Summary Report of the Public Consultation on the Fitness Check on Supervisory Reporting having taken place from 1 December 2017 to 14 March 2018

This document provides a factual overview of the contributions to the public consulation on the Fitness Check on Supervisory reporting having taken place from 1 December 2017 to 14 March 2018. The content should not be regarded as reflecting the position of the Commission. It does not prejudge any feedback received in the context of other consultation activities.

Introduction

On 1 December 2017, the European Commission launched a public consultation with regard to the on-going fitness check of supervisory reporting requirements. The fitness check was launched as a follow-up action to the Call for Evidence held in 2015-2016,[1] which aimed to gather feedback from stakeholders on the benefits, unintended effects, consistency, and coherence of the EU regulatory framework for financial services. The results of the Call for Evidence showed that many industry respondents consider the applicable reporting frameworks to be overly complicated and costly. They noted that this is in large part due to the apparent existence of a range of overlaps and inconsistencies across the various frameworks and lack of clarity as to what needs to be reported. On the other hand, supervisors and regulators have generally commented that the reported data often lacks sufficient quality and that some reporting frameworks are therefore not fully meeting their intended objectives (e.g. due to problems related to data aggregation).

Given the broad nature of the Call for Evidence, the responses in relation to supervisory reporting requirements often failed to precisely pinpoint the challenges or to identify any specific overlaps and inconsistencies. As such, the European Commission decided to launch a more detailed assessment of supervisory reporting requirements in the financial sector. The fitness check aims to assess whether the current reporting requirements are relevant, coherent, effective, efficient, and whether they bring added value at EU level. It will also assess whether there are any opportunities to streamline reporting requirements, thereby reducing these costs, while ensuring that they continue to provide supervisors and regulators with sufficient and high quality data to allow them to carry out their tasks effectively.

The public consultation was launched with a view to supporting the Commission in this assessment. The consultation was structured along three sections reflecting the main issues and challenges that have been identified with respect to the EU supervisory reporting requirements:

1. Assessing whether supervisory reporting requirements are fit-for-purpose
2. Quantifying the cost of compliance with supervisory reporting requirements
3. Identifying possible ways to simplify and streamline supervisory reporting

While the consultation aimed to gather input only on supervisory reporting requirements applicable at the end of 2016, many respondents nonetheless provided comments on frameworks which only recently entered into application. Many respondents also raised issues with regard to national reporting regimes and statistical reporting requirements, many of which do not fall under the auspices of the European Commission. Despite being outside the scope of the exercise, these responses have nonetheless been analysed as they still provide valuable insights into future evaluations and reviews of the respective legislative acts.

The consultation was closed on 14 March 2018 and received 391 responses sent by respondents from 15 Member States. The following sections provide an overview of the main results of the consultation and issues raised by respondents. Similar to earlier consultative exercises such as the Call for Evidence, a large majority of respondents from industry stressed the significant compliance costs arising from supervisory reporting requirements. They consider many of the reporting frameworks to be overly complex and often questioned the value of some of the data reported, especially where frameworks overlap. They generally call for a streamlining of the requirements (also with regard to national reporting regimes), more timely clarification of requirements, increased harmonisation and standardisation, and applying the principle of proportionality to reflect the size and activities of respective market participants. Public authorities also highlight a range of challenges as concerns the current reporting frameworks and support an increased level of harmonisation and standardisation. However, they generally disagree that the current requirements are too far-reaching and, on the contrary, raise examples where additional data would further facilitate their supervisory or regulatory activities.

Based on the initial overview presented in this document, the Commission will carry out a further in-depth assessment of the responses received and is conducting other analysis to complete the fitness check of

[1] COM/2016/0855 final, COM(2017) 736 final

supervisory reporting, which will be published as a Staff Working Document in early 2019. The fitness check will identify potential areas where the compliance cost and burden stemming from supervisory reporting requirements could be reduced (e.g. by streamlining or simplifying them) without compromising the financial stability, market integrity and consumer protection objectives of these requirements. Based on the complete results of the ongoing assessment, recommendations may be issued in the second half of 2019, for consideration by the next Commission.

Overview of respondents' characteristics

A total of 391 responses were received over the consultation period. The vast majority of respondents represent an organisation or company (88%), while 10% are public authorities and the remaining 2% are private individuals. As regards the type of organisation, the category comprising companies, SMEs, micro-enterprises and sole traders prevails (53%). In terms of geographical coverage, most responses were submitted by entities based in Germany (34%), followed by the United Kingdom (17%) and Belgium (17%). Finally, most respondents operate in the banking industry (17%), followed by insurers (16%) and investment managers (14%). One group of industry respondents submitted responses that were identical on many questions. The overview figures were based on the 133 non-identical responses[2].

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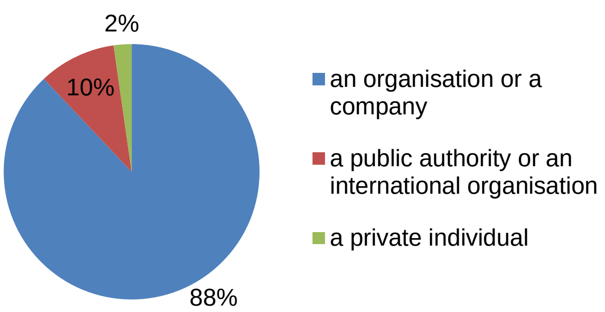

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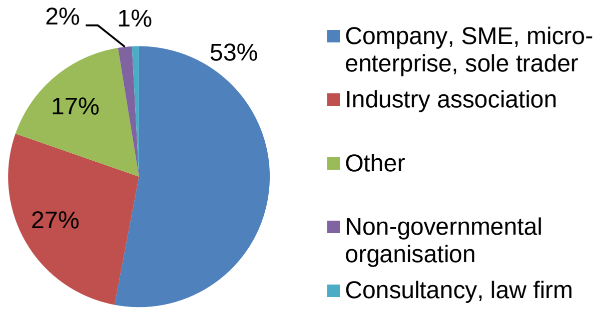

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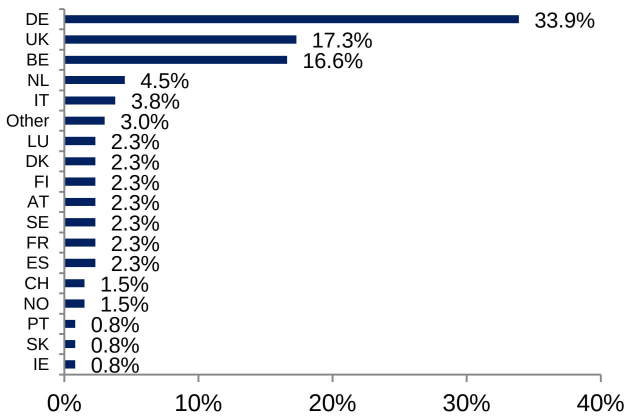
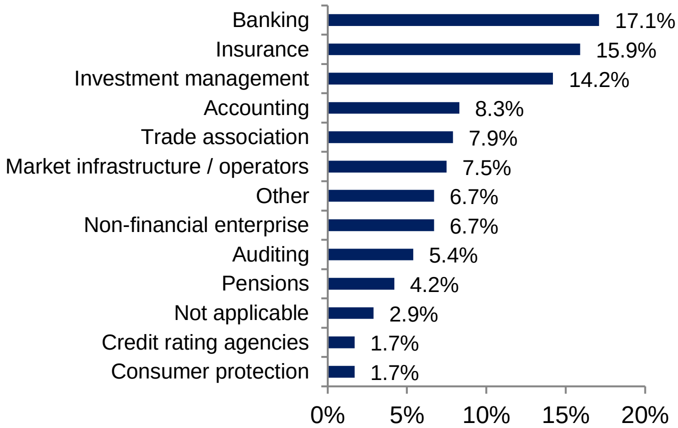


Field of activity (or sector)



Note: On the left-hand side chart, "Other" designates joint responses submitted by entities incorporated in multiple jurisdictions. On the right-hand side chart, "Other" refers to public authorities and private individuals.

[2] Out of the 391 responses received, 258 came from industry stakeholders (all of which were in the same sector and from the same member state), who provided very similar responses in relation to sections 1 and 3. In order to ensure a balanced and fair representation of all respondents, these responses were considered only once in the analysis of these two sections. The assessment in Section 2 reflects the full sample as the responses related to compliance costs were varied. In light of the above, the analysis in Sections 1 and 3 was based on 133 non-identical responses, while the full sample of 391 responses was used for compiling the statistics for Section 2.

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

Taken together, to what extent have EU level supervisory reporting requirements contributed to improving financial stability, market integrity and investor/consumer protection?

As regards **financial stability**, 38% of respondents consider that EU supervisory reporting requirements had a moderate contribution towards increasing financial stability. The rest of the respondents were almost equally divided between believing that the effect on financial stability was significant or marginal, with both groups reflecting 17% of total respondents. A similar picture emerges with respect to **market integrity** and **investor/consumer protection**. 25% and 23% commented that the reporting requirements have had a moderate impact on the objective of market integrity and investor/consumer protection, respectively. As regards market integrity, a higher percentage of respondents (19%) noted a significant contribution versus only 14% who believe this to be the case in the area of investor/consumer protection. The same applies in reverse for respondents who consider the impact to be marginal (14% vs. 19%). Overall, very few respondents believe that the contribution to either of the regulatory objectives has been very significant. There is, however, a clear divide between industry respondents and public authorities. While barely any industry respondents noted a very significant contribution, regulators and supervisors generally opted either for 'very significantly' or 'significantly' as their response. This group pointed out that the reporting requirements are very helpful and are, in certain areas, actually not far-reaching enough to achieve the policy objectives.

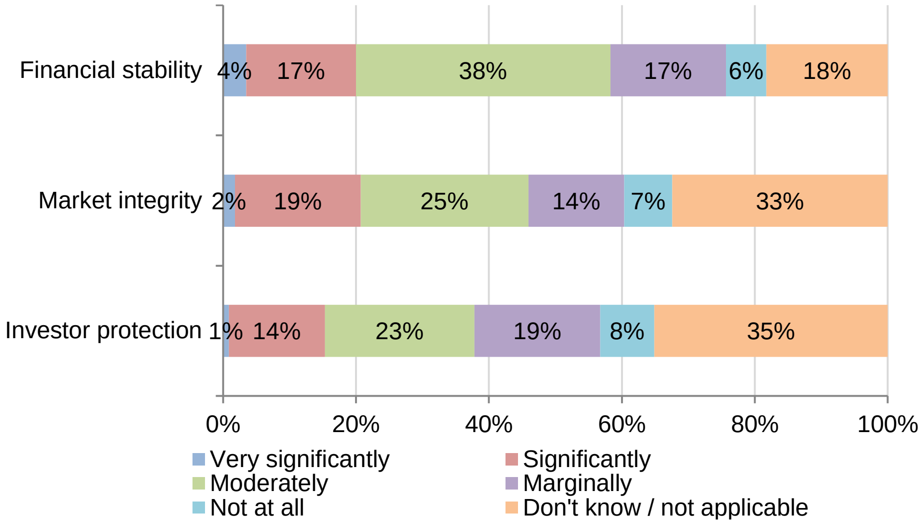
Many industry respondents claimed that the costs arising from the reporting frameworks are not proportionate to the new informational insights gained from the reported data. In this respect, smaller banks generally contested the added value of being covered by European reporting frameworks under the Capital Requirements Regulation[3] (CRR) (either partially or fully) given the allegedly low financial stability risks that emanate from them. Furthermore, some industry respondents commented that some of the reporting frameworks generate a lot of data that is not or cannot be used effectively to monitor financial stability risks. The most common example provided in this context was the European Market Infrastructure Regulation[4] (EMIR). A few respondents noted that EMIR had in fact improved the regulatory oversight of derivatives markets but criticised data gaps and quality. Several banks also highlighted that the data requirements under the Analytical Credit Datasets Regulation (AnaCredit)[5] exceed the data needed to effectively monitor financial stability risks[6].

With regard to market integrity, several respondents, mainly investment firms, commented that supervision had improved given the requirements under the Market Abuse Regulation[7] (MAR). On the other hand, many smaller market participants, particularly smaller banks, contested the added value of both the obligation to notify reasonable suspicion of market abuse under MAR as well as the transaction reporting under the Markets in Financial Instruments Regulation[8] (MiFIR).

Finally, some national authorities noted that further data breakdowns (e.g. domestic vs. non-domestic) could be introduced to better assess systemic risks. Supervisors also mentioned certain cases where parts of the supervisory reporting requirements currently remain within the discretion of national competent authorities

[3] Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation
[4] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories
[5] Regulation (EU) 2016/867 of the ECB of 18 May 2016 on the collection of granular credit and credit risk data
[6] Regulation (EU) 2016/867 of May 2016 (ECB/2016/13). As noted in the introduction, statistical reporting frameworks are outside the scope of this exercise.
[7] Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
[8] Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments

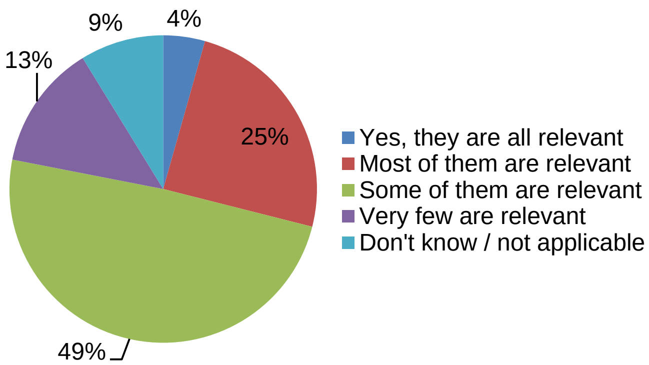
(e.g. Undertakings for Collective Investments in Transferable Securities "UCITS" Directive[9]) and that this leads to both excessive complexity as well as an inability for supervisors to aggregate the reported data at European level (e.g. due to different formats).



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

Just under half of the respondents (49%) consider that only some of the existing supervisory reporting requirements are relevant for achieving the stated goals, followed by 25% claiming that most of them are relevant. Only 4% consider that all requirements are relevant. Again, answers differed significantly across respondents, with public authorities and consumer bodies generally perceiving the requirements to be more relevant.

A majority of industry respondents again stressed a **lack of proportionality** in the existing reporting frameworks. Many respondents also explained that several reporting frameworks, especially those applicable to the banking sector, require the reporting of very similar (but not identical) metrics. This point was highlighted in particular with regard to **quasi-overlaps between national and European reporting frameworks**. At the same time, several respondents (especially public authorities but also market participants) stated that a large majority, if not all, reporting requirements were relevant to achieving these regulatory objectives.



As regards **financial stability**, several respondents highlighted that the EMIR reporting framework does not fully address risks related to derivatives markets and that it faces problems as concerns data aggregation across trade repositories. It was noted that position reporting would be more effective, especially as the

[9] Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014 amending Directive 2009/65/EC on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) as regards depositary functions, remuneration policies and sanctions

MiFID II[10]/MiFIR framework already captures transactions data. Some of the respondents also criticised the double-sided reporting approach under EMIR as giving rise to additional, unnecessary costs.

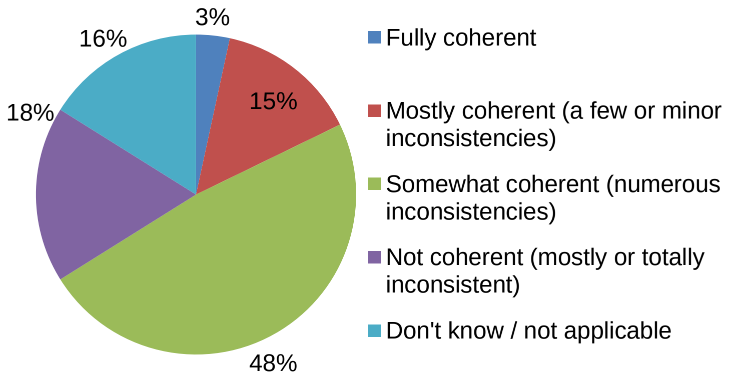
Small banks that replied to the public consultation criticised the lack of proportionality with regard to the CRR reporting framework. It was stressed that while most other frameworks provide at least some degree of proportionality (e.g. Solvency II[11]), CRR only allows supervisors to impose additional or more frequent reporting requirements. It was also frequently noted that the reporting threshold for AnaCredit is too low. Smaller market participants generally called for the implementation of (higher) reporting thresholds, noting that they do not pose any systemic risks themselves (e.g. with regard to net stable funding ratio (NSFR)[12], the leverage ratio[13], or reporting under the Financial Reporting standards (FINREP)[14]) and that smaller-volume transactions equally carry less risks for the overall financial system (e.g. in the context of MiFID II/MiFIR and EMIR).

Finally, several respondents agreed that a large majority of the reporting requirements are relevant for achieving the stated regulatory objectives but stressed that major challenges arise from the high **level of granularity** (e.g. Additional liquidity monitoring metrics[15] (ALMM)) and a **lack of coherence and redundancy** within and between different reporting frameworks.

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

72% of respondents consider there are no reporting requirements that should be added, while 19% claim the opposite.

Several industry respondents as well as public authorities noted that **better consideration should be given to the exact purpose of reporting requirements** when they are introduced. Examples provided in this context were: (i) under EMIR, transaction reporting for derivatives could be changed to position reporting, at least for exchange traded derivatives in order to gain a better overview of systemic risks; (ii) extending the MiFID II reporting framework to also capture positions; and (iii) harmonising the UCITS reporting framework in order to better facilitate EU-wide data aggregation.



Concrete examples of additional data that should be reported were provided by public authorities. These include: (i) introducing mandatory legal entity identifiers (LEIs) under the Alternative Investment Fund Managers Directive[16] (AIFMD) (in order to combine with data under other frameworks and improve the ability of supervisors to monitor systemic risk); (ii) flagging to identify money market funds and European Long-term Investment Funds under the AIFMD framework; (iii) reporting of LEIs of large borrowers under the large exposures framework for banks; and (iv) more

[10] Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments
[11] Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance
[12] Based on a Regulation (EU) No 575/2013 (CRR)
[13] Based on Regulation (EU) No 575/2013 (CRR)
[14] Regulation (EU) 2015/534 of the European Central Bank of 17 March 2015 on reporting of supervisory financial information (ECB/2015/13)
[15] Commission Implementing Regulation (EU) 2016/313 of 1 March 2016 amending Implementing Regulation (EU) No 680/2014 with regard to additional monitoring metrics for liquidity reporting
[16] Directive 2011/61/EU

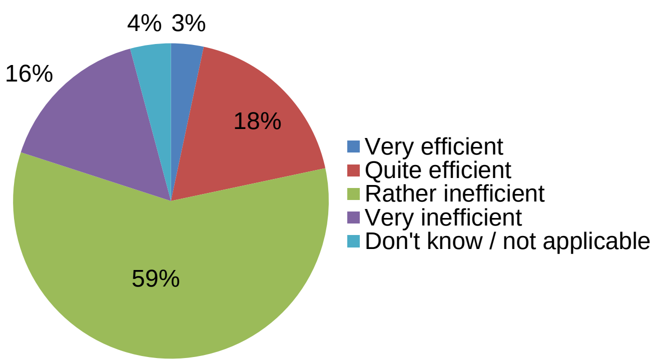
granular reporting of non-performing exposures.

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.)?

Many respondents (48%) consider the various EU-level reporting frameworks are somewhat coherent (i.e. have numerous inconsistencies). A combined total of 18% of respondents see the EU reporting frameworks as being fully or mostly coherent, but as many (18%) assess the frameworks to be not coherent. The group of respondents commenting that the frameworks are fully coherent consists mainly of public authorities, although several industry respondents replied that they are mostly coherent.

Many respondents again claimed that there is a lack of proportionality in several reporting frameworks, especially for smaller firms. In the area of banking, some proposed clear-cut exemptions for smaller banks below a certain balance sheet threshold (e.g. EUR 1bn.). Others stated that certain reporting obligations (e.g. under the liquidity coverage ration (LCR)[17], ALMM, FINREP, or NSFR) should be carried out less frequently by smaller banks. Several respondents also highlighted partial **overlaps between reporting requirements** in EMIR and MiFIR, while a few respondents noted that certain reporting obligations are identical. Furthermore, it was stressed that **differences in definitions and templates** (between EMIR and MiFIR) create an additional unnecessary compliance burden. The point on overlapping requirements and differences in definitions was also raised in relation to other frameworks, in particular with regard to bank-specific prudential and statistical reporting at EU and national level. Respondents from the insurance sector criticised that gold-plating by national regulators can lead to inconsistencies due to slightly different requirements and that certain additional validations are not foreseen in the Solvency II taxonomy. Slight differences in definitions between national and European reporting frameworks as well as overlapping requirements were often flagged also with regard to other reporting frameworks, with respondents stressing that this creates cumbersome additional compliance work.

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



According to the majority of respondents, supervisory reporting requirements are rather inefficient as they stand (59%), followed by those claiming they are quite inefficient (18%). On the other hand, roughly 3% of respondents (mainly public authorities) find the requirements very efficient.

In addition to the issue of proportionality which was raised on several occasions throughout the different sections, several respondents stated that many of the reporting frameworks require a **high amount of manual processing efforts**. This often arises due to different interpretations and definitions across the frameworks. Moreover, as already stated above, a majority of industry respondents noted that there are often duplicative reporting requirements or that requirements across frameworks are very similar even though they are not exactly the same. It was stressed that this increases **complexity and compliance burden** without providing a benefit for supervisory purposes. For instance, many respondents from the banking sector commented that the reporting requirements under Common Reporting Standards framework (COREP)[18] are too granular, especially for small banks, and thus not efficient. Equally, some respondents from the insurance sector consider that Solvency II collects too much/too granular data. At the same time, however, Solvency II was also raised as a

[17] Based on Regulation (EU) No 575/2013 (CRR)

[18] Based on Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms

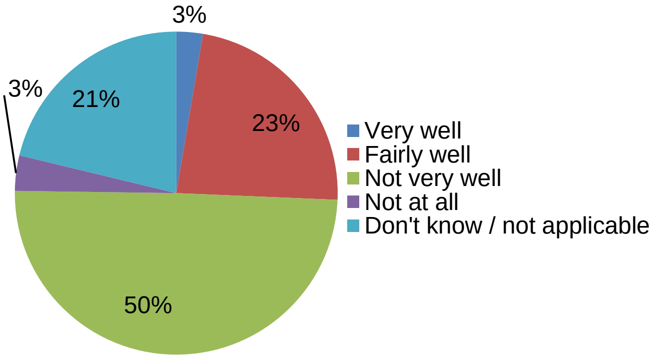
positive example of a reporting framework which provides national supervisors with the ability to waive requirements for smaller market participants (e.g. quarterly reporting). Finally, several respondents also stressed that the regulatory objectives with regard to MiFID II/MiFIR and EMIR reporting frameworks could be equally well achieved with fewer reporting fields.

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

50% of respondents, including respondents from public authorities, consider that supervisory reporting requirements are not very well adapted to developments in the fields of modern information and communication technologies (ICT) and digital processes, followed by those who believe they are fairly well adapted (23%), whereas 21% said they do not know.

Several respondents commented that despite the use of modern information technology **(IT) infrastructure** for supervisory reporting, there is still a high manual effort needed to meet all reporting requirements. It was often stressed that while automated approaches are essentially required to meet the reporting obligations (given the large amount of data), the reporting process still frequently requires manual adjustments and/or inputs (e.g. in order to re-format data where the company internal data format differs from the one required by supervisory authorities).

Some respondents also noted that common data collection frameworks (and a centralised repository) and/or 'once and for all' reporting would facilitate modern data integration techniques and automated reporting approaches (see also section 3 below). Finally, it was noted that the high frequency of adaptations to existing reporting frameworks or the creation of new reporting frameworks creates substantial hurdles for the introduction or use of automated reporting solutions. Amending a reporting framework will always require changes to IT systems and respective follow-up testing. There is a risk of introducing coding errors every time a system is changed and it will often require substantial manual efforts to optimise a newly revised system. In addition, respondents noted that new requirements are often not sufficiently clarified or not clarified in a timely manner, which gives rise to complications in the coding process and extensive time pressure (which can also lead to coding errors etc.).



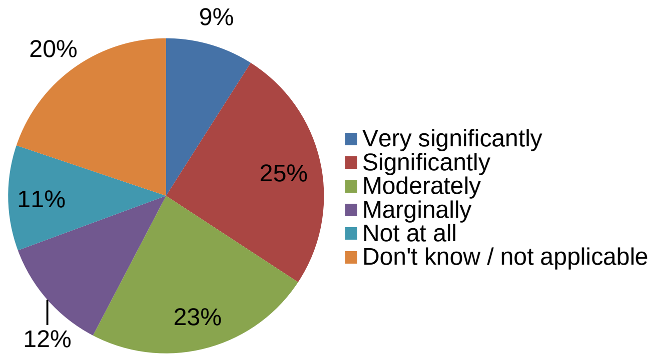
To what extent has the adoption of supervisory reporting requirements at EU level facilitated supervisory reporting in areas where previously only national requirements existed?

The largest single category of respondents (34%) believe that the adoption of supervisory reporting requirements at EU level in areas where previously only national requirements existed has made supervisory reporting more complicated. In their view, the related compliance burden therefore increased substantially. However, almost half of all respondents (46%) feel that EU level supervisory reporting requirements have facilitated supervisory reporting to one degree or another. Several respondents, including industry respondents, remarked that supervisory reporting at the European level has helped to reduce costs in some areas by implementing a more harmonised approach to reporting across Member States.

Nevertheless, many respondents also pointed out that requirements at the European level often failed to replace national reporting regimes. Instead, EU requirements frequently simply added a further layer of requirements, thus increasing the overall compliance burden yet further. In addition, reporting formats and/or data field definitions are seen by respondents to frequently vary across national and European regimes, requiring additional efforts to align the reports with the respective framework.

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?

A majority of respondents (57%) consider that options left to Member States in the implementation process have at least moderately increased compliance costs. On the other hand, only 11% stated that such options have not impacted their compliance costs at all.



A majority of respondents stressed that an increased level of harmonisation (maximum harmonisation) and standardisation would reduce costs. These comments came in particular from larger market participants with some amount of cross-border activities. Smaller institutions and investment firms generally tended to see national flexibility in implementation as only giving rise to marginal or moderate cost increases.

Respondents that saw high cost increases noted that there are many cases of diverging national implementation. This requires additional efforts to comply with all requirements. Respondents criticised in particular the fact that despite essentially reflecting the same information, national differences in reporting regimes require them to establish new or amended reports, thereby doubling (or, depending on the number of Member States involved, at times increasing many-fold) their compliance burden. These comments were not only limited to EU Directives. Many respondents also commented that some Regulations (e.g. CRR) still provide Member States with leeway to request additional or differently formatted data. Some respondents noted that this also prevents the creation of EU-wide databases, thus limiting the usefulness of the reported data for supervisory purposes.

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?

78% of respondents claim they face challenges in terms of processing the data, either prior to or subsequent to it being reported. Data processing challenges were reported both by industry respondents as well as public authorities.

Many respondents reiterated that a higher degree of standardisation would help to reduce both challenges faced and compliance costs. Moreover, a reduction of ambiguities would help to facilitate the use of automated solutions and reduce the compliance efforts needed, especially in the implementation phase. Several respondents also noted that longer implementation timelines would help to decrease cost burdens and enable companies to better comply with new requirements.

Public authorities criticised in particular that the implementation of technical specifications and standards is inconsistent in certain areas. They also noted that quality checks are not always (or consistently) implemented and that certain data are not fully usable due to formatting errors or adoption of wrong conventions.

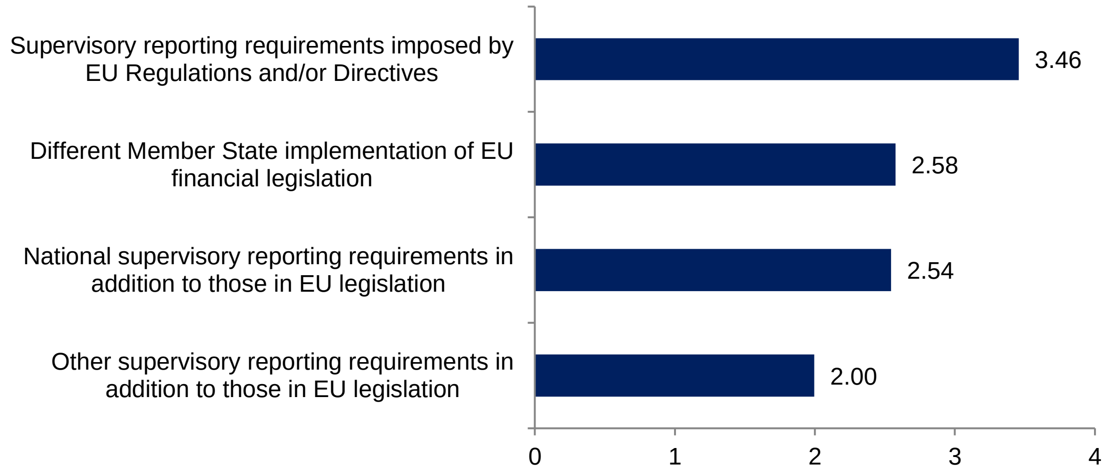
Some respondents also noted that cross-border institutions with activities outside EU jurisdictions have to cope with other non-EU regulations, which can in many circumstances be inconsistent with EU reporting requirements. Greater coordination between authorities at the international level would thus be welcomed in order to decrease related compliance costs.

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

General assessment of compliance costs

Overall, almost all respondents (93%), in particular those from industry, believe that supervisory reporting in its current form is unnecessarily costly for its intended purposes. Only a very few respondents (2%), most of which are public authorities, consider the level of costs as appropriate. In line with these concerns, a large majority of respondents (85%) noted that none of the EU level reporting requirements have brought cost saving benefits while only a few respondents (11%), mostly public authorities, considered that there have indeed been cost saving benefits.

Supervisory reporting requirements imposed by EU regulations and/or directives were flagged as a very significant source of compliance costs. However, different implementation of EU financial legislation by Member States and the existence of national supervisory reporting requirements in addition to those in EU legislation are also perceived as an important source of compliance costs. On the other hand, the existence of other additional supervisory reporting requirements is seen as having contributed the least to the costs of compliance.



Note: Respondents were asked to assess the contribution of EU/national legislative supervisory reporting requirements to the compliance cost by assigning a score, using a scale of 0 (not at all a source of costs) to 4 (very significant source of costs). The figures displayed on the chart represent the average score per option.

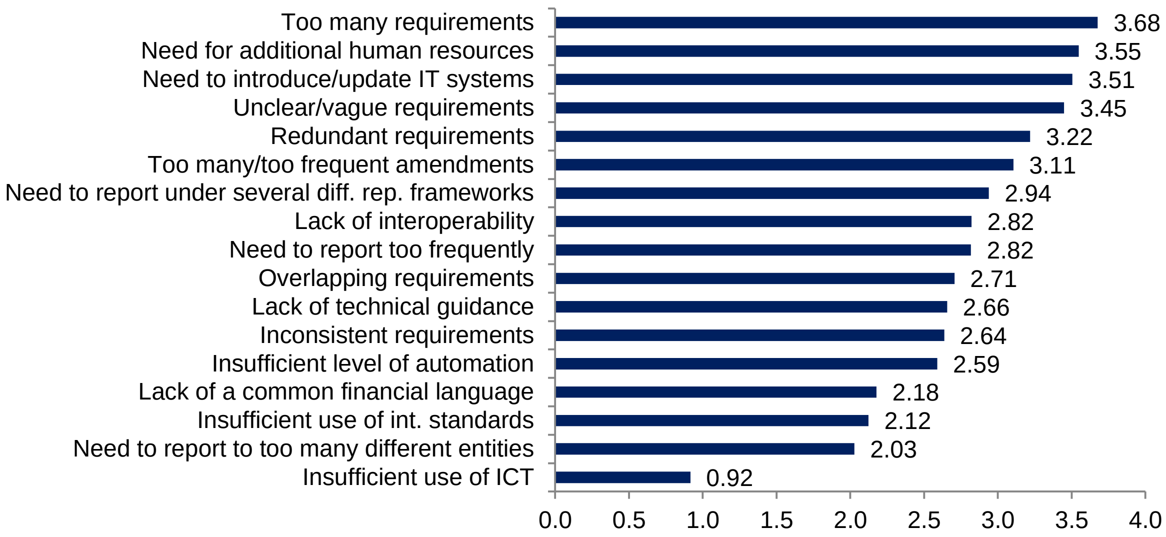
By way of examples, respondents from the financial industry flagged in particular the following **EU supervisory reporting frameworks** as having triggered significant costs of compliance:

- CRR/CRDIV ITS on CoRep, FinRep and liquidity reporting (LCR, NSFR, ALMM)
- Statistical reporting (AnaCredit)
- Transaction reporting under EMIR and under MiFIDII/MiFIR

Respondents from the banking sector raised other cost concerns due to **overlaps between EU requirements and national requirements**, including for example:

- AnaCredit reporting at EU level and article 394 CRR on national reporting of banks' large exposures
- FinRep at EU level and Système Unifié de Reporting Financier (SURFI) in France
- Reporting of LCR at EU level and reporting under Liquiditätsverordnung (LiqV) in Germany

Concerning the factors perceived as having contributed very significantly to the compliance costs of supervisory reporting, respondents highlighted the **existence of too many requirements**, the **need for additional human resources** and the **need to introduce/update IT systems**. On the other hand, the insufficient use of ICT was identified as a factor not having significantly contributed to compliance costs.



Note: Respondents were asked to assess the factors that have most/least contributed to compliance cost in terms of supervisory reporting by assigning a score to each factor, using a scale of 0 (not at all a source of costs) to 4 (very significant source of costs). The figures displayed on the chart represent the average score per factor.

Respondents highlighted that small and non-complex financial institutions face excessive costs due to the **absence of proportionality** with regard to supervisory requirements. Moreover, it was suggested that the increased **quantity and complexity** of these requirements are key factors generating additional costs in terms of human resources, training, legal expertise as well as changes to IT systems. Finally, respondents also argued that the **obligation to report at both group and individual company level** as well as the **absence of materiality thresholds** create excessive and unnecessary costs.

As regards the **obligation to use structured reporting and/or predetermined data and file formats**, respondents were slightly divergent in their views. Over a third of respondents (37%) considered that such structured reporting decreases the compliance costs overall. They noted that a greater use of standards would allow for further automation and eventual reduction of costs, as initial IT costs would be largely compensated in the long-term by reduced ongoing costs. Conversely, 24% had a different view and thought that it can increase the costs. In particular, they argued that the use of data standards (e.g. XBRL tool, QRTs) could be a source of additional costs if not harmonised at all levels (e.g. between entities reporting and receiving data). They also stressed that high costs arise from the implementation of different standards than those in use for internal reporting purposes. More specifically, among the financial industry respondents 56% indicated that a greater use of standards has increased compliance costs, whereas a significant majority of public authorities (67%) argued that the costs have decreased as a result of the use of such standards.

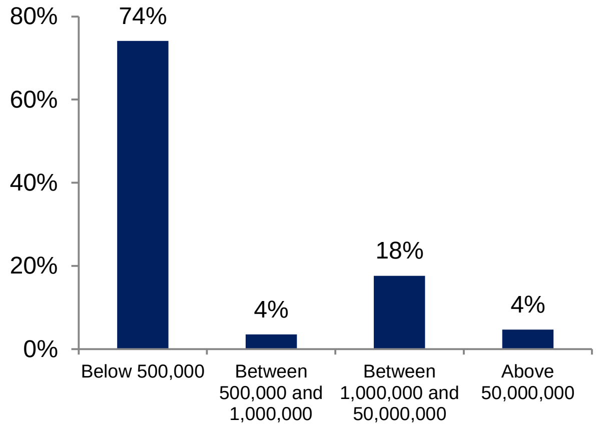
Compliance cost quantification

On average, fewer responses were submitted to the following quantitative questions seeking evidence on compliance costs compared to the more qualitative questions in other sections of the public consultation. Some respondents highlighted the difficulty of providing cost estimates that reflect incremental compliance costs due to supervisory reporting requirements.

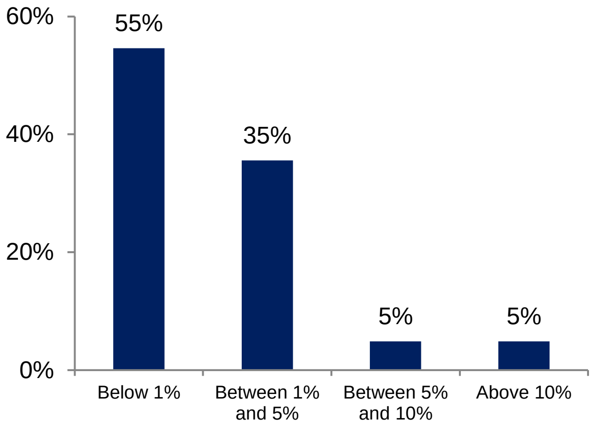
For most of the respondents from industry who provided compliance cost estimates (74%), the average initial implementation cost expressed in monetary terms was below EUR 500,000. The second most frequent range (chosen by 18% of respondents who provided an answer) was between EUR 1 million and EUR 50 million. Although very few respondents were able to provide data on implementation costs in relation to turnover, the median value for this metric was 1%, while the average was equal to 3.24%.

As regards the annual running (recurring) costs in 2016, the majority of respondents (55%) claimed their running costs amounted to below 1% of total operating costs. The second most frequent range (36% of respondents) reported costs to be between 1% and 5% of operating costs.

Initial implementation costs in EUR



Running costs in 2016 as a % of operating costs



Note: For both charts, the figures on the vertical axis denote the percentage of responses that fall into a certain range. Many respondents pointed out the difficulties encountered when estimating the initial/running costs.

An almost equal number of respondents declared that they keep their supervisory reporting activities fully in-house (48%) or that they partially outsource such activities (44%). Nevertheless, there are some divergences between respondents from different sectors. For example, as regards the respondents from the banking sector, 53% keep the activity fully in-house whereas 37% partially outsource the supervisory reporting process. The difference is even more significant for investment managers, of which 60% indicated that they partially outsource the reporting activity while 20% perform it fully in-house. Among respondents from the insurance sector, almost all of them (90%) declared to keep the reporting activity fully in-house.

Overall, respondents using in-house solutions argued that it is either more cost-effective to do so or that it would require almost the same budget to outsource, notwithstanding the increased number and complexity of reporting obligations. Those that partially outsource reporting activity noted that they mainly rely on technical support of their data centre. Only a few respondents (less than 10%) replied that they fully outsource supervisory reporting activities.

According to industry resspondents who provided such information, the average number of full-time equivalent staff (FTEs) dealing with supervisory reporting increased from an (unweighted) average of 12.4 at the end of 2009) to 18.7 at the end of 2016. Furthermore, at the end of 2009, FTEs dealing with supervisory reporting represented on average 18.9% of the compliance workforce. Respondents' also reported that by the end of 2016, these figures increased to 26.1%. Although illustrative only, these numbers show an **overall increase of the compliance workforce dealing with supervisory reporting requirements** both in absolute and in percentage terms.

	End-2009	**End-2016**	**Change**
average number of FTEs	12.4	18.7	+6.3
average percentage of the compliance work force	18.9%	26.1%	+7.2 p.p.

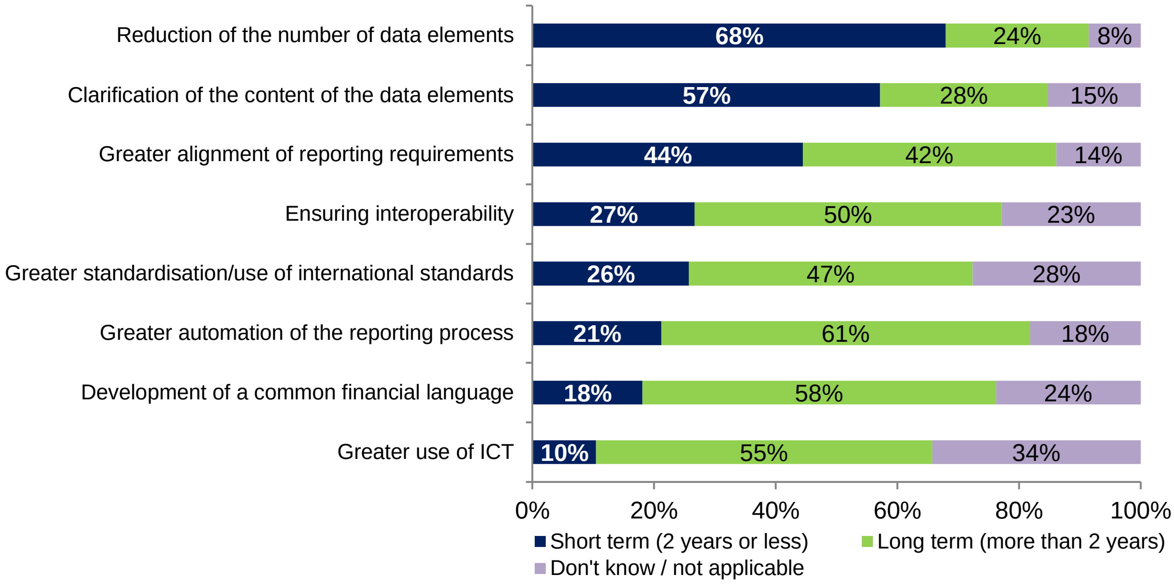
Note: The estimates are the unweighted averages calculated from the FTEs dealing with supervisory reporting requirements, as reported by respondents to this question.

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

Respondents were asked to consider how compliance costs could be reduced while maintaining a sufficient level of supervisory reporting to ensure the intended policy objectives.

In the short term, respondents considered a **reduction of the number of data elements**, **clarification of the content of the data elements**, and **greater alignment of reporting requirements** as the most important measures to reduce compliance costs.

The views were quite different concerning the long term, where respondents viewed the **development of a common financial language**, **greater automation of the reporting process**, **greater use of ICT** and **ensuring interoperability** as the most important.



Note: Numbers inside the bars show the percentage of answers for a given choice. For each item, respondents had to choose between 'short term' and 'long term', or 'don't know / not applicable'.

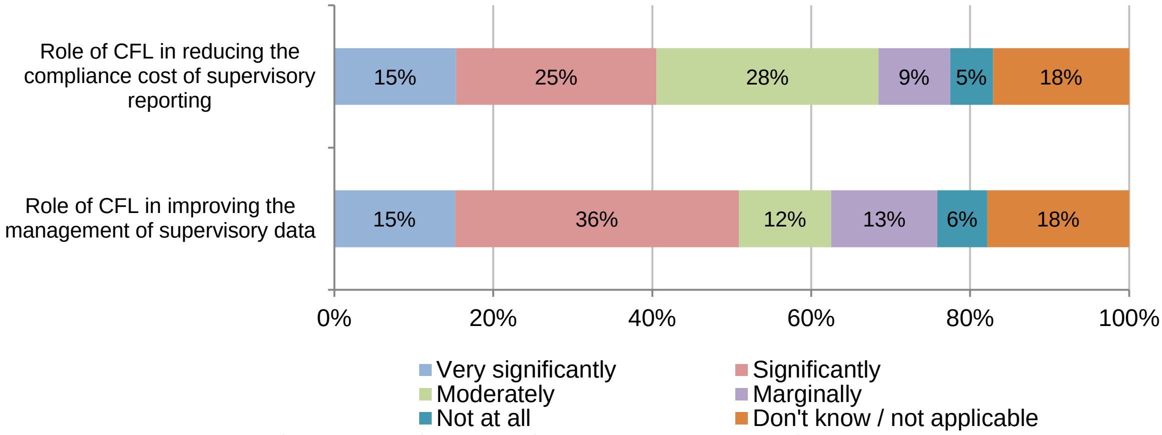
Respondents suggested a number of other elements that they consider as having the potential to reduce compliance costs. The majority of public authorities and industry respondents agree that ensuring the precision and consistency of relevant data definitions and the development of a consistent and coherent approach to data reporting across various legislative frameworks can significantly reduce compliance costs. Exploiting synergies between reporting frameworks, including the use of common reporting standards across different data sets, and providing sufficient time to develop and implement any new or amended reporting requirements were other major compliance cost reduction suggestions raised by both the industry and public authorities.

For many industry respondents, improving proportionality in supervisory reporting is the most important element to lessen the reporting burden while continuing to ensure sufficient data collection from a financial stability point of view. Some respondents proposed that regulators should first set broad objectives for new legislation, and then approach industry domain experts in order to identify correct data sets and data sources to meet regulatory objectives efficiently.

A few respondents proposed removing the requirement to report reference data that is already available from open public sources based on standard identifiers (e.g. LEI, International Securities Identification Number (ISIN)).

Development of a common financial language

A large majority of respondents think that a common financial language can both reduce compliance costs of regulatory reporting (68%) and improve supervisory data management (63%).



Note: The percentages reflect the share of each type of answer in the total number of non-blank answers provided. 'CFL' stands for common financial language.

The majority of respondents, including both public authorities and the industry, consider the need to analyse guidelines, standards, and new legal acts governing regulatory reporting a complex, costly, and time-consuming process. Its complexity frequently leads to differing interpretations of specific concepts by the reporting entities, which makes cross-entity comparison and aggregation difficult.

Most respondents believe a common financial language can help reduce the complexity of the systems and processes used to meet reporting obligations. A standardised financial language would allow firms to have the certainty of a common understanding with the regulator and their peers, facilitating compliance and ensuring a level playing field. Many respondents, including public authorities, believe common identifiers, definitions, and interpretations can enhance cross-sectoral consistency between different reporting regimes.

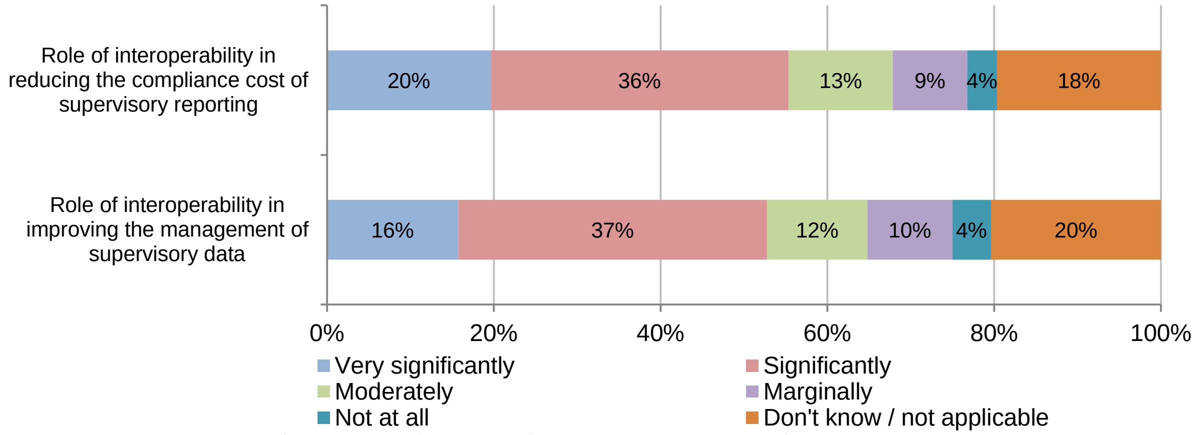
The majority of respondents think that a common financial language should be developed and overseen at EU (and where possible even global) level to ensure uniform definitions across different jurisdictions and that implementation occurs without regional differences. Industry respondents stressed, however, that a common financial language should promote harmonisation where it bring most benefits, without overriding existing systems and investments – a balancing act that requires focused dialogue between industry and regulators.

The majority believes that a prerequisite for the development of a common financial language is a greater normative harmonisation of the reporting legislation – both supervisory and statistical – at all levels (EU as well as national).

Respondents also mentioned several obstacles standing in the way of a common financial language. Some believe that its development is an ambitious project that would take time – several years in the view of many. Some others, on both the industry and the public authority side, warn that it would be difficult to overcome existing differences in member states national legislation, as well as to obtain industry acceptance and ensure universal and consistent adoption.

Ensuring interoperability between reporting frameworks and/or entities receiving/processing the data

The majority of respondents think ensuring interoperability can reduce the compliance costs of supervisory reporting and improve data management.



Note: The percentages reflect the share of each type of answer in the total number of non-blank answers provided.

A large majority of respondents, both public authorities and the industry, stated that interoperability between frameworks can reduce reconciliation efforts and potentially reduce the absolute volume of reported data. It can also allow supervisors to make prompt and effective use of the data they receive.

Most respondents believe that in a truly interoperable reporting environment firms would only need to capture data once for multiple reporting purposes, reducing the administrative and technical burden of reporting. However, this would require an improved ability of authorities that receive supervisory data to share it amongst themselves. Some respondents added that interoperable public open data platforms could provide greater transparency and allow better scrutiny of reported data.

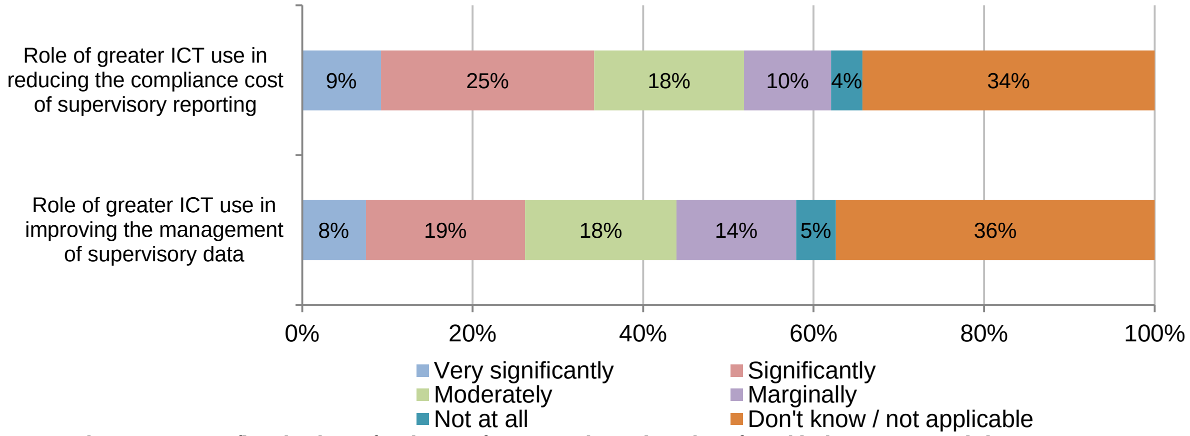
Many respondents advocated building interoperability on existing structures and processes and in particular using international standards across reporting frameworks. They claimed that this would reduce costs by removing the need for firms to seek specialist support to interpret the reporting requirements. Consistent interpretation would also increase the comparability of data across firms.

Despite the broad level of support for greater interoperability, a majority of respondents consider that achieving full interoperability is only feasible after a significant harmonisation of definitions and data requirements across reporting frameworks and jurisdictions. Many industry as well as public authority respondents propose a granular, joint systematic review by regulators to identify data essential for effective supervision as an important first step. Some consider the introduction of a common financial language a prerequisite for introducing greater interoperability between reporting frameworks.

Many respondents mentioned that implementing interoperability would create a significant strain on the resources of the reporting entities, which would be an important obstacle.

Greater use of ICT in supervisory reporting

The majority of respondents believe that greater use of ICT would reduce the compliance cost of supervisory reporting and improve data management. Notably, between a third and two-fifths of the respondents do not know or do not consider the question applicable.



Note: The percentages reflect the share of each type of answer in the total number of non-blank answers provided.

The majority of respondents do not consider greater use of ICT as an important way to improve regulatory reporting. According to respondents, the majority of recurring reports is already automated. For those reporting activities that are still performed manually, the root cause is the instability (due to frequent changes) or inconsistency (definitions and criteria differing from other reports) of reporting requirements or the infrequency of submission (incidental requests).

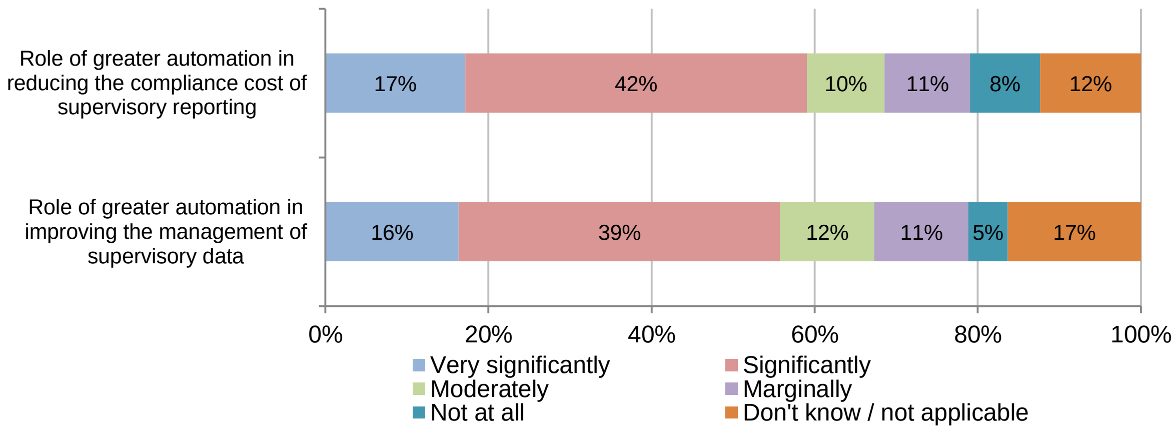
Some public authorities are in favour of a greater use of ICT with the objective of enhancing interoperability and enabling the use of state-of-the-art information engineering and data management methods. Some advocate striving for machine-readable reporting requirements, thereby creating the potential for automated, straight-through regulatory reporting.

Many respondents see clear, stable, and transparent requirements provided with sufficient lead-time for development, testing, and implementation as a prerequisite for efficient use of ICT.

Some industry respondents believe greater use of ICT requires common technologies that are open, standardised, stable, already in use, and extensible. Others pointed out that it requires proportionality principles (including the provision by supervisors of ready-made tools with essential functionality) that accommodate smaller entities, which do not have enough volume to build automatic processes.

Greater automation of the supervisory reporting process

The vast majority of respondents consider that greater automation of regulatory reporting can to some degree reduce reporting compliance costs (80%) and improve data management (78%). In both cases, the largest proportion of respondents felt that the role of grater automation is significant (42% and 39%, respectively).

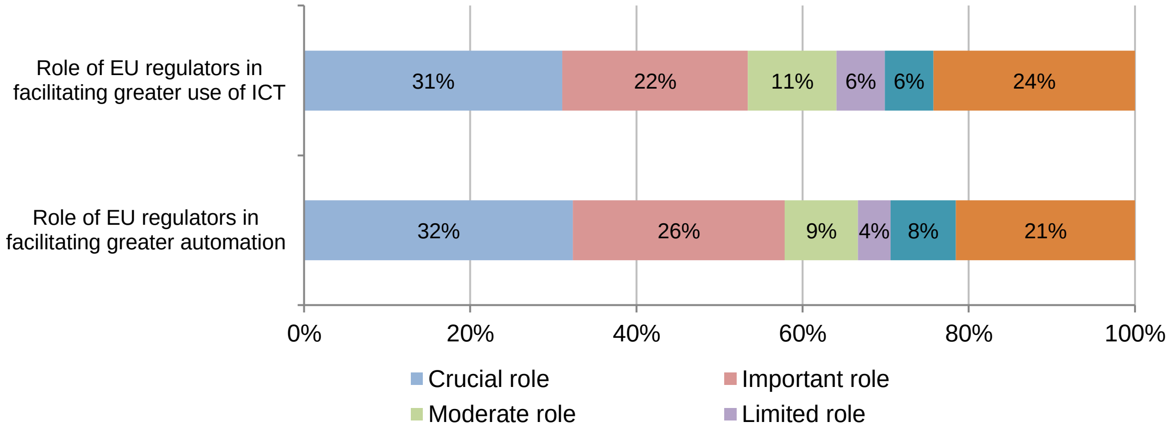


Note: The percentages reflect the share of each type of answer in the total number of non-blank answers provided.

Almost all respondents considered greater automation of supervisory reporting and greater use of ICT as very closely linked. Their responses, accordingly, mirrored those given on greater ICT use.

Role of EU regulators in facilitating greater use of ICT and/or greater automation of the reporting process

The majority of respondents believe that EU regulators can play a role in facilitating greater use of ICT and greater automation of the reporting process, with more than half of the respondents (53%) even attributing an 'important' or 'crucial' role to EU regulators in this regard. Less than 10% of respondents feel that EU regulators have no role to play in each of these areas.



Note: The percentages reflect the share of each type of answer in the total number of non-blank answers provided.

The majority of respondents see as the most crucial potential contribution of EU regulators the stimulation of a transition to efficient, data driven supervision. According to some respondents, one data model, one set of data definitions, and a single data repository would facilitate the reuse of data and the application of common agreed transformation rules. A few warned that legislation must remain technology neutral. Respondents suggested that EU regulators should, in particular:

- Continue to develop purpose-built communication channels (including stakeholder or expert groups around specific reporting requirements), so that firms and regulators can communicate on an ongoing basis and come to shared understandings of what needs to be reported.
- Coordinate on an international level so that definitions and standards – which may include the greater use of international standards, financial identifiers, and taxonomies – are applicable in multiple jurisdictions.
- Pause the pace of regulatory change, allow for longer implementation timelines, and provide sufficient guidance on regulation so that firms can make strategic and long-term ICT investments.

Finally, public authorities pointed out that there are several initiatives under way aiming at streamlining regulatory reporting, such as efforts to simplify transaction reporting under EMIR or to integrate ECB statistical requirements on insurance undertakings into the Solvency II framework or the Banks' Integrated Reporting Dictionary (BIRD) initiative. Industry respondents generally praised these initiatives and suggested an extension of their scope.