EUROPEAN CENTRAL BANK

BANKING SUPERVISION

Supervisory Data Reporting: The Sequential Approach

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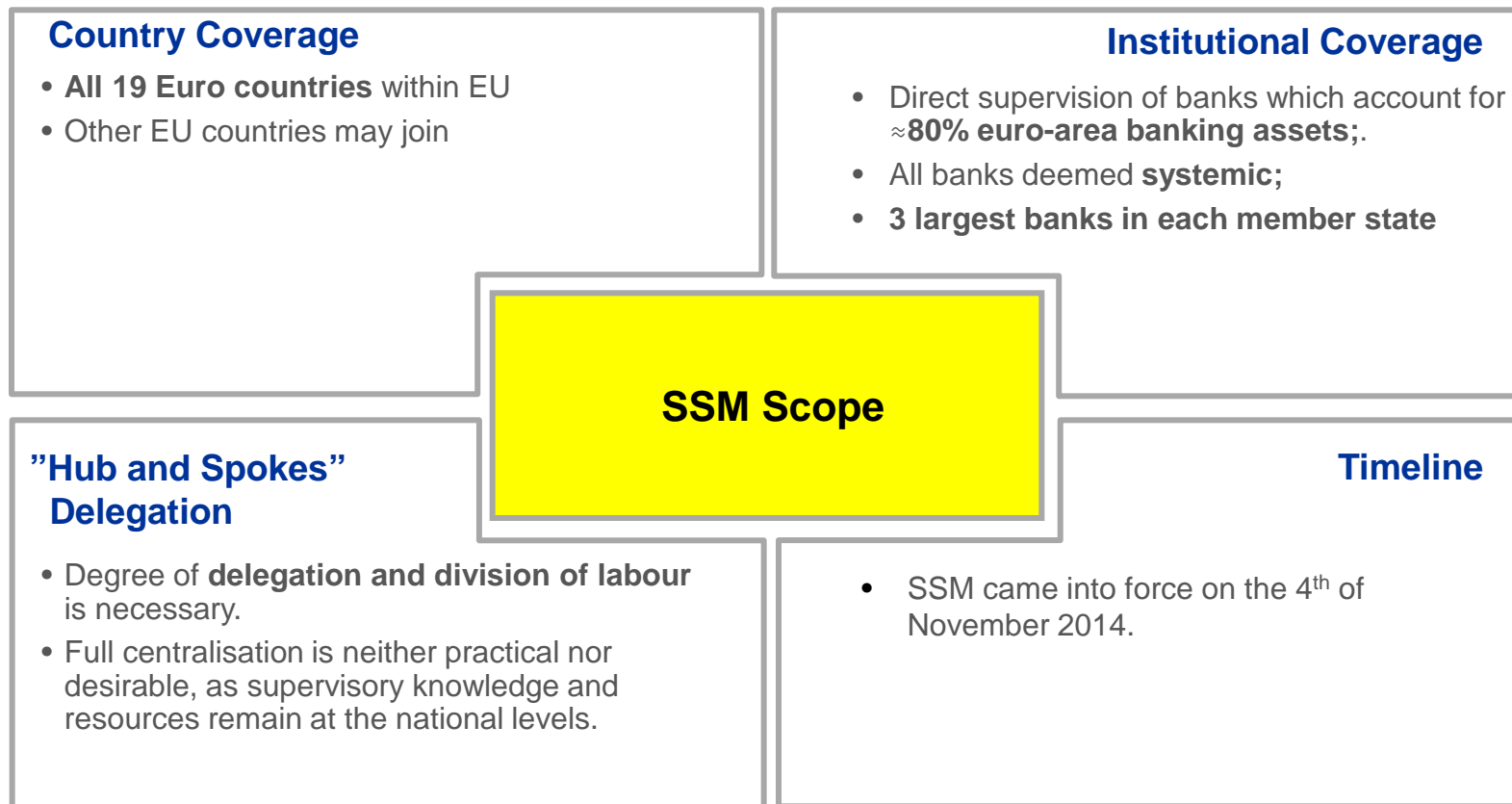Banking Supervision Data Division

Supervisory Reporting Conference

Frankfurt 15 November 2017

European Central Bank, Frankfurt

Overview

SSM Scope

Country Coverage

- **All 19 Euro countries** within EU
- Other EU countries may join

Institutional Coverage

- Direct supervision of banks which account for ≈**80% euro-area banking assets;**.
- All banks deemed **systemic;**
- **3 largest banks in each member state**

SSM Scope

"Hub and Spokes" Delegation

- Degree of **delegation and division of labour** is necessary.
- Full centralisation is neither practical nor desirable, as supervisory knowledge and resources remain at the national levels.

Timeline

- SSM came into force on the 4th of November 2014.

Overview

Process for reporting supervisory data

- Decision on EBA Reporting Phase II: EBA BS 2013 355

- Decision EBA/DC/2015/30 and EBA/DC/2016/156

Sequential Approach: Stakeholders have **same set of supervisory data**
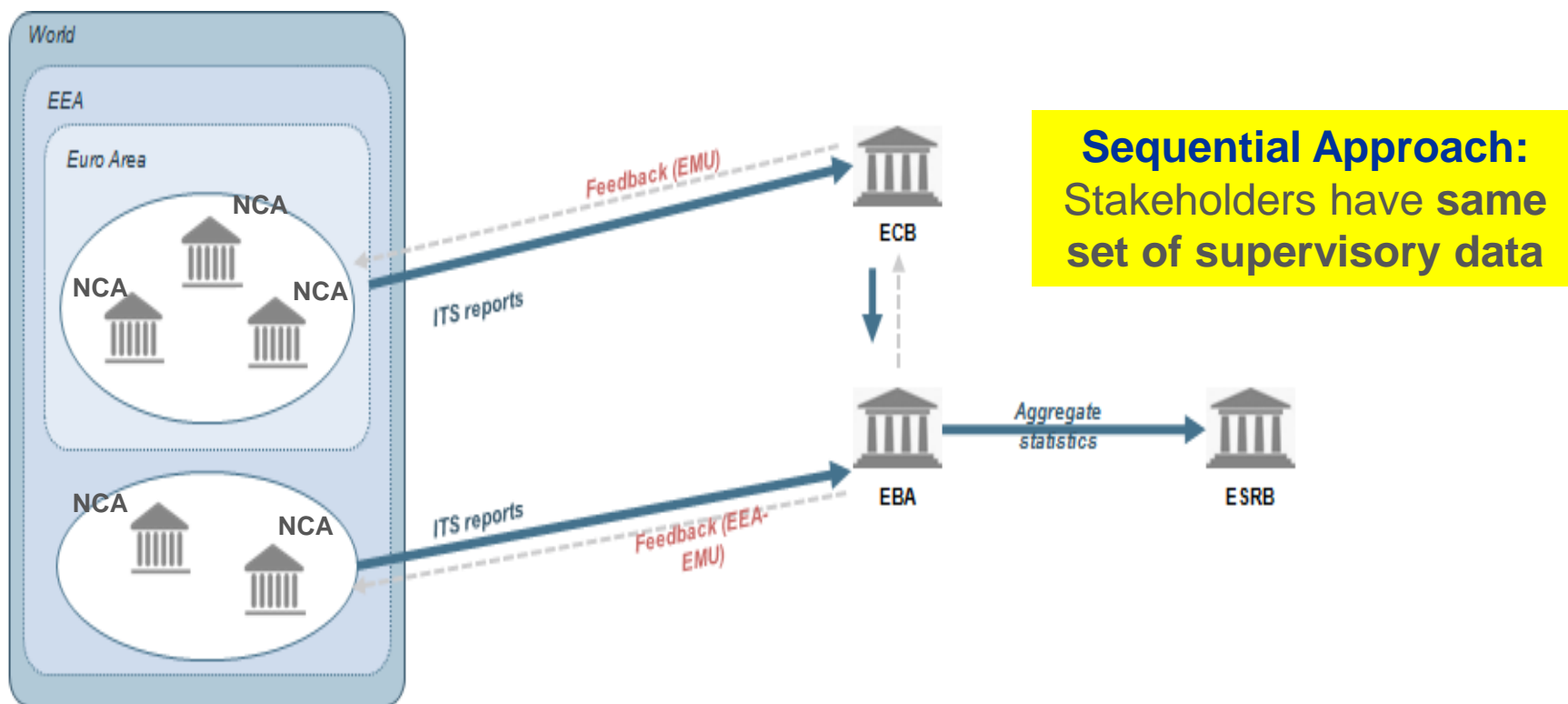
Consecutive deadlines

Banks deadlines (to NCAs)

Monthly:
Jan – Dec: 15th calendar day
after reference date

Quarterly:
Mar: 12 May
Jun: 11 Aug
Sep: 11 Nov
Dec: 11 Feb

Semi-Annual:
Jun: 11 Aug
Dec: 11 Feb

Annual:
Dec: 11 Feb

NCAs deadlines (to ECB):

1) **"SI Highest" banks**

   T+10 business days

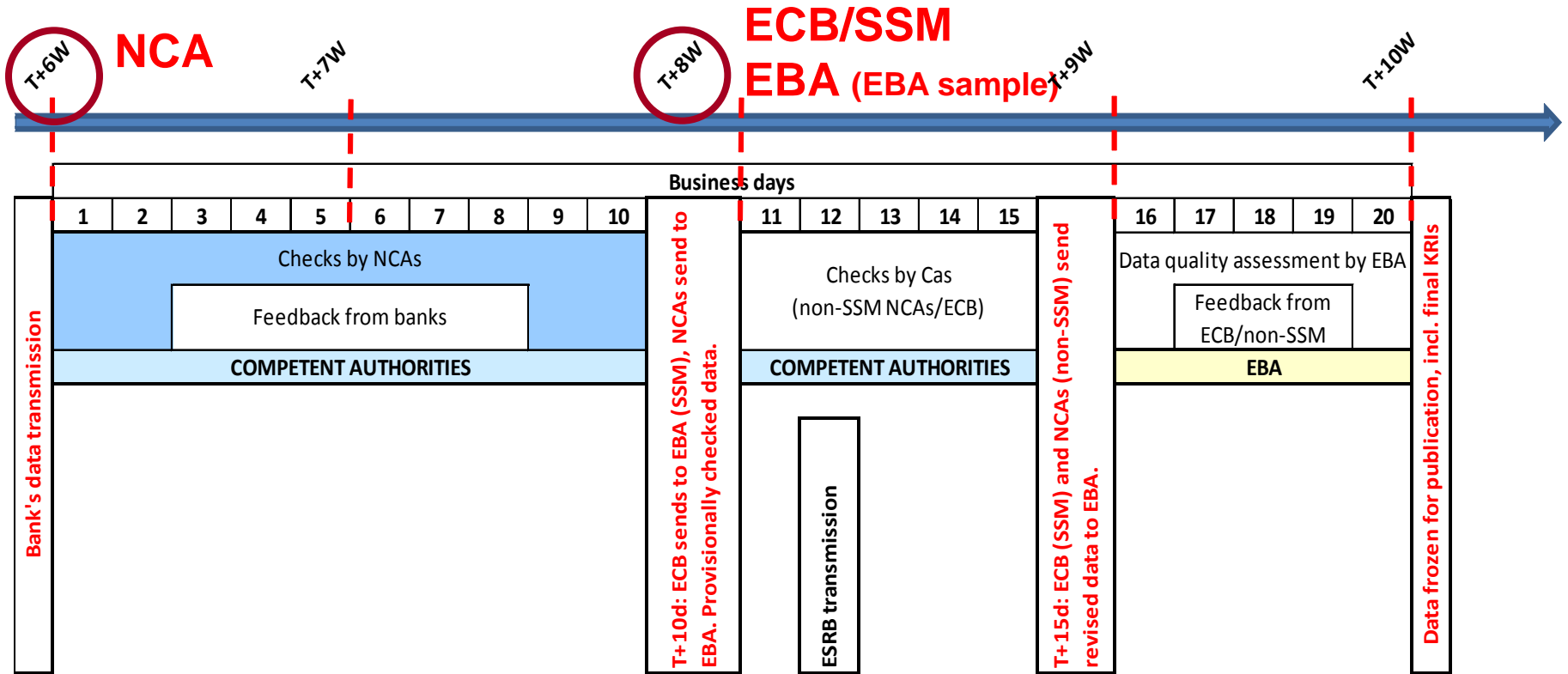2) **"SI Remaining" & "LSI Highest"**

   T+25 business days

3) **LSI Remaining**

   T+35 business days

Sequential Approach:
Staggered **remittance dates**
to **lighten reporting burden**

Consecutive deadlines

T: reference date

→ *Very **tight deadlines** for submission of information*

"ECB Remittance Calendar": **advance information** to NCAs/banks

The Sequential Approach is chosen because:

<u>Advantages</u>

1. Same report ("**golden copy**") is in databases of all stakeholders
   - ✓ Avoids risk of referring to multiple versions with different data
   - ✓ Level-playing field of knowledge of all stakeholders

2. Bank sends out a report **only once**, to next stakeholder in process
   - ✓ Reduces reporting burden on banks

3. Each stakeholder **only communicates** with next in the chain
   - ✓ Reduces complexity of multiple requests from multiple stakeholders

<u>Disadvantages</u>

1. **Protocols and timelines** exist for transmitting reports
   - ❖ Each stakeholder "waits" for previous stakeholder to respond

2. **Heterogeneity** of practices
   - ❖ Very difficult currently to have level-playing field when assessing the bank

Pros

Cons

Overview

Basis for supervisory reporting

- **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	Additional Liquidity Monitoring Metrics requirements
Liquidity Coverage	Leverage Ratio	Stable funding

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

- **Decision ECB/2014/29** as amended by **ECB/2017/23** on provision to ECB of supervisory data reported to NCAs by supervised entities pursuant to Regulation (EU) No 680/2014 (ITS data)

- **Decision ECB/2017/21** on reporting of Funding Plans from CAs to ECB

- **Regulation ECB/2015/13** (EU 2015/534) as amended by ECB/2017/25 on reporting of supervisory financial information (**FINREP)** additional to EBA ITS requirements

  …etc

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

SSM Reporting requirements			Significant Institutions				Less Significant Institutions			
			SI Highest		SI Remaining		LSI Highest		LSI Remaining	
			CONS (Ultimate Parent)	SOLO (Stand Alone)	SUB-CONS (Parent with SUB)	SOLO (Separate Parent / SUBs)	CONS (Ultimate Parent)	SOLO (Stand Alone)	SUB-CONS (Parent with SUB)	SOLO (Separate Parent / SUBs)
EBA Implementing Technical Standards (ITS)										
COREP			Mar-14	Mar-14	Dec-14	Dec-14	Dec-14	Dec-14	Dec-14	Dec-14
	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-15	Dec-14	Jun-16	Dec-14	Jun-17	Dec-14	Jun-17
	nGAAP		Dec-15		Jun-16		Jun-17		Jun-17	
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
	Quarterly		Jun-16	Jun-16	Jun-16	Jun-16	Jun-16	Jun-16	Jun-16	Jun-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[1]			Oct-15 / Dec-15	Oct-15 / Dec-15	Sep-16	Sep-16	Sep-16	Sep-16	Sep-16	Sep-16
Non - ITS / EBA Guidelines										
Funding Plans[2]			Dec-14 / Jun 15	Dec-14 / Jun 15	Dec-14 / Jun-15	Dec-14 / Jun-15	Dec-14 / Jun-15	Dec-14 / Jun-15	Dec-14 / Jun-15	Dec-14 / Jun-15

- ░ EBA ITS data collected by the ECB and transmitted to the EBA
- ░ Additional EBA ITS data collected by the ECB
- ░ Additional data requirements collected by the ECB (according to the ECB FINREP Regulation)

(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 entites from all remittance groups.

Overview

1	Introduction
2	Sequential Approach
3	Scope and coverage
4	Key workflows (Master Data, Reporting Requirements, Validation Checking)
5	Technical framework
6	Data Dissemination
7	Future activities

Overview of transmission preparation processes

WG SUP input	Preparation of system ("SUBA")	Information to NCA	Data reception
Definition of reporting requirements rules	Generation of template flag	Generation of business cards and sharing with NCAs	Completeness checks failing if templates are missing or prohibited
Collection of Master Data information	Derivation of module flag		
	Allocation into remittance groups	NCAs review business cards and prepare transmissions	NCAs informed via feedback message that correction is needed
Definition of remittance calendar rules	Generation of the remittance date for module		

Master data: bank characteristics to derive reporting requirements

Types of banks	Definition	No. entities @ end-Sep.
Significant institutions (SI)	All SSM banks, including subs. in SSM that do not have a direct parent in an SSM country and also including branches in SSM countries that do not have a direct or ultimate parent in an SSM country.	878
Less significant institutions (LSI)		3291
Branches of SSM institutions in SSM countries (Branches)	Branches with either direct supervised parent inside other SSM country or direct supervised parent outside the SSM, but ultimate supervised parent inside the SSM.	422
Subsidiaries of SI institutions outside SSM (Non-SSM Subs)	Subsidiaries outside the SSM that have a direct parent inside the SSM and with total assets above €3 bn.	100
Liquidity sub-groups (LSGs)	Entities that report liquidity information on behalf of a specific set of entities within a group.	51

Master Data attributes (up to 66)

EBA list
Significance
LSI Priority
Name, Country code, RIAD code
SSM Type of Entity
SSM Place in the group
Direct parent name
Ultimate parent within the SSM (supervised) name

LEI
Accounting Framework for entities reporting on consolidated basis
Accounting Year End (MM-YYYY)
Scope of Prudential Reporting
FINREP on individual basis
COREP (Credit and counterparty credit risk): Reporting on CONS basis
Waivers regarding reporting on IND basis: Own Funds/ LE / IP losses, etc.

- **Reporting requirements:** template-level reporting obligations (rules)

Template number	Template name	Frequency	Scope*	Template category	Condition based on MASTER DATA	Reporting obligations	
						If condition is TRUE	If condition is FALSE
C_05.01	CA5.1	Quarterly	INDIVIDUAL	Activity dependent	attribute "WAIVERS REGARDING REPORTING OF OWN FUNDS ON INDIVIDUAL BASIS" = [NO]	U	N
			CONSOLIDATED		attribute "WAIVERS REGARDING REPORTING OF OWN FUNDS ON SUB-CONSOLIDATED BASIS" = [NO]	U	N
C_05.02	CA5.2	Quarterly	INDIVIDUAL	Activity dependent	attribute "WAIVERS REGARDING REPORTING OF OWN FUNDS ON INDIVIDUAL BASIS" = [NO]	U	N
			CONSOLIDATED		attribute "WAIVERS REGARDING REPORTING OF OWN FUNDS ON SUB-CONSOLIDATED BASIS" = [NO]	U	N
C_06.01	GS	Semi-annual	INDIVIDUAL	Always not required	NOT EXPECTED	N	-
			CONSOLIDATED	Always required	attribute "WAIVERS REGARDING REPORTING OF OWN FUNDS ON SUB-CONSOLIDATED BASIS" = [NO]	M	N
C_06.02	GS	Semi-annual	INDIVIDUAL	Always not required	NOT EXPECTED	N	-
			CONSOLIDATED	Always required	attribute "WAIVERS REGARDING REPORTING OF OWN FUNDS ON SUB-CONSOLIDATED BASIS" = [NO]	M	N

One entity: **two scopes** of prudential reporting

Six template categories:
Always required;
Master Data dependent;
Activity dependent;
Threshold-based;
Always not required;
Voluntary basis.

Reporting flag:
Expected (M),
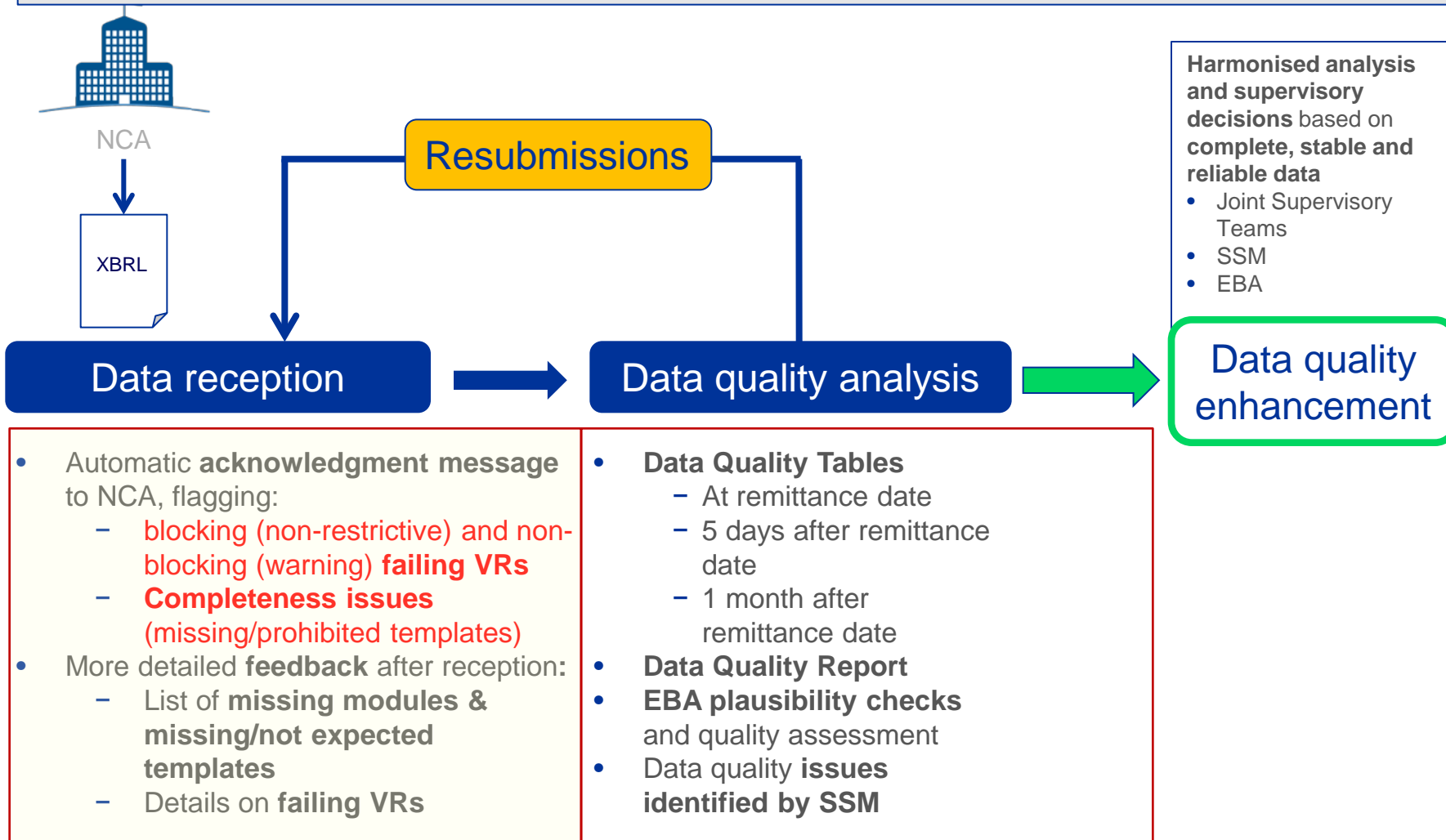**Optional** (U) or
Not-expected (N).

Business cards are generated monthly per remittance group

e.g. for "SI Highest" banks reporting of Sep17 data:

LEI	Name	Template Label	(CA 1) Capital Adequacy - Own funds definition	(GS) Group Solvency	(LC DA - Assets) Liquidity Coverage. Liquid assets	(ALMM) Contractual template	Nature of Report (FINREP)	Breakdown by instrument and by counterparty sector: financial assets held for trading	Contingent encumbrance
		Frequency	Quarterly	Semi-annual	Monthly	Monthly/Quarterly	Quarterly	Quarterly	Annual
		Reporting Block	CR.OFLR	CR.OFLR	CR.LCRDA	CR.ALMM	FINREP	FINREP	AE
		Template Code	C 01.00	C 06.01	C 72.00	C 66.00	F 00.01 FINREP	F 04.01	F 34.00
		Country	Expected	Expected	Expected	Not expected	Expected	Activity dependent	Threshold based
LEI #	Bank 1	FR	CE		CE		CIE	CIO	
LEI #	Bank 2	FR	SE		SE		SGE		
LEI #	Bank 3	FR	CE		COSE		CIE	CIO	
LEI #	Bank 4	DE	CE		CE		CGE		
LEI #	Bank 5	LU	SE		SE		SIE	SIO	

Validation processes
* Compiler remains responsible for data quality *

NCA

XBRL

Resubmissions

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

Data reception → **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**

Status	Validation checks run:	
	At reception (SUBA)	**After reception (SAS)**
Current	• **EBA XBRL validation rules** (blocking & non-blocking) • **1st-level Completeness** • **ECB/EFR filing rules**	**Non-XBRL:** checks not yet included in XBRL taxonomy
Developed/-ing		• **EBA Non-XBRL validation rules** (blocking/non-blocking) • **2nd-level Completeness checks**
Future		• *Supervisory Benchmarking* • *Other validation checks (e.g. EGDQ)*

EBA XBRL checks: embedded in XBRL taxonomy

Filing rules: Rules applied to certain structural expectations of the reported XBRL file

1st-level completeness: apply checks according to reporting flags: **E: expected**; **N: not expected/prohibited; U: undetermined/optional**

2nd-level completeness: apply checks to Optional templates

Overview

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XBRL: mandatory format for ECB data submission

- Describes **business concepts** to **transfer information**

- **Versioning ; Visualisation ; Validation**

- **Dimensional** organisation of information concepts

- **SSM countries**: standardised, harmonised, widely-adopted format

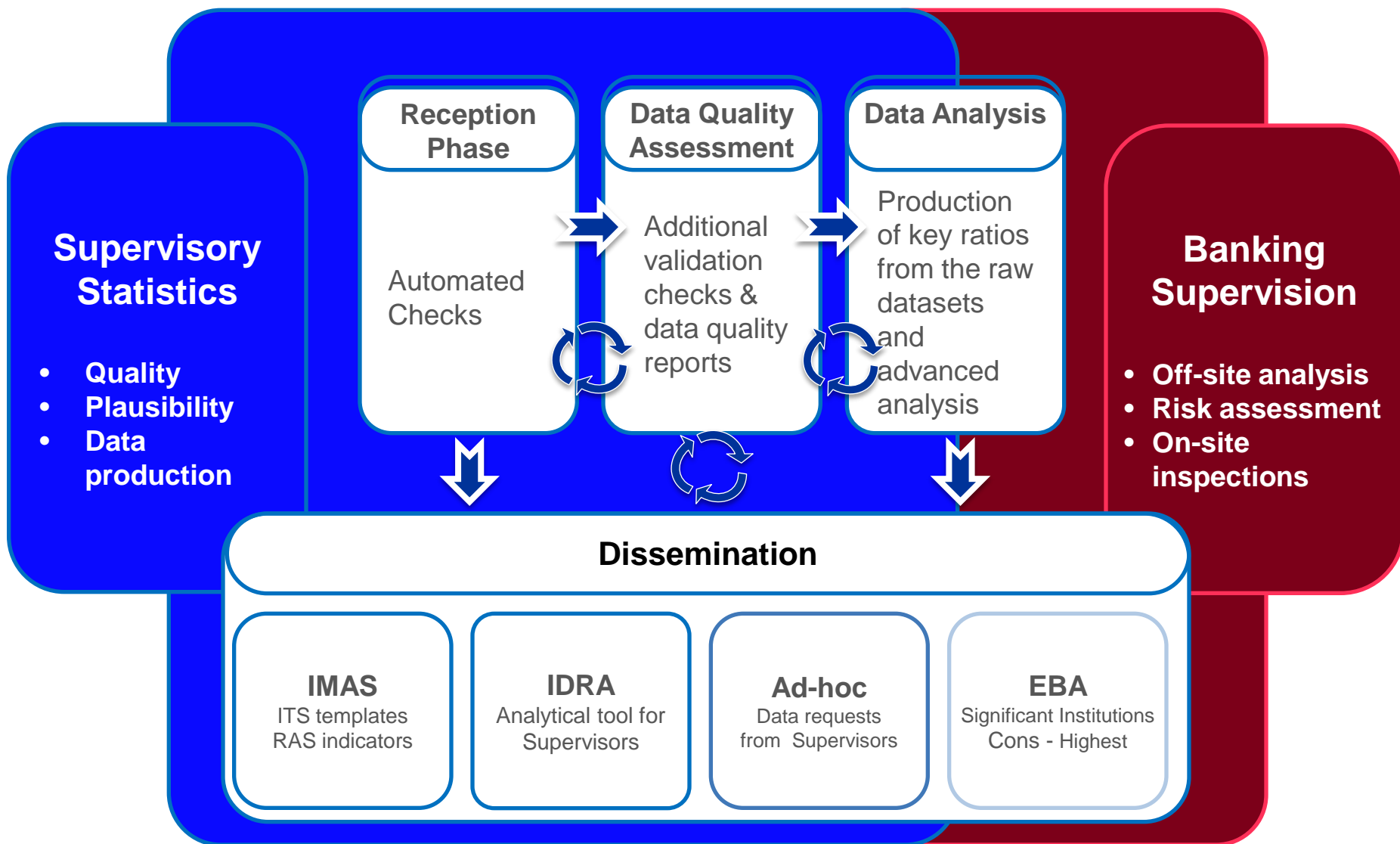## ECB preparing now for Taxonomy version 2.7

Dictionary / DPM Version	Public Draft Taxonomy Release Date *planned* (finalised)	Content				
		COREP	FINREP	Asset Encumbrance	Funding plans	Benchmarking
2.7 FD	(30/11/2016)		Draft IFRS 9 changes			
2.7 (2017-A)	Q1/2017 (27/04/2017)	COREP 2.3.0	FINREP 2.2.1	AE 1.0.4	FP 1.0.5	
		Credit Risk & OpRisk changes, Sovereign exposures, AMM, IFRS9 transitional adjustments	IFRS 9 Corrections	Alignment with IFRS 9 FINREP	Minor adjustments	
2.8	Q1/2018	Prudent Valuation	IFRS 9 Corrections		2019 Exercise	2019 Exercise
2.9	Q4/2018	IRB	NPE and P&L changes		2020 Exercise	2020 Exercise

What is the SUBA system?

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 completeness 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

SUBA processes in all phases

Supervisory Statistics

- **Quality**
- **Plausibility**
- **Data production**

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

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

Overview

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SUBA set up to <u>disseminate files automatically </u>to:

1. European Banking Authority Supervisory Platform (ESP)

- Banks in "**EBA sample**" and "**EBA list for benchmarking**" (see annex)

- ECB prepares **EBA Business Cards**

- Files forwarded from SUBA in real-time

- Monitoring via "**EBA Dissemination Screen**" in User Interface (UI)
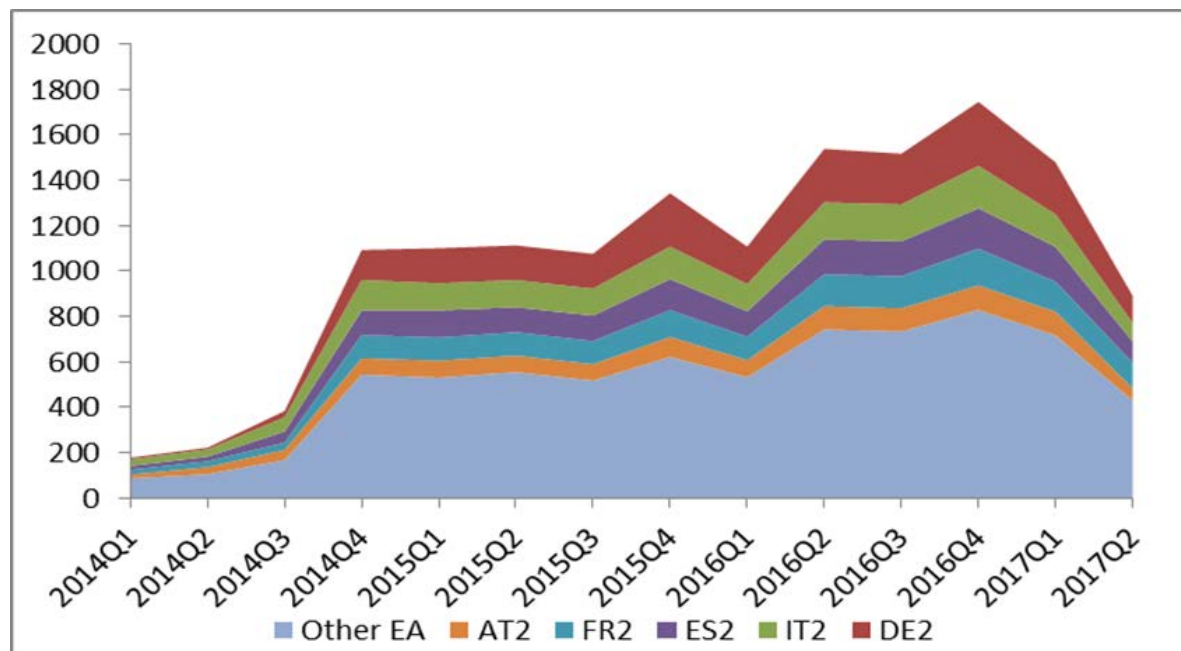
Number of <u>first</u> disseminations to EBA so far ≈15,000
(or 90 files/week

2. IMAS application

Data and information repository for Supervisors

- All **SI files**

- **Indicators for SIs and LSIs**

- Forwarded to IMAS from SUBA **overnight**

- Monitoring via experts in ECB DG-S/SAT division

DG-S/SUP contributes to <u>two external exercises</u> involving ITS data:

1. IMF FSAP (Financial Stability Assessment Programmes) Missions

- Carried out under "Article IV" consultations

- **Country-level** and **EA-level vulnerabilities**

- **ITS data** mainly used for liquidity & solvency stress-testing

- Strict confidentiality arrangements

2. EBA Annual Transparency Exercise (EBA TE17)

- **ITS data** for 2016Q4 & 2017Q2

- Coverage of banks in "TE17 sample"

- <u>Covers</u>: Capital, Credit risk, Leverage Ratio, Risk Exposures Amount, Profit and Losses, Market Risk, Securitisations, Sovereign Exposures, Non-performing and Forborne exposures

- Runs from September to November; **publication** in December.

Overview

Effectiveness, Efficiency, Harmonisation

Effective Supervision needs Supervisory Data
  Timely
  Accurate
  Reliable

Processes in place:
Regular data monitoring,
Regular quality assessments,
Escalation Process

Sequential Approach
  Minimise banks' reporting burden
  Efficient processes
  Unique data flow satisfies multiple stakeholders' needs

Establish a level playing field across the SSM
  Learning from each other
  Best of breed
  Harmonisation of national practices

Initiatives:
NCAs visits,
Task Force on Harmonisation
of Sequential Approach

Thank you

Questions or observations

There are **153 entities** in EBA lists currently

Date: 16.10.2017						
EBA List and Benchmarking				**EBA List for <u>only</u> Benchmarking**		
Country	**No. entities**	*% total*		**Country**	**No. entities**	*% total*
AT	9	*6.9%*		AT	1	*4.3%*
BE	7	*5.4%*		BE	1	*4.3%*
CY	4	*3.1%*		CY	0	*0.0%*
DE	20	*15.4%*		DE	12	*52.2%*
EE	4	*3.1%*		EE	0	*0.0%*
ES	13	*10.0%*		ES	0	*0.0%*
FI	3	*2.3%*		FI	2	*8.7%*
FR	12	*9.2%*		FR	3	*13.0%*
GR	4	*3.1%*		GR	0	*0.0%*
IE	6	*4.6%*		IE	0	*0.0%*
IT	11	*8.5%*		IT	0	*0.0%*
LU	8	*6.2%*		LU	0	*0.0%*
LV	3	*2.3%*		LV	0	*0.0%*
LT	3	*2.3%*		LT	0	*0.0%*
MT	4	*3.1%*		MT	0	*0.0%*
NL	6	*4.6%*		NL	4	*17.4%*
PT	6	*4.6%*		PT	0	*0.0%*
SI	4	*3.1%*		SI	0	*0.0%*
SK	3	*2.3%*		SK	0	*0.0%*
	130	*100.0%*			**23**	*100.0%*