

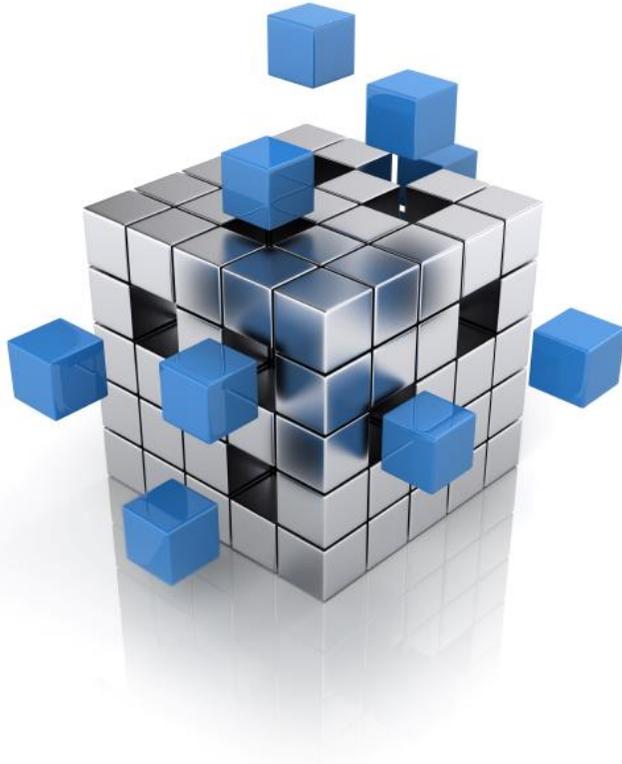
# Study of the cost of compliance with supervisory reporting requirements

Report EBA/Rep/2021/15

# List of abbreviations

Abbreviation	Meaning
ALMM	Additional Liquidity Monitoring Metrics
BCBS	Basel Committee on Banking Supervision
CA	Competent Authorities
CP	Consultation Paper
CRR	Capital Requirements Regulation
EBA	European Banking Authority
EEA	European Economic Area
EP	European Parliament
ITS	Implementing Technical Standards
LCR	Liquidity Coverage Ratio
LR	Leverage Ratio
NSFR	Net Stable Funding Ratio
SNCI	Small and Non Complex Institutions

# Index



- ▶ 1|Introduction
- ▶ 2|Key challenges in supervisory reporting faced by institutions
- ▶ 3|Key benefits of standardised supervisory reporting for users
- ▶ 4|Recommendations
- ▶ 5|Next steps
- ▶ 6|Annex

# 1

## Introduction

### Background

#### The report on cost compliance with the supervisory reporting requirement contains recommendations that cover changes to the content of EBA reporting requirements and target improvements to the efficiency of the reporting process

- In 2020, the EBA conducted an in-depth analysis aimed at assessing the effectiveness of current reporting, including the measures targeting a containment of the reporting cost, and identifying further areas for proportionality in the reporting framework.
  - This analysis was conducted following the mandate of the CRR<sup>(1)</sup> to the EBA to:
    - **measure the costs** that credit institutions incur when **complying with the supervisory reporting requirements** set out in the EBA's ITS on Supervisory Reporting<sup>(2)</sup>;
    - analyse the supervisory reporting **challenges** for institutions;
    - Balance this against the benefits to supervisors, and, based on that;
    - make recommendations on how to **reduce the reporting** cost at least for SNCI by 10 to 20%.
- In this context, the EBA has published a study of the cost of compliance with supervisory reporting requirement in the EEA where it has identified numerous recommendations collectively leading to a **potential reduction of the banks' reporting costs by up to 15-24%**.
  - **The 25 recommendations** presented in this report, rather than being limited to the proposals for changes to the content of EBA reporting requirements, also target improvements to the efficiency of the reporting process and the reporting environment as a whole. Consequently, the EBA also looked into other areas, for example, regarding the reporting on ALMM and the study is seen by the EBA as an opportunity to reduce the reporting cost for all reporting entities (i.e. not limited to SNCI).
- The analysis draws on significant input from and interaction with the industry. The EBA sent voluntary quantitative and qualitative questionnaires for all EEA credit institutions and interviewed various industry trade bodies and SNCI across several Member States. The EBA also received voluntary case studies from various stakeholders and users of supervisory reporting, in particular supervisory authorities, also provided information to inform the analysis. All these inputs were taken into consideration in the study.

(1) Mandate contained in article 430(8) of CRR.

(2) [Regulation 2021/451](#), which repeals Regulation 680/2014.



[Access the full document](#)

# 2

## Key challenges in supervisory reporting faced by institutions

### Main points

**Complexity of reporting and underlying regulatory requirements, as well as the scope of supervisory requirements (general and EBA) and implementation time in case of major changes to the reporting framework represent the top 5 challenges**

- The findings of the cost of compliance study in general are aligned with industry feedback received during various consultations on the EBA supervisory reporting framework, and represent similar concerns that have been raised in the past by the institutions in various proportionality-related dialogues.

All respondents			Large		Medium		SNCI	
(1)	91,1%	Complexity of the underlying regulatory requirements	(4)	87,7%	(3)	87,8%	<b>(1)</b>	<b>93.0%</b>
(2)	89.9%	Scope of the reporting requirements of the EBA ITS on Supervisory Reporting	<b>(1)</b>	<b>89.0%</b>	(6)	85.1%	(3)	91.4%
(3)	88.9%	Scope of supervisory reporting requirements (general)	(7)	83.6%	(8)	82.4%	<b>(2)</b>	<b>92.2%</b>
(4)	87.5%	Implementation time in the case of major changes to the reporting framework	(3)	87.7%	<b>(2)</b>	<b>89.2%</b>	(6)	86.9%
(5)	86.4%	Complexity of the reporting requirements of the EBA ITS on Supervisory Reporting	(9)	82.2%	(9)	79.7%	(4)	89.5%
(6)	85.5%	Internal transformations/ calculations for the compliance with regulatory requirements	(8)	83.6%	<b>(1)</b>	<b>89.2%</b>	(8)	85.0%
(7)	85.5%	Internal preparation and data extraction	(5)	87.5%	(4)	86.5%	(9)	84.6%
(8)	84.8%	Internal transformations/ calculations for the compliance with reporting requirements	(10)	82.2%	(5)	86.5%	(7)	85.0%
(9)	84.7%	Complexity of supervisory reporting requirements (general)	(11)	80.8%	(12)	78.4%	(5)	87.5%
(10)	84.4%	Scope / content of changes to the (EBA) reporting framework	<b>(2)</b>	<b>89.0%</b>	(10)	79.5%	(10)	84.5%

 Top 1 b y size.  
 Top 2 b y size.

# 3

## Key benefits of standardised supervisory reporting for users

### Main points

**Supervisory reporting is an essential input for supervisory work. In particular, it is a key element for facilitating off-site supervisory activities**

#### General considerations

- Supervisory reporting **has two principal** purposes:
  - Enable the data recipient to assess and monitor credit institutions' compliance with regulatory and prudential requirements (compliance reporting).
  - Enable the identification and monitoring of risks (risk reporting).
- The assessment of compliance with a regulatory or prudential requirement is a question of the **supervision of individual institutions and groups in the prudential sense**.

#### Data

- The **quality of the data** (particularly its accuracy) is crucial, as non-compliance with a certain requirement, may have imminent legal implications for the credit institutions.
- Authorities as data recipients use these data both for the **assessment of compliance** with regulatory requirements and for an **assessment of the risk** the credit institution is exposed to.
- The general benefit of the data and information transmitted from reporting entities to supervisors and other data recipients is that it **allows for more off-site supervisory monitoring and risk assessment**.

#### Off site supervisory activities

- The regular off-site supervisory activities rely on **three broad categories of data** and information provided by the institutions to supervisors: i) standardised supervisory reporting; ii) institutions' internal risk and other data (e.g. risk reports and underlying information); and iii) ad hoc supervisory information requests and data collections.

#### Standardised reporting

- The data need to be not only **understandable** to a wider group of supervisors (including those that are not closely following the institution in question), but also **comparable** across institutions.
- Standardised reporting would ensure a **consistent dataset for off-site supervision** both from the compliance and risk monitoring perspectives, prioritisation of supervisory resources and identifying topics for on-site examinations and other activities.

# 4

## Recommendations

### Overview

**Recommendations are grouped according to whether they affect the development process, supervisory reporting requirements, data coordination and integration or the inclusion of technologies in the process**

#### Changes to the development process for the EBA reporting framework

- Most of the recommendations in this block are focused on the improvement of the EBA internal processes for the development, articulation and presentation of supervisory reporting requirements. The recommendation focuses on:
  - addressing the complexity of regulatory requirements;
  - maintaining the stability of supervisory reporting requirements; and
  - making the ITS on Supervisory Reporting easier to understand.

#### Changes to the design of EBA supervisory reporting requirements and content

- In order to tackle the design of the EBA supervisory reporting requirements and reporting, there are several recommendations that refer to:
  - the individual and consolidated reporting;
  - the scope of reporting requirements;
  - asset encumbrance;
  - additional liquidity monitoring metrics; v) review of the reporting requirements; and
  - changes to reporting requirements.

#### Coordination and integration of data requests and reporting requirements

- In order to tackle the duplicative reporting obligations due to the lack of coordination between various stakeholders requesting reported information and data from institutions, there are recommendations in relation to:
  - seeking more coordination between various reporting requirements;
  - improving practices in ad hoc data collection; and
  - Identifying a common approach to resubmission of data.

#### Changes to the reporting process including the wider use of technology

- The major reporting cost drivers for institutions are related to internal supervisory reporting processes. In order to tackle this, there are set the following recommendations:
  - better internal risk data aggregation capabilities and digitalization;
  - accessibility of technology and its wider use; and
  - moving towards data integration.

# 4

## Recommendations

### Changes to the development process for the EBA reporting framework



#### Recommendations aimed at reducing costs and other issues in the context of the development process for the EBA reporting framework

Topic	Description	Recommendations	Adresee	Time horizon	Potential Impact
Addressing the complexity of regulatory requirements	The overall complexity of reporting was highlighted as a concern regarding supervisory reporting requirements. Institutions pointed out that they are faced with resource constraints and can only dedicate limited internal resources.	1 <b>Signposting of overall regulatory requirements</b> applicable to different proportionality categories of institutions.	EBA		
		2 <b>Signposting of the EBA supervisory reporting requirements and identification of the reporting templates</b> applicable to different proportionality categories of institutions.	EBA		
Maintaining the stability of supervisory reporting requirements	Many institutions and industry trade bodies providing input for the study expressed major concerns regarding the frequent changes made to the reporting requirements. They also criticised the fact that releases that have only just been implemented are followed immediately by further change requests	3 Apply a <b>new reporting framework</b> release at most once per year and provide materials and documents for implementation 12 months before the date of application of that release.	EBA		
		4 Include in the EBA consultation paper on <b>changes to the ITS</b> on Supervisory Reporting, or as a separate reporting roadmap, a forward-looking plan for new reporting requirements based on the regulatory pipeline and calendar.	EBA		
		5 Consider a <b>more coordinated approach</b> to introducing changes into the existing legislation or developing new legislation allowing for better 'packaging' of reporting changes and longer implementation time.	EC		
Making the ITS on Supervisory Reporting easier to understand	Several industry trade bodies raised the issue that the standards defining the reporting requirements, including the EBA ITS on Supervisory Reporting, leave too much room for interpretation.	6 <b>Better articulation</b> of the reporting requirements, better additional reasoning and explanations of the use of reported information as well as examples for calculating certain data.	EBA		
		7 Provide instructions for reporting requirements and other data collections in <b>machine-readable format</b> .	EBA		
		8 Further <b>improving EBA internal</b> processes to ensure that new reporting requirements are free from overlaps.	EBA		

(1) See the meaning of the graphics in Annex.

# 4

## Recommendations

### Changes to the design of EBA supervisory reporting requirements and content (1/2)



Recommendations aimed at improving the EBA supervisory requirements. Focused on increasing the proportionality in reporting requirements, they primarily affect SNCI

Topic	Description	Recommendations	Adrese	Time horizon	Potential Impact
Reporting at individual level vs reporting at consolidated level	Institutions raised the issue of having to comply with reporting obligations simultaneously at the level of a single legal entity and at consolidated level considering all entities in the prudential, liquidity, resolution.	<p>9 Investigate the possibility of <b>enabling simplified reporting</b> also at consolidated level (e.g. develop criteria for 'group consisting predominantly of entities benefitting from the simplified reporting requirement') where compatible with the level of application of underlying legislation and data needs for the performance of supervisory tasks.</p>	EBA, EC		
Scope of reporting requirements: core and supplementary reporting	Comments from industry representatives point to the idea of 'core' reporting for smaller reporting entities, or reporting entities exposed to a lower level of risk, and additional or supplementary reporting for the rest.	<p>10 Adopt a '<b>core + supplement</b>' approach when designing new reporting requirements as well as when revising existing requirements, where such an approach is suitable.</p> <p>The 'core' report would consist only of an 'overview'-template, including the final ratios and high-level figures for the denominators and numerators of the capital ratio, the leverage ratio, LCR and NSFR ratios. while everything else would be part of the supplementary reporting.</p>	EBA		
Changes to specific reporting requirements: asset encumbrance	<p>SNCI perceive reporting the overview on asset encumbrance as very costly.</p> <p>The EBA is asked to look into the possibility of waiving the obligation to report asset encumbrance data for SNCI where the asset encumbrance level is below a certain threshold.</p>	<p>11 <b>Exempt SNCI</b> irrespective of their level of asset encumbrance from <b>reporting the information included in the maturity</b>, contingent encumbrance, and advanced data reporting templates.</p> <p>12 <b>Review the asset encumbrance</b> definition to create a level playing field between entities applying different accounting standards.</p>	EBA		
			EBA		

(1) See the meaning of the graphics in Annex.

# 4

## Recommendations

### Changes to the design of EBA supervisory reporting requirements and content (2/2)



Recommendations aimed at improving the EBA supervisory requirements. Focused on increasing the proportionality in reporting requirements, they primarily affect SNCI

Topic	Description	Recommendations	Adrese	Time horizon	Potential Impact
Changes to additional liquidity monitoring metrics	<p>The reporting on additional liquidity monitoring metrics was identified as particularly costly and challenging.</p> <p>While entities of any size perceive the maturity ladder template as a very costly reporting requirement, reporting on the roll-over of funding stands out for medium and large institutions and reporting on counterbalancing capacity for SNCI.</p>	<p><b>13 Exempt SNCI</b> from reporting <b>product type, prices for various lengths of funding and roll-over funding</b>. Exempt medium entities from reporting roll-over funding. And, remove 1% thresholds on reporting concentration of funding by counterparty and product type.</p> <p>Beyond exempting SNCI from the obligation to report roll-over funding, data recipients are also discussing removing that obligation for medium entities, considering both the complexity of this template and the fact that it is of higher relevance in times of crisis than as an ongoing monitoring tool.</p>	EBA		
Review of the reporting requirements least used by the data recipients	<p>The information included in several reporting templates is of lower relevance for day-to-day use by the data recipient, so they might be removed from the EBA supervisory reporting framework, or may be subject to changes in relation to the reporting frequency.</p>	<p><b>14 Review of the scope of application, the reporting frequency and/or the content</b> of the reporting requirements identified as least important and least frequently used by data recipients</p> <p>The templates that will be review are in relation to: i) COREP own funds, ii) COREP leverage ratio; iii) COREP liquidity; iv) FINREP; and v) Asset encumbrance.</p>	EBA		
Changes already implemented in the ITS on Supervisory Reporting	<p>Large exposures reporting is perceived as a notable challenge by institutions and is one of the most costly reporting obligations.</p> <p>The costs are driven by features of the large exposures legislation itself more than by features of the reporting.</p>	<p><b>15 Large exposures reporting:</b> drop maturity bucket breakdown (mainly benefitting medium and large institutions).</p> <p><b>Leverage ratio:</b> drop templates in relation to On- and Off Balance Sheet and on the alternative definition of capital.</p> <p><b>Develop dedicated and simpler reporting for entities applying the simplified NSFR.</b></p> <p><b>Other small changes</b> (streamline information on transitional provisions, reduce frequency of reporting on losses stemming from immovable property exposures).</p>	EBA		

# 4

## Recommendations

### Coordination and integration of data requests and reporting requirements



Recommendations aiming at improving coordination between various stakeholders collecting information from the credit institutions by introducing greater coordination in ad hoc data collection

Topic	Description	Recommendations	Adresees	Time horizon	Potential Impact
Seeking more coordination between various reporting requirements	Reducing overlaps and inconsistencies between the EBA supervisory reporting framework and reporting to other stakeholders, has been flagged as one of the areas requiring attention.	16 Commitment to better <b>coordinate additional reporting requirements</b> or data requests (at national or jurisdiction level) with the EBA reporting framework using the same definitions and taxonomy until the introduction of the integrated reporting and realisation of its benefits.	NCA, ECB, SRB		
Improving practices in ad hoc data collection	Ad hoc requests have been highlighted as an area affected by a duplication of information requirements and lack of coordination between authorities.	17 Develop <b>'best practice' guidance</b> for CAs for better coordination of ad hoc information requests in a form of module of the EBA Supervisory Handbook.	EBA, NCA, ECB, SRB		
		18 EBA to maintain a simple repository of ad hoc requests that stakeholders could consult before making their own requests	EBA, NCA, ECB, SRB		
Identifying a common approach to resubmission of data	Industry representatives claim that similar data are being reported to various stakeholders using seemingly identical but effectively different definitions, formats, etc.	19 Promote the work on <b>integrated reporting</b> as a way of reducing overlaps between the information reported to various stakeholders and differences in definitions/taxonomies.	EBA, NCA, ECB, SRB		
		20 Continue <b>ongoing work</b> on the integration of reporting and disclosures.	EBA		

(1) See the meaning of the graphics in Annex.

# 4

## Recommendations

### Changes to the reporting process including the wider use of technology



Several recommendations are addressed in order to improve the use of technology and data integration due to the need for innovative technological solutions that help institutions to build more efficient internal processes and due to the need of better internal risk data aggregation capabilities

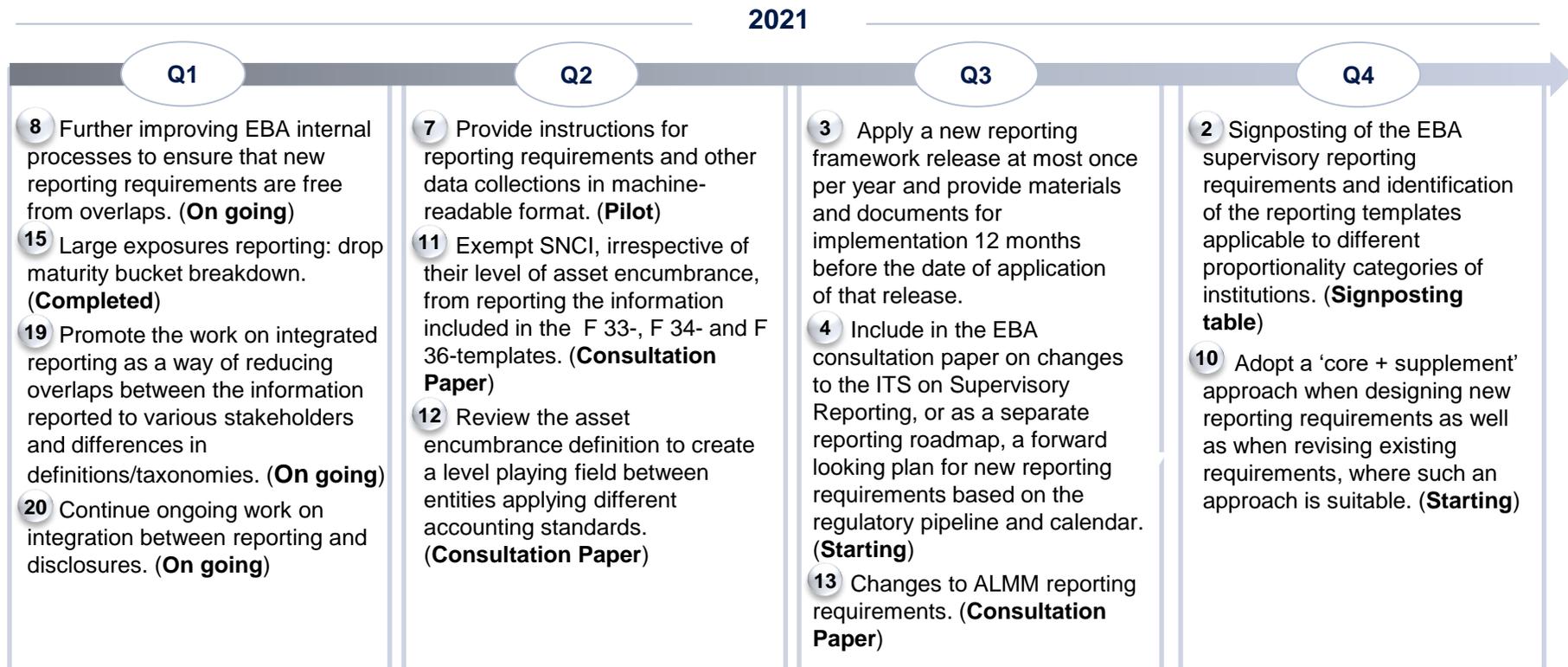
Topic	Description	Recommendations	Adresee	Time horizon	Potential Impact
Better internal risk data aggregation capabilities and digitalisation	There is a need of better internal risk data aggregation capabilities and the need for better IT and data infrastructures.	21 Wider use of better internal risk data aggregation and proportionate implementation of BCBS 239 as a means to improve internal data management and simplify reporting preparation processes leading to the reduction of reporting costs.	Large and, subject to the principle of Proportionality.		
		22 Better digitalisation of documents for all institutions to ensure that they have a richer set of underlying granular data.	All institutions		
Accessibility of technology and its wider use	There is a need for innovative technological solutions that help institutions to build more efficient internal processes.	23 Raising awareness of institutions about possible use cases of FinTech/RegTech and their suitability to SNCI needs and specific business models.	EBA, Competent Authorities		
		24 Industry trade bodies representing SNCI to work together with FinTech/RegTech providers to improve their understanding of the technology needs of SNCI.	Industry trade, FinTech/RegTech service providers		
Moving towards data integration	Another area of concern is the high costs attributable to the resubmission of data, both in the case of errors made in the reporting and in the case of changes in figures due to audits.	25 Develop guidelines (or recommendations) outlining the resubmission policy.	EBA		

(1) See the meaning of the graphics in Annex.

# 5 Next steps for the implementation of the recommendations

## Next steps

The recommendations provided in the report have been agreed on by the EBA Board of Supervisors and will be incorporated into the EBA work programme to be implemented as part of its ongoing work

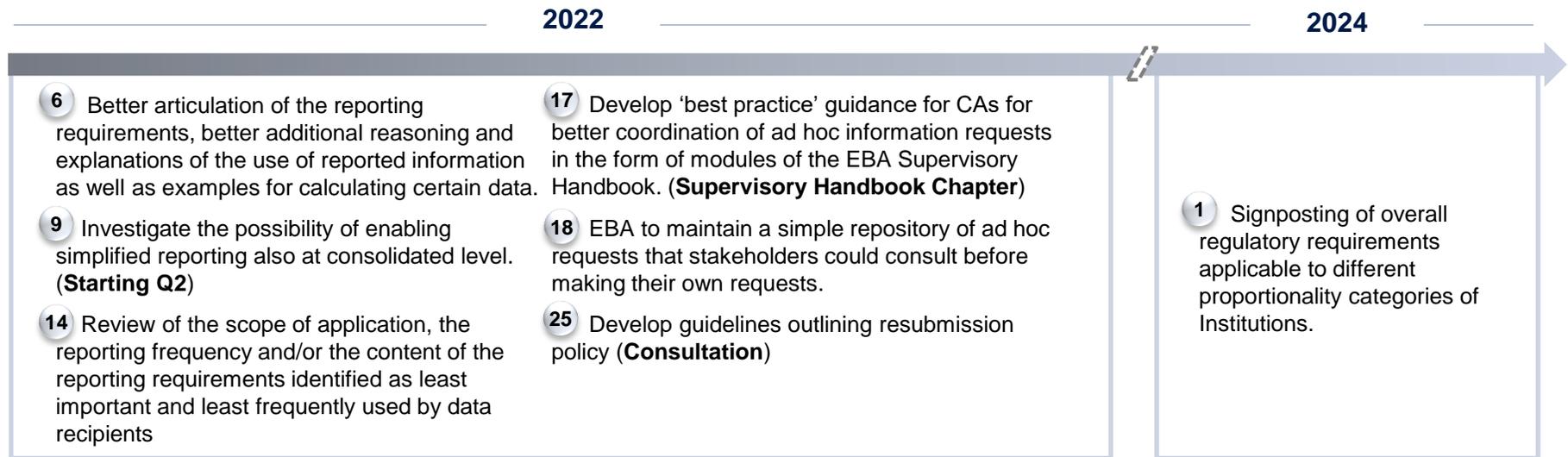


NOTE 1: proposals that are not going to be implemented are not included.  
 NOTE 2: the number at the beginning of the paragraph corresponds to the recommendation number.

# 5 Next steps for the implementation of the recommendations

## Next steps

The recommendations provided in the report have been agreed on by the EBA Board of Supervisors and will be incorporated into the EBA work programme to be implemented as part of its ongoing work



NOTE 1: proposals that are not going to be implemented are not included.

NOTE 2: the number at the beginning of the paragraph corresponds to the recommendation number.



# 6 Some of the main annexes

## Annex

The recommendations have different potential impacts and time horizons which are graphically classified as follows

