DRAFT ECB REGULATION ON REPORTING OF SUPERVISORY FINANCIAL INFORMATION

QUESTIONS AND ANSWERS

1 WILL THE NEW ECB REGULATION APPLY TO ALL BANKS IN THE EURO AREA OR ONLY THE ONES DIRECTLY SUPERVISED BY THE ECB, I.E. THE SIGNIFICANT BANKS?

All banks (significant and less significant) will have to report supervisory financial information. However, in accordance with the proportionality principle, less significant supervised entities and supervised groups will be subject to reduced reporting requirements and be given more time for implementation.

2 WILL THE SIGNIFICANT BANKS DELIVER/REPORT THEIR DATA DIRECTLY TO THE ECB OR VIA THE NATIONAL COMPETENT AUTHORITIES (NCAS)?

The NCAs will be the entry point for supervisory reporting from banks. Both significant and less significant banks will therefore submit the information to the NCAs. The NCAs will then transmit the information to the ECB.

3 HOW DOES THE TRANSMISSION OF DATA WORK WITHIN THE SSM?

The SSM is a system of banking supervision composed of the ECB and the NCAs of participating Member States. In the particular case of supervisory reporting, the NCAs will collect the data reported by banks, perform the initial data quality checks and make the information available to the ECB. The ECB will organise the processes relating to the collection and quality review of the data. In addition to the checks performed at the national level, the ECB will perform its own quality checks to ensure the completeness of the information received and the consistency of the validation across participating Member States.

4 WHY DOES THE ECB NEED A SEPARATE REGULATION IN ADDITION TO THE EUROPEAN BANKING AUTHORITY (EBA)'S TECHNICAL STANDARDS?

Under the Commission Implementing Regulation (EU) No 680/2014[1], supervisory financial reporting is only mandatory for institutions applying International Financial Reporting Standards (IFRS) at the consolidated level. The draft ECB Regulation aims at extending the regular reporting of supervisory financial information to the consolidated reports of banks under national accounting frameworks (national GAAPs), as well as to reports at the solo level (i.e. including a single legal entity).

5 IS THE DRAFT ECB REGULATION MORE DEMANDING THAN THE COMMISSION IMPLEMENTING REGULATION (EU) NO 680/2014 FOR IMPLEMENTATION OF THE FINREP?

The Commission Implementing Regulation is not intended to be the only source of regular standardised information to be used in day-to-day supervision. It provides for maximum harmonisation of supervisory information in key areas. Nevertheless, it does not cover the entire spectrum of supervisors´ needs concerning regular reporting. The aim of the draft ECB Regulation is rather to close the existing data gaps by collecting:

i) the full set of FINREP templates from significant banking groups that compile financial information according to national GAAPs;

ii) a "common minimum" of financial information, taking into account the proportionality principle, from significant banks at the solo level and for less significant banks (at both the solo and consolidated level).

6 DO PARTICIPATING MEMBER STATES NEED THEIR OWN NATIONAL LAWS TO IMPLEMENT FINREP OR IS IT A REGULATION THAT IN THE FIRST PLACE APPLIES IMMEDIATELY IN ALL EU MEMBER STATES?

An ECB regulation is binding in its entirety and directly applicable in the Member States whose currency is the euro. The draft ECB Regulation on reporting of supervisory financial information gives NCAs a degree of flexibility to decide on the formats, frequency and remittance dates for their collection and reporting of supervisory financial information. This will

[1] Commission Implementing Regulation (EU) No 680/2014 of 16 April 2014 laying down implementing technical standards with regard to supervisory reporting of institutions according to Regulation (EU) No 575/2013 of the European Parliament and of the Council (OJ L 191, 28.6.2014, p. 1).

enable NCAs to continue running, or to set up, integrated reporting systems (i.e. reporting systems which also serve purposes other than supervision, such as statistical ones), thereby increasing efficiency in collecting data. Areas in which the draft ECB Regulation gives flexibility to NCAs could be potentially subject to national implementations.

7 WILL BANKS SUBJECT TO THE DRAFT ECB REGULATION, I.E. SIGNIFICANT BANKS DIRECTLY SUPERVISED BY THE ECB, HAVE TO REPORT MORE DATA THAN BANKS IN NON-PARTICIPATING MEMBER STATES TO WHOM THE DRAFT REGULATION DOES NOT APPLY (BUT WHO HAVE TO COMPLY WITH THE REGULAR FINREP SET BY THE COMMISSION IMPLEMENTING REGULATION (EU) NO 680/2014)?

The draft ECB Regulation addresses data gaps in the supervisory financial reporting of supervised entities and supervised groups, thereby fostering robust and intrusive supervision. A level playing field will be further refined by making it mandatory for supervised entities and supervised groups established in different participating Member States to report a common set of supervisory financial information. Hence, the draft Regulation will foster comparability of supervisory information. These objectives are reached within the scope of the supervisory powers conferred to the ECB (i.e. supervised entities and supervised groups in participating Member States).

All competent authorities currently collect a wide range of financial information, using different definitions and reporting formats. Following the path that is paved by this draft Regulation, the competent authorities of non-participating Member States have the same opportunities at their disposal to close existing data gaps and to contribute to the creation of a level playing field within their remit.

8 ARE THE REQUIREMENTS THE SAME FOR SIGNIFICANT AND LESS SIGNIFICANT BANKS?

The requirements in the draft ECB Regulation have been steered by the principle of proportionality and envisage the NCAs making as much use as possible of the existing reporting systems. To further strike a balance between the availability of complete, consistent and regular reporting and the need to avoid imposing an undue reporting burden, the extension of the supervisory financial reporting requirements incorporates the following provisions with regard to proportionality.

i) Reporting requirements for separate parents and subsidiaries of significant banking groups (that are included in consolidated reports but report also at the solo level) and for less significant banks are less stringent in terms of data content.

ii) For less significant supervised banks, an asset-value threshold (below €1 billion of total assets) has been established that triggers reporting requirements that are even lower.

iii) For significant banks, an implementation period is envisaged that will run, at least, until the reference date of 31 December 2015. For less significant banks, an even longer implementation period is foreseen (until the reference date of 30 June 2017). This should help to avoid overburdening the less significant banks.

9 IS IT CORRECT THAT THE ECB WILL ASK THE SIGNIFICANT BANKS TO REPORT NOT ONLY ON A CONSOLIDATED LEVEL, BUT ALSO ON A 'PER SUBSIDIARY' LEVEL?

Yes, this is necessary to ensure a high quality of supervision. The collection of supervisory financial reporting at the solo level (i.e. at the parent or subsidiary level):

i) allows the ECB to obtain consistent data to run, among other things, a centralised risk assessment system;

ii) is a key step towards common reporting requirements within the SSM;

iii) is consistent with the need to perform supervision at both the consolidated and solo level, as envisaged by the Core Principles for Effective Banking Supervision of the Basel Committee on Banking Supervision.

10 WHAT IS THE ECB EXPECTING FROM THESE ADDED REPORTING DUTIES?

The draft ECB Regulation is the result of work and discussions that have been undertaken over a period of more than two years during the preparatory work for the SSM. The ECB has already discussed the feasibility of the reporting requirements proposed in the draft ECB Regulation with the NCAs and has taken their views on board. These discussions confirmed that it adequately addresses data gaps in supervisory financial reporting and thereby fosters robust supervision.

Beyond that previous assessment one of the aims of the public consultation, among other purposes, is to obtain a wider range of information and further granular views on the potential costs. In many instances, the draft ECB Regulation will provide a degree of flexibility to NCAs that allows them to continue running the reporting systems already available at the corresponding national level.

11 IS THE ECB IMPOSING THE USE OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)?

No, the draft ECB Regulation neither affects the accounting standards applied by banks in their consolidated accounts or annual accounts, nor changes the accounting standards applied for supervisory reporting. As banks apply different accounting standards, only information related to valuation rules, including methods for the estimation of credit risk losses, which exist under the relevant accounting standards and are effectively applied by the corresponding supervised group or entity should be submitted. For these purposes, specific reporting templates are provided for banks applying national GAAPs.