Supervisory Data Reporting: The Sequential Approach

Juan-Alberto Sanchez
Head of Section, Supervisory Statistics Division

Supervisory Reporting Conference
28 November 2016

European Central Bank, Frankfurt
## Overview

<table>
<thead>
<tr>
<th></th>
<th>Introduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>What</td>
</tr>
<tr>
<td>3</td>
<td>How</td>
</tr>
<tr>
<td>4</td>
<td>When</td>
</tr>
<tr>
<td>5</td>
<td>Our Toolkit</td>
</tr>
<tr>
<td>6</td>
<td>The Future</td>
</tr>
<tr>
<td>7</td>
<td>Why</td>
</tr>
</tbody>
</table>
### Introduction to the SSM

### SSM Scope

#### Country Coverage
- **All 19 Euro countries** within the EU
- Other EU countries may join – however Sweden, UK, Czech Republic have indicated not to join the SSM.

#### Institutional Coverage
- Direct supervision of banks accounting for about **80 percent of euro-area banking assets**. All banks deemed **systemic**, e.g. with over **€30 billion in assets** or **20 percent of national GDP** or at least the **three largest banks in each member state** would be directly supervised.

---

#### "Hub and Spokes" Delegation
- Some degree of **delegation and division of labour** is necessary.
- Full centralization is neither practical nor desirable, as supervisory knowledge and resources remain at the national levels.

#### Timeline
- The SSM came into force on the **4th of November 2014**.
## Overview

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>What</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>How</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>When</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Our Toolkit</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>The Future</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Why</td>
<td></td>
</tr>
</tbody>
</table>
Sound basis for regular reporting of supervisory data

- **CRR**: Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms
  - Own Funds and Capital Requirements
  - Financial information
  - Asset Encumbrance
  - Lending collateralized by Immovable property
  - Large exposures, Leverage Ratio
  - Liquidity Coverage, Stable Funding and Additional Liquidity Monitoring Metrics requirements

- **EBA ITS**: Commission Implementing Regulation (EU) No 680/2014 (as amended) laying down implementing technical standards for supervisory reporting

- **Decision ECB/2014/29** on the provision to the ECB of supervisory data reported to the NCAs by the supervised entities pursuant to Commission Implementing Regulation (EU) No 680/2014 (ITS data)

- **Regulation ECB/2015/13** (EU 2015/534) on reporting of supervisory financial information (FINREP)

- **Regulation (EU) No 1024/2013** defines the ability of the ECB to request for information (Article 10), in order to carry out the tasks on prudential supervision, providing the grounds for additional ad-hoc reporting.
## ITS Data: Scope and coverage

First reference date reported for all SSM Reporting Requirements based on the EBA ITS (and EBA Guidelines) by reporting entity type (remittance group).

<table>
<thead>
<tr>
<th>SSM Reporting requirements</th>
<th>Significant Institutions</th>
<th>Less Significant Institutions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>CONS (Ultimate Parent)</td>
<td>CONS (Ultimate Parent)</td>
</tr>
<tr>
<td></td>
<td>SOLO (Separate Parent / SUBs)</td>
<td>SOLO (Separate Parent / SUBs)</td>
</tr>
<tr>
<td></td>
<td>SUB-CONS (Parent with SUB)</td>
<td>SUB-CONS (Parent with SUB)</td>
</tr>
<tr>
<td></td>
<td>(Stand Alone)</td>
<td>(Stand Alone)</td>
</tr>
</tbody>
</table>

### EBA Implementing Technical Standards (ITS)

<table>
<thead>
<tr>
<th></th>
<th>SI Highest</th>
<th>SI Remaining</th>
<th>LSI Highest</th>
<th>LSI Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EBA ITS data collected by the ECB and transmitted to the EBA</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Additional EBA ITS data collected by the ECB</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Additional data requirements collected by the ECB (according to the ECB FINREP Regulation)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**COREP**

- **incl. Leverage Ratio (LR)**: Mar-14, Mar-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14
- **incl. Immoveable Property losses**: Jun-14, Jun-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14

**FINREP**

- **IFRS**: Sep-14, Dec-14
- **nGAAP**: Dec-15, Jun-15

**Liquidity Coverage Ratio (LCR)**

- Mar-14, Mar-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14

**Net Stable Funding Ratio**

- Mar-14, Mar-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14

**Large Exposures**

- Mar-14, Mar-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14

**Asset encumbrance**

- Dec-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14, Dec-14

**ALMM**

- **Monthly**: Apr-16, Apr-16, Apr-16, Apr-16, Apr-16, Apr-16, Apr-16, Apr-16

**Amended LR (as part of COREP)**

- Sep-16, Sep-16, Sep-16, Sep-16, Sep-16, Sep-16, Sep-16, Sep-16

**Amended LCR**

- Sep-16, Sep-16, Sep-16, Sep-16, Sep-16, Sep-16, Sep-16, Sep-16

**Supervisory Benchmarking Portfolios**


**Non - ITS / EBA Guidelines**

- Funding Plans: Dec-14 / Jun 15, Dec-14 / Jun 15

---

(1) For SI Highest, including EBA List for Supervisory Benchmarking Portfolios
(2) Data to be collected for a list of entities defined between the Competent Authority and the EBA, which may include reporting entities from all remittance groups.
Additional ad-hoc reporting – Covering information gaps

Ad-hoc reporting to cover information gaps

- Short Term Exercise for SIs, designed for Pillar 2 purposes. 127 SIs and 50 main subsidiaries under the scope, supporting the Supervisory Review Process (SREP) with data not available under the ITS.
- LSI Pilot Exercises for the entire set of LSIs at the highest level of consolidation, supporting an harmonized Risk Assessment for LSIs and the Significance Assessment

Regular data collections still being carried out in Excel

- EBA EU-wide stress test / SSM supervisory stress tests for around 100 participating banks
- Fee Factors data collection, covering over 3000 reporting entities
## Overview

<table>
<thead>
<tr>
<th>1</th>
<th>Introduction</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>What</td>
</tr>
<tr>
<td>3</td>
<td>How</td>
</tr>
<tr>
<td>4</td>
<td>When</td>
</tr>
<tr>
<td>5</td>
<td>Our Toolkit</td>
</tr>
<tr>
<td>6</td>
<td>The Future</td>
</tr>
<tr>
<td>7</td>
<td>Why</td>
</tr>
</tbody>
</table>
Sequential Approach - process for reporting ITS data – Significant Institutions

- “Cover note – Decision on EBA Reporting Phase II” EBA BS 2013 355:
  “The data [ITS data] will be reported to the EBA by CAs, so that the NCAs participating in the SSM (SSM-NCAs) will submit their reports to the ECB, which will report to the EBA as a competent authority”

- Decision EBA/DC/2015/30 on reporting by competent authorities to the EBA (defining the list of institutions in the EBA sample)

→ The sequential approach ensures that NCAs, ECB and EBA have the same set of data on which to base their analysis
Levels of data quality validation under the lead of DGS

- Banks report
- Bank
- NCA
- ECB (DGS & SSM)
- EBA

Steps:
1. Feedback document
2. Automatic control
3. Questions to banks
4. Ticketing tool / direct contacts
Why XBRL

**XBRL: standardised, harmonised, widely-adopted reporting format**

**SUBA and XBRL**

XBRL was chosen as the mandatory format for data submission to the ECB:

- Harmonisation in SSM countries
- Full description of data points
- Table layout included in the taxonomy
- Incorporates Validation Rules…
- … allowing reporters to validate the reports before sending
The Sequential Approach and XBRL

Compiler remains responsible for data quality

- Reports are imputed in XLS or any other transmission format
- Reports are transposed into XBRL format
- Validation rules are applied
- XBRL file is zipped into an envelope according to the naming convention
- Data is transmitted to ECB
- Additional checks at ECB
- Data is transmitted to EBA

XBRL provided by NCA

XBRL provided by Bank

Bank

NCA

ECB

Bank

NCA

ECB

Compiler remains responsible for data quality
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
</tr>
<tr>
<td>2</td>
<td>What</td>
</tr>
<tr>
<td>3</td>
<td>How</td>
</tr>
<tr>
<td>4</td>
<td>When</td>
</tr>
<tr>
<td>5</td>
<td>Our Toolkit</td>
</tr>
<tr>
<td>6</td>
<td>The Future</td>
</tr>
<tr>
<td>7</td>
<td>Why</td>
</tr>
</tbody>
</table>
The Sequential Approach: timelines

Consecutive deadlines and different remittance groups

Timelines for reception of supervisory data (ITS) by NCAs

a) Monthly reporting: 15th calendar day after the reporting reference date;

b) Quarterly reporting: 12 May, 11 August, 11 November and 11 February,

c) Semi-annual reporting: 11 August and 11 February;

d) Annual reporting: 11 February.

Timelines for reception of supervisory data by ECB

1) Significant supervised entities at the highest level of consolidation
   T+10 business days

2) Remaining reports of significant supervised entities and less significant
   supervised entities at the highest level of consolidation
   T+25 business days

3) Remaining reports of less significant supervised entities
   T+35 business days
Remittance Calendar

- Produced and updated yearly / on needs basis
- **Advance information** to NCAs/banks on remittance dates

<table>
<thead>
<tr>
<th>August</th>
<th>September</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>25 Th</strong> SI_Highest</td>
<td><strong>1 Th</strong> SI_Highest - 2nd remittance to EBA</td>
</tr>
<tr>
<td>COREP (LR, IP Losses), LE, NSFR, FINREP Cons (IFRS, nGAAP), AE, ALMM (quarterly) June 2016</td>
<td>COREP (LR, IP Losses), LE, NSFR, FINREP Cons (IFRS, nGAAP), AE, ALMM (quarterly) June 2016</td>
</tr>
<tr>
<td><strong>26 Fr</strong> SI_Highest</td>
<td><strong>2 Fr</strong> LSI_Remaining LCR June 2016</td>
</tr>
<tr>
<td>FINREP Solo (IFRS, nGAAP) June 2016</td>
<td></td>
</tr>
<tr>
<td><strong>27 Sa</strong></td>
<td><strong>3 Sa</strong> ITS to ESRB</td>
</tr>
<tr>
<td><strong>28 Su</strong></td>
<td><strong>4 Su</strong></td>
</tr>
<tr>
<td><strong>29 Mo</strong> SK</td>
<td><strong>5 Mo</strong> LSI_Remaining LCR</td>
</tr>
<tr>
<td><strong>30 Tu</strong> ALMM M7 to NCAs</td>
<td><strong>5 Mo</strong> LSI_Remaining LCR</td>
</tr>
<tr>
<td>SI_Highest LCR July 2016</td>
<td>June 2016</td>
</tr>
<tr>
<td><strong>31 We</strong></td>
<td><strong>6 Tu</strong> SI_Highest - 2nd remittance to EBA</td>
</tr>
<tr>
<td></td>
<td>LCR July 2016</td>
</tr>
</tbody>
</table>
# Overview

<table>
<thead>
<tr>
<th></th>
<th>Section</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
</tr>
<tr>
<td>2</td>
<td>What</td>
</tr>
<tr>
<td>3</td>
<td>How</td>
</tr>
<tr>
<td>4</td>
<td>When</td>
</tr>
<tr>
<td>5</td>
<td>Our Toolkit</td>
</tr>
<tr>
<td>6</td>
<td>The Future</td>
</tr>
<tr>
<td>7</td>
<td>Why</td>
</tr>
</tbody>
</table>
The Supervisory Banking (SUBA) data system is a set of tools:

- to **collect** supervisory data from NCAs in the SSM
- to **store** the information in a database
- to **assess data quality** (validation rules and plausibility checks)
- to **disseminate** supervisory data and metadata to the systems of the supervisors and other users (subject to access rights)
- to **communicate** directly with NCAs on submission issues

**What is the SUBA system?**

SUBA system addresses a range of technical aspects of supervisory reporting.
SUBA processes: effective, relevant and manageable

Supervisory Statistics
- Quality
- Plausibility
- Data production

Banking Supervision
- Off-site analysis
- Risk assessment
- On-site inspections

Dissemination

IMAS
ITS templates
RAS indicators

IDRA
Analytical tool for Supervisors

Ad-hoc
Data requests from Supervisors

EBA
Significant Institutions
Cons - Highest

Reception Phase
- Automated Checks

Data Quality Assessment
- Additional validation checks & data quality reports

Data Analysis
- Production of key ratios from the raw datasets and advanced analysis
SUBA: high performance, scalable and reliable system

NCA Users ➔ SUBA

ECB Users ➔ SUBA

Oracle database ➔ IMAS / RAS

NCA

Quantitative Data

Master Data

SUBA GUI*

SUBA Statistical Tool

* Graphical User Interface
Submission Monitoring
- overview of submissions received
- monitor disseminations to IMAS and the EBA
- collection / download of data

Error Monitoring
- automated checking of submissions
- view the detail of errors identified
- flexibility to manually accept errors
- management of validation rules

Master Data
- view and edit institution Master Data

Communication
- discuss issues directly with NCA users
SAS is the statistical tool for SUBA - database for reporting, analytical and production purposes

System Functionality – SUBA Statistical Tool (SAS)

• **A flexible way to query information**
  - extract the same data point for all entities
  - calculate a formula based on supervisory data

• **Ad-hoc reports and data extraction**
  - status of a given template
  - reports based on entity attributes and other ad-hoc reporting needs

• **Data production and dissemination**
  - ITS derived data (e.g. IMAS, SPE)

• **Data quality analysis**
  - implement non XBRL checks on the data
  - analyse failed validation rules
Validation processes ensure a constant feedback loop
NCAs are timely informed

Data processes: validation flows

Data reception

Resubmissions

Data quality analysis

Data quality enhancement

- Automatic acknowledgment message to NCA, flagging:
  - blocking (non-restrictive) and non-blocking (warning) failing VRs
  - Completeness issues (missing/prohibited templates)
- More detailed feedback after reception:
  - List of missing modules & missing/not expected templates
  - Details on failing VRs

- Data Quality Tables
  - At remittance date
  - 5 days after remittance date
  - 1 month after remittance date
- Data Quality Report
- EBA plausibility checks and quality assessment
- Data quality issues identified by SSM

Harmonised analysis and supervisory decisions based on complete, stable and reliable data
- Joint Supervisory Teams
- SSM
- EBA

Data reception

NCA

Resubmissions

Data quality analysis

Data quality enhancement

XBRL
ACE: a solution for ad-hoc and non-XBRL reporting

Challenge: find a reasonable mix of flexibility and adaptability to changing needs on one side, and data quality, monitoring and analysis.

- ✓ Changing data requirements and derived data outputs
- ✓ Short preparation and production time
- ✓ Completeness and timeliness
- ✓ Validation (formal checks, validations errors, plausibility)

The ACE system provides the interface for ad-hoc reporting, in line with SUBA

Raw/Derived Data

Data Templates

Validation Reports

Regular reporting

Validation Reports

Additional reporting

Validation Reports

Banking Supervision

IMAS

Monitoring / Data Analysis
Overview

1. Introduction
2. What
3. How
4. When
5. Our Toolkit
6. The Future
7. Why
Areas of improvement and way forward

“Challenges are a source of growth”

Areas of improvement

- Shorten the time lag between submission of reports by banks and availability of data to SSM Supervisors
- Ensure timely follow up on data quality issues and immediate reception of corrections at the ECB
- Follow up on the results of a survey on national practices run by ECB/SUP where significant heterogeneity of practices across NCAs were identified
- Improve coordination with stakeholders: for example with the EBA and with other SSM business areas, to optimise availability and sharing of information on banks’ developments (changes in LEI, group structure) and to ensure technical compatibility of data flows
Areas of improvement: way forward

**Way forward towards harmonisation**

1. **Country visits to National Competent Authorities (NCAs)**
   - To better understand their processes, their views and the possible issues
   - Learn from best practices and identify possible solutions.

2. **Task Force on the Harmonisation of the Sequential Approach**
   NCAs and the ECB mandated to:
   - Identify the best practices available in each country
   - Propose harmonised best practices.

**Level playing field**
## Overview

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Introduction</td>
</tr>
<tr>
<td>2</td>
<td>What</td>
</tr>
<tr>
<td>3</td>
<td>How</td>
</tr>
<tr>
<td>4</td>
<td>When</td>
</tr>
<tr>
<td>5</td>
<td>Our Toolkit</td>
</tr>
<tr>
<td>6</td>
<td>The Future</td>
</tr>
<tr>
<td>7</td>
<td>Why</td>
</tr>
</tbody>
</table>
Why

Effectiveness, Efficiency, Harmonisation

Effective Supervision needs Supervisory Data
- Timely
- Accurate
- Reliable

Sequential Approach
- Minimize banks’ reporting burden
- Efficient processes
- Unique data flow satisfies data needs of NCAs, ECB and EBA

Establish a level playing field across the SSM
- Learning from each other
- Best of breed
- Harmonisation of national practices
Thank you for your attention