



EUROPEAN COMMISSION

Directorate-General for Financial Stability, Financial Services and Capital Markets Union

FINANCIAL MARKETS

Financial markets infrastructure

CONSULTATION DOCUMENT

FITNESS CHECK ON SUPERVISORY REPORTING

Disclaimer

This document is a working document of the Commission services for consultation and does not prejudice the final decision that the Commission may take.

The views reflected on this consultation paper provide an indication on the approach the Commission services may take but do not constitute a final policy position or a formal proposal by the European Commission.

The responses to this consultation paper will provide important guidance to the Commission when preparing, if considered appropriate, a formal Commission proposal.

You are invited to reply **by 28 February 2018** at the latest to the **online questionnaire** available on the following webpage:

http://ec.europa.eu/info/consultations/finance-2017-supervisory-reporting-requirements_en

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses.**

This consultation follows the normal rules of the European Commission for public consultations. Responses will be published unless respondents indicate otherwise in the online questionnaire.

Responses authorised for publication will be published on the following webpage:
http://ec.europa.eu/info/consultations/finance-2017-supervisory-reporting-requirements_en#contributions

CONTENT OF THE CONSULTATION DOCUMENT

Supervisory reporting requirements provide competent authorities with data on supervised entities (i.e. market participants) and their activities. Access to such data is essential to effectively supervise financial institutions, monitor systemic risks and ensure orderly markets, financial stability, and investor protection. EU law in this area consists of a large number of legislative acts covering a range of financial sector industries (banking, insurance, pension funds, investment services, post-trade services and investment funds, etc.) and products (loans, securities, derivatives, fund units, structured products, etc.). While the need to report to supervisory authorities is broadly acknowledged as being necessary, the financial crisis exposed some of the weaknesses of the supervisory reporting requirements, in that they failed to provide sufficient and/or practically useful information. As a result, legislators developed a significant number of new, and for the most part more granular, reporting requirements, the scale and pace of which may have increased the cost of compliance.

In September 2015, the European Commission launched a Call for Evidence to gather feedback from all interested stakeholders on the benefits, unintended effects, consistency, and coherence of the EU regulatory framework for financial services. Supervisory reporting was one of the key challenges highlighted by the respondents. Among the main concerns of the respondents were some overlaps and inconsistencies between reporting requirements in certain pieces of financial legislation (i.e. 'reporting frameworks'), a reportedly excessive number of requirements, as well as, at times, insufficient clarity as to what needs to be reported and an insufficient use of standards. According to the respondents, this results in excessive compliance costs and complexity. On the other hand, supervisors and regulators suggested that supervisory reporting requirements do not produce data of sufficient quality to allow them to fulfil their mandates.

Moreover, respondents stressed that implementing new reporting requirements is costly, mainly due to the need to implement or adapt IT systems and due to expenditure on training and maintenance. This suggests a need to reduce the frequency of changes to supervisory reporting requirements and to allow sufficient time to implement any changes envisaged in the legislation.

Finally, respondents to the Call for Evidence mentioned that in a number of cases Member States introduced supervisory reporting requirements in addition to those in EU legislation (so-called 'gold-plating'). These issues were subsequently discussed in an Expert Group (EG) composed of all Member States which discussed barriers to capital flows in areas of national competence. The EG identified a number of such barriers and called for further work in this area, among others to address national reporting requirements imposed in addition to those in existing EU legislation, where Member States agreed in principle that double reporting requirements should be avoided.

In order to build on the results of the Call for Evidence and other consultations and reviews, the European Commission has therefore launched a Fitness Check of existing supervisory reporting requirements. As part of this assessment, the Commission is now undertaking this public consultation to seek further and more specific input from stakeholders. The consultation aims to gather evidence on the cost of compliance with existing EU level supervisory reporting requirements (in force by the end of 2016), as well as on the consistency, coherence, effectiveness, efficiency, and added value of those requirements. More specifically, it aims to collect concrete quantitative evidence on,

among others, costs incurred to meet the supervisory reporting requirements, and to gather specific examples of inconsistent, redundant or duplicative supervisory reporting requirements (e.g. reporting the same information under different frameworks or to different supervisory and/or regulatory entities). The consultation seeks feedback on ways in which supervisory reporting could be simplified and streamlined in the future. Bearing this in mind, the consultation aims at improving the usability and overall consistency of the EU supervisory reporting framework in order to help authorities achieve their objectives in a more effective and efficient way.

The feedback to this consultation will support the Commission's objective of ensuring that EU reporting requirements provide supervisors and regulators with the relevant high quality and timely information to help them to fulfil their mandates, while at the same time keeping the administrative and compliance costs and burden for firms to a minimum.

The consultation is structured along three sections reflecting the main issues and challenges that have been identified with respect to the EU supervisory reporting framework:

1. Assessing the effectiveness, efficiency, relevance, coherence, and added value of supervisory reporting requirements in place by the end of 2016;
2. Quantifying the cost of compliance with supervisory reporting requirements;
3. Identifying possible ways to simplify and streamline supervisory reporting.

Respondents should provide their answers on the basis of the reporting frameworks which are relevant for them, and should take into consideration the costs incurred until the end of December 2016, and only for those frameworks in force at that date. Unless otherwise indicated, respondents should select only one answer per question. The consultation aims to go into greater detail into what has already been raised by stakeholders in various consultations. The objective is to gather specific evidence rather than general statements. A possibility to elaborate on a response has therefore been provided for each question. When doing so, respondents should aim to be as specific as possible and support their answers with examples as well as quantitative information. In Section 2 of the consultation, respondents are requested to be as specific as possible when quantifying their answers.

While the consultation is open to all interested parties, it is aimed primarily at stakeholders directly or indirectly involved in supervisory reporting, either on the reporting side or on the side receiving and/or processing the reported data, such as financial institutions, non-financial institutions undertaking securities or derivative transactions, central counterparties (CCPs), trade repositories, trading venues, national and EU supervisory and regulatory bodies.

Section 1: Assessing whether the supervisory reporting requirements are fit-for-purpose

The primary objective of supervisory reporting requirements is to provide supervisory authorities with the necessary data for them to monitor systemic risk in the markets, with the aim of safeguarding the stability of the financial system and ensure investor protection. In order to be effective, this data needs to be provided rapidly and be of sufficiently high quality. Section 1 of the consultation therefore aims to assess whether existing supervisory reporting requirements – in particular in light of the fairly recent move to more granular reporting frameworks – are working as intended. In order to do so, it is necessary to assess their effectiveness, relevance, efficiency, coherence, and added value.

For the purposes of this section, the above criteria are understood as follows:

- **Effectiveness** – whether the supervisory reporting requirements have produced relevant and high quality data;
- **Relevance** – whether all of the supervisory reporting requirements are necessary and appropriate for their intended objectives;
- **Efficiency** – whether the set-up of the supervisory reporting requirements is proportionate in terms of costs/burden in view of its objectives (or, for supervisors, compared to the benefit it brings);
- **Coherence** – whether the supervisory reporting requirements are consistent across the different reporting frameworks;
- **Added value** – whether supervisory reporting requirements at EU level have contributed to the achievement of the intended objectives in a better way than would have been the case if the reporting requirements were only introduced at the national level.

1.1 Taken together, to what extent have EU level supervisory reporting requirements contributed to improving the following:

- i) financial stability (i.e. monitoring systemic risk)
 - Very significantly
 - Significantly
 - Moderately
 - Marginally
 - Not at all
 - Don't know

Please elaborate and provide examples to justify your answer.

- ii) market integrity (i.e. surveillance of market abuse and orderly functioning of the markets)
 - Very significantly

- Significantly
- Moderately
- Marginally
- Not at all
- Don't know

Please elaborate and provide examples to justify your answer.

iii) investor protection (i.e. ensuring proper conduct by firms to ensure that investors are not disadvantaged/negatively impacted))

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know

Please elaborate and provide examples to justify your answer.

1.2 Are all of the existing supervisory reporting requirements relevant for maintaining financial stability and upholding market integrity and investor protection?

- Yes, they are all relevant
- Most of them are relevant
- Some of them are relevant
- Very few are relevant
- Don't know

If you do not think that all of the requirements are relevant, please provide specific examples of any requirements which in your view are superfluous and explain why you believe they are not necessary.

1.3 Is there information that should be reported but which currently is not (i.e. there are reporting requirements that should be added)?

- Yes
- No
- Don't know

If you answered 'Yes', please provide specific examples of reporting requirements which in your view should be added and explain why you believe they are needed.

1.4 To what extent are supervisory reporting requirements across different EU level reporting frameworks coherent (e.g. in terms of scope, content, methodology, timing/frequency of submission, etc.)?

- Fully coherent

- Mostly coherent (a few or minor inconsistencies)
- Somewhat coherent (numerous inconsistencies)
- Not coherent (mostly or totally inconsistent)
- Don't know

Please provide specific examples of reporting requirements which in your view are inconsistent and explain why you believe they are inconsistent.

1.5 To what extent is supervisory reporting in its current form efficient?

- Very efficient
- Quite efficient
- Rather inefficient
- Very inefficient
- Don't know

If you think that supervisory reporting is not fully efficient, please provide specific examples and explain why you believe it is not efficient.

1.6 How well are the supervisory reporting requirements adapted to developments in the fields of modern information and communication technologies (ICT) and digital processes?

- Very well
- Fairly well
- Not very well
- Not at all
- Don't know

Please elaborate and provide specific examples.

1.7 To what extent has the adoption of supervisory reporting requirements at EU level facilitated supervisory reporting in areas where previously only national requirements existed?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- It has made supervisory reporting more complicated
- Don't know

Please elaborate and provide specific examples.

1.8 To what extent have options left to Member States in terms of implementing EU level supervisory reporting requirements (e.g. due to their adoption as Directives rather than Regulations) increased the compliance cost?

- ☐ Very significantly
- ☐ Significantly
- ☐ Moderately
- ☐ Marginally
- ☐ Not at all
- ☐ Don't know

If you think divergent Member State implementation has increased the compliance cost, please provide specific examples of reporting frameworks or requirements where you believe this to be the case and explain your suggestions.

1.9 Are there any challenges in terms of processing the data, either prior to (i.e. within the reporting entity) or subsequent to (i.e. within the receiving/processing entity) it being reported?

- ☐ Yes
- ☐ No
- ☐ Don't know

If you answered 'yes', please elaborate and provide specific examples.

1.10 Are there any negative environmental and/or social impacts related to supervisory reporting stemming from EU legislation?

- ☐ Yes, both environmental and social
- ☐ Yes, environmental only
- ☐ Yes, social only
- ☐ No
- ☐ Don't know

If you answered 'yes' for either or both types of impacts, please elaborate and provide specific examples.

Section 2: Quantifying the cost of compliance with supervisory reporting requirements

The feedback received from stakeholders suggests that, over the past few years, the cost of implementation and compliance with supervisory reporting requirements has increased in a couple of ways. Firstly, the introduction of new reporting frameworks and the more granular approach to reporting have increased the number and frequency of reports, necessitating additional investments into IT systems and related areas such as hiring, training, updating work processes or services delivered by external contractors. Secondly, the increasing complexity of reporting has increased operational risk, including the cost of correcting errors and financial penalties or fines for not reporting in the required formats or within required deadlines. Section 2 of the consultation aims to gather concrete quantitative data concerning this compliance cost incurred by the end of 2016 for reporting frameworks in force by this date¹.

2.1 Is supervisory reporting in its current form unnecessarily costly for its intended purposes (i.e. ensuring financial stability, market integrity, and investor protection)?

- Yes
- No, it is at an appropriate level
- Don't know

2.2 To what extent have the following factors contributed to the excessive cost of supervisory reporting? Please indicate the relevance of the following factors by giving each a rating from 0 to 4 (4: contributed greatly; 0: not contributed at all).

- i) Too many requirements
- ii) Need to report under several different reporting frameworks
- iii) Need to report to too many different entities
- iv) Lack of interoperability between reporting frameworks and/or between receiving/processing entities or supervisory authorities
- v) Need to report too frequently
- vi) Overlapping requirements
- vii) Redundant requirements
- viii) Inconsistent requirements
- ix) Unclear/vague requirements
- x) Insufficient use of (international) standards

¹ Some of the costs incurred until the end of 2016 may have been incurred in anticipation of supervisory reporting requirements to be implemented only as of January 2017. Section 2 is not intended to cover these compliance costs. All replies should be provided on the basis of the situation at the end of December 2016 for frameworks in force at that date.

- xi) Need to introduce/update IT systems
- xii) Need for additional human resources
- xiii) Too many/too frequent amendments in the relevant legislation
- xiv) Lack of a common financial language
- xv) Insufficient use of ICT²
- xvi) Insufficient level of automation of the reporting process³
- xvii) Lack of (adequate) technical guidance/specifications
- xviii) Other (please specify and provide a ranking from 0 to 4)

2.3 To what extent have the following types of legislative/regulatory requirements been a source of excessive compliance costs in terms of supervisory reporting? Please indicate the relevance of the following types of legislative/regulatory requirements by giving each a rating from 0 to 4 (4: very significant source of costs; 0: not at all a source of costs).

- i) Supervisory reporting requirements imposed by EU Regulations and/or Directives
- ii) Different Member State implementation of EU financial legislation, resulting in diverse national supervisory reporting requirements for the same financial entity/product
- iii) National supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product
- iv) Other supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product (please specify)

Please elaborate and provide examples.

2.4 Does the obligation to use structured reporting (i.e. templates or forms in which specific data elements to be reported are listed) and/or predetermined data and file formats (i.e. (i) the exact way in which the individual data elements are to be encoded or (ii) the file format in which the information to be reported is exchanged/submitted) for supervisory reporting increase or decrease the compliance cost of supervisory reporting?

- (a) Increases the compliance cost
- (b) Decreases the compliance cost

² Use of ICT is understood as presenting data in an electronic format rather than on paper and/or submitting it using electronic means (e.g. by email, via an online template) rather than by post or in person.

³ Automation is understood as reducing or even fully eliminating human intervention from the supervisory reporting process.

(c) Does not impact the compliance cost

(d) Don't know

Please provide specific examples to substantiate your answer.

2.5 Please specify the supervisory reporting frameworks to which you are subject (or, in the case of entities receiving and/or processing the data or supervisory authorities, which you deal with or make use of) and estimate the cost (in monetary terms and as a percentage of operating cost) for your entity of meeting supervisory reporting requirements (or, in the case of entities receiving and processing the data or supervisory authorities, of processing the data).

i) Subject to/deal with/make use of the following supervisory reporting frameworks:

ii) Average initial implementation cost (i.e. one-off cost):

Cost in euro	as a percentage of total assets//turnover/other (please specify), as applicable
Not possible to estimate (please elaborate)	Not possible to estimate (please elaborate)

iii) Average annual running cost (i.e. recurrent cost):

i) in 2016:

Cost in euro	as a percentage of operating cost
Not possible to estimate (please elaborate)	Not possible to estimate (please elaborate)

ii) average over the last 5 years:

Cost in euro	as a percentage of operating cost
Not possible to estimate (please elaborate)	Not possible to estimate (please elaborate)

iii) average over the last 10 years:

Cost in euro	as a percentage of operating cost
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Not possible to estimate (please elaborate)	Not possible to estimate (please elaborate)

Please indicate whether the above figures concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.).

2.6 Which reporting frameworks contribute the most to the cost of compliance with supervisory reporting requirements? Please indicate as many frameworks as necessary and explain your answer.

2.7 Does your entity deal with supervisory reporting directly in-house or has this task been outsourced to an external provider?

- ☐ fully in-house
- ☐ partially outsourced
- ☐ fully outsourced

Please elaborate and, if possible, explain the reasons for your business choice.

2.8 Please indicate the size of your entity's department dealing with supervisory reporting:

i) in terms of the number of employees, indicated as full-time equivalents (FTE):

(a) at the end of 2016:

- ☐ [number] FTEs
- ☐ Not possible to estimate (please elaborate):

(b) In 2009:

- ☐ [number] FTEs
- ☐ Not possible to estimate (please elaborate):

ii) as a percentage of the compliance work force:

(a) at the end of 2016:

- ☐ [number]%
- ☐ Not possible to estimate (please elaborate):

(b) In 2009:

- ☐ [number]%
- ☐ Not possible to estimate (please elaborate):

iii) as a percentage of the total work force:

(a) at the end of 2016:

- [number]%
- Not possible to estimate (please elaborate)

(b) In 2009:

- [number]%
- Not possible to estimate (please elaborate):

Please indicate whether the above figures concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.).

2.9 Have any of the EU level reporting frameworks brought (or partially brought) cost-saving benefits (e.g. simplified regulatory reporting, facilitated internal data management processes, improved risk management, increased operational efficiencies, etc.)?

- Yes
- No
- Don't know

If you answered 'yes', please indicate which frameworks, explain in what way they have contributed to cost-savings, and if possible quantify the savings (with respect to previous or other similar reporting frameworks).

Section 3: Identifying possible ways to simplify and streamline supervisory reporting

In response to the Call for Evidence, some stakeholders expressed strong support for targeted standardisation measures to allow a more effective use of technology to streamline and – to the extent possible – automate compliance and reporting functions. This is related to the framework of 'RegTech' ('regulatory technology'), a recent initiative to address issues of regulatory compliance in the financial services sector through the use of innovative technology. However, detailed evidence on how exactly the use of ICT can help with supervisory reporting, and whether it is facilitated or hindered by the present set up of supervisory reporting requirements – is scarce. Section 3 of the consultation is therefore more forward-looking, and seeks stakeholders' views on possible future developments in supervisory reporting, in particular with regards to greater use of ICT and greater automation.

3.1 Please indicate which of the following could reduce the compliance cost while maintaining a sufficient level of supervisory reporting to ensure that the intended objectives are achieved. Please select all relevant answers that apply.

	Short term	Long term	Don't know
<input type="checkbox"/> reduction of the number of data elements			
<input type="checkbox"/> clarification of the content of the data elements			
<input type="checkbox"/> greater alignment of reporting requirements			
<input type="checkbox"/> greater standardisation/use of international standards			
<input type="checkbox"/> development of a common financial language			
<input type="checkbox"/> ensuring interoperability between reporting frameworks and/or receiving/processing entities or supervisory authorities			
<input type="checkbox"/> greater use of ICT			
<input type="checkbox"/> greater automation of the reporting process			
<input type="checkbox"/> other (please specify):			

Please elaborate, in particular explaining how you believe the answer(s) you selected could be achieved in practice.

Concerning the development of a common financial language (i.e. a set of harmonised definitions of the terms used in supervisory reporting):

3.2 To what extent would the development of a common financial language help reduce the compliance cost of supervisory reporting?

- ☐ Very significantly
- ☐ Significantly
- ☐ Moderately
- ☐ Marginally
- ☐ Not at all
- ☐ Don't know

Please elaborate.

3.3 To what extent would the development of a common financial language help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

- ☐ Very significantly
- ☐ Significantly
- ☐ Moderately
- ☐ Marginally
- ☐ Not at all
- ☐ Don't know

Please elaborate.

3.4 Are there any prerequisites for the development of a common financial language?

- ☐ Yes
- ☐ No
- ☐ Don't know

If you answered 'yes', please elaborate and provide specific examples.

3.5 Are there any obstacles to the development of a common financial language in the short term (i.e. 2 years or less)?

- ☐ Yes
- ☐ No
- ☐ Don't know

If you answered 'yes', please elaborate and provide specific examples.

Concerning interoperability between reporting frameworks (i.e. alignment/harmonisation of the reporting requirements) and/or receiving entities (i.e. the

ability of entities receiving supervisory data to share it amongst themselves in such a way that it remains legible):

3.6 To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help reduce the compliance cost of supervisory reporting?

- ☐ Very significantly
- ☐ Significantly
- ☐ Moderately
- ☐ Marginally
- ☐ Not at all
- ☐ Don't know

Please elaborate.

3.7 To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

- ☐ Very significantly
- ☐ Significantly
- ☐ Moderately
- ☐ Marginally
- ☐ Not at all
- ☐ Don't know

Please elaborate.

3.8 Are there any prerequisites for introducing greater interoperability between reporting frameworks and/or receiving entities?

- ☐ Yes
- ☐ No
- ☐ Don't know

If you answered 'yes', please elaborate and provide specific examples.

3.9 Are there any obstacles to introducing greater interoperability between reporting frameworks and/or receiving entities in the short term (i.e. 2 years or less)?

- ☐ Yes
- ☐ No
- ☐ Don't know

If you answered 'yes', please elaborate and provide specific examples.

Concerning greater use of ICT in supervisory reporting:

3.10 To what extent would greater use of ICT help reduce the compliance cost of supervisory reporting?

- ☐ Very significantly
- ☐ Significantly
- ☐ Moderately
- ☐ Marginally
- ☐ Not at all
- ☐ Don't know

Please elaborate.

3.11 To what extent would greater use of ICT help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

- ☐ Very significantly
- ☐ Significantly
- ☐ Moderately
- ☐ Marginally
- ☐ Not at all
- ☐ Don't know

Please elaborate.

3.12 Are there any prerequisites for the greater use of ICT in supervisory reporting?

- ☐ Yes
- ☐ No
- ☐ Don't know

If you answered 'yes', please elaborate and provide specific examples.

3.13 Are there any obstacles to the greater use of ICT in supervisory reporting in the short term (i.e. 2 years or less)?

- ☐ Yes
- ☐ No
- ☐ Don't know

If you answered 'yes', please elaborate and provide specific examples.

Concerning greater automation of the reporting process:

3.14 To what extent would greater automation of the reporting process help reduce the compliance cost supervisory reporting?

- ☐ Very significantly
- ☐ Significantly
- ☐ Moderately
- ☐ Marginally
- ☐ Not at all
- ☐ Don't know

Please elaborate.

3.15 To what extent would greater automation of the reporting process help improve the management (i.e. reporting and/or processing) of supervisory data required to be reported?

- ☐ Very significantly
- ☐ Significantly
- ☐ Moderately
- ☐ Marginally
- ☐ Not at all
- ☐ Don't know

Please elaborate.

3.16 Are there any prerequisites for a greater automation of supervisory reporting?

- ☐ Yes
- ☐ No
- ☐ Don't know

If you answered 'yes', please elaborate and provide specific examples.

3.17 Are there any obstacles to a greater automation of supervisory reporting in the short term (i.e. 2 years or less)?

- ☐ Yes
- ☐ No
- ☐ Don't know

If you answered 'yes', please elaborate and provide specific examples.

3.18 What role can EU regulators play in facilitating or stimulating greater use of ICT in supervisory reporting?

- Crucial role
- Important role
- Moderate role
- Limited role
- No role
- Don't know

Please elaborate and provide specific examples of where and how you believe EU regulators could help.

3.19 What role can EU regulators play in facilitating or stimulating greater automation of the reporting process?

- Crucial role
- Important role
- Moderate role
- Limited role
- No role
- Don't know

Please elaborate and provide specific examples of where and how you believe EU regulators could help.

3.20 What else could be done to simplify supervisory reporting while ensuring that regulated entities continue to fulfil their supervisory reporting requirements?

3.21 Can you provide any practical example of improvements to data management processes that could be applied to supervisory reporting with a view to reducing the compliance cost and/or improving the management of supervisory reporting?

- Yes
- No

If you answered 'yes', please specify and explain your suggestions.