The Eurosystem Integrated Reporting Framework: an overview

1 Background

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

At the EU 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 data (AnaCredit), as well as the European Banking Authority’s (EBA) Implementing Technical Standards on supervisory data and the reporting of resolution information to the Single Resolution Board (SRB).

Existing ECB statistical regulations specify the information that must be reported but not how the actual reporting process has to be carried out or how the requirements must be fulfilled by reporting agents. They do not specify how the data should be organised (the data model) or the definitions to be used for collecting the data (the data dictionary) or the deadlines for reporting agents. In addition, national central banks (NCBs) are generally allowed to collect the statistical information necessary to fulfill the ECB’s statistical requirements as part of the statistical (and/or supervisory) 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) 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 many separate reports to be submitted to NCBs.

Figure 1 depicts the current approach to statistical 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 monetary policy allows for more efficient, cost-conscious reporting from banks. For instance, banks could save costs if they did not have to maintain heterogeneous national systems that feature:

The main objective of the Integrated Reporting Framework (IReF) is to reduce the reporting burden for euro area banks in line with Article 338(2) of the Treaty\(^2\) and Article 3a of Council Regulation 2533/98\(^3\), while meeting the information needs of the ESCB. This burden reduction will be achieved by integrating different statistical obligations on the one hand and harmonising data collection across countries on the other. The latter will mean that statistical reporting will no longer depend on the euro area country in which a bank is resident. The ECB envisages issuing an IReF Regulation on statistical data requirements which would be directly applicable to banks resident in the euro area. Non-euro area EU Member States may decide to adopt the IReF reporting through national legislation in full or in part (such as content related to AnaCredit). The IReF can strengthen the banking and monetary union; the


cross-country standardisation of reporting may remove some of the obstacles that may prevent smaller banks to engage in cross-border operations, which in turn would foster competition in the EU financial sector. The gains in cost efficiency would be achieved by economies of scale and by a systematic reference to the "collect data once for all" principle – for instance, the costs for the development of the common data dictionary would be invested once for all ESCB countries. Alternatively, cross-border banks could unify the technical specifications of their reporting for all their European entities. Leaner processes for data flow management (see Figure 1) could also be designed. Once the initial investment phase is over, the granular reporting of data will moreover increase the agility and speed with which policy makers can react to new developments, since they can more easily re-arrange available granular data to gain insights into the latest economic, monetary and financial developments.

This overview provides key facts and information on the IReF and how it fits in with the broader EU data integration initiative, 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 is ongoing, in close cooperation with banks and other stakeholders (see also Section 6).

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 IReF.

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. Nevertheless, NCBs may decide to preserve country-specific requirements, e.g. to comply with national legal obligations (such as activities related to anti-money laundering or government support). Such requirements will not be covered under the IReF but will continue to be legislated at national level. However, they will ideally be
modelled and described from a technical and methodological perspective in full consistency with the IReF reporting scheme through the development of an IReF extended technical layer. In this way, 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, in the IReF 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

The advantages of the IReF for different stakeholders mentioned in Section 1 are explained in more detail below.

Reporting agents are expected to benefit substantially from the IReF. The banks will reap additional benefits from the integration of statistical, prudential and resolution requirements. Reporting requirements will be presented on the basis of a standardised data model and dictionary, thus ensuring that the definitions are standardised. 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. Moreover, the reporting burden on small institutions could be mitigated by suitable Eurosystem-wide derogations. Ad hoc requests to fill information gaps are likely to become less frequent and the higher level of standardisation will facilitate the development of standard IT solutions. The initial gains will differ from country to country depending on the reporting model and the degree of integration of the current national frameworks. Procurements by banks of external data services are also expected to
decrease as requirements are harmonised across the euro area. While there are one-off investments to be made at the implementation stage, regular 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 meet new user needs without having to change the data collection, thereby minimising maintenance costs.

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 (see also Section 6).

Statisticians 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 with statistical standards. Data quality assessment procedures and revision policies can also be standardised as a result. An integrated data collection may also create new possibilities for further automation of production and dissemination systems.

Users of statistical information, including potentially 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 the accuracy and comparability of data across datasets and across countries. The quality and analytical value of the data received will increase, as users will have a fully consistent and standardised dataset, rather than data provided 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 and securities for statistical compilation, more breakdowns will become available for policy use, banks, academia and the public at large, while always respecting the confidentiality constraints. These breakdowns will also allow policy makers to analyse changes in economic and financial trends more quickly due to the wealth of statistical information available to them.

5 Ensuring proportionality under the IReF

Each ECB statistical collection framework includes derogations or sampling schemes that aim at ensuring representability and 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 across the euro area, such as derogations for small institutions in the tail of the banking 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 authorities. 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 the collection aspects (reporting dates, data frequency, derogations, etc.) of a possible integrated framework. In 2019 the Eurosystem focused on assessing the results of the qualitative stock-taking questionnaire and worked on defining a more limited set of scenarios to be considered in the future.4 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. This covers, among other things, the concrete data requirements and corresponding modelling options, the reporting timelines, the revision policy and approach to derogations, as well as aspects related to implementation.

The Eurosystem is assessing the results of the cost-benefit assessment questionnaire with the aim of identifying the optimal features that would best suit banks, the Eurosystem and its users. The assessment has first focused on the feedback received from the stakeholders on the drivers of costs and benefits as well as the overall question on whether the benefits of implementing IReF would outweigh the costs, in order to facilitate a discussion on the convenience of establishing the IReF. At this stage, some high-priority technical aspects have been

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4 See ECB (2019), "Qualitative stock-taking questionnaire on the integrated reporting framework - Analysis of high-level considerations and high-priority technical aspects", February.
analysed to develop an overview of the feedback collected on the main general features that will be incorporated in the IReF.

A report on the feedback received from the banking industry on these main general features has now been published. It shows strong support for the IReF on the part of the banking industry and other relevant stakeholders. The benefits outweigh the costs for all stakeholder groups. As regards the banking industry, support is highest among members of cross-border groups. For standalone institutions too, the proportion of respondents indicating that benefits would outweigh costs was much higher than those indicating the opposite. When the results are broken down according to the size of the respondents, as expected support is lower for small institutions compared with large and medium-sized institutions, although a majority of over 60% of respondents indicated that benefits would outweigh costs in this case too.

In parallel, and in close cooperation with the banking industry, the ESCB is analysing the answers received on the other aspects (e.g. other content-related questions, approach to country-specific requirements under the IReF, revision and derogation policies, implementation aspects) and will publish additional focused reports on the outcome of the assessment work sequentially in the course of 2022. At the end of this process, the Eurosystem will perform a comprehensive matching of benefits and costs based on the feedback received from all stakeholders, which will represent the basis for the drafting of an ECB Regulation on IReF. In line with the steps of the ECB merits and costs procedure, the results of the matching exercise will be published to support the public consultation on the draft IReF Regulation, currently scheduled for 2024. 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.5

7 The implementation of the IReF

The Eurosystem aims to implement the IReF in a stepwise approach. In 2022 one or more options for the organisation of the statistical business processes in the Eurosystem will be designed. Subject to the Governing Council adoption of the IReF Regulation in 2024, the IReF is expected to go live in 2027. This time frame will give reporting agents and the Eurosystem enough lead time to prepare the legal and technical framework without unduly delaying the expected reduction of the reporting burden. Going forward, the Eurosystem will regularly update this medium-term plan to reflect how broader collaborative efforts with other European authorities to integrate statistical, resolution and prudential requirements are developing (see also Section 8).

5 For instance, the BSI Regulation will continue to apply to money market funds.
The IReF as part of the broader Eurosystem data integration initiative

The IReF is part of a broader data initiative for an integrated reporting system for statistical, resolution and prudential data in the European Union. Such an initiative, requested by the European banking industry\(^6\), has been envisaged by the European Parliament and Council\(^7\), subject to a feasibility study by the EBA.

The ESCB published its views on this broader initiative\(^8\) in a report which will serve as input for the EBA to carry out its feasibility study.

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

1. integrate the data reported to the ESCB for statistical purposes, i.e. implement the IReF;

2. enhance the integration of resolution and prudential reporting. This step is within the remit of the EBA and requires close cooperation between the EBA and the ECB.

Both work streams must progress in close interaction and converge as soon as possible. However, realistically this convergence will need enough time to resolve a range of strategic issues (e.g. the choice of a unique data model in Europe for banking reporting or the legal profiles underlying the issue of a unique European Regulation covering the requirements of different authorities) and align all European institutions involved according to their respective competences and decision-making powers. The “full convergence” of all the reporting obligations should be based on a common data dictionary that has an underlying common data model\(^9\) 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 is expected to be set up to steer the IReF process, parallel to the integration of resolution and prudential data reporting. It could also lay the foundations for sharing data and ensuring its operability among the relevant national and European authorities. Building on the immediate priorities, the joint committee will support the design and development of an integrated reporting system for the EU banking industry.


\(^7\) 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).


\(^9\) A common data model (aka information model, meta model) refers to the standard and formalised layer that depicts the semantic information. This is described by the EBA discussion paper on integrated reporting in their process chain and the three levels of abstraction in the syntactic layer of the data definition part.
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” and “logical data model”. This support is provided through the Banks’ Integrated Reporting Dictionary (BIRD), which defines the transformation rules to be applied on the input layer (and possibly the logical data model) by banks in order to transmit data, based on the defined reporting requirements, to the authorities.\(^\text{10}\)

The BIRD currently features “mappings” to cross-reference and deal with the different metadata and codification used in various dictionaries. If a common data dictionary featuring semantic integration\(^\text{11}\) is agreed upon among the authorities, this part of the BIRD will no longer be necessary. The remaining crucial components (e.g. input layer, transformations) that enable reporting from a redundancy-free source within banks can be adapted to the new common data dictionary and be provided additionally, as they are today. For the maximum benefit it would of course be best if the common data dictionary were developed and maintained in collaboration with the BIRD. Both projects will provide crucial support to the banks’ reporting tasks by logically and methodologically bridging the gap between the authorities’ reporting requirements and the banks’ operational systems. The BIRD is expected to benefit significantly from the IReF in the light of its standardisation of statistical reporting across countries. This will allow for the direct application of the BIRD in the euro area for statistical requirements. The more reporting frameworks are incorporated into the IReF, the more effectively the BIRD will support banks.

The BIRD is currently being reshaped by aligning the data models (i.e. the design/structure) of the IReF and BIRD to a high degree in order to generate further benefits and synergies. For example, in this way the IReF will be capable of adapting more easily to possible extensions (e.g. statistics on holdings of securities by reporting banking groups – SHSG) that are already included and modelled in the BIRD.

It is important to point out that banks remain fully responsible for organising their internal reporting systems and ensuring the accuracy of their reports to the authorities, including the application of the transformation rules. The BIRD provides more detailed but not legally binding interpretations. Most crucially, the BIRD does not change reporting requirements.

\(^{10}\) 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 the BIRD, see the dedicated website.

\(^{11}\) As explained in the EBA discussion paper on integrated reporting.
The envisaged approach to data collection from banks, presented in Figure 2, aims to be cost-effective and transparent. The IReF does describe statistical requirements in a redundancy-free layer and it will represent the future statistical reporting obligations issued by the ECB and applicable to Eurosystem banks. The BIRD describes how the information present at bank level should be transformed to comply with such obligations, not only referring to ECB statistical regulations but also to EU prudential and resolution requirements. The difference between the two is that the IReF will constitute mandatory reporting, while the BIRD is voluntary and will only exist at the level of the reporting agents. Transformation rules from the BIRD input layer to generate IReF and other reporting requirements (i.e. prudential and resolution) are applied by banks, not authorities. Based on the IReF, the ESCB will, however, apply transformations internally to a large degree to generate statistical products so far directly reported by banks. The BIRD input layer may also be used by banks for their own internal purposes. In this sense, the BIRD could align 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.