



EUROPEAN CENTRAL BANK
EUROSYSTEM

Results of the IReF cost-benefit assessment and status update on the programme




**Workshop with the banking
industry - November 2022**

IReF Programme Office

Agenda

1. Background
2. Publication of CBA results
3. Complementary CBA
4. Matching of costs and benefits
5. The envisaged timeline

Agenda

- 
1. Background
 2. Publication of CBA results
 3. Complementary CBA
 4. Matching of costs and benefits
 5. The envisaged timeline

A changing context

To allow for a quick start of the European statistical collection when the euro area was created, NCBs were given the possibility to **collect the requirements arising from ECB statistical regulations through their well-established national reporting frameworks**. This led to heterogeneous national approaches, e.g. in terms of data models, exchange formats, timelines

In addition, at European level the reporting obligations were progressively specified in a number of subsequent legal acts, with possible overlaps and heterogeneous data models

Large sets of (statistical) country-specific requirements have gradually enriched these national collection frameworks

NCBs defined reporting requirements

... individually!

Reporting overlaps existed

... to various degrees!

New opportunities

NCBs defined reporting requirements

Reporting overlaps existed

... One regulation
... Redundancy-free

Standardisation via the IReF

ECB-UNRESTRICTED

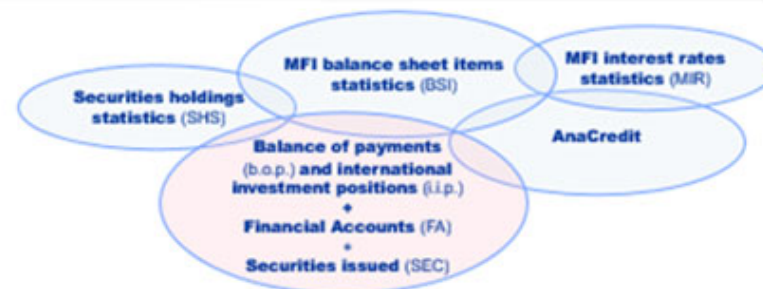
IReF
collection
layer



- ONE euro area
- ↓
- ONE directly applicable regulation
- ↓
- ONE largely standardised implementation

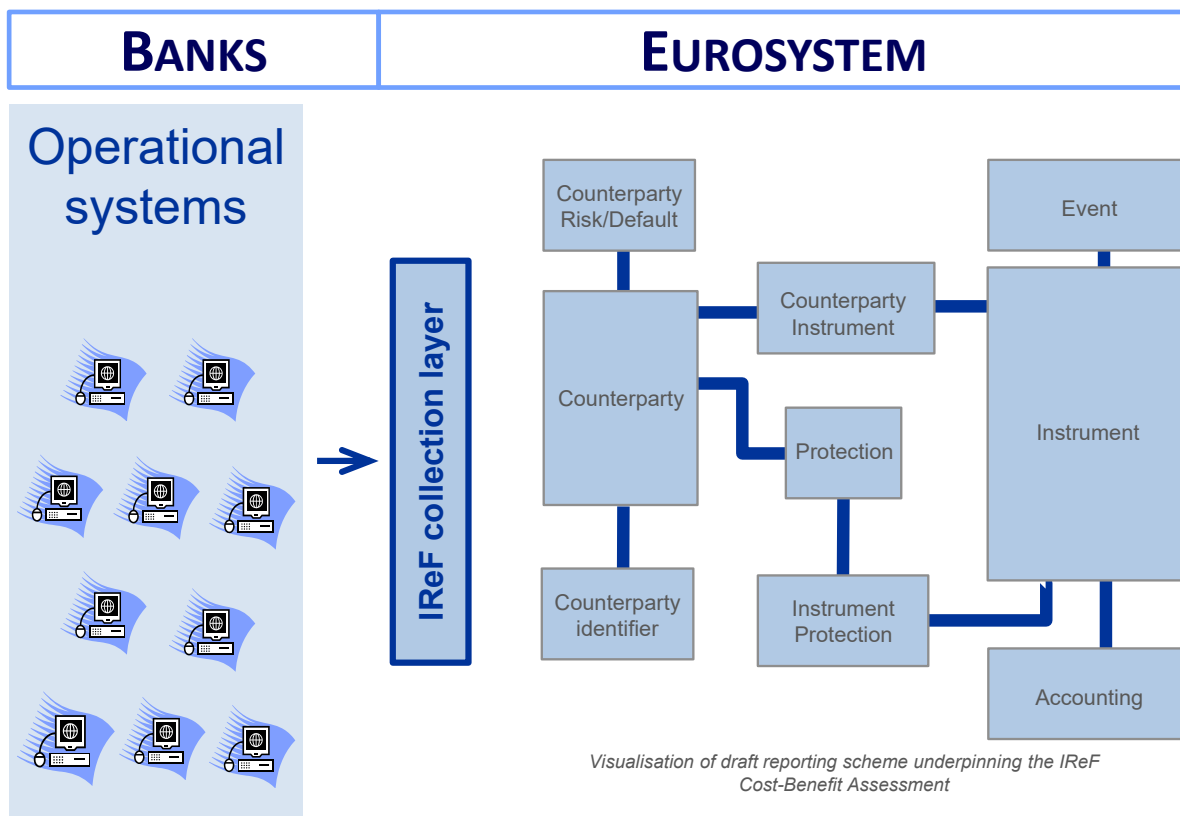
Datasets currently in scope of the IReF

ECB-UNRESTRICTED



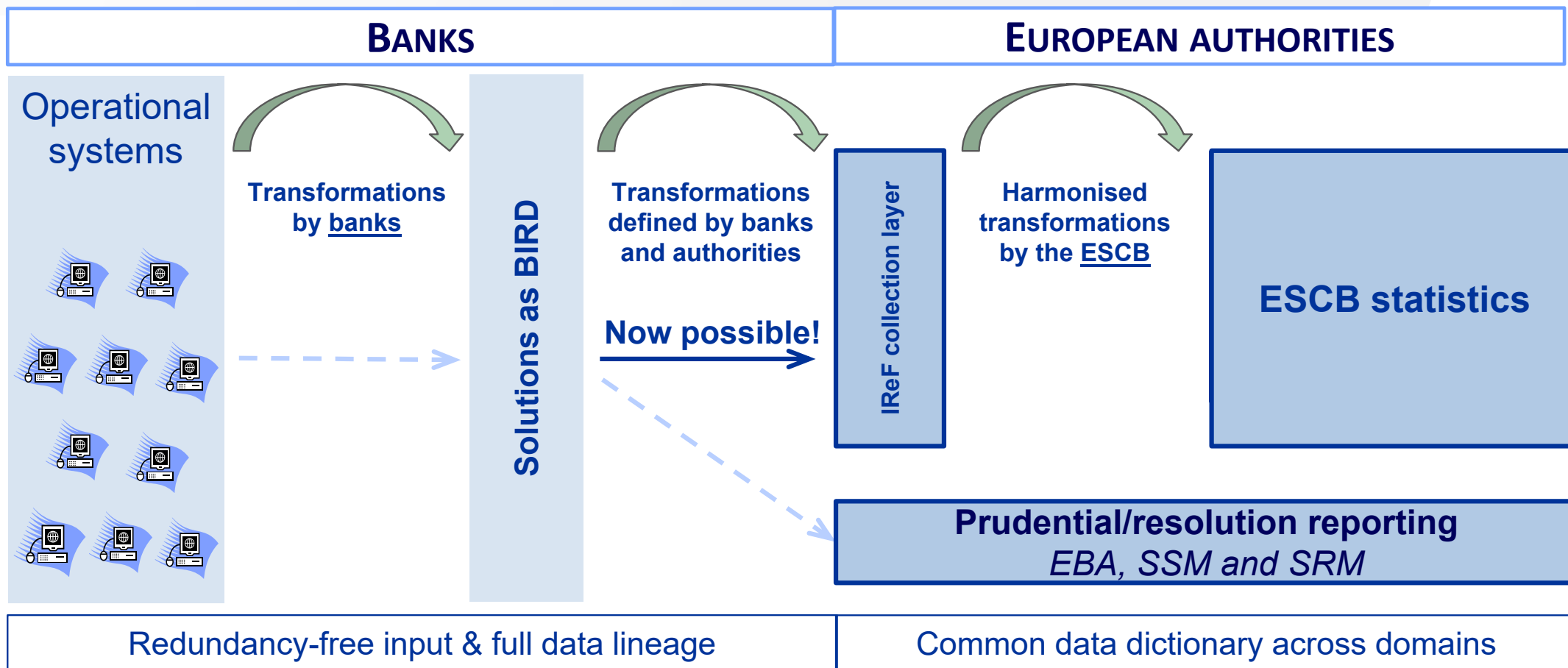
➤ Plus residency-based datasets by international organisations (BIS and IMF)

The future of reporting (1) – Common IReF features



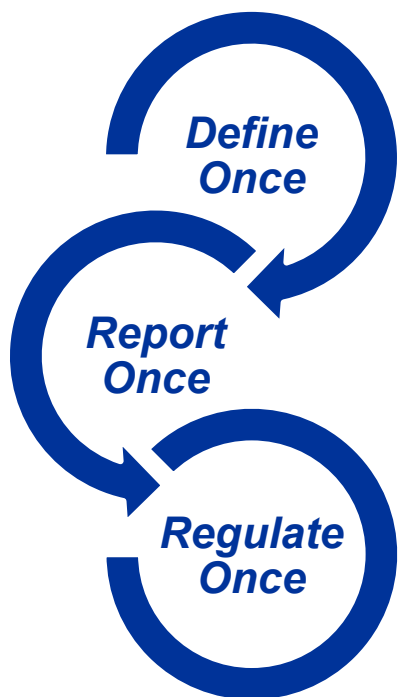
- Common (entity-relationship) **model**
- Same **dictionary** “standardisation”
 - In principle, common with prudential and resolution requirements
- Same **reporting schedules**
- **Additional granularity** compared to existing datasets
 - Integrate existing reporting lines and avoid duplications

The future of reporting (2) – The bigger picture



IReF consolidates existing ESCB statistical reporting

In line with the industry demands:




by using a common data dictionary with all the data definitions;

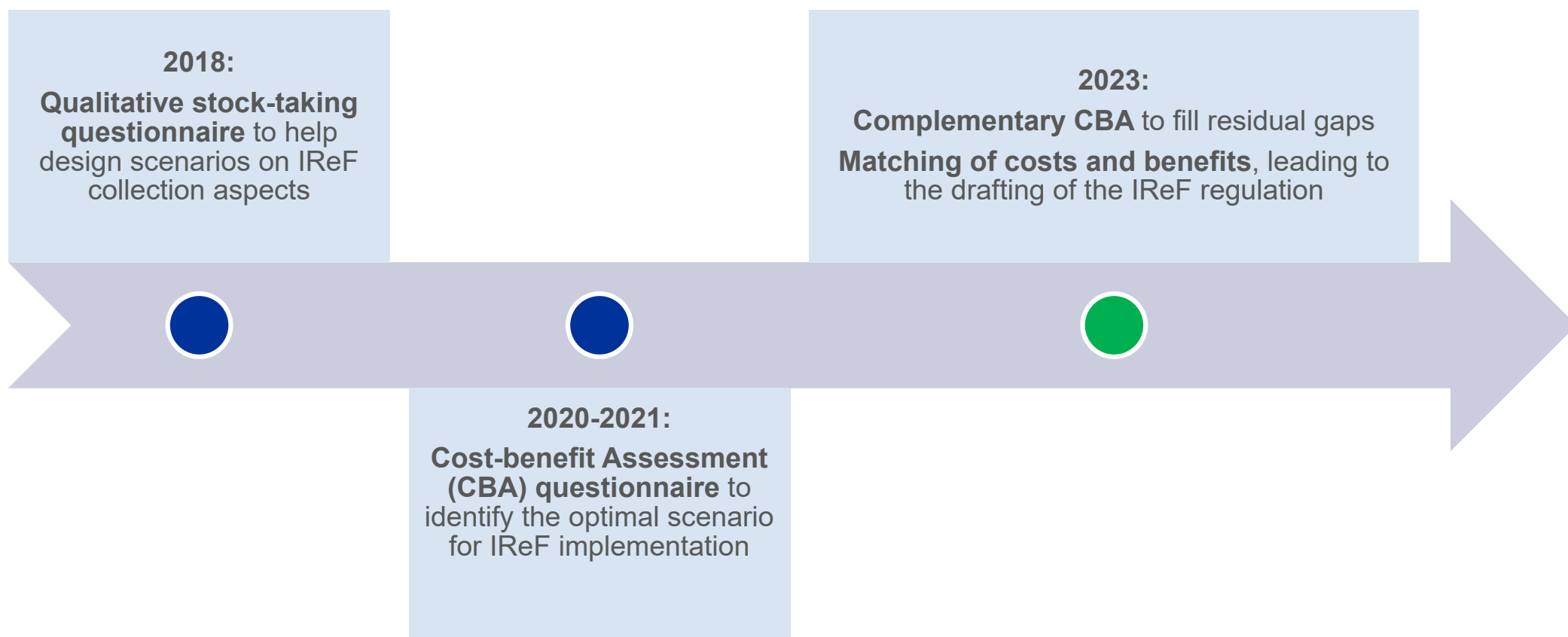
by enhancing reusability and interoperability of the data;

by consolidating all ESCB statistical requirements for banks in a unique legal act applicable across the euro area (might be adopted by other EU Member States)

Agenda

- 
1. Background
 - 2. Publication of CBA results**
 3. Complementary CBA
 4. Matching of costs and benefits
 5. The envisaged timeline

Three steps of the cost-benefit analysis



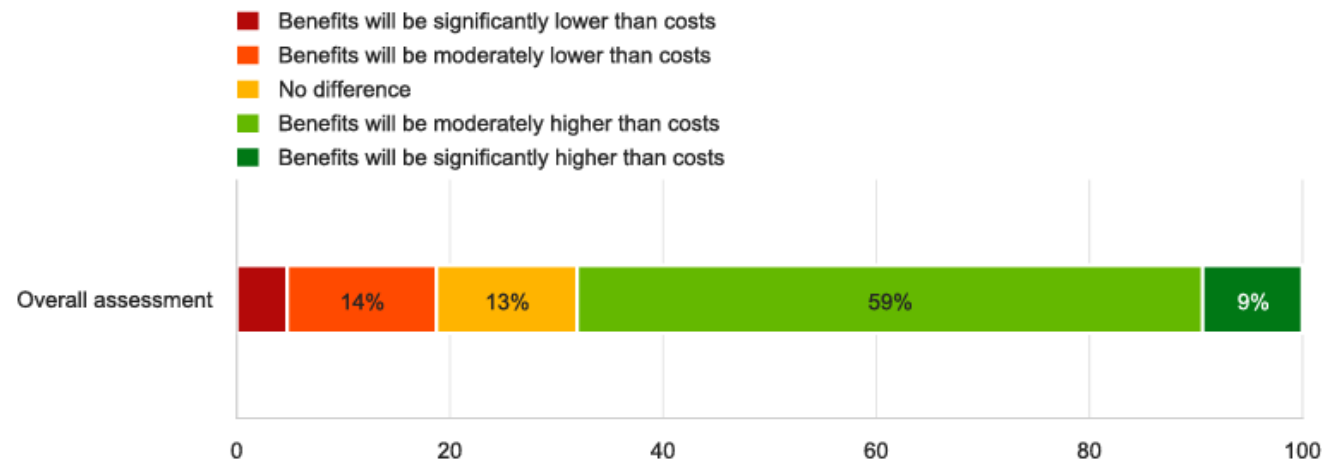
Thank you!

Key contribution from the banking industry in the cost-benefit analysis

- High participation to the CBA
 - 275 responses were received, representing over 2,500 institutions
 - Coverage of about 76% of the euro area banking industry in terms of total assets
 - High level of response across countries
- Significant contributions to the analysis of the CBA results via the dedicated **BIRD** subgroup

Overall assessment from the banking industry

- 68% of respondents from the banking industry indicated that benefits would outweigh costs
- Only 19% of respondents from the banking industry indicated that costs would outweigh benefits
- When broken down by size of the respondent, 61% of small-size institutions from the banking industry indicated that benefits would outweigh costs



Publication of the CBA results

Theme 1:

- Analysis of high-level considerations and high-priority technical aspects ([link](#))

• Published in December 2021

Theme 2:

- Content-related topics and technical aspects ([link](#))

Theme 3:

- Technical integration of country-specific requirements in the IReF ([link](#))

• Published on 15 September 2022

Theme 4:

- Reporting schedules, revision policy, approach to derogations and implementation aspects ([link](#))

High-priority technical aspects

Scenarios supported by the banking industry

- Granular loans data to legal entities, dropping the €25,000 threshold
- High level of detail of the IReF reporting scheme
- Head office responsible for data reporting of its euro area branches

Scenarios with balanced feedback from the banking industry

- Granular collection of data on holdings of non-ISIN securities and the collection of data on custodian activities for legal entities at the instrument level, broken down by individual holder

Content-related topics and technical aspects (1/2)

Supported scenarios

- Logical data model for representation of requirements and a less normalised implementation model
- Use of Null explanatory values
- Extension of the model to allow for the reporting of a plurality of protection providers
- Granular collection of data on securities issued and intra-group positions
- Collection of:
 - provisional monthly data for write-offs on loans to legal entities
 - accounting info not needed for compiling aggregated statistics
 - new variables on financial derivatives
 - data on reclassifications outside the regular reporting
 - possible approach: requirements included in the reporting scheme but not reported regularly. The reporting will be triggered by ad-hoc requests of the Eurosystem or the fulfilment of certain conditions monitored in cooperation with reporting agents and the Eurosystem

Content-related topics and technical aspects (2/2)

Other supported scenarios

- Aggregated data collection for **holdings and issuance of other equity**, although an alignment of the requirements with the data collection for unlisted and non-ISIN securities is considered useful by the Programme Office
- Direct collection of **security holdings transactions** at instrument level instead of transaction-by-transaction data
 - **Indirect simplified approaches** will also be considered by the ESCB, with no data collection required
- Direct collection of transactions of **financial derivatives**

Mixed feedback

- Collecting **instrument and issuer information on holdings of listed ISIN securities** found no clear advantages since it is already available in the ESCB Centralized Securities Database (CSDB)
- Some challenges to the collection of data on **branches not resident in the euro area or in other EU Member States that will adopt the IReF**
- Potential collection of data on **cash flows of loans and securities issued**, and **contract level information** was deemed highly challenging and complex, suggested to be left out of the IReF at this stage

Technical integration of country-specific requirements

Keep country-specific requirements to a minimum, avoid excessive fragmentation

- **Modelling approach:**

- Some support for establishing national reporting schemes that integrate common and country-specific requirements (**CBA Scenario 2**), but legal feasibility to be assessed
- Many banks, also in the BIRD subgroup, expressed a preference for establishing a single standardised layer for the collection of the requirements of the IReF Regulation (**CBA Scenario 1**), e.g.:
 - Creation of a harmonised framework that can be progressively extended
 - More efficient in terms of data management

- **Discretion to report more information than the required minimum:**

- Assessment of costs and benefits of the two scenarios above would not change
- Several banks indicated that it is too complex/costly to develop and manage an internal reporting layer that encompasses IReF regulation plus several country-specific requirements
- Work is ongoing towards the definition of the approach

Reporting schedules, revision policy, approach to derogations and implementation aspects

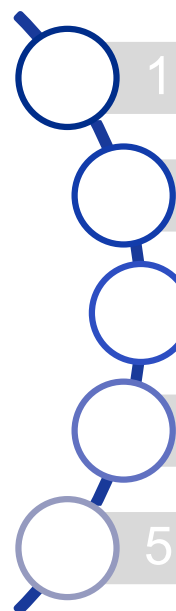
Supported scenarios

- For several variables and measures the timeline can be either relaxed or brought forward
- Align quarterly transmission to FINREP timeline
- Exclude transmission of certain attributes before the start of the official reporting cycles
- Short revision time window for the **revision policy**
- Short phase of **parallel reporting** of up to six months
- Avoid collection of **high-level requirements** (i.e., anchor values)
- Sharing **validation rules and plausibility checks** with reporting agents

Mixed feedback received

- No clear support for proposed scenarios as regards the **derogation scheme**;
- Slight preference for the collection of a simplified aggregated scheme from derogated institutions

Agenda

- 
1. Background
 2. Publication of CBA results
 - 3. Complementary CBA**
 4. Matching of costs and benefits
 5. The envisaged timeline

Complementary CBA

Aim:

Fill gaps to align IReF to current user needs and gain more insights on draft scenarios

Target stakeholders:

Banking industry, Eurosystem compilers and ESCB user groups

The questionnaire

How to participate:

NCBs will directly invite institutions, the questionnaire is open to every institution that wishes to participate

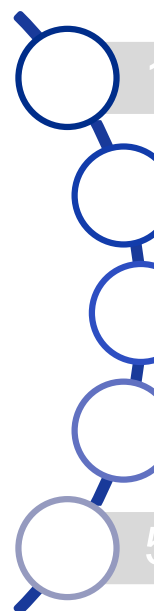
Way of implementation:

The survey will be conducted in EPSILON, similar to the CBA conducted in 2020-2021

Complementary CBA – The timeline



Agenda

- 
1. Background
 2. Publication of CBA results
 3. Complementary CBA
 - 4. Matching of costs and benefits**
 5. The envisaged timeline

Matching costs and benefits for the IReF

The cost-benefit analysis approved by the GovC in 2020 foresees a formal step that precedes the drafting of the Regulation

Qualitative matching of costs and benefits assessed in the CBA(s) (ongoing)

Public document containing the results will be published on ECB website

The documentation will accompany the public consultation on the draft regulation (2024)

Agenda

- 
1. Background
 2. Publication of CBA results
 3. Complementary CBA
 4. Matching of costs and benefits
 5. The envisaged timeline

The broad envisaged timeline

