EUROPEAN CENTRAL BANK

EUROSYSTEM

The Eurosystem Integrated Reporting Framework: an overview

This file is an old version of the information contained in the new overview published on the ECB website.

1 Background

European banks face many data reporting obligations, including for statistical, resolution and prudential information.

At the European level, these reporting obligations are specified in different legal frameworks, including the ECB statistical regulations on balance sheet items (BSI) and interest rates (MIR) of monetary financial institutions (MFIs), the sectoral module of Securities Holdings Statistics (SHS-S), granular credit and credit risk (AnaCredit), as well as the European Banking Authority's Implementing Technical Standards on supervisory reporting and resolution reporting and the ECB Regulation on reporting of supervisory financial information.

Existing ECB statistical regulations specify the information that has to be reported but not how the actual reporting process has to be carried out or how the requirements have to be fulfilled. They do not specify the data model or dictionary to be used for collecting the data or the deadlines for reporting agents. In addition, national central banks (NCBs) are generally allowed to collect the statistical information necessary to fulfil the ECB's statistical requirements as part of the statistical reporting framework which they have established under their own responsibility.[1] The national systems also cover reporting obligations of NCBs towards the ECB where the relevant statistics are not covered by an ECB regulation (e.g. under the ECB statistical guidelines on monetary and financial statistics, external statistics and financial accounts[2]) or other international organisations such as the Bank for International Settlements (BIS) and the International Monetary Fund (IMF), as well as data needs arising at the national level. Only a few euro area countries have so far implemented widely integrated national collection frameworks. In most cases, the national frameworks consist of a large number of separate reports to be submitted to NCBs. Figure 1 depicts the current approach to data collection from banks.

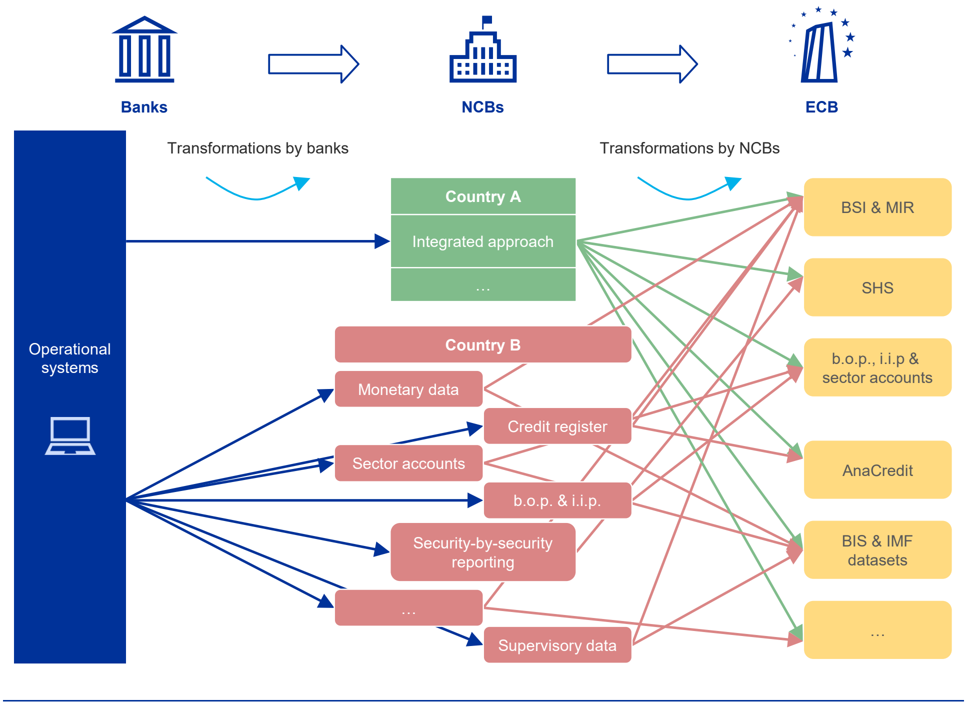
This arrangement dates back to the establishment of the European Monetary Union in 1998 and was well justified at the time, as it meant that statistical reporting could be founded on well-established national reporting frameworks. However, the single

1 See, for instance, Recital 7 of Regulation (EU) No 1071/2013 of the ECB of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (recast) (ECB/2013/33), (OJ L 297, 7.11.2013, p. 1).

2 The ECB statistical guidelines inform euro area central banks of the ECB's requirements, leaving discretion as to the choice of source for the data, provided that certain standards are met.

monetary policy allows for more efficient, cost-conscious reporting from banks. For instance, cross-border banks could save costs if they did not have to maintain heterogeneous systems that feature:

- different national data models based on heterogeneous dictionaries;
- different transmission frequencies, timelines and levels of aggregation;
- duplications and overlaps in the reporting, with complex reporting schedules and processes;
- differences in revision policies, approaches to derogations and data exchange formats.



The main objective of the Integrated Reporting Framework (IReF) is to reduce the reporting burden for banks in line with Article 338(2) of the Treaty[3] and Article 3a of Council Regulation 2533/98[4]. Moreover, the statistical reporting burden should not depend on the euro area country in which a bank is resident. The ECB envisages issuing an IReF Regulation on statistical data requirements for banks which would be directly applicable to banks resident in the euro area and would not have to be incorporated into national collection frameworks. Non-euro area EU countries may

[3] Treaty on the Functioning of the European Union (OJ C 326, 26.10.2012, p. 47).

[4] Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank (OJ L 318, 27.11.1998, p. 8).

decide to adopt the IReF reporting through national legislation in full or in part (such as content related to AnaCredit).

This overview provides key facts and information on the IReF and how it fits in with the broader ESCB/Single Supervisory Mechanism data integration strategy, which also encompasses resolution and prudential data. It discusses the level of integration that the IReF could be expected to achieve, together with methodological challenges. A cost-benefit analysis of the impact of the IReF has been initiated in close cooperation with banks and other stakeholders.

2 The scope of the IReF

The IReF seeks to integrate the existing ESCB statistical data requirements for banks, as far as possible, into a unique and standardised reporting framework applicable across the euro area.

In its initial phase, the IReF is focusing primarily on ECB statistical datasets relating to banks and will hence cover the requirements of the ECB regulations on BSI and MIR statistics, SHS-S and AnaCredit. In respect of SHS-S, it will also cover requirements for banks in their role as custodians. The integration of the group module of the SHS will be considered in a second step, while other ECB statistics that do not directly relate to banks' balance sheet assets and liabilities, such as ECB payments or money market statistics, are not currently covered by the exercise.

The IReF also envisages the integration of reporting obligations on banks' own positions and transactions arising in the context of statistics on balance of payments (b.o.p.), international investment positions (i.i.p.), financial accounts and securities issued. Other requirements arising from the collection frameworks of international organisations (e.g. BIS Locational Banking Statistics or IMF Standardised Report Forms) are also considered.

The granularity of the IReF scheme is expected to cover a large share of the existing statistics collected by NCBs that are outside the scope of ECB regulations. Requirements that are not covered under the IReF scheme will either be discontinued or preserved under the IReF as country-specific requirements, for instance when arising from specific regulatory obligations of NCBs – such as activities relating to anti-money laundering or government support. An extended IReF technical layer will be developed to model these country-specific requirements and describe them from a technical and methodological perspective, so that overlapping requirements across two or more countries will be described in a uniform way that is consistent with IReF requirements.

3 The IReF target population

The IReF is primarily intended to cover deposit-taking corporations. Given the different reporting populations of the datasets within its scope, the IReF distinguishes between requirements that are applicable to credit institutions and those that relate to deposit-taking corporations other than credit institutions. For example, instrument level requirements on loans to legal entities would apply to credit institutions, whereas deposit-taking corporations other than credit institutions would continue to report loan data on an aggregated basis.

Requirements addressed to money market funds (MMFs) would not be part of the IReF but would continue to be set out in separate ECB legal acts, leaving discretion at national level on how to collect them in practice. Some NCBs have developed an integrated reporting framework for investment funds (covering both MMFs and non-MMFs). Such an integrated approach to the statistical reporting of data relating to investment funds may be adopted at Eurosystem level in the medium term.

4 Advantages of the IReF

Reporting agents are expected to benefit substantially from the IReF. Reporting requirements will be presented on the basis of a standardised data model and dictionary, thus ensuring a standardisation of the definitions. The reporting frequency and timelines and the level of granularity of the requirements will also be standardised. The framework will specify a common revision policy directly applicable to reporting agents and derogations from reporting the complete IReF requirements (see next section). The cross-country standardisation may particularly benefit large banking groups that operate cross-border in the euro area. However, all banks, including smaller institutions, are expected to gain from the integration of the different statistical reporting requirements, especially as they should become more stable over time, with ad hoc requests to fill information gaps likely to become less frequent. The initial gains will differ from country to country depending on the reporting model and the degree of integration of the current national frameworks. The costs to banks of using external data services are also expected to decrease as requirements are harmonised across the euro area. These aspects are being assessed in more depth through the ongoing cost-benefit analysis, which is being conducted in a transparent and cooperative way in consultation with banks.

Statistical compilers at central banks will also benefit, as they will receive only one set of statistical information for the production of the datasets covered by the IReF. The use of a standardised data model will ensure methodological soundness and alignment to statistical standards. An integrated data collection may also create new possibilities for the automation of production systems. While there are one-off fixed costs related to implementation, regular reporting costs may be reduced, not least because the standardisation of the requirements and the additional granularity (e.g. on loans to legal entities) and level of detail (e.g. on deposits) of the IReF scheme may well make it be possible to meet new user needs without having to change the data collection, thereby minimising maintenance costs.

Users of statistical information, including banks themselves, will also benefit from the IReF, as its model aims to ensure a precise and unambiguous definition of the statistical information relevant for their needs throughout the Eurosystem. This will improve accuracy and comparability of data across datasets and across countries.

The analytical value will increase, as users will have a fully consistent and standardised dataset, rather than data compiled under different frameworks that need to be reconciled ex post (e.g. between BSI and SHS-S). In addition, users will be able to drill down from aggregated data to the underlying granular information (subject to the relevant data access). As the IReF is expected to directly use granular data on loans to legal entities and securities for statistical compilation, more breakdowns will become available for policy use.

5 Ensuring proportionality under the IReF

Each ECB statistical collection framework includes derogations or sampling schemes that aim at ensuring proportionality. The approaches are usually not harmonised across datasets and range from cases where reporting agents can be exempted, at least partially, from the data collection (e.g. BSI, SHS-S, AnaCredit) as they are small in respect of certain criteria, to cases where derogations also relate to a subset of the requirements specified in a dataset (e.g. BSI). In other cases, the collection framework can be based on a sampling approach (e.g. MIR). In addition, countries currently have discretion as to how they apply these general derogation schemes at national level, resulting in a wide range of schemes, including cases where no derogations at all are applied.

The Eurosystem recognises the need to ensure proportionality under the IReF and favours the implementation of simple solutions, such as derogations for institutions in the tail of the population defined in terms of relevant balance sheet indicators. Derogated institutions would be subject to simplified reporting. Various options for structuring such simplified reporting are being assessed in the course of the ongoing cost-benefit analysis.

6 Ongoing work and steps ahead

The IReF is an ambitious endeavour to redefine the collection of statistical data from banks both in terms of data content and processes. These and other such aspects are being assessed in close cooperation with banks and other stakeholders involved by means of the ongoing cost-benefit analysis. When defining the methodology to be followed in the cost-benefit analysis, the Eurosystem decided to adapt the merits and costs procedure in order to properly reflect the cost-reducing benefits for reporting agents and statistical compilers. In fact, while the merits and costs procedure normally evaluates the significance of the costs of new statistical requirements, the IReF primarily aims to reduce costs by streamlining and standardising the existing statistical data reporting in line with basic data management principles promoted by banks. The envisaged procedure is fully in line with the principles increasing transparency in developing ECB regulations on European statistics adopted by the Governing Council in October 2016.

The first step of the exercise was conducted in 2018 and consisted of a qualitative stock-taking questionnaire on the state of play across datasets and countries with the aim of helping to design scenarios on collection aspects (reporting dates, data frequency, derogations, etc.) of a possible integrated framework. In 2019 the Eurosystem focused on the assessment of the results of the qualitative stock-taking questionnaire and worked on the definition of a more limited set of scenarios to be considered in the future.[5] The second step consists of a cost-benefit assessment questionnaire, which explores the costs and benefits of the identified scenarios for various aspects of the collection framework, covering, among other things, the concrete data requirements and the corresponding modelling options, the timelines of the reporting, the revision policy and approach to derogations, as well as implementation aspects.

The Eurosystem will next assess the results of the cost-benefit assessment questionnaire and identify the optimal features that would best suit banks and Eurosystem reporting areas, compilers and users. The ECB will publish the results of the cost-benefit assessment questionnaire in 2021 and will begin drafting a regulation on the IReF in 2022. A public consultation on the draft legal act collecting additional feedback from the interested stakeholders is currently scheduled for 2023. The legal act will then be adopted by the Governing Council.

The IReF Regulation will replace the existing regulations on BSI, MIR, SHS and AnaCredit with respect to the requirements of deposit-taking corporations. The MIR and AnaCredit regulations would thus be repealed, while the BSI and SHS regulations would be recast or amended in order to exclude deposit-taking corporations from the respective reporting populations.

7 The implementation of the IReF

The Eurosystem aims to implement the IReF in 2024-27, subject to the outcome of the cost-benefit analysis. This timeframe would give enough lead time for reporting agents and the Eurosystem to prepare the legal and technical framework without unduly delaying the expected reduction of the reporting burden.

8 The IReF as part of the broader Eurosystem data integration strategy

The IReF is part of a broader data integration strategy for an integrated reporting system for statistical, resolution and prudential data in the European Union. Such a

5 See ECB (2019), "Qualitative stock-taking questionnaire on the integrated reporting framework - Analysis of high-level considerations and high-priority technical aspects", February.

strategy has been requested by the European Parliament and Council[6] as well as by the European banking industry.[7]

The ESCB published its views on this broader strategy[8] in a report which will serve as an input for the European Banking Authority (EBA) to carry out a feasibility study on the development of a fully integrated reporting framework at the EU level.

In order to make sufficient progress on reducing the reporting burden in the short-term, the ESCB strategy for collecting data from banks envisages launching two parallel intermediate steps without delay:

1. integrate the data reported for statistical purposes to the ESCB, i.e. implement the IReF;
2. enhance the integration of resolution and prudential reporting.

Both work streams must converge as soon as possible. The priority for ensuring this convergence is to develop a common data dictionary and a common data model for the statistical, resolution and prudential reporting frameworks. A joint committee (comprising representatives from relevant European and national authorities and involving the banking industry in certain tasks) should be set up to steer the IReF process along with the parallel integration of resolution and prudential data reporting. It may also prepare for more extensive and efficient data exchanges among European authorities. In the medium term and building on the immediate priorities, the joint committee should support the design and development of an integrated reporting system for the EU banking industry.

The Eurosystem is already cooperating with the banking industry in optimising the organisation of the information stored in banks' internal reporting systems following the logic of an "input layer", which could provide the basis for fulfilling the reporting requirements for statistical, resolution and prudential purposes. This support is provided through the Banks' Integrated Reporting Dictionary (BIRD), which also defines the transformation rules to be applied to banks' input data in order to transmit data to the authorities.[9]

A common data dictionary containing the definitions of the statistical, resolution and prudential reporting requirements would be of maximum benefit if it were developed and maintained alongside the BIRD. Indeed, both projects would provide crucial support to the banks' reporting tasks by logically and methodologically bridging the

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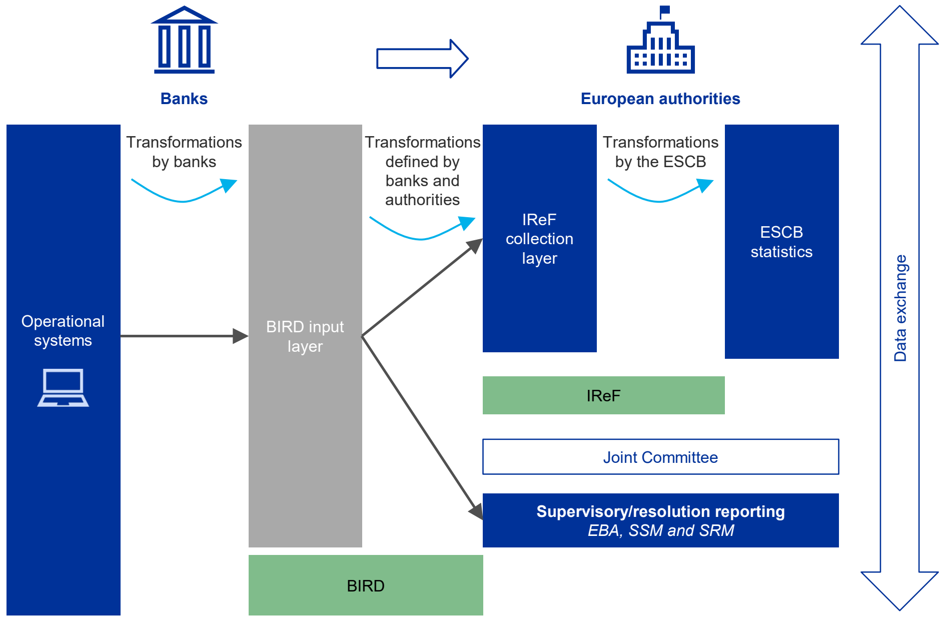
6 Article 430c of Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements (OJ L 150, 7.06.2019, p. 1).

7 See European Banking Federation (2019), "Boosting Europe: Building Trust and Supporting Growth in Europe. EBF recommendations for the EU 2019-2024 legislative cycle and beyond", May.

8 See ECB (2020), "The ESCB input into the EBA feasibility report under article 430c of the Capital Requirements Regulation (CRR 2)", September.

9 Thus far, the BIRD has covered, as separate outputs, the reporting requirements for AnaCredit, the group module of the Securities Holdings Statistics, Financial Reporting (FINREP), asset encumbrance and resolution planning. Other datasets, including those within the scope of the IReF, are currently being considered. For additional insights on BIRD, see the dedicated website.

gap between the authorities' reporting requirements and the banks' operational systems. The BIRD is expected to benefit significantly from the IReF: the more the reporting is incorporated in a single reporting framework, the more effectively the BIRD will support banks. Nevertheless, banks remain fully responsible for organising their internal reporting systems and ensuring the accuracy of their reports to the authorities.



Notes: EBA stands for European Banking Authority, SSM for Single Supervisory Mechanism and SRM for Single Resolution Mechanism.

The envisaged approach to data collection from banks, presented in Figure 2, aims to be cost-effective and transparent. The BIRD input layer may also be used by banks for their own internal purposes. In this sense, the BIRD could align the banks' reporting more closely to their operations and so pave the way for the banks and the Eurosystem to base their work on the same (or very similar) sets of data. Data quality should increase and costs decrease as the BIRD input layer would provide a comprehensive and flexible tool to support data reporting.

Postal address 60640 Frankfurt am Main, Germany
Telephone +49 69 1344 0
Website www.ecb.europa.eu

PDF ISBN 978-xx-xxx-xxxx-x, doi: xx.xxxx/xxxxxx, QB-xx-xx-xxx-EN-N