

# Supervisory reporting conference 2018

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Eurotower, conference room C2.01  
Frankfurt am Main

## **Welcome address**

***by Werner Bier, Acting Director General Statistics***

Ladies and Gentlemen,

I am pleased to welcome you to the third Supervisory reporting conference, organised by the Banking Supervision Data Division of the ECB's Directorate General Statistics.

This annual conference is an opportunity for us to update the banking industry on developments in supervisory data and engage with all of you in an open and constructive dialogue about the challenges and opportunities that regulators, supervisors and the banking industry face in the area of supervisory reporting requirements.

The conference is part of the ECB's efforts to communicate with banks, not only on supervisory guidelines and processes, but also on matters related to supervisory reporting and data quality.

First, we welcome the European Banking Federation's recent press release underlining the need for an integrated and standardised EU framework for data reporting. An underlying document was discussed with the Statistics Committee of the European System of Central Banks (ESCB), which brings together the ECB, national central banks and national competent authorities, in September of this year. We note the European banking industry's expression of its willingness to work closely with authorities in the European Union to make data management for reporting more efficient. In this way, European banks will provide strong support for the creation of a standardised reporting

framework covering both supervisory and statistical data. The ECB stands ready to collaborate fully on this initiative.

Banks have recently been invited to complete a questionnaire on the costs and benefits of the ESCB's Integrated Reporting Framework (IReF). Preliminary analysis of the responses indicates a clear willingness to consider extending IReF's scope to supervisory datasets, so as to fully benefit from the standardisation initiative.

A direct dialogue between the ESCB Statistics Committee and the banking industry has already been established. This not only fosters the exchange of information, but also allows us to discuss the key steps that must be taken towards interoperability of reporting. These joint efforts fit very well in a world where the need for data is continuously increasing and the amount of data generated by the banking sector is thus continuously expanding. What is known as the Digital Revolution is an incessant force of creative destruction, driven by constant technological change. Of course, the banking sector is not immune to this force. In this context, banks have to bear a noticeable reporting burden. Being aware of this burden, the ECB encourages a dialogue with the banking industry, not only to improve data accuracy and timeliness, but also to better understand the challenges faced by reporting institutions. Cooperation is a key ingredient in producing timely and high-quality statistics; it helps to make the reporting of the underlying data more efficient, which in turn reduces the burden on the reporting banks.

Second, I would like to talk about data quality. A question consistently raised by our supervisory colleagues is how we, in Statistics, ensure that the supervisory data is of the quality necessary to support supervisory actions or decisions. The Banking Supervision Data Division uses a number of approaches and tools to ensure supervisors receive the high-quality data they need. The Division's Data Quality Assessment Framework establishes the metrics used for assessing supervisory data quality. These include:

- punctuality, measured by the delays in the submission of the data;

- accuracy, measured using the European Banking Authority validation rules and additional checks developed by the ECB Expert Group on Data Quality;
- completeness, stability and reliability.

In addition, plausibility checks are used to detect outliers in the reported data.

This framework forms the basis for the data quality indicators. They provide a basis for discussion between banks and their line supervisors on data quality matters. They are also used as risk-level information in the Supervisory Review and Evaluation Process (SREP). The indicators can trigger the escalation process, which is one part of the overall framework for data quality monitoring and assessment. The objective of the escalation process is to incentivise the management bodies of the reporting institutions to pay due attention to the quality of supervisory data submitted to the supervisory authorities. It is designed to ensure that the ECB's response to the data quality issues is commensurate and fair to the institution in question, but also dissuasive, so that the issues identified are fully addressed.

As of today, there has been no incidence of "escalation" through all the steps of the process. However, cases of delayed reporting and of missing, incomplete or inaccurate data continue to be observed. This calls for action not only by the reporting institution, but also by the ECB. The existing processes need to be further developed and fine-tuned. For instance, the ECB's data quality assessment currently takes place at the date of remittance to the ECB, but it would be better if the punctuality and accuracy of data were evaluated at the deadline for sending them to the national competent authorities, i.e. on the ITS remittance date. For this reason, the Banking Supervision Data Division is also in the process of collecting uniform information from the national competent authorities to facilitate an additional assessment of data quality on the ITS remittance date. There is also room for improvement in the metrics underlying the data quality indicators, which could be expanded, for example, to include resubmissions.

Given the work done in the past year on the quality assessment and monitoring of supervisory data, I would like to reflect briefly on one question before concluding. Why is the quality of supervisory data so crucial?

Supervisory data are a window on the health and risk levels of individual banks and of the sector as a whole. Not only do supervisory data allow supervisors to verify and understand banks' compliance with the range of regulatory requirements; the same data can also be used for other purposes. For example, the Banking Supervision Data Division shares data with the central banking and financial stability functions of the ECB, of course in full compliance with the separation principle. Examples include data on solvency, so that eligible counterparties retain access to monetary policy liquidity operations. Another example is where supervisory data are used to analyse the monetary policy transmission mechanism by observing the lending behaviour of banks following monetary policy changes. Thus striving to improve the quality of supervisory data ultimately benefits not only the line supervisor, but also macroprudential analysts and monetary policymakers within the ECB.

High data quality does not only add value for policymakers, it also benefits banks themselves. Danièle Nouy, Chair of the ECB's Supervisory Board, said in June of this year that data quality should be improved, especially for data underlying the risk reports presented to banks' boards, which contain key information on the bank's risk capacity, risk appetite, risk limits and risk profile.

Over the past year, the Banking Supervision Data Division, led by Giancarlo Pellizzari, has taken a number of important initiatives to enhance existing processes and developed new products in order to support the data needs of the ECB and other users. This conference will take you through the Data Quality Assessment Framework and the outcome of this assessment. The data quality indicators and their use in the context of the SREP will be explained, followed by an outline of the latest developments with respect to the SREP, focusing on data-related aspects. An overview will also be provided of the internal processes that have been established to manage the European Banking Authority transparency exercise. The initiatives to integrate and standardise supervisory and statistical reporting will be presented. Finally, the conference will focus on recent efforts in the Single Supervisory Mechanism to reduce the reporting burden and enhance the publication of supervisory banking statistics.

I trust you will find this conference both interesting and useful. It is our hope that this occasion will foster dialogue on matters related to supervisory

reporting. I would encourage all of you to ask questions and provide your views on the various topics that will be discussed during the course of the day.

I wish you a successful and pleasant conference!