



Fitness check of supervisory reporting requirements

Conference on 'Preparing supervisory reporting for the digital age'

Brussels, 4th June 2018

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Presentation overview

- **Background**
- **Fitness Check of supervisory reporting requirements**
- **Results of the open public consultation**
- **Early results from the Financial Data Standardisation project**
- **Next steps / timeline**

A bit of history

- **Financial crisis exposed weaknesses of the EU supervisory reporting framework**
- **To address these, supervisory reporting framework strengthened:**
 - a large number of new requirements
 - more granularity
- **Call for Evidence – feedback on the benefits, unintended effects, consistency, and coherence of the EU regulatory framework for financial services**

Call for Evidence

- **Supervisory reporting one of the main challenges:**
 - too many reporting requirements
 - requirements not fully aligned
 - lack of clarity as to what needs to be reported
 - insufficient use of international standards
 - changes too frequent, with insufficient time for implementation
- **Impact:**
 - unnecessary complexity, cost, and admin burden on firms
 - poor quality of data
- **Conclusion:**
 - need for a comprehensive review of supervisory reporting requirements -> Fitness Check launched in Q3 2017

Fitness Check - objective

Identify areas where cost and burden of supervisory reporting can be reduced without compromising the objectives of financial stability, market integrity, and consumer protection

Fitness Check - Approach

- **Assess whether EU supervisory reporting requirements:**
 - are relevant and effective
 - have brought added value
 - are consistent across the different reporting frameworks (coherence)
- **... and whether their cost and burden is proportionate to the benefits (efficiency)**
- **Horizontal approach:**
 - assessment is looking at several pieces of legislation in conjunction

Fitness Check - Scope

- **All financial legislation within the remit of DG FISMA**
 - ...containing structured supervisory reporting requirements
- **Both Level 1 and Level 2 legislation (but Level 3 out of scope)**
- **In principle limited to legislation in force or published by 31.12.2016**
 - ...but final report will include limited reference to post-2016 developments

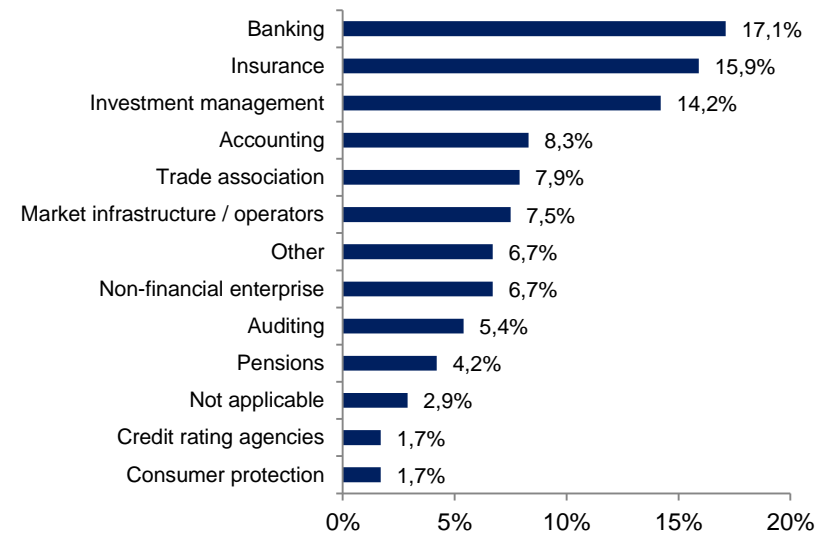
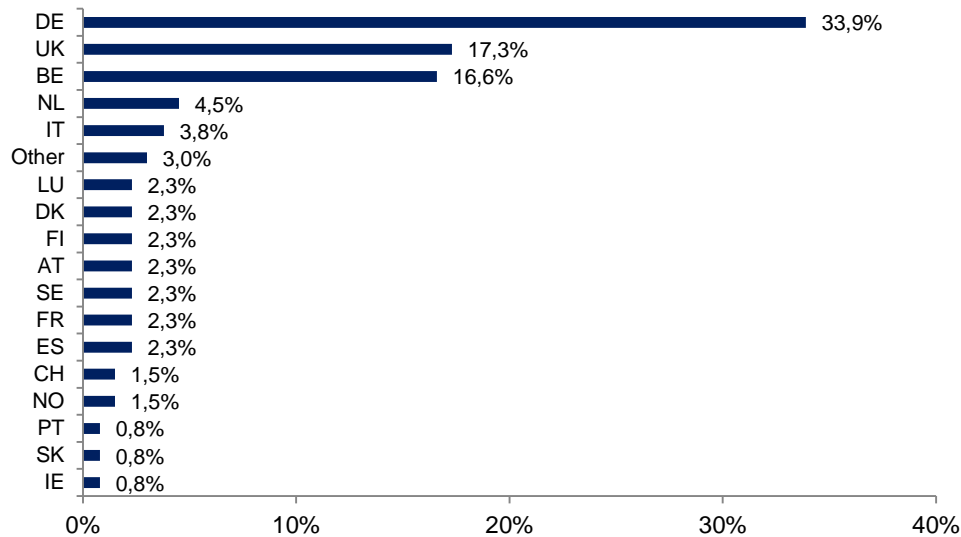
Fitness Check - Inputs

- **Public consultation**
- **Financial Data Standardisation (FDS) project**
- **External cost compliance study**
 - assess cost of compliance with a selection of EU financial legislation
 - not only supervisory reporting – also substantive other obligations
 - legislative acts adopted or significantly amended since 2009
 - at least 11 MS, most financial sectors/actors
- **Stakeholder Roundtable**
 - support for the Fitness Check and FDS project
 - initially limited to EU-level supervisors (ESAs, ECB, SSM, SRB)
 - upcoming workshop with NCAs and industry

Public consultation

- **Held from 1.12.2017 until 14.03.2018**
- **To seek additional and more specific inputs to those received during the CfE**
- **3 sections:**
 - are reporting requirements fit-for-purpose?
 - estimation of compliance cost & cost drivers
 - suggestions for improvement
- **Summary report published end of last week**

Overview of respondents' characteristics



- Total number of responses: 391
- Largely identical responses from a group of 258 industry respondents
- Almost two-thirds of responses by entities domiciled in DE, UK, BE.
- 13 responses from public authorities (small sample)

Supervisory reporting impact on financial stability, market integrity and investor protection

- **Frequently expressed views of industry respondents:**
 - Moderately positive impact of reporting in all three areas
 - Costs not proportionate to new information insights, e.g.:
 - EMIR improved oversight but data generated not used effectively
 - CRR coverage contested by smaller banks due to their low risk to financial stability
- **Most frequent responses of supervisors:**
 - Significant improvement of oversight effectiveness in all three areas
 - Gaps in reporting requirements
 - Split reporting between EU and national authorities prevents data aggregation

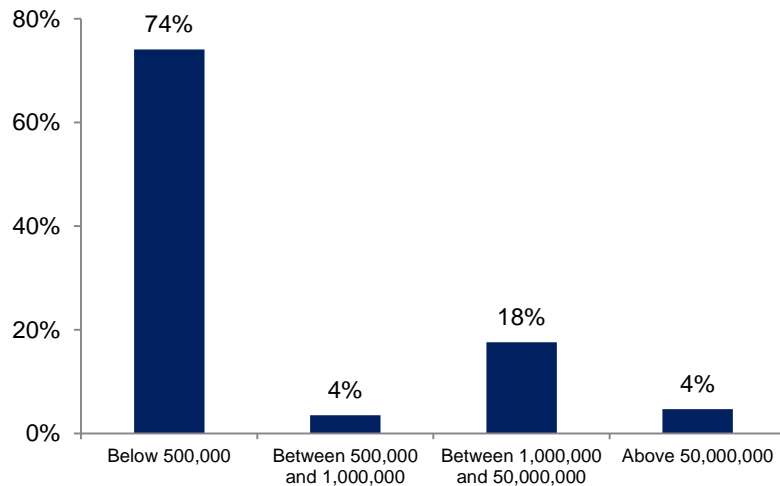
Coherence and efficiency of reporting requirements

- **Industry considers reporting frameworks rather inefficient and incoherent, public authorities as mostly efficient and coherent**
- **Both groups say inconsistencies due to duplicative or similar reporting requirements with different definitions**
 - Especially national vs. EU frameworks
- **Inefficiencies due to:**
 - Diverging and 'gold-plated' national implementations
 - Unnecessary granularity of data
 - Too frequent reporting
- **Both industry and public authorities advocated increased harmonisation of reporting frameworks**

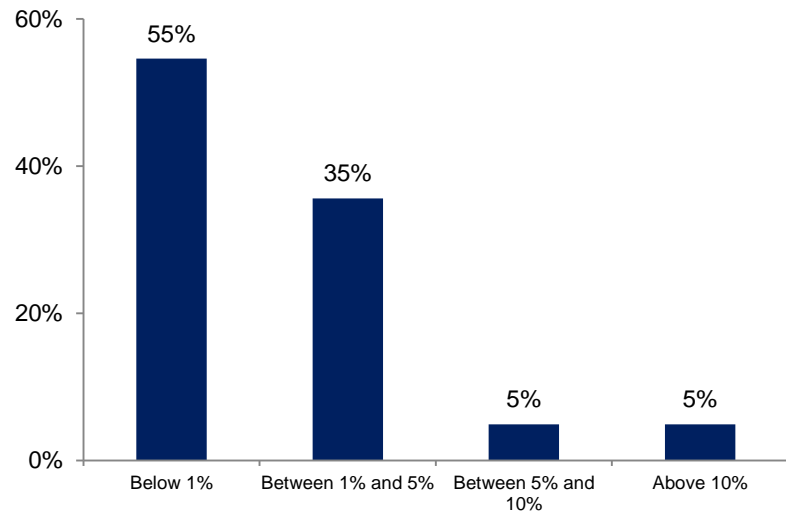
Supervisory reporting compliance costs quantification

- **Almost all industry respondents believe that supervisory reporting is unnecessarily costly:**

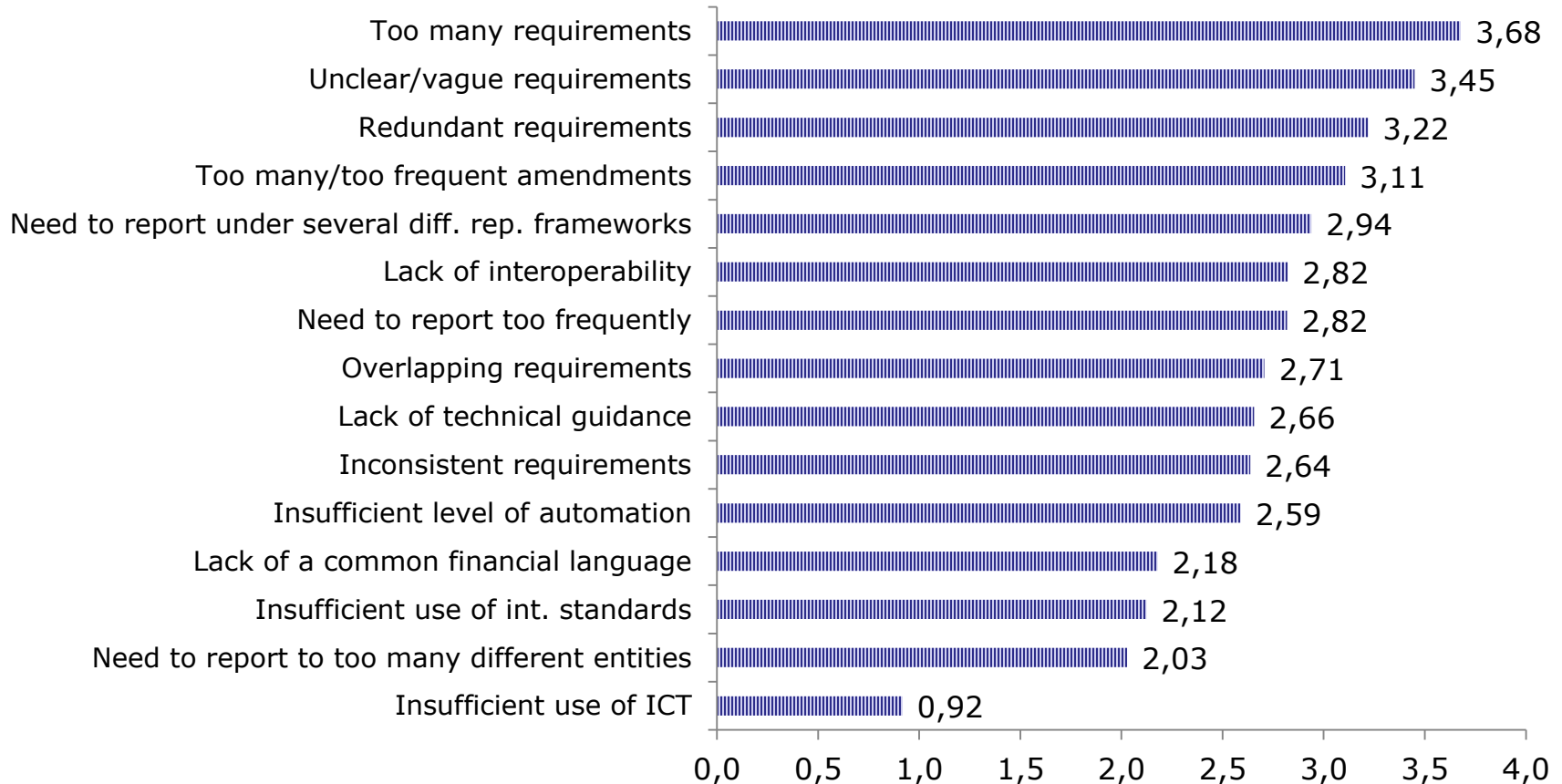
Initial implementation cost in EUR



Running cost in 2016 as a % of operating cost

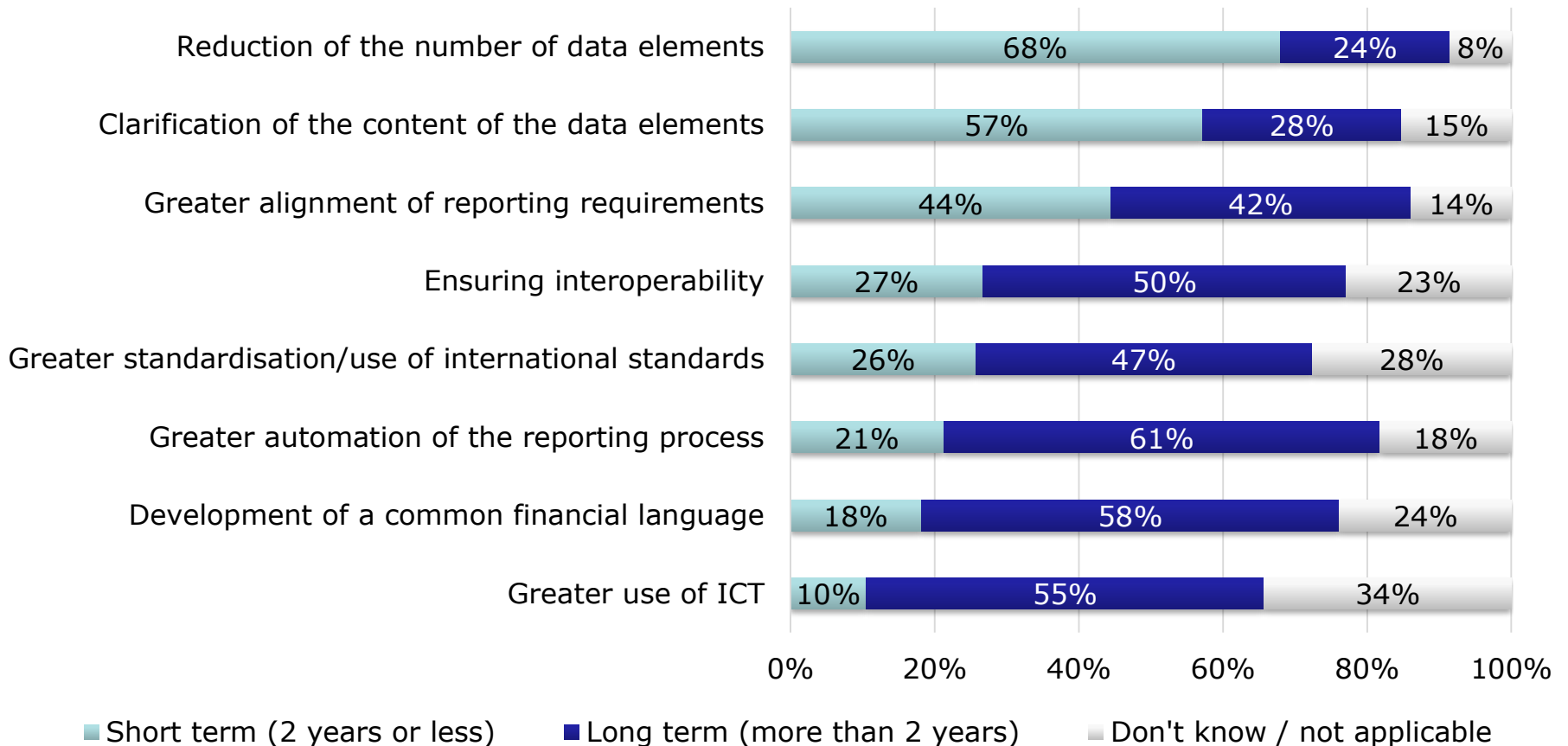


Main factors contributing to compliance costs



Note: the answers were provided according to a ranking from 0 (not at all source of costs) to 4 (very significant source of costs)

Ways to simplify and streamline supervisory reporting



Role of EU regulators

- **Majority of stakeholders see a significant EU role in stimulating transition to efficient, data driven supervision, e.g.:**
 - Continue to develop purpose-built interactive communication channels between firms and regulators, e.g. stakeholder or expert groups
 - Harmonize definitions and standards – such as identifiers, data formats, taxonomies – applicable in multiple jurisdictions, coordinating globally
 - Adapt pace of regulatory change and provide sufficient guidance on legislation so firms can make strategic and long-term ICT investments

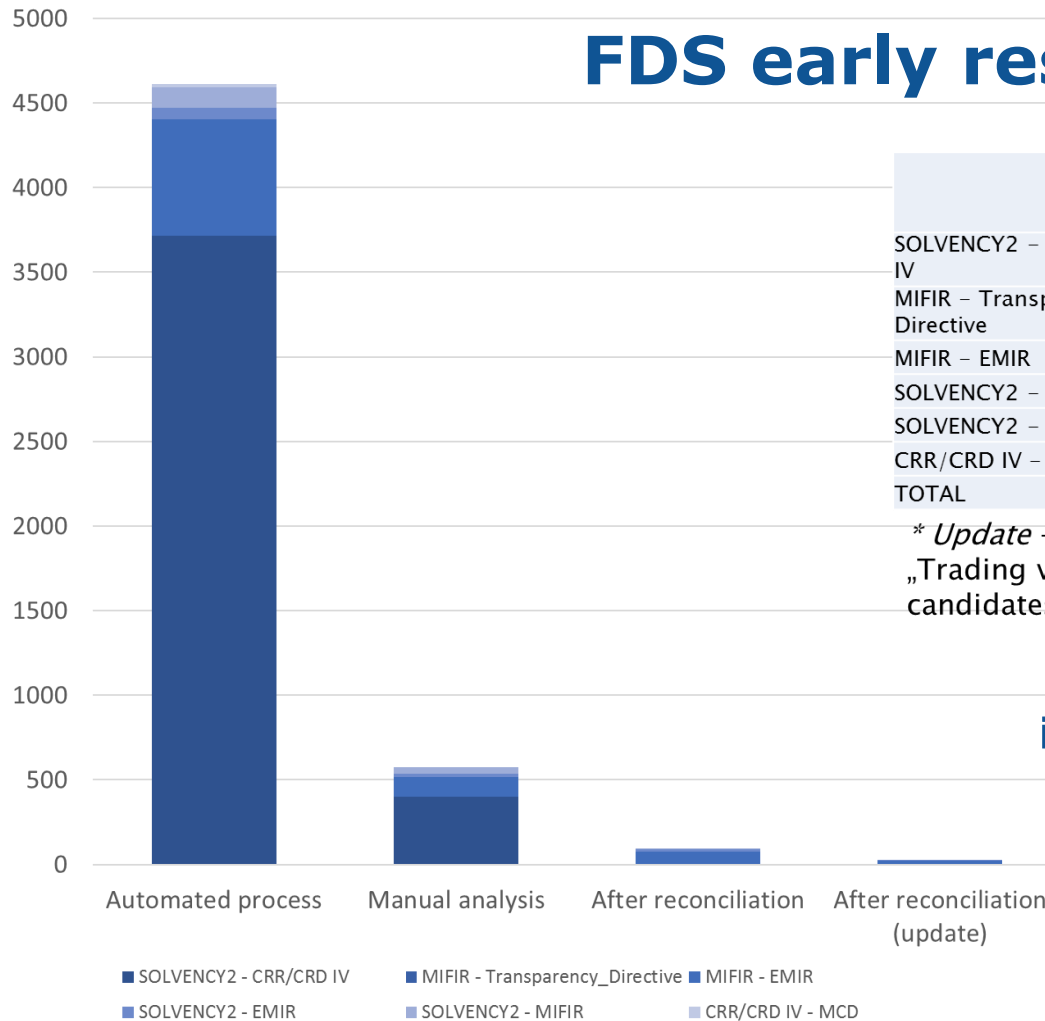
FDS project

- **Stand-alone project, launched in 2016**
- **Focus/objectives:**
 - assess need for – and requirements for developing – a common financial data language ('define once' principle)
 - look at ways of increasing the use of identifiers
 - analyse the role modern technologies can play in supervisory reporting in the future
- **In-depth review of supervisory reporting requirements in EU-level financial legislation**
 - identify overlaps, gaps, inconsistencies, and redundancies

FDS – state of play

- **Assessment of overlaps**
 - First 7 reporting frameworks assessed – practically no overlaps found at data element level
 - Assessment for additional 15 frameworks underway
- **Assessment of inconsistencies and gaps**
 - Clarification of exact meaning of these terms
- **Other aspects of reporting requirements also being looked at**
 - Use of standards, formats, identifiers, ...

FDS early results



	Automated process	Manual analysis	After reconciliation	After reconciliation (update)*
SOLVENCY2 – CRR/CRD IV	3713	400	0	0
MIFIR – Transparency Directive	2	0	0	0
MIFIR – EMIR	688	117	77	24
SOLVENCY2 – EMIR	70	20	11	3
SOLVENCY2 – MIFIR	119	40	6	0
CRR/CRD IV – MCD	20	0	0	0
TOTAL	4612	577	94	27

* *Update* – This step assumes that the contextual data like „Trading venue” or „Currency” is outside of the scope of candidates for reporting obligation overlaps

Number of potential overlaps identified during the assessment

FDS early results

- Often, definitions are slightly different between legal measures

Naming in the legal act	Document name	Article	Paragraph
Non-financial counterparty	REGULATION (EU) No 648/2012 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 4 July 2012 on OTC derivatives, central counterparties and trade repositories (consolidated version 03/01/2017)	2	9
Non-financial entity	DELEGATED REGULATION (EU) .../... on the application of position limits to commodity derivatives	8	1

“If something appears the same, how do we know it really is?”


FDS early results

Frequency	Frequency according to legal act	Framework
Annually	Annually	CRR/CRD IV
	Annually	EMIR
	Annually	MiFID II / MIFIR
	Annually	PRiIPs
	Annually	Solvency II
	Annually	Transparency Directive
	Annual basis	MiFID II / MIFIR
	At least an annual basis	MiFID II / MIFIR
	At least an annual basis	Solvency II
	At least annually	CRR/CRD IV
	At least annually	EMIR
	At least annually	MiFID II / MIFIR
	At least annually	Solvency II
	At least on an annual basis	EMIR
	At least on an annual basis	MiFID II / MIFIR
	At least once a year	MCD
	At least once a year	MiFID II / MIFIR
	At least once every 12 months	MiFID II / MIFIR
	On a regular basis and not less than once a year	CRR/CRD IV
	On an annual basis	Solvency II
Regular basis and at least annually	Solvency II	

Candidates for inconsistencies

Frequency

Standards referred to in the reporting frameworks...

Id	Reporting Framework	structured? 	MODELLING				REPORTING											
			DPM	ISO 20022	SDMX	Interoperable Taxonomy Architecture	XBRL	Excel	PDF	XML	Electronic format	E-mail	eGate					
1	CRR/CRD IV	Yes																
2	Solvency II	Yes																
3	MiFID II/MIFIR	Yes																
4	MIFID I	Yes																
5	IORP	Yes																
6	EMIR	Yes																
7	AIFMD	Yes																
8	CSDR	Yes																
11	Transparency Directive	Yes																
12	Statutory Audit Regulation/Directive (SAR/SAD)	Yes																
15	SFTR	Yes																
16	AoU	Yes																
18	EuVeCaR	Yes																
19	European Social Entrepreneurship Funds Regulation (EuSEFR)	Yes																
22	Packaged retail and insurance-based investment products (PRIIPs) Regulation	Yes																
28	Short Selling Regulation (SSR)	Yes																
30	BRRD	Yes																
31	UCITS (IV) Directive	Yes																
32	UCITS (V) Directive	Yes																
33	Motor Insurance Directive	Yes																
35	MCD	Yes																
36	Credit Rating Agencies Regulation/Directive (CRAR/CRAD)	Yes																
38	DGS Directive, NEW	Yes																
40	Market Abuse Regulation/Directive (MAR/MAD)	Yes																
48	ELTIF	Yes																

no standard mentioned or used
standard legally imposed
standard mentioned in another EU resource

... and identifiers

Id	Reporting Framework	structured?
1	CRR/CRD IV	Yes
2	Solvency II	Yes
3	MiFID II/MiFIR	Yes
4	MIFID I	Yes
5	IORP	Yes
6	EMIR	Yes
7	AIFMD	Yes
8	CSDR	Yes
11	Transparency Directive	Yes
12	Statutory Audit Regulation/Directive (SAR/SAD)	Yes
15	SFTR	Yes
16	AoIU	Yes
18	EuVeCar	Yes
19	European Social Entrepreneurship Funds Regulation (EuSEFR)	Yes
22	Packaged retail and insurance-based investment products (PRIIPs) Regulation	Yes
28	Short Selling Regulation (SSR)	Yes
30	BRRD	Yes
31	UCITS (IV) Directive	Yes
32	UCITs (V) Directive	Yes
33	Motor Insurance Directive	Yes
35	MCD	Yes
36	Credit Rating Agencies Regulation/Directive (CRAR/CRAD)	Yes
38	DGS Directive, NEW	Yes
40	Market Abuse Regulation/Directive (MAR/MAD)	Yes
48	ELTIF	Yes

REFERENCED POSSIBLE IDENTIFIERS

	AIF national identification code	AIFM national identification code	BBAN	BBGID	BIC	Bloomberg ticker	CFI	CIC	Common Code	GRA identifier	CUSIP	EIC (Energy Identification Code)	FIGI	FISIN	IBAN	IEI	Instrument unique identifier (ESMA standard)	Interim Entity Identifier	ISIN	LEI	local identifier	MIC	NUJS	OCA/NA	pre-LEI ISIN	Reuters RIC	Reuters RIC	RIAD/MFI code	SEDOL	UJI	UTI	VAT code	WKN	
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Timeline – Fitness check

**4 June
2018:
conference
in Brussels**

**end-2018:
final draft
of SWD**

**2H 2019: 'set of
recommendations'
(TBC)**

**Q3/Q4 2018:
results of FDS
analysis &
external
study**

**Q1 2019:
publication
of SWD**



**Thank you for your
attention**

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