Executive Summary

This document compiles the answers of the Austrian Financial Market Authority (FMA) and Austrian Central Bank (OeNB) within the currently on-going consultation of the European Commission on supervisory reporting. Following key messages have been submitted:

- **Overall**, EU level supervisory reporting requirements throughout the different fields of financial market **supervision have been adapted to the needs of supervisors**.
- Most of the reporting requirements currently provided for by Union legislation **are relevant** for the purposes of supervision.
- Within the supervisory reporting framework, there are **not a great number of inconsistencies or overlaps**.
- However, **certain deficiencies** exist:
  - The **lack of integration between supervisory reporting and other areas of reporting leads to duplication and overlaps** of data to be reported.
  - A **"multi-use of data" approach should be implemented**, meaning that data once reported can be re-used to fulfil as many different reporting requirements as possible.
  - Some supervisory reporting requirements **create** more **administrative burden** for the competent authorities and the supervised entities than benefit:
    - obligation to report net short positions pursuant to the Short selling Regulation
    - transaction reporting pursuant to Art 9 EMIR
    - submission of semi-annual reports of UCITS
  - Some supervisory reporting requirements **create overlap** (e.g. reporting obligations pursuant to AIFMD and reporting pursuant to the ECB investment fund statistics).
  - Some reporting requirements **are duplicative:**
    - transaction reporting on an individual level under EMIR as well as MiFID II
    - envisaged future reporting of own funds requirements under CRR and Commission Delegated Regulation (EU) 2016/1066 for resolution purposes.
  - Some reporting requirements **are redundant:**
    - reporting on derivatives under Solvency II that also contains information already included in EMIR reporting obligations.
    - reporting on securties lending under Solvency II that also contains information already included in SFT-R reporting obligations.
- Implementing the **"multi-use of data" approach** and a **common financial language** that covers all areas of reporting would help
  - **simplifying and streamlining** reporting
  - **improving data management**
  - **ensuring interoperability**.

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)

o Very significantly

X Significantly

o Moderately

o Marginally

o Not at all

o Don’t know

Please elaborate and provide examples to justify your answer.

Overall, EU level supervisory reporting requirements contributed significantly to monitoring systemic risk in the common market. Throughout the different fields of financial market supervision, the reporting requirements have been adapted to the needs of supervisors over recent years. However, supervisory reporting requirements in similar fields of supervision have not been harmonised to the same extent (e.g. UCITS Directive and AIFMD).

The harmonised regulatory reporting requirements introduced with the AIFMD for alternative investment funds (AIF) may serve as an example. They have significantly contributed to improving the analysis of systemic risks, enabling competent authorities to identify the extent to which the use of leverage contributes to the build-up of systemic risk in the financial system, risks of disorderly markets or risks to the long-term growth of the economy. Still, there is room for improvement, e.g. for the purpose of systemic risk analysis, further country breakdowns (at least domestic vs. non-domestic) could be introduced to better assess systemic risks within a jurisdiction.

However, AIFMD-reporting requirements also serve as an example for the further need to streamline reporting requirements between different legal acts at EU level that regulate similar business. While AIFMD-reporting is harmonised on the EU level, regulatory reporting requirements for investment funds under the UCITS Directive currently remain within the discretion of national competent authorities. The introduction of harmonised UCITS reporting (arguably, simpler than AIFMD reporting) for supervisory and systemic risk analysis might contribute to a market wide risk analysis of the European investment fund sector (as recommended by the ESRB, see https://www.esrb.europa.eu/news/pr/date/2018/html/esrb.pr180214.en.html).

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

X Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don’t know

Please elaborate and provide examples to justify your answer.

Overall, regulatory reporting on the EU-level serves as a basis for further analysis and investigation of the behaviour of market participants. In particular, as regards market surveillance, the reporting data received under MAR, MiFIR and EMIR is key for national competent authorities to supervise market participants (e.g. trade Reporting pursuant to Article 9 EMIR provides information on derivatives trading of financial and non-financial counterparties, while MAR enables national competent authorities to investigate transactions by managers under Article 19 MAR or to detect potential insider trading by submitting ad-hoc information pursuant to Article 17 MAR as well as suspicious transactions in accordance with Article 16 MAR).

Newly introduced reporting requirements such as transaction reporting pursuant to Article 26 MiFIR will further increase the positive effects of regulatory reporting on market integrity by providing the competent authorities with more granular and meaningful information and improving the efficiency in detecting abusive behaviour.

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

o Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

X Don't know

Please elaborate and provide examples to justify your answer.

So far, we have cannot specifically assess the impact of regulatory reporting on investor protection. However, the introduction of new regulatory requirements in the field of conduct supervision (e.g. PRIIP-Regulation, MCD) and relating reporting requirements may also contribute to investor protection.

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

o Yes, they are all relevant

X Most of them are relevant

o Some of them are relevant

o Very few are relevant

o 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.

From our experience, most of the reporting requirements currently provided for by Union legislation are relevant for the purposes mentioned above. Some reporting requirements create a relevant amount of administrative burden for the supervised entities subject to the reporting requirement as well as the competent authority supervising market integrity. In some cases, this administrative burden outweighs the benefit of the information reported. Other reporting requirements, e.g. under EMIR do not mirror the aim of the supervision.

An example for such a reporting requirement is the obligation to report net short positions pursuant to Article 5 to 8 of Regulation (EU) 236/2012 (Short selling Regulation). Subject to the reporting obligation within the scope of these provisions are any net short positions in shares held by any natural or legal persons exceeding a certain threshold. In our view, this reporting obligation provides only limited information to competent authorities. In addition, due to the scope of this reporting obligation and the very complex calculation method, it is extremely challenging for the competent authority to verify the reported data and detect possible breaches.

Reporting requirements under EMIR that cover individual trades (on an individual transaction level) should be dropped, since transaction reporting under Article 26 MiFIR seems to be the more appropriate place for reporting requirements intending to ensure the surveillance on market abuse.

A similar issue arises with the submission of semi-annual reports of UCITS to NCAs (Article 74 UCITS Directive). Unlike annual reports, which are audited by an auditor and contain substantial reporting requirements with extensive supervisory information, semi-annual reports are limited to a statement of assets and liabilities, number of units, and the net asset value. They are not to be examined by an auditor. Therefore, the supervisory assessment and analysis of the semi-annual reports is mainly limited to administrative tasks, such as checking the timely submission to the competent authority as well as the formal completeness. While competent authorities have to asses a large number of these semi-annual reports, they offer only limited content of information of these semi-annual reports for the competent authority. Thus, the semi-annual reports provided for by Art 74 UCITS Directive only have a limited value for the competent authority in terms of a risk-based and economic supervision approach.

In other cases, Union law sometimes creates an overlap between two or more separate reporting requirements. Examples for such overlapping reporting obligations can be found e.g. within the remit of AIFMD. There may be in part duplicate or overlapping reporting obligations for AIF through the AIFMD reporting for supervisory purposes (Article 24 AIFMD) on the one hand and the ECB investment fund statistics for monetary statistical purposes (Regulation (EC) 958/2007 of the ECB) on the other. Thus, information may be required to be reported more than once and this may be double efforts for AIFM.

Finally, EU regulators should also be aware of the remit of the mandate under the respective Level I act and should refrain from introducing reporting requirements not covered by their mandate.

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

X Yes

o No

o 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.

Possible gaps in reporting depend on the respective area of financial markets supervision. Such possible gaps exist in prudential banking supervision or in the context market monitoring and product intervention. Reporting obligations under EMIR do not seem to be adapted to the aim of supervision under EMIR (duplication with MiFID II). Gaps due to the lack of harmonisation can be found also in the UCITS Directive.

Indeed, in prudential banking supervision two main topics / reporting areas have not been addressed so far: First, the liability side of banks’ balance sheets is under-reported (particularly compared to the asset side). Secondly, and more importantly, the current supervisory reporting framework does not allow for an in depth assessment of the risk-return choices reporting banks make, i.e. no asset-side break-down in FINREP provides simultaneous information about the risk taken and the interest earned on financial positions taken.

Regarding the supervision of insurance and reinsurance undertakings and occupational pension undertakings there are currently no gaps in reporting. In the course of the planned revision of the Solvency II templates, expected to start in summer 2018, potential further data requirements directed at insurance and reinsurance undertakings may be identified.

The initial intention of EMIR was to analyse systemic risk. However, the current reporting requirements do not fit this intention and focus on reporting on individual trades. In order to allow competent authorities to analyse systemic risk properly data on positions (e.g. end of day positions) of counterparties are necessary. Thus, EMIR's reporting requirements should focus on analysing systemic risk and should include reporting data on end of day positions rather than data on individual trades (on an individual transaction level).

Another example for a gap in reporting is the scope of transaction reporting under Article 26 MIFIR. While MiFID II investment firms have an obligation to report individual transactions pursuant to Article 26 MiFIR (and previously under Article 25 MiFID I), there is no equivalent obligation for AIFM, which are allowed to provide the same MiFID II investment services like investment firms authorised under MiFID II. Providing the same investment services should also mean the same/similar reporting requirements.

Additionally, possible gaps in reporting exist in the context of market monitoring and product intervention as regards the area of cross-border activities: the NCA is informed which companies may offer banking or investment services, but not whether these services are actually provided, and to which extent. Examples are the volumes and asset lists of foreign investment funds. In the context of market monitoring and product intervention, information may be available in different reporting systems, but mostly they are not fit for the purpose of monitoring an interconnected financial market, where products of local and foreign companies are offered in different ways to the local clients. For example, the limited information about volumes of various financial instruments such as structured products sold to retail investors is crucial. Another aspect of market monitoring and product intervention, where information is scarce, is related to the area of sales and distribution of financial instruments.

Finally, a harmonised set of reporting requirements for UCITS could be introduced. While AIFMD-reporting is harmonised on the EU level, regulatory reporting requirements for investment funds under the UCITS Directive currently remain within the discretion of national competent authorities. The introduction of harmonised UCITS reporting (arguably, simpler than AIFMD reporting) for supervisory and systemic risk analysis might contribute to a market wide risk analysis of the European investment fund sector.

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.)?**

o Fully coherent

X Mostly coherent (a few or minor inconsistencies)

o Somewhat coherent (numerous inconsistencies)

o Not coherent (mostly or totally inconsistent)

o Don't know

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

Within the supervisory reporting framework itself, we do not see a **great** number of inconsistences or overlaps. Nevertheless duplicative reporting requirements exist across the different realms of reporting. In other fields, more harmonisation of reporting requirements could reduce administrative burden and cost. Generally, we see the need for overcoming the current silo-thinking (i.e. to strictly separate) between the different areas of reporting (supervisory reporting vs. resolution reporting vs. reporting for statistical purposes) by implementing a “multi-use of data” approach, meaning that data once reported can be re-used to fulfil as many different reporting requirements as possible.

For example, duplicative reporting requirements in supervisory reporting and reporting for resolution purposes (e.g. own Funds Reporting, critical assets, critical liabilities) exist within the framework of minimum resolution reporting requirements laid down in in the Delegated Regulation (EU) 2016/1066. However, current efforts to amend the minimum reporting requirements for resolution purposes, in particular the “Draft Implementing Standards on the provision of information for the purpose of resolution plans under Article 11(3) of Directive 2014/59/EU” eliminate most duplicate requests from relevant institutions. Still, the “Draft Implementing Standards on the provision of information for the purpose of resolution plans under Article 11(3) of Directive 2014/59/EU” duplicate reporting requirements relating to own funds and own funds requirements although both should be easily available from competent authorities. Thus, we want to stress that where Union law (in particular Article 11(2) BRRD) explicitly states that data should not be required by means of reporting obligations when it is already available to other competent authorities, neither the ESAs nor the ECB in their respective remit should be empowered to request duplicative reporting.

There is also room for improvement with respect to specific reporting information included in the AIFMD reporting requirements. Although AIFMD has harmonised reporting requirements to a certain extent, some areas of reporting have not yet been sufficiently harmonised across the EU. Thus, reporting entities may have to calculate and report the same reporting positions to different competent authorities in a different way. For example, the calculation of the risk measures in the risk profile section (Annex IV Delegated Regulation (EU) 231/2013) of the AIFMD reporting (e.g., Net Equity Delta, Net DV01, Net CS01) is not standardised and varies from Member State to Member State.

As already mentioned, while supervisory reporting seems rather coherent, we see some room for improvement especially across the different realms of reporting. Supervisory and resolution reporting requirements are only one part of the overall reporting requirements financial market participants face. In fact, e.g. credit institutions have to submit a large number of reports from different areas with different submission frequencies and different levels of aggregation. Besides supervisory and resolution reporting data collected under the competent (resolution) authorities' mandate within the scope of the CRR/BRRD, credit institutions have to submit further reports required by the ESCB/NCB for other than prudential/resolution purposes (e.g. reports on the balance sheet item (BSI) and interest rate (MIR) statistics of monetary financial institutions (MFI), securities issues statistics (SEC) and statistics on holdings of securities (SHS), balance of payments (BoP) data, national credit registers and/or the new Analytical Credit (AnaCredit) datasets).

This means that while within supervisory reporting the reporting requirements are mostly coherent, the interaction between supervisory reporting and other areas of reporting leads to duplication and overlaps of data to be reported in combination with inconsistencies, lower data quality and burdensome ex post reconciliations. In our view, legislation on reporting requirements has to overcome the current silo-approaches (i.e. the separation between supervisory statistics, resolution statistics, macro prudential statistics, monetary policy statistics etc.) by organising the different reporting requirements more efficiently and by using one comprehensive and integrated data approach. An example for overcoming this approach is a project of the Statistical Committee (STC) of the ESCB (i.e. the European Central Bank together with the national central banks of all EU-member states) that has already started with the development of an integrated and harmonised cross-country approach collecting the data required for different statistical purposes (in a first step) and for banking supervision (as a possible second step). This strategic long-term project is called “European Reporting Framework – ERF” and is aimed to increase the efficiency of the overall reporting process.

This “multi-use of reporting data“ improves quality by using harmonised concepts and business-friendly definitions as well as a collection method that, as far as possible, would be free from redundancy. Eliminating the need to cross-check individual reports from the same reporting institution would also improve quality. The idea of this project also receives strong support from the banking industry (e.g. by EBF) because it will decrease reporting costs by reducing overlaps across reporting requirements and will reduce bank's administrative cost by fostering the convergence of internal and external reporting.

To conclude, from our perspective it is very important to deal with this „multi-use-of-data“ concept on an European level in the long-run. Referring to the appropriate framework for developing and implementing the ERF, we are fully convinced that the ESCB in close liaison with the ESAs (EBA, ESMA, EIOPA) would provide the right fora to further developing the ERF.

To sum up, it is important to overcome the current silo-approaches (i.e. the separation between supervisory statistics, macro prudential statistics, monetary policy statistics etc.) by organising the different reporting requirements more efficient by using one comprehensive and integrated data approach. The new Article 99(11) CRR – in its original wording as published in COM’s proposal on 30 November 2016 – might serve as a first step in this direction.

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

o Very efficient

X Quite efficient

o Rather inefficient

o Very inefficient

o 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.

Supervisory reporting on the EU-level is quite efficient. Still, certain factors – be it very basic e.g. different interpretations or different identifiers, be it factors of technical nature – have a negative impact on the efficiency of supervisory reporting. Introducing a multi-use of reporting data would improve efficiency.

On the one hand, factors that have a negative impact on efficiency are very basic ones such as differing interpretations of identical vocabulary or the use of different identifiers. For example, a trade in a derivative contract might be subject to transaction reporting pursuant to Article 26 MiFIR as well as trade reporting pursuant to Article 9 EMIR. The executing entity has to store the relevant information in different formats, because it has to apply requirements of its Trade Repository and to respect the technical formats and standards of the competent authority it has to report to. There is also room for improvement with respect to specific reporting information included in the AIFMD reporting requirements. Although AIFMD has harmonised reporting requirements to a certain extent, some areas of reporting have not yet been sufficiently harmonised across the EU. Thus, reporting entities may have to calculate and report the same reporting positions to different competent authorities in a different way. For example, the calculations of the risk measures in the risk profile section (Annex IV Delegated Regulation (EU) 231/2013) of the AIFMD reporting (e.g., Net Equity Delta, Net DV01, Net CS01) is not standardised and varies from Member State to Member State.

On the other hand, these factors are of a technical nature. Commission Implementing Regulation (EU) 2015/2450 laying down the Solvency II-reporting requirements requires insurance undertakings to report data on external ratings and nominated ECAIs as well as the look-through approach for collective investment undertakings.

Considerations on the deletion of reporting requirements on "External ratings" and "Nominated ECAIs", referring to templates S.06.02 (List of assets) and S.08.01 (Open derivatives) of Commission Implementing Regulation (EU) 2015/2450 are encouraged. Insurance and reinsurance undertakings indicated that new contracts for external ratings were needed for Solvency II purposes and that the costs incurred by license fees for ratings increased. On top of this, it was noted, that sufficient market coverage could only be achieved by entering into contracts with more than one ECAI, thus leading to further cost increases. The problem is not a matter of the fact that the information is not directly available, but it is rather viewed as an issue that the insurance or reinsurance undertakings are generally not allowed to store, manipulate and report the rating data. The level of license fees paid for the permission to process and to store data, is seen as not proportionate to the added value for the insurance and reinsurance undertakings. Furthermore, undertakings criticized that such data has to be reported to supervisory authorities – against the political will to diminish reliance on such external information. A possible future approach could be to have data on external rating information submitted directly by EIOPA to the competent authorities, in order to allow for the complete deletion of the respective information from the templates.

As required by template S.06.03 (Collective investment undertakings – look-through approach) of Commission Implementing Regulation (EU) 2015/2450, look-through data regarding collective investments has to be reported by underlying asset category, country of issuance or currency to the competent authority. However, this template does not cover information on individual securities. Simultaneously, detailed information on individual securities, is currently not available to competent authorities. Supervisory reporting in this respect could be made more efficient by deleting reporting requirements that can be covered by making available other sources of reporting data to competent authorities, in particular data reported under the statistical mandate of the ESCB (in this case in particular Regulation (EU) 1073/2013 of the European Central Bank concerning statistics on the assets and liabilities of investment funds).

There are also examples in Solvency II reporting for potentially redundant data requirements:

- on derivates (namely S.08.01 (open derivatives) and S.08.02 (derivatives transactions)) that contain information already included in EMIR reporting obligations to trade repositories (Commission delegated Regulation (EU) 2017/104),
- on securties lending (namely S.10.01 (securities lending and repos) and S.11.01 (assets held as collateral)) that also contain information already included in SFT-R reporting obligations.

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?**

o Very well

o Fairly well

X Not very well

o Not at all

o Don't know

Please elaborate and provide specific examples.

We support reporting solutions that are based on ICT. We do have good experiences with the use of particular reporting solutions, e.g. a platform solution (FMA Incoming Plattform) designed to collect supervisory reporting data or notifications to the competent authority under different reporting regimes (e.g. EMIR, Solvency II). For example, as of 2016, all data of Austrian insurance and reinsurance undertakings and of occupational pension companies required by Solvency II are submitted to the FMA by electronic means. The same applies to the reporting requirements under EMIR as well as regular and ad hoc-notifications in other files of supervision. However, e.g. in prudential banking supervision, the supervisory reporting requirements are rather not fit for the use of modern ICT.

For example, the structure of supervisory reporting in prudential banking supervision (in particular FINREP, but also COREP) is essentially spreadsheet based, i.e. data structure follows a humanly readable two-dimensional design rather than a machine-readable, multidimensional form closer associated with relational databases (basically “modern” ICT since the mid-1980ies). To put it bluntly, supervisory reporting is therefore totally out of touch with modern ICT best practices. The most evident example in the supervisory reporting templates pursuant to Commission implementing Regulation (EU) 680/2014 are the asset-side breakdowns in templates F4 (by instrument and by counterparty sector), F5 (by product), F6 (by NACE codes), and F20 (geographical breakdown). Taken all together reporting credit institutions have to fill fourteen different tables with the (gross) carrying amount, rather than the Cartesian product of all dimensions. This is not only more difficult to report for credit institutions (because they need to aggregate across different dimensions and report multiple values in multiple tables), but also less information rich for supervisors, as FINREP does for instance not allow for breakdown of assets by counterparty and country or by product and country. Worst of all, this actually appears to be understood, as table F20 7.1. (breakdown by NACE / country) leaves the two-dimensional world (and enters a three-dimensional world). Rather than going for full multidimensionality and discarding numerous earlier tables (which could be easily reconstructed anyhow), FINREP just adds another table providing the partial Cartesian product and a redundant data collection.

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?**

o Very significantly

o Significantly

X Moderately

o Marginally

o Not at all

o It has made supervisory reporting more complicated

o Don’t know

Please elaborate and provide specific examples.

A clear response to this question is not possible only a nuanced approach. Harmonised reporting requirements have contributed to improving the analysis of micro- and macro-prudential risks across the EU. However, harmonisation can also have negative effects on supervisory reporting, in particular because it excludes e.g. tailor-made solutions for proportionality reasons or does not allow a multi-use of reporting data. The adoption of supervisory reporting requirements at EU level can also have negative implications, if Union law only partially harmonises supervisory reporting requirements.

For example, the harmonised regulatory reporting requirements introduced with the AIFMD for alternative investment funds (AIF) have significantly contributed to improve the analysis of systemic risks across the EU. At the same time, harmonisation may also result in excluding requests for redundant or duplicate information based on national law (e.g. reporting requirements for insurance and reinsurance undertakings pursuant to Commission Implementing Regulation (EU) 2015/2450).

In certain financial sectors, e.g. the banking sector, the “one-size-fits all”-approach intended by harmonisation does not properly reflect the different composition of local markets in the different Member States.

Finally, the adoption of supervisory reporting requirements at EU level can also have negative implications, if Union law only partially harmonises supervisory reporting requirements. Again, regulatory reporting requirements introduced with the AIFMD are a good example for such a situation. Although AIFMD has harmonised reporting requirements to a certain extent, some areas of reporting have not yet been sufficiently harmonised across the EU. Thus, reporting entities may have to calculate and report the same reporting positions to different competent authorities in a different way. For example, the calculations of the risk measures in the risk profile section (Annex IV Delegated Regulation (EU) 231/2013) of the AIFMD reporting (e.g., Net Equity Delta, Net DV01, Net CS01) is not standardised and varies from Member State to Member State.

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?**

o Very significantly

o Significantly

o Moderately

X Marginally

o Not at all

o 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.

In general, the legal nature of EU level supervisory reporting requirements have almost no impact on increased compliance cost due to the fact that most supervisory reporting requirements stem from directly applicable delegated Regulations or implementing Regulations by the Commission. However, Member State options may increase these costs if EU law has not sufficiently harmonised certain aspects of supervisory reporting.

However, where Union law has in regulatory reporting has left discretion to Member States, reporting entities may have to report some positions to different NCA differently, which may result to greater costs. Again, regulatory reporting requirements introduced with the AIFMD are a good example for such a situation. Although AIFMD has harmonised reporting requirements to a certain extent, some areas of reporting have not yet been sufficiently harmonised across the EU. Thus, reporting entities may have to calculate and report same reporting positions to different competent authorities in a different way. For example, the calculations of the risk measures in the risk profile section (Annex IV Delegated Regulation (EU) 231/2013) of the AIFMD reporting (e.g., Net Equity Delta, Net DV01, Net CS01) is not standardised and varies from Member State to Member State).

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?**

X Yes

o No

o Don't know

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

Again, the answer to this question depends on the different sectors of the financial market. While in prudential banking supervision no such challenges exist, the amount of data received under Article 9 EMIR creates challenges in processing and further analysing it. The main reasons for this is that reporting entities have to report every trade, any subsequent modification of every trade, daily valuation updates of every trade, any change in the collateral and mostly the end of day position. Trade Repositories additionally provide trade state reports (the end of day version of a report).

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

o Yes, both environmental and social

o Yes, environmental only

o Yes, social only

X No

o Don't know

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

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
o reduction of the number of data elements		X	
o clarification of the content of the data elements	X	X	
o greater alignment of reporting requirements		X	
o greater standardisation/use of international standards	X		
o development of a common financial language		X	
o ensuring interoperability between reporting frameworks and/or receiving/processing entities or supervisory authorities		X	
o greater use of ICT		X	
o greater automation of the reporting process	X		
o other (please specify):			

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

A reduction of the number of data elements could be achieved by avoiding duplicative reporting obligations in different fields of reporting. Introducing the “multi-use-of-data” approach would help to achieve most of the intended objectives. A common financial language could also help to reduce cost but only if it covers all areas of reporting (supervision, resolution, monetary policy etc.) and not only supervisory reporting in an isolated way.

In our view, legislation on reporting requirements has to overcome the current silo-approaches (i.e. the separation between supervisory statistics, resolution statistics, macro prudential statistics, monetary policy statistics etc.) by organising the different reporting requirements more efficiently and by using one comprehensive and integrated data approach. This would avoid double reporting, lead to a greater standardisation and a greater use of ITC and allow a multi-use of reporting data. The co-legislators should identify the different datasets (transactions, positions, aggregated statistics on a monthly or quarterly basis, etc.) needed in order to cover all the different purposes of current legislation. The most adequate set of data and periodicity should then be applied to the given scope of a piece of legislation.

Initiatives to develop a common financial language for reporting purposes on EU-level could promote further alignment and interoperability of reporting requirements in supervisory reporting and other areas of reporting. Please note that there already exist some examples for such initiatives that should be taken into account: ESMA's action point in their future work programme to develop a common dictionary for financial data and the more advanced BIRD (Banks' Integrated Reporting Dictionary) project within the ESCB. BIRD is nothing else than a common financial language but encompassing both statistical as well as supervisory reporting requirements.

Furthermore, we see some room to improve the scale of automation of the reporting process in prudential reporting at the current process of exchanging master-data (reporting ID, LEI, applicable accounting standard etc.) or business cards (e.g. scope of application, reporting thresholds, applied approaches in Op-/Credit-/Marketrisk etc.). Both areas are currently quite human-intensive but a necessary precondition to process the data and verify whether a reporting agent has delivered all its reporting requirements. Also the process of defining and verifying against Validation Rules could be improved as the high number of releases makes human-intervention often necessary.

It is key that different reporting regimes try to unify the same standards and formats applied. Like for EMIR, MiFIR and SFTR reporting the same technical format (ISO 20022) is used to reduce the usage of different formats for reporting entities. The benefits of such unified technical formats should be further analysed for other reporting regimes and aligned where possible.

The number of data elements could be reduced by avoiding duplicative reporting obligations and introducing the multi-use of reporting data. There may be in part duplicate or overlapping reporting obligations for AIF through the AIFMD reporting for supervisory purposes (Article 24 AIFMD) on the one hand and the ECB investment fund statistics for monetary statistical purposes (Regulation (EC) 958/2007) on the other. Thus, information may be required to be reported more than once and this may be double efforts for AIFM. A reduction of these different reporting data could reduce the costs involved for reporting entities. Similar examples in Solvency II reporting are potentially redundant data requirements regarding templates on derivatives (namely S.08.01 (open derivatives) and S.08.02 (derivatives transactions)) that contain information already included in EMIR reporting obligations to trade repositories (Commission delegated Regulation (EU) 2017/104), and potentially redundant data requirements regarding securities lending (namely S.10.01 (securities lending and repos) and S.11.01 (assets held as collateral)) that also contain information already included in SFT-R reporting obligations'.

With respect to AIFMD reporting obligations regulatory costs of reporting entities could be reduced by further clarification and harmonisation of some reporting information in the short-term. There is some scope for improvement with respect to specific reporting information that is not sufficiently harmonised across the EU. Thus, reporting entities may have to report some positions to different NCA differently, which may result to greater costs. For example, the calculations of the risk measures in the risk profile section (Annex IV Delegated Regulation (EU) 231/2013) of the AIFMD reporting (e.g., Net Equity Delta, Net DV01, Net CS01) is not standardised and varies for MS. A common EU risk analysis may not be achieved without a standardised risk measure calculation, and AIFM have to calculate them differently for different NCAs in the reporting, which is burdensome and costly for AIFM.

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?**

o Very significantly o Significantly

X Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

Developing a common financial language can significantly reduce compliance costs, improve the quality of reporting data using harmonised concepts and business-friendly definitions and allow a collection method that would be free from redundancy/duplicative reporting. Eliminating the need to crosscheck individual reports from the same reporting institution would also improve quality. However, any common financial language used or developed has to overcome the current silo-approaches (i.e. the separation between supervisory statistics, resolution statistics, macro prudential statistics, monetary policy statistics etc.) by organising the different reporting requirements more efficiently by using one comprehensive and integrated data approach.

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?**

X Very significantly

o Significantly

o Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

Common identifiers, definitions and interpretations can enhance cross-sectoral consistency between different reporting regimes. This would help competent authorities to compile and crosscheck data received under various reporting regimes.

For example, a transaction report pursuant to Article 26 MiFIR has to indicate a short selling. This report is made by the executing entity (usually a credit institution) based on its own knowledge or information received from its client on a voluntary basis. Pursuant to the Shortselling Regulation, the investor (position holder) has an obligation to notify the relevant competent authority of any net short position that exceed a certain threshold.

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

X Yes

o No

o Don't know

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

A common financial language can only contribute to enhancing the overall efficiency and effectiveness of supervisory reporting, if it overcomes the current silo-approaches (i.e. the separation between supervisory statistics, resolution statistics, macro prudential statistics, monetary policy statistics etc.) in reporting in general as well in supervisory reporting (between the different financial sectors). Another prerequisite for a common financial language is that it allows for a multi-use of reporting data and clearly leads to avoiding duplicative reporting requirements.

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

X Yes

o No

o Don't know

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

One of the main obstacles are the current silo-approaches (i.e. the separation between supervisory reporting, resolution reporting, macro prudential reporting, monetary policy statistics etc.) that exist in the field of reporting. Such silo-approaches also exist within supervisory reporting between the different sectors. As long as these silo-approaches are not overcome, we do not see the possibility that a common financial language can be efficiently developed.

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?**

o Very significantly

o Significantly

X Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

Ensuring interoperability between reporting frameworks can moderately help to reduce compliance cost under certain circumstances. This result can only be achieved if interoperability means avoiding duplicative reporting requirements and allows a multi-use of reporting data.

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?**

o Very significantly

o Significantly

X Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

Ensuring interoperability between reporting frameworks can moderately help improve the management of supervisory data. Harmonising data standards and formats would reduce the effort to maintain different sets of data and improve the compilation of data received under different legal acts. It needs to be stressed, however, that this can only be achieved if interoperability means avoiding duplicative reporting requirements and allows a multi-use of reporting data.

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

X Yes

o No

o Don't know

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

Greater interoperability can only be achieved by introducing a common financial language, common identifiers, definitions and interpretations in the field of reporting. Introducing greater interoperability should also enhance cross-sectoral consistency between different reporting regimes (cross-sectoral within supervisory reporting but also between supervisory reporting and other reporting requirements such as statistical reporting), avoid duplicative reporting requirements and allow a multi-use of reporting data. Greater interoperability should also reduce the effort to maintain different sets of reporting data and improve their compilation by harmonising data standards and formats.

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)?**

X Yes

o No

o Don't know

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

One of the main obstacles are the current silo-approaches (i.e. the separation between supervisory reporting, macro prudential reporting, monetary policy statistics etc.) that exist in the field of reporting. Such silo-approaches also exist within supervisory reporting between the different sectors. A key feature of interoperability is the multi-use of reporting data. As long as these silo-approaches are not overcome, such a multi-use of reporting data will not be possible and greater interoperability will not be achieved.

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?**

o Very significantly

o Significantly

X Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

Greater use of ICT could moderately help to reduce compliance cost. We are in favour of greater use of ITC, in particular if it is set up in a way that allows a multi-use of reporting data and aligns supervisory reporting more closely with best practises of information engineering and data (base) design.

Process and interface design aside, which is not as straight forward as it might appear, aligning supervisory reporting more closely with best practises of information engineering and data (base) design would go a long way. As stated in the answer to question 1.6, the structure of supervisory reporting in prudential banking supervision (in particular FINREP, but also COREP) is essentially spreadsheet based, i.e. data structure follows a humanly readable two-dimensional design rather than a machine-readable, multidimensional form closer associated with relational databases (basically “modern” ICT since the mid-1980ies). To put it bluntly, supervisory reporting is therefore totally out of touch with modern ICT best practices. The most evident example in the supervisory reporting templates pursuant to Commission implementing Regulation (EU) 680/2014 are the asset-side breakdowns in templates F4 (by instrument and by counterparty sector), F5 (by product), F6 (by NACE codes), and F20 (geographical breakdown) of Commission implementing Regulation (EU) 680/2014. Taken all together reporting banks have to fill fourteen different tables with the (gross) carrying amount, rather than the Cartesian product of all dimensions. This is not only more difficult to report for banks (because they need to aggregate across different dimensions and report multiple values in multiple tables), but also less information rich for supervisors, as FINREP does for instance not allow for breakdown of assets by counterparty and country, or by product and country. Worst of all, this actually appears to be understood, as table F20 7.1. (breakdown by NACE / country) leaves the two-dimensional world (and enters a three-dimensional world). Rather than going for full multidimensionality and discarding numerous earlier tables (which could be easily reconstructed anyhow), FINREP just adds another table providing the partial Cartesian product and a redundant data collection.

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?**

o Very significantly

o Significantly

X Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

Greater use of ITC can help improving the management of supervisory data if it results in reducing the effort to maintain different sets of reporting data and improve their compilation by harmonising data standards and formats and allows a multi-use of reporting data.

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

X Yes

o No

o Don't know

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

One of the prerequisites for a greater use of ICT in supervisory reporting is the possibility of a multi-use of reporting data.

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)?**

o Yes

o No

X Don't know

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

<u>Concerning greater automation of the reporting process:</u>

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

o Very significantly

o Significantly

o Moderately

X Marginally

o Not at all

o Don't know

Please elaborate.

Supervisory reporting is already highly automated throughout the different fields of supervision. Still, automation can help if it is construed in a way that allows for a multi-use of reporting data.

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?**

o Very significantly

o Significantly

X Moderately

o Marginally

o Not at all

o Don't know

Please elaborate.

Greater automation can moderately help to improve the management of supervisory data if it results in reducing the effort to maintain different sets of reporting data and improve their compilation by harmonising data standards and formats and allows a multi-use of reporting data.

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

o Yes

o No

X Don't know

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

Supervisory reporting is already highly automated throughout the different fields of supervision. Still, a prerequisite for more automation is the possibility to allow a multi-use of reporting data.

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

o Yes

o No

X 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?

o Crucial role

o Important role

o Moderate role

X Limited role

o No role

o Don't know

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

The technical aspects of supervisory reporting are usually dealt with by the ESAs. The ESAs could focus more on developing technical solutions that move more towards a greater use of ICT in supervisory reporting. As stated above, any future technical solution should focus on allowing a multi-use of reporting data.

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

o Crucial role

o Important role

o Moderate role

X Limited role

o No role

o Don't know

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

The technical aspects of supervisory reporting are usually dealt with by the ESAs. The ESAs could focus more on developing technical solutions that move more towards a greater use of ICT in supervisory reporting. As stated above, any future technical solution should focus on allowing a multi-use of reporting data.

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

EU regulators should be more aware of overlaps in the scope of reporting obligations within the fields of supervision as well as between supervisory reporting and reporting for statistical purposes. Duplicative reporting (e.g. derivatives reporting under Article 9 EMIR and under Article 26 MiFIR) should be avoided to the fullest extent possible. EU regulators should also be aware of the remit of the mandate under the respective Level I act and should refrain from introducing reporting requirements not covered by their mandate.

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?**

X Yes

o No

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

In Austria, practical examples in supervisory reporting can be found in the field of prudential banking supervision and insurance supervision. They cover technical solutions (use of common definitions on a granular level) as well as contractual solutions for the data management process (service level agreement) between two or more institutions and the multi-use of reporting data.

In the field of prudential banking supervision, ECB's FINREP Regulation (EU) 2015/534 (FINREP solo) was implemented in 2016. Through the use of common definitions on a granular level (so-called Basic-Cube in Austria or BIRD on ECB-level), implementation and compliance costs were significantly reduced. In the same vein, the quality has been significantly improved by the use of harmonised concepts and business-friendly definitions. This system also allows a multi-use of reporting data.

In the field of insurance and reinsurance reporting, FMA has been acting as a central data hub for many years. Data submitted to the FMA covers various different reporting requirements. For example, data regarding insurance and reinsurance undertakings or the occupational pension undertakings is passed on to statistics authorities (Eurostat and Statistik Austria) or to the OECD. In this respect, a multi-use of data has been implemented to avoid redundant data transmissions to different institutions. In particular, regarding insurance and reinsurance reporting data, a service level agreement was concluded between the Austrian FMA (Financial Market Authority) and the OeNB to reduce the number of institutions that insurance undertakings have to report to. As a result, Austrian insurance and reinsurance undertakings have to submit reporting information directed only to the FMA. Subsequently, the FMA is forwarding the data concerned to the OeNB. This system prevents duplicative reporting/reporting of redundant information to different institutions, allows a multi-use of data and ensures consistency across different reporting frameworks in this respect. At the moment, the setting up of a similar procedure is considered regarding the Austrian pension company system.