European Reporting Framework (ERF): Key facts and information

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The European Reporting Framework (ERF) is a strategic long-term project of the European System of Central Banks (ESCB). At present the project is in its early stages and many aspects, including the timeline, are still a "work in progress". As the starting conditions for implementing the ERF (if it is finalised) vary from one country to another, the project will consider different types of implementation strategies. The information below is intended to answer key questions about the ERF for countries at an advanced stage of implementation and to describe some of the benefits and challenges it entails.

What is the European Reporting Framework (ERF) (also called the "primary reporting" or "output layer")?

Current monetary, supervisory and other reporting standards require data which are collected in several reports. These include reports on the balance sheet item (BSI) and interest rate (MIR) statistics of monetary financial institutions (MFI), securities issues statistics (SEC) and statistics on holdings of securities (SHS), balance of payments (BoP) data, national credit registers and analytical credit (AnaCredit) datasets, the European Banking Authority's Implementing Technical Standards (ITS) reports (FINREP, COREP) and many more. As a result, reporting banks and recipients are faced with a large number of reports with different publication or submission frequencies and different levels of aggregation. This can lead to duplication and overlaps.

The idea behind the ERF is to collect all of the data required for different statistical purposes (the first step) and for banking supervision (the second step) using an integrated and harmonised cross-country approach. In future, reporting requirements should be organised in the form of a single comprehensive and harmonised "primary reporting framework": the "European Reporting Framework" (ERF) or "output layer" for regular data transmissions from reporting agents to national central banks (NCBs) or national competent (supervisory) authorities (NCAs). This framework should reduce redundancy and the reporting burden for

*** This report is outdated and has been replaced by the ESCB Integrated Reporting Framework (IReF), April 2018. For up-to-date information, see the ECB's web page on banks' data reporting.

both recipients and reporting institutions. Given the number of issues to be agreed upon, this can only be achieved through a step-by-step approach.

Within this primary reporting framework, NCBs/NCAs will apply harmonised transformation rules – defined through close collaboration by the same NCBs/NCAs, the ECB and the EBA – to produce the required secondary statistics, templates and other relevant aggregates. All the information needed to understand these will be described in a "statistical data dictionary".

What is the "input layer"?

The "input layer" refers to data definition on a very granular level and will be developed in cooperation with the banking industry. It will use data available in the operational systems (e.g. for accounting, risk management, securities or deposits) of the reporting banks. Based on harmonised concepts and using business-friendly classifications as far as possible, the input layer provides an accurate, standardised and unique means of defining and identifying individual business positions and transactions, with their corresponding attributes. Consistency, the absence of redundancy and easy expandability are key features of the input layer. Harmonised transformation rules defined by banks and competent authorities can be applied to fulfil banks' reporting requirements in terms of the output layer. However, implementation of the input layer and the transformation rules is not an essential condition for implementing the ERF, and will remain voluntary for the national authorities and the banking industry.

What are the main advantages of the ERF?

The ERF model aims to ensure a precise, simple and unambiguous definition of information relevant for reports. Quality will improve through the use of harmonised concepts and business-friendly definitions as well as a collection method that, as far as possible, is free from redundancy. Eliminating the need to cross-check individual reports from the same reporting institution will also improve quality. As the ERF defines data at the granular level, changes in the level of aggregation should be implemented more easily. The analytical added value will also be increased by allowing drill-down within the secondary statistics. Starting with integration and harmonisation in the early stages of data production, burdensome ex-post reconciliation and comparisons will be reduced.

What are the main advantages of the ERF and the input layer, if they were combined?

With a single input and output layer, the ERF model is both efficient and transparent. The input layer defines data on a very granular level and is developed in cooperation with the banks, which should find the data it contains useful for their own internal purposes as well. In other words, the ERF will bring together internal and external reporting to ensure that the banks' internal management and the NCBs/NCAs base their work on the same data. Quality will increase as a result and the spiral of ever-rising costs will be broken as there will be only one common data layer, rather than two separate layers, to support statistical and supervisory reporting.

A further advantage of the input layer is the concept of holding passive data within each reporting institution. This makes it much easier to define potential ad hoc (i.e. non-regular) data requirements in addition to the output layer, as statisticians are familiar with the structure and definitions of the input layer. These ad hoc data requirements can therefore be defined in a common, business-friendly language and results will be readily available in a harmonised format with short response times.

What is the scope of the ERF?

As the ERF will be implemented one step at a time (given that, for example, some legal concerns will need to be addressed as implementation proceeds), it will initially be based on existing reporting requirements. The first step will be to draw up a harmonised primary reporting framework for data collection by NCBs. This will encompass BSI, MIR, SEC, SHS and AnaCredit as well as other statistics such as BoP and national accounts.

The second step will be to investigate possible ways to further integrate reporting schemes and the new requirements, especially those arising from ECB Banking Supervision and the EBA. The ultimate aim is to achieve a single integrated European Reporting Framework incorporating both ECB and EBA (ITS) reporting requirements.

What is the most appropriate level of data granularity for the ERF?

A key aim of the ERF is to reduce the redundancies produced when the same reporting items are required for different reports. The same data are often duplicated because of slight differences in definitions and characteristics. For instance, a given loan may need different attributes and values for monetary and supervisory purposes. The higher the level of data granularity, the lower the level of redundancy. However, the challenge during the initial implementation of the ERF will be to find a well-balanced solution between the necessary granularity and the required flexibility.

What are the challenges facing the ERF?

An initial challenge will be to make a stronger effort to achieve even closer international and national cooperation and communication. At the national level, the various public bodies working in the areas of statistics and supervision should contribute to this effort. They should be guided by the clear goals of harmonising and sharing quantitative information, avoiding redundancy and reducing the burden for all parties involved. At the international or European level, this implies even closer cooperation between the ECB and the NCBs, and between the European Systemic Risk Board (ESRB) and the European Supervisory Authorities (ESAs). Similarly, closer cooperation with data providers and reporting institutions will be required to capture market trends and standards and obtain a clear picture of exactly which data are best suited for statistical analysis, and at what price.

When the level of data granularity is high, complex databases of this kind need appropriate data management procedures (for example, to maintain definitions and check datasets, or to protect data confidentiality). New processes will need to be established with state-of-the-art data processing, storage and dissemination infrastructure, including appropriate IT tools and solutions with the capacity to respond to present and future challenges. These challenges include the treatment of different reporting deadlines, thresholds, proportionality and different levels of access to data.

Changes to the legal framework will also be necessary as the implementation of an integrated ERF proceeds.

Will institutions from all EU countries be affected by the ERF or only those from euro area countries?

The ERF concerns all institutions within the euro area. However, other EU countries are also encouraged to consider adopting it. As the EBA’s requirements cover all EU Member States, the

ERF may eventually become established and accepted as a market standard across the entire European Union.

What is the legal framework for the ERF?

At the European level, the legal framework increasingly supports data sharing by the relevant authorities. However, in the process of establishing an integrated ERF some changes in the legislation may become necessary to provide legal certainty for the output layer.

We will first need to analyse whether NCBs/NCAs are allowed to collect certain data set out in European or national law as part of a broader reporting framework. To do so, we will need to determine the structure and level of detail envisaged for the output layer.

As a second step, the ERF could adopt reporting requirements that follow the principle of maximum harmonisation, such as the EBA's ITS on Supervisory Reporting. In this case, a narrow interpretation of the principle of maximum harmonisation as laid down in Article 1 of the ITS ("This Regulation lays down uniform requirements in relation to supervisory reporting to competent authorities for the following areas: …") could create constraints, not least if the same reporting requirements could be fulfilled in a more efficient way (i.e. as part of the broader framework envisaged by the ERF). However, Recital 9 of the ITS on Supervisory Reporting covers different means of collecting information that could serve as a starting point.

Any remaining legal obstacles will need to be assessed in full and steps taken to eliminate them at the national and European levels. This will require close cooperation and intense effort with the relevant legislative authorities.

Will there be a distinction between significant and less-significant institutions within the ERF with regard to their reporting requirements?

Under the ERF, all the data required for different statistical purposes and for banking supervision, which are currently spread across numerous individual reports, will be collected using an integrated approach. In other words, a key aim of the ERF is to reduce the reporting burden for both recipients and reporting institutions (irrespective of their significance) by taking the principle of proportionality into account in the necessary sphere of action (to be assessed in detail in coming months).

How will the framework facilitate countries' generally accepted accounting principles (GAAP) reporting?

As supervised groups and entities apply different accounting standards, only information which exists under the relevant accounting standards and is effectively applied by the corresponding supervised group or entity should be submitted.

However, statistics should not be the driving force in harmonising the different accounting standards currently in place across Europe. Statistics can only provide a standardised framework for the compilation of data from different GAAP reporting systems into a common language. This will be strongly supported by the ERF in its final implementation stage (long-term objective), as it defines data on a much more granular, transaction-based level. The ERF will strongly support this process as part of its long-term objectives.

What is the timescale for the introduction of the framework and will there be consultation with the banking industry?

It is still too soon to specify a precise timescale for the introduction of the framework, especially as it will largely be decided by NCBs and NCAs involved in supervision. Some countries have already implemented, or are implementing, integrated systems. Others will do so in the future. However, the banking industry has been informed and consulted at both the national and European levels and this consultation process will continue.

Will the ERF allow NCBs to include additional national requirements?

The aim of the ERF is to ensure, as far as possible, an efficient and integrated approach for different reporting requirements. It does not, however, aim to impose uniform reporting requirements as each country will have its own distinctive features. It may therefore be appropriate for NCBs and/or NCAs to request or add other data points in addition to those of the ERF. These additional data points would be established in accordance with the relevant European Union or national law.