



EUROPEAN CENTRAL BANK

EUROSYSTEM

Werner Bier (ECB)
Julen Amuriza Orozco (EBF)

Item 2.3

The future of reporting

Dialogue with the banking industry on ESCB statistics
Frankfurt am Main, 15 March 2019

Overview

- 1** Principles for future reporting
 - 1.a** European Central Bank perspective
 - 1.b** European Banking Federation perspective
- 2** Governance framework for future reporting
- 3** Steps ahead

1 Principles for future reporting

1.a European Central Bank perspective

1.b European Banking Federation perspective

2 Governance framework for future reporting

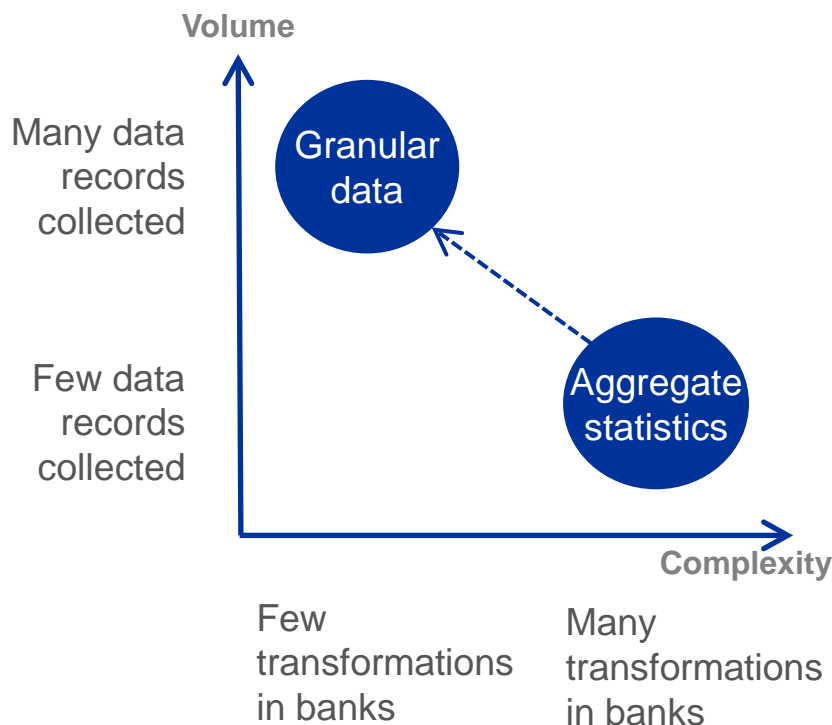
3 Steps ahead

- Open to explore to which degree statistical and supervisory reporting can be integrated, taking into account
 - different levels of granularity
 - different levels of consolidation
 - different nature and compliance requirements
- Explore whether statistical and supervisory reporting can be brought closer together through common infrastructure:
 - one register of entities used by all European authorities with part of the information shared with reporting agents (e.g. ESCB's RIAD)
 - common data exchange formats (e.g. XBRL)
 - common data dictionary

- Banks call for **integrated** and **standardised** reporting requirements, in order to (i) increase data quality, and (ii) reduce reporting burden
- The **ECB fully shares this view**:
 - Continue investing in the **BIRD** and the **IReF**, the two pillars of the ESCB long-term strategy to banks' data reporting
 - **First** integrate **collection of statistical information** within the perimeter of the **ESCB competences** laid down in Article 5 of the Protocol on ESCB/ECB Statute
 - Underlying idea for the collection of statistical information: **more data, but simpler system!**
 - We ask banks for **more granular data** – closer to business logic and data driven approach in exchange of **shifting the aggregation and classification burden** from reporting agents to statistics compilers at NCBs and at the ECB
 - **Thereafter broaden the scope**

Aggregate vs granular reporting of statistical data

A paradigm shift



Advantages

- Less **classification / aggregation** efforts by banks
- Higher **consistency** in data output
- Higher data volumes but “**closer to banks’ business**”
- **Public** transformation rules

- Three key ingredients
 - **Standardisation**: supports **integration**, by making it ‘natural’
 - **Digitalisation and automation**: immediate and low-cost recording of real-life events
 - **Guiding principles for integrated reporting requirements**
 - ❑ Same/consistent data models
 - ❑ Common language (technical specifications) for data transmission
 - ❑ Extensive use of international standards (e.g. LEI, ISIN, etc.)
 - ❑ Aligned remittance dates (no ‘vintage’ issue)
- all this allows for a meaningful **data integration** on the user side

1 Principles for future reporting

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1.b/ EBF perspective: Principles for future reporting framework

Apply general BCBS239 principles in all stages of the regulatory reporting

BCBS239
Thinking



- One common financial dictionary for all the reporting requests
- Interoperability and reusability of data to avoid overlapping
- Regulatory changes to allow data exchange amongst authorities
- Governance for new requests with an earlier involvement of the industry with the authorities

1.b/ EBF perspective: Principles for future reporting framework

Single reporting dictionary

➤ Consisting of two main layers

- **Input layer**, consisting of a **logical model**, of all the data attributes and metrics needed for all the regulatory requests.
 - Each data item with,
 - ✓ A univocal regulatory definition (understandable definition based on the Supervisory/Statistics/Resolution or in the Accounting regulations)
 - ✓ Domain lists or a range of possible values for attributes
 - ✓ A **logical** entity to whom it is a category (client, loan, transaction, collateral, etc)
- **Output layer**, consisting of the rules to transform granular data into a regulatory template or dataset.

➤ Authority neutral and authority inclusive

- The output layer should rely on any output layer designed so far by any competent authority if that output data design can be traced back to the input layer attributes or figures.
- Enhancing current output layers and trimming redundant data items to comfortable fit into the Single Reporting Dictionary.
- So we ensure no change to all authorities' jurisdictions.
- First stage for EBA/SRB/ECB/SSM requests, **but to be extended to NCA's ones.**

➤ Technology neutral

- The logical model must be deployable regardless the data architecture of the bank (for instance deployable in relational and non relational databases)

➤ With a defined and agreed governance agency



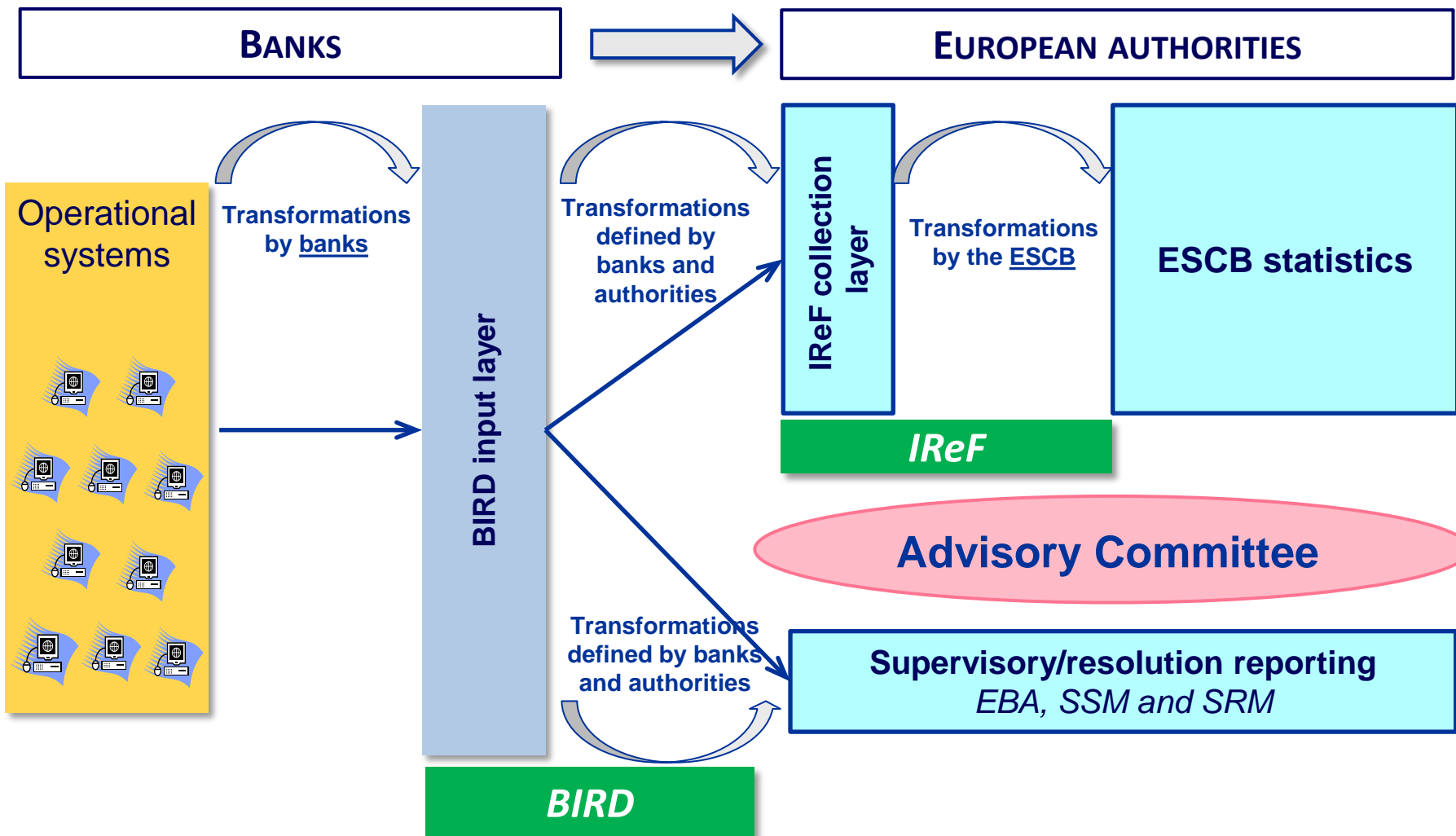
Report once and share information

- Interoperability and reusability principles
 - The less aggregated the data, the more different users' needs you can cover
 - Moving towards a more granular approach for new requests
 - Coexistence of a dual approach templates/granular datasets for a long period as it needs major changes in the regulation
- New challenges of the granular approach to be worked in and agreed between authorities and the industry
 - Level of granularity issues
 - Agree the minimum level of granularity needed
 - ✓ Client, Loan, Collateral, Transaction/cash flow
 - ✓ FI1/FI2 disclosure level : for mismatchings between accounting figures and bottom-up built figures and for accounting balances not supported at granular level
 - ✓ DQ challenge : agree needed on accuracy thresholds and DQ kpis.
 - Consolidation issues
 - How to build highest level of consolidation templates from granular data
 - Removal of legal issues with non EU authorities for importing granular data
 - ✓ Consolidation high level phases :
 - 1) Data homogeneization to IFRS
 - 2) Intergroup elimination
 - 3) Equity elimination
 - ✓ Identify current templates with information affected by 1,2,3 phases
 - ✓ Design data required to simulate consolidation phases : intergroup attributes, equity-non-trading portfolio attribute, etc.



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Advisory Committee on the Coordination of Statistical & Supervisory Reporting comprising European authorities involving the banking industry on data management



- Authorities work together to determine legal requirements
- Authorities cooperate with the banking industry on how to best meet the requirements using:
 - Single data dictionary
 - Standardisation
 - Common language
 - Common infrastructure

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Banks are invited to

- ❑ continue contributing to the BIRD project by
 - ❑ keeping the priorities of the project aligned with the future of reporting strategy
 - ❑ finding ways of aligning supervisory and statistical approaches
- ❑ contribute to the IReF by
 - ❑ e.g. participating in focused groups
- ❑ join the efforts to develop a common infrastructure linking statistical and supervisory reporting