPE be leveraged off FINREP instead.
 - This is covered by new general point above.
 - Two separate returns are required for depositguarantee schemes (DGS) even though they include the same figures. Returns require directors sign offs by each license. Could this be amalgamated into one return and supervisors share the information internally?
 - STE concentration and Large exposures return are very similar. Could this be combined in some form?

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

- Very efficient
- Quite efficient
- **Rather inefficient**
- Very inefficient
- Don't know / not applicable

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

There are still many inefficiencies in the process such as the overlapping of information provided through the various reports addressed to the different supervisors. Further harmonization in the frameworks is needed to avoid the double reporting and the cost it implies.

It is for example our interpretation that efficiency has not been the leading principle when determining the reporting frameworks. For reporting institutions, it seems like authorities are asking for everything, just in case, before really examining if the specific data item is relevant or not. Our interpretation is based on examples such as those herewith:

1. with **EMIR reporting**, every single transaction with derivatives is reported. How is this information being analyzed and how do these analyses contribute to financial stability? One could think that there would be very sophisticated analysis about derivative markets with such detailed data. However, such analysis is missing;

2. at the beginning of discussions on **AnaCredit**, there were hopes that it would replace some of the existing reporting requirements. However, now it is coming on top of all the existing reports and is thus overlapping on many issues with the ECB's BSI, ECB MIR, FINREP and COREP, in some cases. In addition, EU requirements are overlapping with national requirements. Banks are required to report both for local and EU needs, which is a reporting burden. For instance, AnaCredit requires banks with branches around Europe, to develop different approaches to deliver data to each NCA;
3. there are Member States where **FINREP** did not exist before it became mandatory in 2014. Those Member States have sound banking sectors and the non-existence of FINREP was not a problem. We think that FINREP includes on solo level a lot of overlapping information with the ECB's BSI (balance sheet items) data collection and on a consolidated level with the BIS' consolidated banking statistics;
4. in the **COREP ALMM** report, the template C70.00 seeks to collect information about the volume of funds maturing and new funding obtained, i.e. "rollover funding", on a daily basis over a monthly time horizon which is highly complex to report and difficult to interpret;
5. the length of **time required to receive feedback** is also an issue. For the questions posted in EBA Q&A website answers are provided, at times, only after 6 months or more. For example, regarding Benchmarking Exercise 2017, it usually takes around 2 – 3 months to receive feedback. Once clarifications are received, it is too late in the process to change templates already created; For example, leverage EBA Q&A should have been published prior to the initial quarter of the submission to avoid interpretation issues;
6. **unclear specifications**, in EBA Benchmarking Exercise, we have noticed differences in list of values for the same attributes like "Collateral type", "Type of exposures", "Size of exposures" in Annex 1 (excel) and Annex II (word document). This causes confusion in our approach to building the data templates;
7. regarding **NCA local reports**, on top of the reporting requirements for the European authorities, NCAs are still requiring compliance with local reports which often overlap (for example Bank of Portugal still requires local banks to comply with several reports on credit and liquidity risks that are covered in FINREP/COREP) or which do not match the scope of the local reporting (for example in Belgium, banks have to include in the local NCA reports, which are based on local GAAP, a detailed breakdown of balance sheet exposures by currency, product and ultimate country of exposure, based on IFRS figures from the FINREP consolidated reporting);
8. **funding and Capital Plan** (required by some Central Banks) is redundant vis-à-vis other regulatory exercises (please refer to comments to 1.1. a);
9. **Large Exposures Return**: Template C27 "Identification of the Counterparty" This template requires a significant amount of validation and appears to be designed to produce errors which is an inefficient use of time. A much more efficient process would be for competent authorities to maintain a central database of unique counterparty codes including information on the identification of the counterparty. The unique counterparty code can then be provided to banks, on request, whenever they have a large exposure to a counterparty they need to report. A considerable amount of time is spent by banks and competent authorities to validate the information in this template as well as considerable cross checking against other templates in the large exposure return (ref: ECB's EDQG checks). Other competent authorities (e.g. UK's PRA) have also felt the need to produce examples of how template C27 should be populated. Integrated reporting and the ECB's Register of Institutions and Affiliates Database (RIAD) could play a role here;
10. competent Authorities seeking validation checks on out of date data;

11. establish a threshold, under which an online reporting system does not require a resubmission – ‘the non-material values’. There is a level of governance that an institution (in certain countries) has to go through when submitting supervisory reports and it is unnecessary to resubmit reports with non-material information. An explanation of the non-material issue that has been resolved should be sufficient;
12. the continuous issues with taxonomy changes suggest that the taxonomies should be tested more fully prior to release;
13. legislation requires financial institutions to report a particular solo entity for FINREP reporting, even though a consolidated return would be sufficient and it appears to be reporting for the sake of reporting to ensure compliance. The principle of proportionality should apply here with reporting thresholds where appropriate;
14. the reporting of non-material values is difficult to automate so reporting thresholds should be provided. The EC’s practice of reviewing data point submissions causes a lot of queries and unnecessary interaction;
15. automated variance reporting may take place when a return is submitted to an online reporting system yet JSTs may submit queries on the same variances;
16. there is a lack of transparency regarding how competent authorities share data.
17. there is also a lack of consistency in feedback on data quality to reporting agents across countries and across authorities.

The most significant obstacle with efficiency is that many authorities e.g. FSB, ECB, EBA, SRB, ESMA, have all data collections of their own and which often overlap. It seems difficult to coordinate and harmonize data across data frameworks. In addition to the duplication of reporting requirements across frameworks and differences in approaches, supervisory reporting requirements are subject to change on a frequent basis, while ad hoc requests for data also frequently arise. These make it very difficult for banks to streamline or automate reporting processes and to coordinate data management across departments.

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?

- Very well
- Fairly well
- **Not very well**
- Not at all
- Don't know / not applicable

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

Supervisory reporting requirements should better reflect banks’ efforts to implement BCBS 239 and to develop a systemized, strategic approach to data. It requires a multi-disciplinary, cross-departmental approach: finance, risk, IT and data management working together so banks need a coherent and consistent set of integrated data requirements and a data models. This would enable banks to develop their own solutions in-house and/or work with third party solutions and service providers to develop and maintain efficient systems.

Different reports for example are provided through various formats e.g. Excel spreadsheet, XBRL, text file and XML, which makes managing the reports more difficult. Even XBRL requirements force banks to generate new IT processes with additional costs, only the harmonization through projects like BIRD will take real advantage of the new ICT technologies, as a unique submission will be needed from banks.

Ad hoc JST queries should include technical specifications so that they can be incorporated into IT systems for reuse due to complexity and frequency of request.

Validations need to be reviewed more thoroughly prior to going live. Too many are being caught in testing phase and too many going live only to be identified in EBA Q&As subsequently.

Increased lead times are necessary for introducing IT changes.

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?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- It has made supervisory reporting more complicated
- Don't know / not applicable

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

Many national requirements still exist despite the EU level reporting being in force for many years. It has thus added to, rather than, replaced or simplified national requirements. For instance, the AnaCredit project has been adapted in different ways in the various jurisdictions due to local requirements. This leads to differences in the information provided by the different Member States. This is because national authorities used to have country specific items in their data collections which were not included in the EU level reporting frameworks. That is how they justify keeping national data collections going, many of which overlap with EU data frameworks. National authorities should be encouraged to abolish or simplify national data collections when a similar requirement exists at EU level as it will not facilitate the reporting until the local reporting requirements are removed.

The ECB and NCA should align their requirements in terms of reporting (supervision either statistics) and then ask the banks to implement them once they are harmonized.

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?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

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:

Banking groups operating in different Member States do not benefit from harmonized reporting requirements. The information provided to the different supervisors has been duplicated through slightly different reporting requirements which imply at the same time more economic cost and time. For them, it is a considerable burden to implement almost the same rules but slightly differently. Maximum harmonization should thus be the guiding principle.

There should be a critical evaluation at EU level as to what is included in the harmonized 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 substantially or to maintain double reporting 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

- No
- Don't know / not applicable

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

Some of the reporting criteria applied at European level is not applicable in other countries which is a challenge for banks with presence in other non-European jurisdictions. In practice, in large credit institutions different IT systems may be required in different locations to accommodate local standards and needs. In case a different set of data or different definition are applied in the newly developed or revised reports, this results in a multitude of changes (or re-mapping) across different systems and consequently higher compliance costs. We wonder why these numerous inconsistencies between the approaches are occurring and why are they not being coordinated between and within authorities.

Another challenge is the timeline in the reporting process as sometimes banks need to provide some reports even though the requirement still has a draft status e.g. the STE templates. This makes the reporting more difficult, time consuming, inefficient and costly.

STE – concentration risk. There is very little guidance or definitions supplied even though templates have been overhauled. This increases compliance costs.

Challenges regarding ad hoc JST queries and the reducing lead times. For example: Loan to income return previously 3 months to complete now only 6/7 weeks.

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

- Yes, both environmental and social
- Yes, environmental only
- Yes, social only
- No
- Don't know / not applicable

The extensive reporting burden is forcing smaller banks to merge or to be acquired by other banks, as on their own they cannot cope with the high costs of and management attention for the continuously growing and frequently changing reporting requirements. 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 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 harm 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 (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 work processes or services delivered by external contractors. Secondly, the increasing complexity of reporting has increased operational risk, including the cost 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 this compliance cost incurred by the end of 2016 for reporting frameworks in force by this date*.

* Note: some of the costs incurred until the end of 2016 may have been incurred in anticipation of supervisory reporting requirements to be implemented only as of January 2017. **Section 2 is not intended to cover these compliance costs. All replies should be provided on the basis of the situation at the end of December 2016 for frameworks in force at that 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

- No, it is at an appropriate level
- Don't know / not applicable

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

Individual level reporting is required too often and causes extra costs. In many cases the solo level information is not even relevant. Often these costs would have been saved if there had been a more critical evaluation of the need for individual reports.

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 small institutions.

Materiality: only material information should be reported. In many cases banks are asked to report irrelevant non-material information. Due to validation rules and disclosure requirements are hard to put into practice.

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)	1	2	3	4 (contributed greatly)	Don't know / not applicable

	at all)					
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:		X				

automation is understood as reducing or even fully eliminating human intervention from the supervisory reporting process.						
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	solo-level reporting	4
Factor 2	missing proportionality	4
Factor 3	missing materiality	3
Factor 4	Redundancy of reports / exercises	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 (contribute d 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				X		

entity/product						
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:

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

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.

Also, some national requirements have implied an unnecessary transposition of the IFRS, which complicates the local reporting regarding the European reporting with local particularities. In addition, some NCAs have not withdrawn the pre-existing reporting requirements at the time of entry into force of the SSM, based on statistical needs. This occurs at the aggregate level (templates) and at granular level (reports at a minimum level of detail for inspections, ad-hoc requests, etc.). It should be promoted that the only information format available to entities of any EU country is the European one, in the good understanding that if this reporting is sufficient for the ECB and the EBA, it should be sufficient for the NCA with functions of less relevance to those of the ECB once the SSM has come into force.

Additional examples include:

- Pillar III: banks need to disclose data according to both BCBS and EBA requirements; and
- AnaCredit

2.4 Does the obligation to use structured reporting³ and/or predetermined data and file formats⁴ for supervisory reporting increase or decrease the compliance cost of supervisory reporting?

- Increases the compliance cost

³ (i.e. templates or forms in which specific data elements to be reported are listed).

⁴ (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).

- Decreases the compliance cost
- Does not impact the compliance cost
- Don't know / not applicable

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

The current use of structured reporting increases the compliance cost.

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 reporting.

Structured reporting formats/ predetermined data could be helpful and reduce the compliance costs, if the data definitions are made consistent and various regulatory reports are aligned. At the moment a wide variety of data is requested, across different formats and different definitions, which only increases compliance costs. Furthermore, reporting structures and file formats are often updated to new versions and taxonomies, which imply maintenance costs which add to the implementation costs and tend to be even higher than those.

Initial outlay can also be substantial. However if it is an EBA requirement IT providers normally have an off-the-shelf system which partially reduces the cost, assuming the IT provider has correctly interpreted the legislation and that there are few changes (new legislation, taxonomies, or identification of validation errors by EBA).

It also depends on the return submission. For example, Deposit Guarantee Fund requires to structure reporting formats to be submitted on line by license to the deposit guarantee scheme and the national competent authority. Could one return be submitted and internal divisions of supervisors share the information? This would reduce the template submission and Director sign off.

Also, the new Pillar 3 structured formats has increased the reporting requirement and therefore increased the cost. However the structured templates have lead to clearer understanding of what the EC wants reported and will increase cross bank comparability for investors.

There needs to be a proportional approach taken to the introduction of these requirements.

That said, banks, investment firms and insurance companies as well as their European Supervisors would benefit significantly when they create a uniform data dictionary in which in detail the content and context of a data field is provided. This give banks, investment firms and insurance companies the possibility to create data lakes based on these data point definitions and provide the supervisors based on the frequency required the requested data. Based on the data the supervisor itself can create the reporting structure themselves.

Furthermore, the full implementation of the BIRD project for reporting in all countries and entities, will be a way to re-use the data and reduce the cost for the entities. Also, the reduction of the aggregated templates and the use of granular information, increases ECB's capacity to reuse the information and aggregate it in different axes without additional requirements.

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):

- COREP Core (including IP Losses)
- Large Exposure
- Asset Encumbrance
- FINREP
- TLTRO
- MiFID II,
- Deposit Guarantee Fund
- Resolution related reporting (LTD/MREL)
- Funding and Capital Plan
- EMIR
- AnaCredit (including local versions)
- MMSR
- SHS
- ICAAP
- Stress testing (EBA and local in some countries)
- Pillar III reports
- Local Reports on Interest Rate
- Liquidity - LCR
- Liquidity – NSFR
- Additional Liquidity Monitoring Metrics
- Real Estate
- Credit risks
- Reports for national and international statistics on the banking industry
- ECB statistical reporting and several often-overlapping national reporting frameworks

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:

- I am able to provide an estimate
- Not possible to estimate

Average initial implementation cost in euro:

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

Average initial implementation costs vary greatly depending on the scope of the reporting framework in question.

The start date of some of these reports is laying too far in the past to retrieve all relevant data.

Cost would have to be gathered from business FTE, ICT FTE, consultancy costs, vendor license costs and this for as well local reports and group reports, this is complex and not always available.

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

- I am able to provide an estimate as a percentage of total assets
- I am able to provide an estimate as a percentage of turnover
- I am able to provide an estimate as a percentage of another basis
- 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:

Average initial implementation cost as a percentage of the above-mentioned basis:

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

It is very difficult to assess the financial resources the banking industry has invested so far in regulatory reporting. The banking industry is an heterogeneous cluster of small, medium and large banks, local, European and global players, and with one-to-one approaches to the regulatory reporting challenge.

Besides, the different level of compliance by the industry with BCBS239 is also a matter to be considered as the investment is smaller if the approach is more tactical and less robust and the opposite. Nevertheless the full compliance remains a challenge for the industry in the next years. Furthermore, not all banks have the same analytical cost IT solutions in place that allow to calculate even a rough figure of the costs involved.

With regard to costs, it is very difficult for banks to separate out the cost of supervisory reporting when they are part of wider investments in IT and people. However, the costs of managing risk and finance data are substantial. For example, McKinsey estimated in 2015 that total incremental investment between USD 12 billion and USD 15 billion on Risk and Finance Data and Technology transformation (Average G-SIB: USD 230 million, average D-SIB: USD 75 million). Much of this investment is already underway (mainly in G-SIBs, with the bulk starting around 2013) and will continue for the next 3-5 years (mostly by recently designated D-SIBs).

Finally, the more complex and more frequent the changes, the more difficult it is for banks to plan ahead and make strategic investments. As a result, significant and avoidable ad hoc costs are being incurred by banks.

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

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

- I am able to provide an estimate
- Not possible to estimate

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

It is very difficult to assess the financial resources the banking industry has invested so far in regulatory reporting. The banking industry is an heterogeneous cluster of small, medium and large banks, local, European and global players, and with one-to-one approaches to the regulatory reporting challenge.

Besides, the different level of compliance by the industry with BCBS239 is also a matter to be considered as the investment is smaller if the approach is more tactical and less robust and the opposite. Nevertheless the full compliance remains a challenge for the industry in the next years. Furthermore, not all banks have the same analytical cost IT solutions in place that allow to calculate even a rough figure of the costs involved.

With regard to costs, it is very difficult for banks to separate out the cost of supervisory reporting when they are part of wider investments in IT and people. However, the costs of managing risk and finance data are substantial. For example, McKinsey estimated in 2015 that total incremental investment between USD 12 billion and USD 15 billion on Risk and Finance Data and Technology transformation (Average G-SIB: USD 230 million, average D-SIB: USD 75 million). Much of this investment is already underway (mainly in G-SIBs, with the bulk starting around 2013) and will continue for the next 3-5 years (mostly by recently designated D-SIBs).

Finally, the more complex and more frequent the changes, the more difficult it is for banks to plan ahead and make strategic investments. As a result, significant and avoidable ad hoc costs are being incurred by banks.

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

- I am able to provide an estimate
- Not possible to estimate

Annual running cost in 2016 as a percentage of operating cost:

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:

It is very difficult to assess the financial resources the banking industry has invested so far in regulatory reporting. The banking industry is an heterogeneous cluster of small, medium and large banks, local, European and global players, and with one-to-one approaches to the regulatory reporting challenge.

Besides, the different level of compliance by the industry with BCBS239 is also a matter to be considered as the investment is smaller if the approach is more tactical and less robust and the opposite. Nevertheless the full compliance remains a challenge for the industry in the next years. Furthermore, not all banks have the same analytical cost IT solutions in place that allow to calculate even a rough figure of the costs involved.

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Finally, the more complex and more frequent the changes, the more difficult it is for banks to plan ahead and make strategic investments. As a result, significant and avoidable ad hoc costs are being incurred by banks.

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:

- I am able to provide an estimate
- 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:

It is very difficult to assess the financial resources the banking industry has invested so far in regulatory reporting. The banking industry is an heterogeneous cluster of small, medium and large banks, local, European and global players, and with one-to-one approaches to the regulatory reporting challenge.

Besides, the different level of compliance by the industry with BCBS239 is also a matter to be considered as the investment is smaller if the approach is more tactical and less robust and the opposite. Nevertheless the full compliance remains a challenge for the industry in the next years. Furthermore, not all banks have the same analytical cost IT solutions in place that allow to calculate even a rough figure of the costs involved.

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Finally, the more complex and more frequent the changes, the more difficult it is for banks to plan ahead and make strategic investments. As a result, significant and avoidable ad hoc costs are being incurred by banks.

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:

- I am able to provide an estimate
- Not possible to estimate

Average annual running cost over the last 5 years as a percentage of operating cost:

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:

It is very difficult to assess the financial resources the banking industry has invested so far in regulatory reporting. The banking industry is an heterogeneous cluster of small, medium and large banks, local, European and global players, and with one-to-one approaches to the regulatory reporting challenge.

Besides, the different level of compliance by the industry with BCBS239 is also a matter to be considered as the investment is smaller if the approach is more tactical and less robust and the opposite. Nevertheless the full compliance remains a challenge for the

industry in the next years. Furthermore, not all banks have the same analytical cost IT solutions in place that allow to calculate even a rough figure of the costs involved.

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Finally, the more complex and more frequent the changes, the more difficult it is for banks to plan ahead and make strategic investments. As a result, significant and avoidable ad hoc costs are being incurred by banks.

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:

- I am able to provide an estimate
- 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:

It is very difficult to assess the financial resources the banking industry has invested so far in regulatory reporting. The banking industry is an heterogeneous cluster of small, medium and large banks, local, European and global players, and with one-to-one approaches to the regulatory reporting challenge.

Besides, the different level of compliance by the industry with BCBS239 is also a matter to be considered as the investment is smaller if the approach is more tactical and less robust and the opposite. Nevertheless the full compliance remains a challenge for the industry in the next years. Furthermore, not all banks have the same analytical cost IT solutions in place that allow to calculate even a rough figure of the costs involved.

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Finally, the more complex and more frequent the changes, the more difficult it is for banks to plan ahead and make strategic investments. As a result, significant and avoidable ad hoc costs are being incurred by banks.

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:

- I am able to provide an estimate
- **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:

It is very difficult to assess the financial resources the banking industry has invested so far in regulatory reporting. The banking industry is an heterogeneous cluster of small, medium and large banks, local, European and global players, and with one-to-one approaches to the regulatory reporting challenge.

Besides, the different level of compliance by the industry with BCBS239 is also a matter to be considered as the investment is smaller if the approach is more tactical and less robust and the opposite. Nevertheless the full compliance remains a challenge for the industry in the next years. Furthermore, not all banks have the same analytical cost IT solutions in place that allow to calculate even a rough figure of the costs involved.

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Finally, the more complex and more frequent the changes, the more difficult it is for banks to plan ahead and make strategic investments. As a result, significant and avoidable ad hoc costs are being incurred by banks.

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.):

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.

COREP, ALMM, AnaCredit, CRD IV transposition and internal models. In addition to considerable costs incurred during implementation phase, continuous changes to definitions/additions of reportable data points drive up the cost of compliance markedly by causing a recurring need to redefine elements of reportable information.

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

- **Fully in-house**
 - Partially outsourced
 - Fully outsourced
 - Don't know / not applicable

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

In-house engines have been developed for regulatory reporting to NCA and have been adapted to comply with the new reporting requirements of ECB. However, other alternatives to replace in-house engines (vendors) have been analysed.

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:

- I am able to provide an estimate
- 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:

As there is no clear and uniform guideline on how to calculate the number of FTE involved we do not find it appropriate to make an estimate. Moreover making an estimate is very difficult as the people involved are spread throughout the entity (with local reporting departments at the subsidiaries, group functions, people involved in data quality management) and reporting efforts are often not limited to regulatory use.

Nevertheless we can confirm the increase of regulatory reporting requirements, and the data quality imposed by BCB239, resulted in an increased workload between 2009 and 2016.

2.8.1 b) in 2009:

- I am able to provide an estimate
- 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:

As there is no clear and uniform guideline on how to calculate the number of FTE involved we do not find it appropriate to make an estimate. Moreover making an estimate is very difficult as the people involved are spread throughout the entity (with local reporting departments at the subsidiaries, group functions, people involved in data quality management) and reporting efforts are often not limited to regulatory use.

Nevertheless we can confirm the increase of regulatory reporting requirements, and the data quality imposed by BCB239, resulted in an increased workload between 2009 and 2016.

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:

- I am able to provide an estimate
- 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:

As there is no clear and uniform guideline on how to calculate the number of FTE involved we do not find it appropriate to make an estimate. Moreover making an estimate is very difficult as the people involved are spread throughout the entity (with local reporting departments at the subsidiaries, group functions, people involved in data quality management) and reporting efforts are often not limited to regulatory use.

Nevertheless we can confirm the increase of regulatory reporting requirements, and the data quality imposed by BCB239, resulted in an increased workload between 2009 and 2016.

2.8.2 b) in 2009:

- I am able to provide an estimate
- 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:

As there is no clear and uniform guideline on how to calculate the number of FTE involved we do not find it appropriate to make an estimate. Moreover making an estimate is very difficult as the people involved are spread throughout the entity (with local reporting departments at the subsidiaries, group functions, people involved in data quality management) and reporting efforts are often not limited to regulatory use.

Nevertheless we can confirm the increase of regulatory reporting requirements, and the data quality imposed by BCB239, resulted in an increased workload between 2009 and 2016.

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:

- I am able to provide an estimate
- 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:

As there is no clear and uniform guideline on how to calculate the number of FTE involved we do not find it appropriate to make an estimate. Moreover making an estimate is very difficult as the people involved are spread throughout the entity (with local reporting

departments at the subsidiaries, group functions, people involved in data quality management) and reporting efforts are often not limited to regulatory use.

Nevertheless we can confirm the increase of regulatory reporting requirements, and the data quality imposed by BCB239, resulted in an increased workload between 2009 and 2016.

2.8.3 b) in 2009:

- I am able to provide an estimate
- 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:

As there is no clear and uniform guideline on how to calculate the number of FTE involved we do not find it appropriate to make an estimate. Moreover making an estimate is very difficult as the people involved are spread throughout the entity (with local reporting departments at the subsidiaries, group functions, people involved in data quality management) and reporting efforts are often not limited to regulatory use.

Nevertheless we can confirm the increase of regulatory reporting requirements, and the data quality imposed by BCB239, resulted in an increased workload between 2009 and 2016.

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.):

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.)?

- Yes
- No
- Don't know / not applicable

If you answered yes to question 2.9, please indicate which frameworks, explain in what way they have contributed to cost-savings, and if possible quantify the savings (with respect to previous or other similar reporting frameworks):

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 regards 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			

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:

The primary cost drivers of supervisory reporting in addition to those mentioned explicitly in the table above are overlapping reporting requirements imposed by the national regulator. Additionally, solo-level reporting is burdensome and costly, yet often provides no additional information.

Increased clarity in the guidelines at EBA level.

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

In order for banks and supervisors to automate reporting the requirements must be stable, consistent and frequent enough to justify the investments in IT required for that automation. Definitions and criteria would need to be harmonised and standardised and data would have to be reported at a granular level to allow banks to report once and supervisors to reuse data as needed.

Regarding national reporting requirements the ECB should mandate NCAs to justify their data collections and provide concrete examples of the benefits of information gained through them, including its specific end uses. If the additional reporting requirements do not seem to provide additional information from a financial stability point of view the ECB should oblige the NCA in question to scrap the reporting requirement.

Furthermore, some reports are redundant and inconsistent with each other. Since financial institutions need to comply with lots of different reporting requirements and some are not clear enough, aligning the different requirements at supervisor and regulator level will help banks to save some costs. Clarity in requirements is a must to achieve efficient reporting.

Also, if supervisory reporting focuses on the relevant key data elements, each one with international standards, clear and stable for a medium/long-term period, institutions could better estimate their compliance efforts (ICT and FTE) and reduce their costs in the medium term.

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
- **Significantly**
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

Please elaborate on your answer to question 3.2:

By default, any changes made to the terminology of up-and-running reporting frameworks cause additional costs by way of redefining every bit of reportable information to comply with the updated terminology. If such common terminology was to be developed and applied, its use must be extended to every reporting framework to avoid any misalignments in terminology between different reporting frameworks.

At present there is a misalignment between banks regarding the meaning of specific sections within a regulatory standard, which makes more difficult to compare banks. Furthermore, the analysis of revised guidelines, standards or new legal acts is a costly and time-consuming process for each bank. The BIRD project will help to align all the different data in a common language which will be supported in common definitions for all the

institutions. Regarding BIRD implementation, the scope is still too narrow as it has not yet been extended to all the reports. It is crucial to align all the different data to save time and cost for the banks and supervisors rather than a mere compilation of existing definitions. The BIRD scope should be enlarged as soon as ECB/EBA intends to have an updated / new reporting requirement. Both should be together similarly as currently BIRD is being extended to FINREP (2018 ambition) whereas banks have implemented it in 2014.

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
- **Significantly**
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

Please elaborate on your answer to question 3.3:

It can help to the extent that it implies that the information sent to the market is homogeneous and comparable, allowing benchmarks with peer groups. On the other hand, there are efficiencies in the use of management information with a common language for supervisory information.

Other requirements have come into force since 31 December 2016. These are issued by the ECB Statistics Department (AnaCredit and SHS) and, should be aligned / harmonized as much as possible with supervisory reporting in terms of definition but also classification (exposure classes are still different). This would also be fully aligned with the BCBC239 recommendations regarding common language.

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

- **Yes**
- No
- Don't know / not applicable

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

It is not only a matter of development of a common financial language, it is more about all international supervisory entities assuming a compromise on its applicability. Furthermore, the development of a common financial language (CFL) should be a pan-European and, where possible global, initiative, if it is to meet the needs of internationally active banks and the aims of the Single Market. The CFL should cover both supervisory and statistical reporting requirements.

The BIRD is a welcome initiative in this regard, but it must be more inclusive with a stronger mandate to align reporting in all EU countries and all authorities. To have an efficient common financial language, BIRD should be finalised in time so that banks do not need to double their work in intermediate reporting and have the time to implement BIRD. On the other hand, the ERF/IRF should be compulsory for all the Member States without national transposition so that all the institutions can count with the same timeframe of implementation.

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**

- No
- Don't know / not applicable

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

National differences in legislative terminology (and in industry practices) would prove an important obstacle to such development especially in the short term. It is also acknowledged the development of a CFL will take several years, authorities should thus begin by committing themselves to prioritising and providing the support needed for a CFL and begin designing new requirements based on the CFL.

It requires cooperation between (a) European Commission – as legislator, (b) European supervisors and (c) National supervisors. We note that each of these supervisors have their own priorities.

It requires strategical choices to be made. Will supervisors request data driven supervision? We note that with the current technical development supervisors will request more and more data for their supervision 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.

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

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**
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

Please elaborate on your answer to question 3.6:

The interoperability between reporting frameworks and receiving entities can increase the efficiency of reporting, by optimizing the compliance structures of financial entities, through lower costs and greater quality of information reported. With a harmonised BIRD requirement, all the interoperability between the different reporting frameworks will be guaranteed.

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**
- Significantly
- Moderately
- Marginally
- Not at all

- Don't know / not applicable

Please elaborate on your answer to question 3.7:

In addition to our comments to 3.6, the interoperability between reporting frameworks and receiving entities tends to improve the management of supervisory reporting as the dispersion of information decreases and data is collected more rapidly.

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

- Yes
- No
- Don't know / not applicable

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

It is important to work first on the alignment of the different entities as a pre-requisite for an efficient interoperability. The different regulatory/supervisory institutions should be aligned in order to use a single harmonised reporting framework like BIRD.

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
- No
- Don't know / not applicable

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

It requires cooperation between (a) European Commission – as legislator, (b) European supervisors and (c) National supervisors. We note that each of these supervisors have their own priorities.

It requires strategical choices to be made. Will supervisors request data driven supervision? We note that with the current technical development supervisors will request more and more data for their supervision 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.

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

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?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

Please elaborate on your answer to question 3.10:

The greater use of ICT will only moderately help to reduce the compliance costs of supervisory reporting as investments in ICT are required both at the implementation phase and each time there are changes. The constant change in framework versions and taxonomy contributes to the increase in ICT costs. A benefit is that the use of ICT in terms of reporting will ease the distribution of costs and will make it simple to transfer the data in a unique data collection e.g. BIRD, ERF.

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?

- Very significantly
- Significantly
- **Moderately**
- Marginally
- Not at all
- Don't know / not applicable

Please elaborate on your answer to question 3.11:

In addition to our comments to 3.10, the use of ICT helps the management of supervisory reporting as information is more rapidly available for verification and report.

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

- **Yes**
- No
- Don't know / not applicable

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

Better implementation is needed from a supervisor perspective, namely, in providing more information and a clear and harmonised requirement for the use of ICT. A better coordination between the different players involved is also essential. Furthermore, financial institutions must have the necessary funds to invest in ICT and not compromise short term profitability and capital adequacy.

The EC needs to talk more with IT providers as they normally present the solutions to banks and if the solution has interpretation issues then lead to banks reporting incorrectly. During CRD IV preparation, the EC talked to IT providers but it is our understanding the EC has stopped that communication now.

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**
- No
- Don't know / not applicable

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

Some impediments to the greater use of ICT are the need for significant investments in the short term and the lack of communication between the different regulatory/supervisory entities and the restrictive legislation across countries.

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?

- Very significantly
- Significantly
- Moderately
- **Marginally**
- Not at all
- Don't know / not applicable

Please elaborate on your answer to question 3.14:

A significant proportion of supervisory reporting still requires manual effort. This results in substantial personnel costs and increased automation would reduce those compliance costs.

However, 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.

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?

- Very significantly
- Significantly
- Moderately
- **Marginally**
- Not at all
- Don't know / not applicable

Please elaborate on your answer to question 3.11:

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.

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

- **Yes**
- No

- Don't know / not applicable

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

- Automation of reporting streams is predicated upon extensive systems investments and testing before being operational. It should also be noted that any changes made to reporting frameworks or definitions used will often necessitate extensive and expensive changes to reporting tools.
- Financial institutions must have the necessary funds to invest in automation and not compromise short-term profitability and capital adequacy.
- Interoperability between supervisory and statistical frameworks (and within domains) would facilitate greater automation within institutions by facilitating the reuse of data through harmonized data models and agreed transformation rules, and, with third parties who could provide reporting services to institutions. This could also reduce the burden on smaller institutions.
- Other prerequisites for a greater automation of supervisory reporting include definitions for technical specifications regarding data requested in the form of ITS instructions, and, for the stabilization of data requested. The STE exercise experience perfectly illustrates these prerequisites.

The STE exercise, defined as a short-term exercise, was considered as:

- a temporary exercise due to end on December 31, 2016;
- a complex and time-consuming template to produce due to:
 - o requested data not being available at the consolidated level
 - o data collection involving a wide variety of data types (e.g. accounting, risk, liquidity) coming from different management systems, departments and entities
 - o time-consuming to collect, compile and reconcile data prior to deliverin data quality information to NCAs

For these reasons, in the context of sound management, banks took the tactical option not to automate STE production which was a costly solution, in order to invest in other more stable long-term projects. This decision was supported by the frequent changes made on templates without any warning and explanation. Since the implementation in 2015 of the STE exercise, the main changes, for example, are listed below:

- 2015:
 - o Credit: Credit Non-Performing Exposures have been removed as ECB pointed out that FINREP F18.00 reporting was already giving the information
 - o Profitability: removal of the split "business in force" vs "new business"
 - o Market: changes to the breakdown of interest rates amounts by residual maturity – implementation of 20 years and >20 years buckets
 - o Operational: new STE template implementation
- 2016 (whereas NCA confirmed at year-end 2015 that no changes would occur):
 - o Loan-to-Income: new STE template implementation

For the reasons presented above and to maintain the current level of data quality, we advocate obtaining technical specifications regarding data requested in the form of ITS instructions, like those provided by EBA for COREP and FINREP reporting.

Finally, to avoid the submission of reporting requirements through different channels, we advocate for STE templates "ICAAP" and "ILAAP" to be communicated once only by banks.

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

• Yes

- No
- Don't know / not applicable

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

The capacity of institutions to make automation investments in the short term is one of the main obstacles to greater automation. Also, the definitions are still not clear enough. This leads to misinterpretations of the regulation.

Furthermore, as mentioned previously, supervisory reporting is currently partly manual because of instability and inconsistency of the reporting requirements,, even though all necessary information is stored in an electronic form. Introducing greater automation into reporting processes would necessitate far-reaching changes in processes and systems to be able to function automatically.

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

- Crucial role
- Important role
- Moderate role
- Limited role
- No role
- Don't know / not applicable

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

A major support for innovation with clear rules and the creation of a sandbox for testing different innovative solutions.

The EU legislative framework could be adjusted in terms that incentivize the use of ICT, namely by allowing that investments in ICT do not affect capital/funding ratios.

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

• Crucial role

- Important role
- Moderate role
- Limited role
- No role
- Don't know / not applicable

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

EU regulators would have to agree and specify a common financial language, interoperable data models and clear transformation rules and an agreed set of coherent and consistent reporting requirements.

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

Missing proportionality in supervisory reporting is the most obvious element to lessen the reporting burden for institutions while ensuring sufficient data collections from a financial stability point of view. For example, solo-level reporting is unnecessary when the subject is a small non-complex financial institution, especially if the institution in question belongs to an amalgamation of similar financial institutions, since the amalgamation itself is subject to the same reporting frameworks on a consolidated level. Also, further collaboration and support for an efficient implementation of the European reporting framework (ERF - BIRD) is needed.

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
- **No**
- Don't know / not applicable

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

3. Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

Executive summary attached

Brussels 5 July 2023

Reduction of reporting requirements and reporting burdens

ESG related recommendations

As acknowledged by the European Commission's President Von der Leyen, the quality of the European legal framework is key to its competitiveness. Therefore, it is crucial to ensure that this framework does not burden European businesses but rather supports them and enables them to effectively face challenges and harvest opportunities, including in the global market.

To address the challenge of climate change, support the EU transition to climate neutrality and achieve the objectives of the EU Green Deal, the EU has put forward, in a relatively short time, an important number of policy initiatives. These include measures aiming at enhancing transparency on the analysis and management by European companies of their ESG related risks, opportunities and impacts. Such transparency implies the publication of metrics and data that are further analyzed and collected by financial institutions in the framework of their own ESG-related assessments.

Banking regulators and supervisors are also continuously stepping up expectations related to the incorporation of ESG risks into banks' risk management practices and to ESG reporting, both vis-a-vis supervisors and the public (disclosures). Moreover, to channel finance towards the transition to a more sustainable economy, a number of regulations applicable specifically to the financial sector have entered or are about to enter into force. As a result, banks are facing multiple reporting requirements, which are, at times, overlapping and/or inconsistent.

While the objective to increase transparency of sustainable finance is necessary, it has also introduced challenges, for example to produce consistent and reliable data.

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A collective review of EU reporting requirements, including those in the making, with the aim of an overall simplification and reduction of inconsistencies, would, therefore, be a very much welcome step in this regard.

We would suggest to the European Commission to consider the following aspects in the revision process:

- 1) **Finding the right balance between, on the one hand, information needs of different economic stakeholders to facilitate the achievement of EU objectives and, on the other, reporting burdens**
- 2) **Consistency of the reporting requirements in the reporting value chain, including data points and timing**
- 3) **Consistency of requirements across different pieces of regulation with the objective of eliminating duplications and redundancies and ensuring common definitions**
- 4) **Symmetry in reduction of data requirements with questionable or immaterial information value between the financial and non-financial industry**
- 5) **Ensuring the availability of data relevant for the financial industry**
- 6) **Reducing the cost of calculation and reporting of individual datapoints**
- 7) **Consistent implementation, reduction of national discretions and gold-plating methods by Member States, which would also contribute to the reduction of reporting costs for cross-border institutions**
- 8) **Alignment with international standards and commonly used conventions and the provision of reconciliation tables to significantly reduce reporting costs and reconciliation efforts.**

Please find below further elaboration on the above aspects, including a number of specific examples.

1) Finding the right balance between information needs of different economic stakeholders to facilitate the achievement of EU objectives on the one hand and reporting burdens on the other

A balanced approach where the most **material and relevant information across the reporting chain** is prioritized would facilitate the implementation of the framework and eliminate unnecessary reporting burden for EU entities.

2) Consistency of the reporting requirements in the reporting chain, including data points and timing

As banks are dependent on their customer's data, there must be a **consistency between the reporting requirements of non-financial and financial entities**. Removing reporting requirements for non-financial institutions while retaining the same reporting requirements for financial institutions would result in the need for **bilateral engagement** between banks and their clients. The risk is that the effort to reduce the reporting burden on companies would be fruitless and, to the contrary, may further increment reporting burdens on both sides while also hampering consistency and harmonization of data. **It is therefore necessary that reductions of disclosure requirements be consistent between financial and non-financial companies.**

In addition, a significant number of banks' clients fall out of the scope of the reporting under the Corporate Sustainability Reporting Directive (CSRD), while banks are required to report on climate risk (transition and physical) on their entire banking book, including for example SME portfolios under the Capital Requirements Regulation (CRR) Pillar 3.

To mitigate the need for bilateral engagement as much as possible, it is important that the EFRAG develops a **voluntary, harmonized, simplified standard or Guidance for SMEs as soon as possible**. This will enable non-listed SMEs to report against such standard voluntarily and/or facilitate bilateral engagement by providing a common base. Unlisted SMEs will be requested information by large companies in their reporting chain, by banks, as well as by public administration from day one. If they do not have a standard adapted to their characteristics and capacity, unlisted SMEs risk being overburdened by complex and multiple requests. Such standards should be based on **minimum reporting requirements that would address the information needs of financial institutions and other relevant stakeholders**¹.

However, as not all SMEs will opt to report under the voluntary standard or respond to engagement, and as some SMEs will continue to lack the resources and/or expertise to be able to provide the information, we believe such limitations should be duly considered. Reporting on SMEs and/or other entities outside the scope of the CSRD should have been voluntary. Any further considerations of mandatory obligations for banks to report on their SME exposures should be avoided as long as:

- i) there is no mandatory reporting for SMEs that would cover such information need or
- ii) there is no common set of proxies provided by the EU authorities that can be used by financial institutions to report on SME exposures where data are not available.

Examples:

*Alignment **between banks' reporting requirements** for CRR Pillar 3, Sustainable Finance Reporting Directive (SFDR), ESG supervisory reporting under the CRR and reporting requirements under the CSRD's European Sustainability Reporting Standards (ESRS) **for corporates** (including sectoral standards) to ensure availability of data. This includes considerations of materiality assessment.*

*Foreseeing a **timing gap**, in the context of Article 8 Taxonomy Delegated Act disclosures, not only for alignment but also **eligibility** reporting, by non-financial and financial institutions for all remaining environmental objectives. Financial institutions rely on the reporting of their non-financial counterparties. The timing gap would allow financial institutions to gather the relevant data from such counterparties, incorporate it into their systems and their reporting framework. Such a timing gap would reasonably contribute to the accuracy of financial institutions' reporting. Calculating taxonomy eligibility ahead of companies' eligibility disclosure implies setting up two processes- first based on proxies followed by processes based on customers' data. The process using proxies requires a thorough assessment on how to compute, implement and review them. At least some waivers of certain information needs should have been envisaged in the Taxonomy Delegated Act during the phase-in periods.*

¹ <https://www.smeunited.eu/news/efrag-should-reprioritise-its-activities-towards-smes-joint-letter-from-smeunited-and-ebf>

*Providing a timing gap in CSRD disclosures between financial and non-financial entities. The disclosures under the CSRD are expected to help resolve the disclosures required by the financial industry. It will therefore be important to **maintain the phase-in period envisaged in the CSRD for value chain reporting that will allow banks to report only available data. Guidelines and clarification on value chain reporting under the ESRS for financial institutions as well as how to assess materiality of business relations (e.g., exposures by outstanding amount, by financed emissions, ESG scores etc.) will also be necessary as soon as possible. Further guidance is also needed for non-financial companies, to deliver comparable and consistent materiality assessments across the value chain.***

3) Consistency of requirements across different pieces of regulation with the objective of eliminating duplications and redundancies and ensuring common definitions

The elimination of multiple information requests with the same objective or request for similar information would lead to a reduction of implementation efforts and the cost of reporting. **Ideally, the disclosure of the same piece of information should only be requested once.** This would require defining in which legislation/ report the disclosure makes more sense. When deciding where or under which report certain information should be disclosed, consideration should also be given to the level of assurance required for such disclosure.

At a minimum, it would be useful that the EC provides an **overview comparing similar requirements from different pieces of legislation and clarifying which data equally fulfils the requirements of different regulations.** There should be a uniform wording for the required ESG information [specified in terms of type of data point, scope (with/without value chain), collection method/instrument, source, type of necessary verification and documentation of the records, perspective to be taken (counterparty; financed object; economic activity supported)].

Examples:

*Requirements and wording regarding **transition plans** in the CSRD's ESRS, the Corporate Sustainability Due Diligence Directive (CS3D) and the Capital Requirements Directive (CRD): As a minimum, underlying requirements, assumptions and methodologies need to be aligned to avoid liability risk, increased compliance burden, and lack of unique reference to align with internal risk management and steering. Such approach is being considered in the EU Green Bond Standard (EU GBS) where transition plan requirements were linked to the CSRD rather than included in the EU GBS itself.*

*We would suggest **reintroducing the exemption for subsidiary companies** from the sustainability reporting obligation (also for large undertakings whose securities are admitted to trading on a regulated market in the Union) if included in the consolidated reporting of the parent company. Where the parent undertaking reporting at group level provides "an adequate understanding of the risks for, and impacts of, their subsidiary undertakings, including information on their due diligence processes where appropriate", asking for an individual (at subsidiary companies level) sustainability reporting creates considerable administrative costs. Moreover, this current provision also seems to be in contrast with the reasonableness of the information disclosed to the public, in particular for financial subsidiaries whose ESG strategy and disclosure cannot deviate from those of the parent company given that all policies are defined centrally.*

Credit institutions are required to **report information on their financing towards activities that are taxonomy aligned twice**: once under the Taxonomy Regulation and once under Art. 449a of the CRR (Pillar 3 ESG). Nevertheless, the disclosure requirements are slightly different between these two legislations constraining banks to calculate their financing toward taxonomy-aligned activities.

Some examples of these differences are in relation to households' exposures (simplified approach in P3, but not in Art 8), the definition of total GAR assets, and the scope of exclusion (Art 8 refers to central governments while P3 refers to general governments). The Art 8 and the P3 report needs to be aligned and in case of any differences, these need to be justified.

Moreover, it would be useful to assess whether companies already subject to the Taxonomy Regulation and CRR should **disclose the same metric twice. Identical disclosures or templates** under the EU Taxonomy Regulation and the disclosures according to Pillar 3 **should be deleted** to avoid duplication. It should be decided under which legislation, and in which report the information should be disclosed.

Consolidation mismatch: While Pillar 3 and the Taxonomy Regulation require banks to apply the prudential method of consolidation, the CSRD requires the accounting method. This adds to the complexity in reporting for financial institutions and can potentially result in a misalignment of the disclosures made. In addition, for financial institutions with insurance activities, there will be a need to assess these activities separately. As per above, financial institutions should only be requested to report once.

Assurance obligations: Cross reference to other reports should be envisaged, providing the same level of assurance as in the CSRD. However, the scope of consolidation, as highlighted above, would need to be addressed first.

ESRS risk and opportunity definitions are not aligned with other risk management guidelines e.g., the ECB guidelines for climate and environmental risks.

ESRS and CRR Pillar 3: inconsistencies in data definitions and requirements between high impact sectors and exposures towards companies excluded from EU Paris-aligned Benchmarks.

Taxonomy, ESRS, CRR Pillar 3: All include analysis or reporting of **energy certificates or energy consumptions** and ESRS and CRR Pillar 3 all include **scope 3**, leading to duplications.

ESRS S2 - Value chain – Consistency with the CS3D should be considered to avoid that different data need to be collected along the value chain.

4) Symmetry in the reduction of data requirements with questionable or immaterial information value between the financial and non-financial industry

To reduce the reporting burden, we urge the Commission to identify non-material, irrelevant or otherwise obsolete reporting requirements **that can be consistently removed from the reporting requirements of both, financial and non-financial institutions**. It is important to ensure alignment between the financial and non-financial industry with respect to the reduction of data requirements.

5) Ensuring the availability of data relevant for the financial industry

It is important to ensure alignment between the financial and non-financial industry with respect to both - data requirements, as well as the reduction of data requirements. Removing (or not requiring) reporting obligations for non-financial entities containing information that is relevant for banks, either to fulfill their own reporting needs or for risk management/portfolio alignment purposes, would not lead to a reduction of reporting requirements, as this information will nonetheless have to be collected bilaterally, as mentioned in the point above. Moreover, some information needed by banks to comply with their reporting obligations are still not reflected in the EU reporting framework and need to be added.

To maintain coherence between reporting standards and obligations under EU law, we strongly encourage the European Commission to require, at a minimum:

- Key climate disclosure indicators and topics, including Scope 1, 2, and 3 GHG emissions, climate targets and transition plans.
- Key environmental and social disclosures necessary to comply with the SFDR, the Benchmark Regulation and Climate Benchmark Delegated Acts, as well as Pillar 3 disclosure requirement, but also
- Reconsider the voluntary nature of certain disclosures, including on why a specific sustainability topic would not be deemed material, as well as on biodiversity and own workforce.

If the materiality assessment in the final ESRS remains as proposed by the European Commission, including on the disclosure requirements related to financial sector data needs, this will have to be reflected in the requirements the financial sector is subject to under the SFDR, Pillar 3, and any other future obligations. The financial sector cannot reasonably be expected to retrieve information on a bilateral basis to fulfil its reporting obligations, where the customer has deemed such information to be immaterial.

Please see below the list of datapoints necessary for the financial industry:

*The **NACE code of the principal activity of the group and of each subsidiary**: For the current reporting, for example, a level of detail of up to four digits is required for the NACE code (cf. ESG Template 1 NACE D35.11)*

Breakdown of revenues, capex/opex per economic activity/NACE code

*Scope 1-3 GHG **emissions reduction targets** (near and long-term) adopted to address climate-related impacts and support a low-carbon economy. In case the company has set climate-related targets, if they are compatible with limiting warming to 1.5 degrees.*

*With specific reference to **alignment between the ESRS and Pillar 3 reporting**, it will be important that the following quantitative information disclosures **remain in the final version of the ESRS as mandatory data points (not subject to materiality assessment)** in order to ensure banks' possibility to report under Pillar 3:*

1. *Breakdown of total revenue by significant ESRS sectors (draft ESRS 2)*
2. *Statement indicating whether the company is excluded from the Paris Aligned Benchmarks (draft ESRS E1)*

3. Statement indicating, together with the related revenues, whether a company is active in the fossil fuel (coal, oil and gas) sector, i.e., it derives revenues from exploration, mining, extraction, production, processing, storage, refining or distribution, including transportation, storage and trade of fossil fuels (draft ESRS 2)
4. Breakdown of the carrying value of companies' owned real estate assets, or at least buildings used as loan collaterals, by energy-efficiency classes (draft ESRS E1). It is important that the information provided includes both the ranges of energy consumption in kWh/m² and the EPC (Energy Performance Certificate) label class (and not just one of these information as currently required by the draft ESRS E1). Companies should also disclose whether the information provided is an estimate.
5. Scope 1, 2, 3 GHG emissions (draft ESRS E1) per subsidiary and consolidated at group level
6. Potential financial effects from material physical risks, including the location of significant assets at material physical risk (aggregated by NUTS codes 3 level digit when the asset is localized in Europe or equivalent for assets outside the EU) (draft ESRS E1).
7. Information on assets/companies in the value chain that are subject to physical risks is also necessary (draft ESRS 2: "When describing where in its value chain material impacts, risks and opportunities are concentrated, the undertaking shall consider: geographical areas, facilities or types of assets, inputs, outputs or distribution channels").

On top of the above, banks will need **additional information to report under Pillar 3** and we would suggest, therefore, that the **following disclosures be included either in the sector-agnostic ESRS or in the future sector-specific standards:**

1. Turnover/revenues segregation with the same level of sectoral granularity as detailed in Template 1 and Template 3 (NACE code digit 2, 3 or 4 depending on the sector)
2. Amount of capex and turnover derived from activities aligned with the climate mitigation objective broken down by the NACE codes indicated in template 1.
3. % of turn-over/revenues derived from activities excluded from the Paris-aligned Benchmark under the Benchmark Regulation, incl.:
 - **Exploration, mining, extraction, distribution or refining of hard coal and lignite** (incl. B.05.10 Mining of hard coal; B.05.20 Mining of lignite; C.19.10 Manufacture of coke oven products - EFRAG draft ESRS SEC 1 Coal Mining sector)
 - **Exploration, extraction, distribution or refining of oil fuels** (incl. B.06.10 Extraction of crude petroleum; B.09.10 Support activities for petroleum extraction - EFRAG draft ESRS SEC 1 Oil and Gas - Upstream and Services sector + C.19.20 Manufacture of refined petroleum products; G.47.3 Retail sale of automotive fuel in specialised stores - EFRAG draft ESRS SEC 1 Oil and Gas – from Midstream to Downstream sector)
 - **Exploration, extraction, manufacturing or distribution of gaseous fuels** (incl. B.06.20 Extraction of natural gas; B.09.10 Support activities for natural gas extraction EFRAG draft ESRS SEC 1 Oil and Gas - Upstream and Services sector + G.46.71 Wholesale of solid, liquid and gaseous fuels and related products; H.49.50 Transport via pipeline - EFRAG draft ESRS SEC 1 Oil and Gas – from Midstream to Downstream sector; D.35.21 Manufacture of gas; D.35.22 Distribution of gaseous fuels through mains; and D.35.23 Trade of gas through mains - EFRAG draft ESRS SEC 1 Power production and Energy Utilities sector)
 - **Electricity generation with a GHG intensity of more than 100 g CO₂ e/kWh** (incl. D.35.11 Production of electricity - EFRAG draft ESRS SEC 1 Power production and Energy Utilities sector)
4. **Alignment metrics**, including actual and targeted GHG emission intensity per sector-specific production unit. All companies that operate in sectors listed in Template 3 should

be required to disclose carbon alignment metrics. Please see below metrics used to align loan portfolios with the objectives of the Paris Agreement and on which banks are required to fill in Template 3 by June 2024 (including measuring the alignment of each sector with its benchmark IEA NZE2050 scenario):

- **Power**
 - NACE codes and EFRAG draft ESRS SEC 1 sector: D.35.11 Production of electricity - Power production and Energy Utilities sector
 - Metrics:
 - **GHG emission intensity in tons (t) CO₂-e per MWh (at least scope 1 and scope 2)**
 - **Fuel mix: share of power generation from each fuel source (% of MWh produced from coal, oil, gas, nuclear, renewables)**
- **Oil and Gas upstream**
 - NACE codes and EFRAG draft ESRS SEC 1 sectors: B.06.10 Extraction of crude petroleum and B.06.2 Extraction of natural gas - Oil and Gas - Upstream and Services sector + D.35.21 Manufacture of gas - EFRAG draft ESRS SEC 1 Power production and Energy Utilities sector
 - Metrics:
 - **GHG emission intensity in tons (t) CO₂-e per mega joule (MJ) (scope 1 and scope 2, scope 3 could also be reported but separately from scope 1 and 2)**
 - **Absolute scope 3 GHG emissions (present and forward looking). Absolute scope 1 and 2 GHG emissions could also be reported but separately from scope 3.**
 - **Oil and gas production trend (i.e. targeted volumes of extraction and production)**
- **Oil and Gas midstream and downstream**
 - NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.19.20 Manufacture of refined petroleum products - EFRAG draft ESRS SEC 1 Oil and Gas – from Midstream to Downstream sector + D.35.22 Distribution of gaseous fuels through mains and D.35.23 Trade of gas through mains - EFRAG draft ESRS SEC 1 Power production and Energy Utilities sector
 - Metrics:
 - **GHG emission intensity in tons (t) CO₂-e per mega joule (MJ) (scope 1 and scope 2, scope 3 could also be reported but separately from scope 1 and 2)**
 - **Absolute scope 3 GHG emissions (present and forward looking). Absolute scope 1 and 2 GHG emissions could also be reported but separately from scope 3.**
- **Coal**
 - NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: B.05.10 - Mining of hard coal and B.05.20 - Mining of lignite - EFRAG draft ESRS SEC 1 Coal Mining sector
 - Metrics:
 - **GHG emission intensity in tons (t) CO₂-e per mega joule (MJ) (scope 1, 2, 3)**
 - **Thermal coal production trend (i.e., targeted volume of extraction and production)**
- **Aluminium**

- NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.24.42 - Aluminum production - EFRAG draft ESRS SEC 1 Metal Processing sector
 - Metric: **GHG emission intensity in tons (t) CO₂-e per ton (t) of aluminium (scope 1 and scope 2)**
- **Cement**
 - NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.23.51 - Manufacture of cement - EFRAG draft ESRS SEC 1 Construction Materials sector
 - Metric : **GHG emission intensity in tons (t)CO₂-e per ton (t) of cement (scope 1 and scope 2)**
- **Iron and Steel**
 - NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.24.10 - Manufacture of basic iron and steel and of ferro-alloys and C.24.20 - Manufacture of tubes, pipes, hollow profiles and related fittings, of steel and C.24.34 - Cold drawing of wire - EFRAG draft ESRS SEC 1 Metal Processing sector
 - Metrics:
 - **GHG emissions Intensity in tons (t)CO₂-e per ton (t) of iron and steel produced (scope 1 and scope 2)**
 - **Scrap Charge as defined by the Sustainable Steel Principles** [[see sustainable steel principles framework.pdf](#) (climatealignment.org) page 16]
- **Automotive**
 - NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: C.29.1 - Manufacture of motor vehicles; EFRAG draft ESRS SEC 1 Motor Vehicles sector
 - Metrics:
 - **Tailpipe GHG emissions intensity in gCO₂e/passenger-km (passenger transport) or gCO₂e/km (freight transport)**
 - **Share of high carbon technologies (ICE) and electric vehicles (EV) sales over total sales**
- **Shipping / maritime transport**
 - NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: H.50.10 and H.50.20 Sea and coastal passenger/freight water transport; EFRAG draft ESRS SEC 1 Other Transportation sector
 - Metrics:
 - **Emissions intensity in gCO₂e/passenger-km (passenger transport) or gCO₂e/MJ (freight transport)**
 - **GHG emission intensity of the vessel relative to decarbonization trajectories**
- **Aviation**
 - NACE codes and corresponding EFRAG draft ESRS SEC 1 sectors: H.51.1 - Passenger air transport and H.51.21 - Freight air transport - EFRAG Other Transportation sector
 - Metric: **GHG emission intensity in gCO₂-e / per passenger-kilometer**

With specific reference to **alignment between the ESRS and Sustainable Finance Disclosure Regulation (SFDR) reporting**, in its draft form the ESRS included all information necessary for

*financial institutions to comply with the SFDR, however, **subjecting these to materiality assessment may lead to non-availability of the data and the need to either collect the data bilaterally or use of proxies where possible.***

We therefore believe that it should be mandatory for all companies to explain whether or not they respect the mandatory Principle Adverse Impacts (PAI) included in the Regulation (regardless of the result of their materiality assessment).

*We recommend that those indicators remain in the final version of ESRS as mandatory datapoints and that they be disclosed regardless of the results of the materiality assessment. **The list of PAI indicators required for FIs to comply with SFDR is the following:***

1. GHG emissions (scopes 1, 2 and 3)
2. Carbon footprint
3. Monetary GHG intensity (tCO₂e/M€ of enterprise value)
4. Activities in the fossil fuel sector
5. Share of non-renewable energy consumption and production
6. Energy consumption intensity
7. Activities negatively affecting biodiversity-sensitive areas
8. Emissions to water
9. Hazardous waste and radioactive waste ratio
10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises
11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises
12. Unadjusted gender pay gap
13. Board gender diversity
14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)

PAI related solely to real-estate investments were not included in the ESRS. Nevertheless, it will be important that companies also disclose those, depending on their sector:

1. Exposure to fossil fuels through real estate assets
2. Exposure to energy-inefficient real estate assets

6) Reduction of the cost of calculation and reporting - pragmatic approaches

Banks are facing challenges related to ESG reporting both as preparers and users. The availability and reliability of data is not yet at the level that meets the requirements of financial entities, for example when they manufacture financial products, advise customers and disclose sustainability-related information. The current lack of reliable and comparable ESG data is a key challenge for financial institutions, which often depend on expensive third-party solutions or bilateral engagement with customers. Cost optimization measures should be a priority. The provision of ESG data has positive externalities and **should be supported by Member States and the European Commission. The provision of common proxies** (given the ongoing challenges on the use of proxies in terms of the quality of the data, how it can be validated etc.), **simplification of the requirements, or data shared**

by public authorities should be considered where individual data are not yet available, or their provision would be costly. Recent legislative proposals, such as the CS3D and the Directive on the energy performance of buildings (EPBD recast), recognize the importance of this type of support. To simultaneously reduce reporting burdens and comply with increasing regulatory requirements and expectations of supervisors, it is imperative that broad support measures to companies and to financial institutions are provided swiftly.

As a first step we would suggest that **public agencies and authorities be encouraged to disclose relevant ESG data centrally**, where already collected, to reduce individual information requests towards companies (ideally before the date of first application of the corresponding requirements).

The reporting burden and costs of the financial industry would also be significantly reduced with a **sequential approach**, enabling banks to rely on information which has already been published by their clients, as explained in the previous section. In case a piece of information would not be considered material for corporate reporting, it should not be required to be reported by financial institutions.

Examples:

Dedicated websites, portal or platforms

Such support should range from the operation of dedicated websites, portals or platforms to financial support, and facilitation of joint stakeholder initiatives. The provision of information of ESG data concerning, among others physical risk maps (distinguishing between acute and chronic events – if kept in Pillar 3), CO2 emissions (to effectively build a database with historical measurements), water consumption, EPC certificates available in national administrative databases would prove instrumental to achieve the objectives of the Green Deal. Currently, as widely recognized by legislators, supervisors, business and financial associations, there is a lack of granular and comparable information on ESG data among economic activities and companies of different sizes.

In this context, it is important that the data is defined in a consistent manner across Europe. Currently, this is not always ensured. Example: EPC labels may be based on different energy consumption ranges in different areas of the EU, e.g., in different countries as well as in different regions of one country.

In such a database, a "whitelist" of companies subject to NFRD/CSRD could be published which fulfil the "minimum social safeguards" at the institutional level required for the taxonomy analysis. In general, a timely centralized list of companies subject to NFRD/CSRD, would be helpful as it is basic information for the taxonomy reporting of banks.

The development of public databases (e.g., ESAP) should take place in a timely manner and include ESG data as soon as possible. The reporting requirements, especially for institutions that depend on such data, should be linked to the availability of the data to be taken into account. The fact that the EU institutions are not considering to include CSRD data in ESAP from the very beginning is not only disappointing but raises doubts about the accessibility and comparability of ESG data.

DNSH

Similar to the Commission Notice "Technical guidance on the application of 'do no significant harm' (DNSH) under the Recovery and Resilience Facility Regulation" published in December 2021 to assist national authorities in the preparation of the Recovery and Resilience Plans and to ensure that no measure included in a Recovery and Resilience Plan (RRP) leads to significant harm to environmental

objectives within the meaning of Article 17 of the Taxonomy Regulation, national authorities should issue technical guidance on how Taxonomy DNSH criteria can be checked at national level, taking into account legislative acts adopted, as well as the specific characteristics of national databases. In addition, although Member States have the option of relying upon the Technical Screening Criteria (TSC) in the delegated acts under the Taxonomy Regulation when assessing compliance with DNSH, we consider that it would be desirable that, whenever possible, national authorities conceive measures, including public financing solutions, aligned (even if partially) with the Taxonomy criteria, in order to mitigate reporting burdens and to crowd-in private investment.

Energy Performance Certificates (EPCs)

In the EU, buildings account for 40% of energy consumed and 36% of energy-related direct and indirect greenhouse gas emissions². Making Europe more resilient calls for renovation of EU buildings, making them more energy efficient and less dependent on fossil fuels. Renovation is key for achieving the Climate Law objectives. Buildings are also of crucial importance to the banking sector, as a substantial part of bank lending relates to mortgages.

The Proposal for the Directive on the energy performance of buildings (EPBD recast) previews that each Member State shall set up a national database for energy performance of buildings which allows data to be gathered on the energy performance of the buildings and on the overall energy performance of the national building stock, and that the database shall be publicly accessible. While the proposal is still under discussions in the Trilogue, in January 2024, EU banks will have to disclose their Green Asset Ratio (GAR) for the financial year 2023. Banks will need to provide quantifiable evidence that demonstrates the extent to which the activities they finance meets the TSC defined in the Taxonomy Regulation.

Therefore, it is of utmost importance to have, as soon as possible, information on buildings, regarding Energy Performance Certificates, Primary Energy Demand (with national and regional reference values) and GPS Coordinates (to identify physical climate risks). In essence, the implementation of national EPC databases as well as a gradual harmonisation of EPC certification across EU countries, taking into account the differences in primary energy demand in different European regions, are both considered extremely important. As already mentioned above, an EU-wide uniform definition of the EPC label is also an essential precondition.

Provision of proxies, estimates or sectoral averages

In a transitional period until ESG data that meet qualitative and quantitative minimum criteria are available, estimates, approximations based on sectoral or technology-based averages should be permitted (also for mandatory taxonomy reporting). However, it would be important for the chosen methodology to be transparent (e.g., based on the data quality table according to PCAF).

Provision of common estimates or sectoral averages such as emissions intensity sector averages and emissions factor data that banks can use when information is not disclosed by counterparties or providing common alignment targets at EU level would reduce the cost of reporting. The use of such proxies should be explicitly allowed for specific reporting purposes when no data is available, providing full transparency when proxies are used.

If no information to the contrary is available, it should be possible to assume (e.g., when checking taxonomy alignment) that national laws are complied with (e.g. with regard to emission limits for checking the significant contribution, or in the case of DNSH or MSS checks). The same applies to the commitment of institutions to voluntary standards, provided that these include a sound process for verification.

² https://commission.europa.eu/news/focus-energy-efficiency-buildings-2020-02-17_en

Data collections and validation of data

Duplication of data collection efforts and requirements for control and validation of data provided should be minimised; especially if, for example, the taxonomy reporting of financial institutions is based on the information provided by the customers (which will generally be subject to an external audit in the future as part of the CSRD) (see also above on assurance).

Limitation of the data to be included in the management report

The taxonomy templates are to be published in full in the non-financial statement / later in the management reports. Consequently, human readability is made more difficult by the inclusion of such excessive tables. It would be desirable to significantly reduce the information to be published in the management report, as we consider the presentation of the tables (especially with regard to the extension for environmental targets 3-6) to be very unwieldy and of very limited comprehensibility for some stakeholder.

7) Consistent implementation, reduction of national discretions and gold-plating methods by Member States would also contribute to the reduction of reporting costs for cross-border institutions

Discrepancies between different Member States' implementation of the CSRD should be avoided. As a minimum, clarity and transparency on divergences in implementation across jurisdictions would be helpful. National disclosure requirements if these are being adequately addressed by the CSRD should also be eliminated to reduce double reporting.

Example:

For those companies that must disclose a Corporate Governance Statement there is a redundancy with the Governance-related disclosures in ESRS 2.

8) Alignment with international standards and commonly used conventions and the provision of reconciliation tables will significantly reduce reporting costs and facilitate reconciliation efforts

The objective of the alignment of EU reporting requirements with international initiatives is not only to ensure comparability and a level playing field globally, but also to enable EU entities to report only once or avoid costly reconciliation. Comparison tables between major reporting standards would facilitate reconciliation efforts, for instance where divergences are unavoidable. Mapping documents that identify common disclosure requirements for companies to meet both sets of requirements (including information about choices that need to be made in some situations to enable a company to provide disclosures that would meet both sets of requirements) and disclosure requirements that are unique to the respective standards would be useful. Further publication of an interoperability navigation tools to assist companies in navigating the climate-related requirements and to enable a company to understand how to meet both sets of requirements would be also highly appreciated. As a matter of priority this is needed for ESRS and ISSB standards.

Examples:

Aligning the baseline ISSB standard with ESRS to the maximum extent possible to avoid double-reporting, as well as, highlighting where divergences exist. Emphasis on alignment and interoperability with the IFRS/ISSB with regards to financial materiality while retaining the significant differentiating factor between the ISSB and CSRD approach which relates to the double materiality under the CSRD.

Presentation approaches in the ESRS standards should allow companies reporting under ESRS to present the ISSB global baseline information in a visible manner, to facilitate comparisons and avoid the need for double reporting.

Alignment with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human rights to assist banks in performing the minimum social safeguards due diligence required by the Taxonomy Regulation

Alignment of the transition plans requirements with the Guidance on transition of the Glasgow Financial Alliance for Net-Zero GFANZ commonly used by major EU banks and across the forthcoming EU regulation.

Mismatch in the use of terminology used in reporting (common convention) e.g., in the Taxonomy reporting:

- *Annex VI in the draft amendment to Article 8 and the concept of **total assets**. In the templates for Credit institutions, the column is named Total Gross carrying amount, so in a worst-case scenario, we now introduce total assets = gross carrying amount excluding loan loss provisions and this would not tally to IFRS total assets or FINREP total assets. Hence, there is a large risk of misunderstandings when reading the Taxonomy reporting.*
