



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

ITS supervisory data at ECB and harmonised SSM approach



**Supervisory Reporting Conference
12 November 2020**

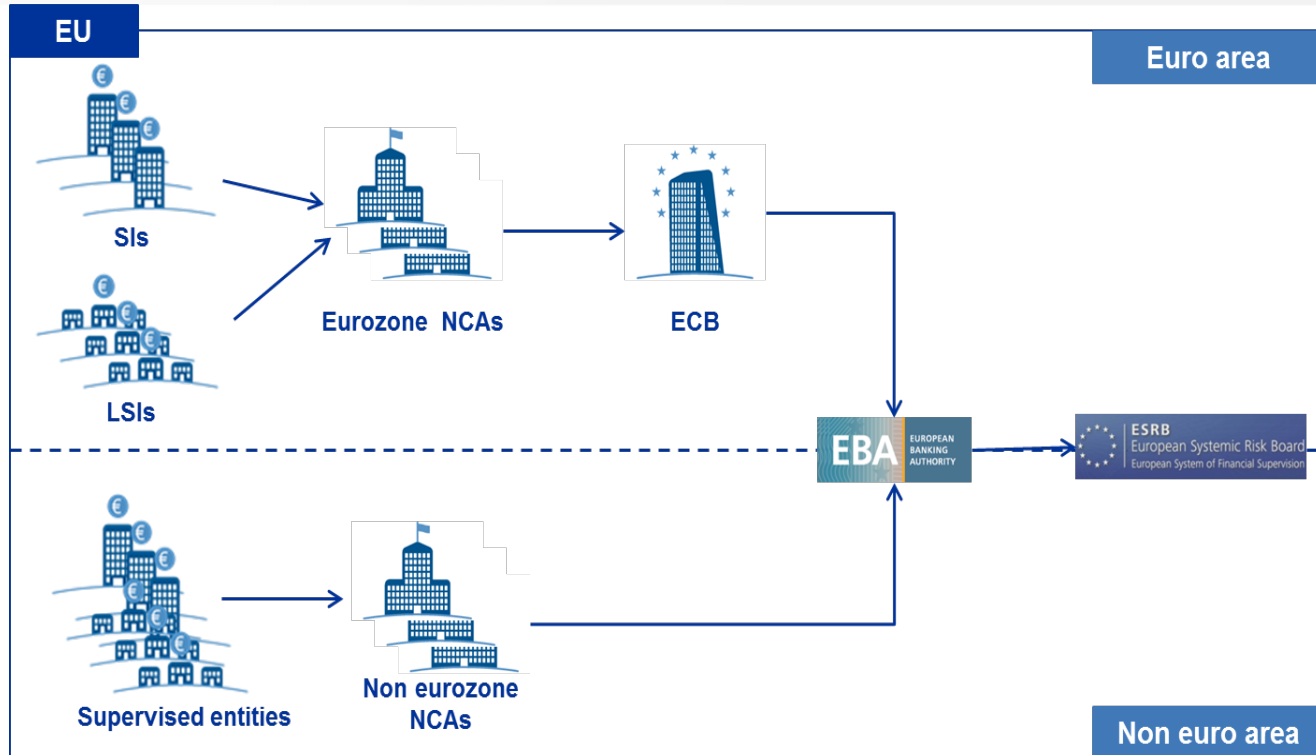
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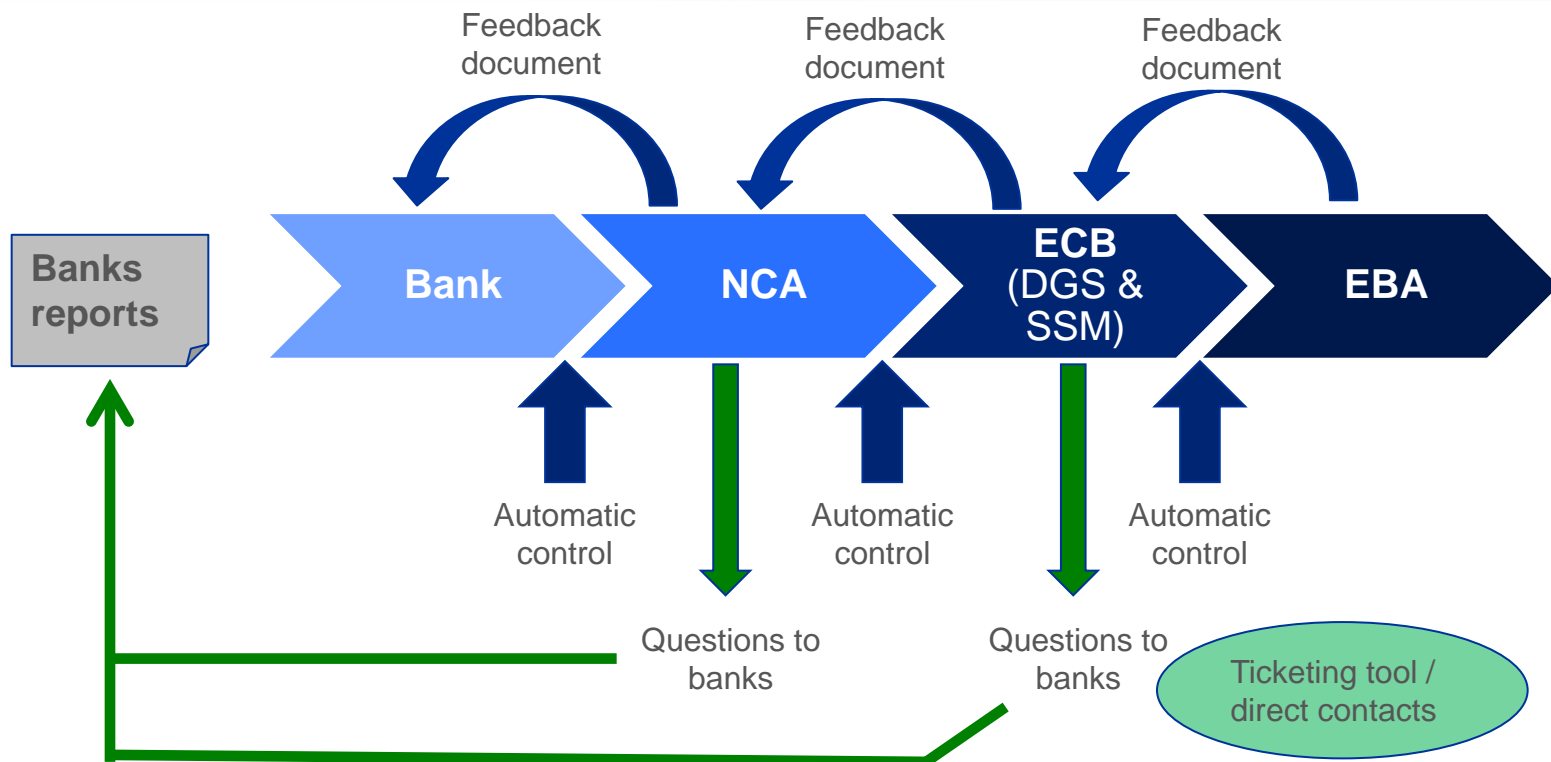
The Sequential Approach

Background and upcoming
changes

Recap: The Sequential Approach – data flow



Levels of data quality validation under the lead of DGS



Background of current initiative

1: At the establishment of the SSM, it was decided to use the sequential approach for the collection of supervisory data in the SSM.

Key advantages:

- Reduced burden for reporting institutions as submit only once;
- Same information is available to the different stakeholders (NCA; ECB; EBA);
- NCAs benefit from a staggered transmission calendar.

However, some shortcomings:

- NCA practices in collecting, processing and quality assessing supervisory data are heterogeneous;
- Raising level playing field issues for banks and
- Resulting in some JSTs having access to new data later than others;
- Makes it difficult for the ECB as competent authority for Significant Institutions (SIs) to assess compliance with reporting obligations under the CRR at the ITS remittance date

2: ECB in collaboration with NCAs identified guiding principles and subsequent business requirements – recently approved by Supervisory Board

Identified guiding principles

1. ECB supervisors to **access all submissions** of the reporting institutions related to the SSM regulation.
2. The data quality management frameworks applied at both NCA and ECB levels should comprise a **minimum agreed set of data quality controls** with clear responsibilities for both NCAs and ECB.
3. While submissions should be of high quality in the first instance and resubmissions exceptional, the **framework should allow ECB and NCAs to collect the reasons for any revision** - facilitating greater awareness by supervisors of potential issues with reporting processes.
4. There should be an **adequate level of accountability of banks' senior management** in the processes related to supervisory data reporting, production and transmission.

Business requirements

- NCAs to **forward each ITS report received to the ECB upon reception** without undue delay.
- All EBA and ECB validation rules, completeness and master data checks to be **applied by NCAs upon reception**.
- **All submissions** to the NCA production environment are considered **official** submissions. **Resubmissions** should be **justified**. The **NCA and ECB systems** to be able to receive from banks the **reasons for the resubmissions**.
- **Management report on data quality** signed by a C-level bank executive in charge of supervisory reporting - report to be standardised and prepopulated with data quality related metrics by NCA/ECB. SI expected to provide qualitative feedback on the metrics and actions to address issues identified.

Roles and responsibilities of NCAs and ECB

- Modifications do not change the **significant contribution from NCAs in terms of data quality assessment** continuing to assess SI's data quality within the first 10 business days.
- ECB Banking Supervision will **not perform its data quality assessment before 10 business days** apart from the automatic feedback to NCAs upon reception of submissions in ECB systems

Benefits

1. Improved **level playing field** across SIs on data management and data quality assessment;
2. **Consistent approach** for assessing compliance of SIs across SSM;
3. Facilitates **enhancement** of ECB data quality framework;
4. Encourages SIs to potentially submit **higher quality data in timely manner** by
 - Applying a minimum common set of implemented validation checks at reception on the ITS remittance date, coupled with monitoring compliance consistently at that point.
5. Supervisors having quicker access to new data as in their view receipt of timely data is critical .

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The future ECB data quality framework

Towards a harmonised SSM
assessment of supervisory data

Recap: ECB data quality assessment



ECB performs its data quality assessment after receiving the submissions from the NCAs, on the **ITS remittance date + 10 business days (T+10)** for SIs at the highest level of consolidation – remains unchanged.

The ECB assesses the following **dimensions**:

- **Punctuality**: was the report made available on time?
- **Completeness**: does it include all required templates / datapoints?
- **Accuracy**: are reported values consistent, fulfilling all validation rules?

The ECB data quality assessment



How will changes to the Sequential Approach impact the data quality assessment of Significant Institutions?

Data quality assessment – after harmonisation (1)

The ECB will have the full picture of reports submitted at T, the ITS remittance date, and will base its data quality assessment on **compliance at T**:

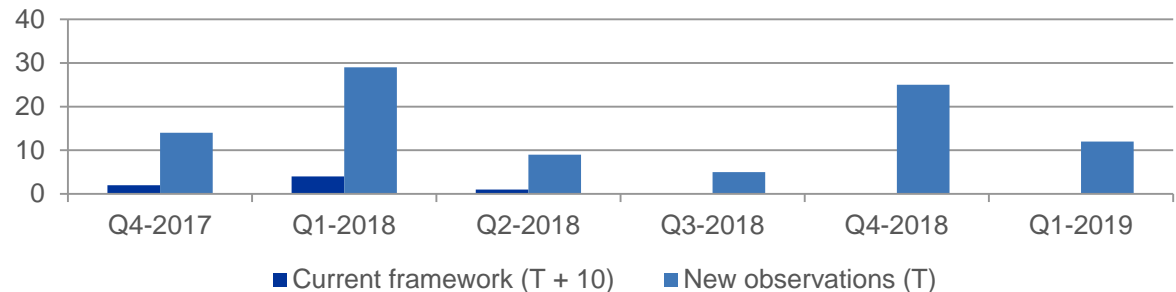
- Compliance will be measured through **a minimum set of data quality controls applied uniformly across the SSM (“hard” checks** – see Annex). They will be applied by NCAs and by the ECB upon reception.
- Banks are expected to **comply with hard checks at T**, not relying on the feedback provided by the NCA and the ECB afterwards. Compliance at T will be the key input for **escalation** and for **SREP purposes**.
- After T+10, the ECB will engage with NCAs focusing on **correcting remaining issues** and addressing **“soft” checks** such as detected **outliers** – see Annex.

Data quality assessment – after harmonisation (2)

- Based on information collected from NCAs in past quarters, **a significant number of expected submissions are not received by the ITS remittance date.**

- Failure to submit in time will result in receiving the worst score (4) in the **Individual Data Quality Dashboard.**

*Simulated data quality scores:
number of entities scoring 4 with punctuality
measured at T compared to T+10*



Data quality assessment – after harmonisation (3)

The ECB and JSTs will have available **all submissions and resubmissions** sent by banks through NCAs, without delay. This information will open up further opportunities for business analysis and for data quality assessment:

- **Analysis of resubmission timeline and patterns:**

Why banks need a large number of resubmissions to produce to a correct report?

- **Analysis of resubmitted values:**

Which values were corrected by resubmissions? Which templates/risks are affected?

Why banks iterate corrections on the same values?

- **Insight into the banks' reporting process:**

What does the information on resubmissions tells us on the data aggregation capabilities of the bank? Are certain patterns a symptom of weaknesses in data management/governance?

Have banks implemented published checks in their system or rely on NCA/ECB feedback?

Indicators on resubmissions are planned to be incorporated in the data quality assessment

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Conclusions

Key takeaways (1)

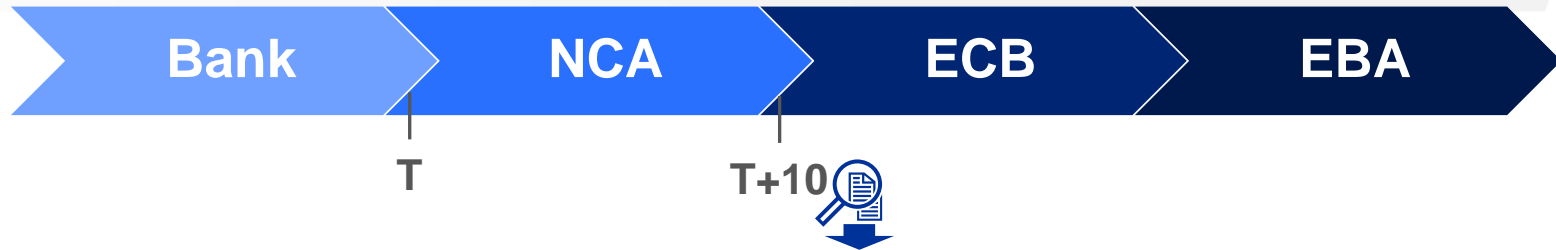
- **Compliance with the “minimum set of data quality controls” (see slide 6) at the ITS remittance date** will be the key input to the data quality assessment for escalation and for SREP purposes.
- Banks are strongly encouraged to implement **all published checks (EBA and ECB)** in their systems. They should ensure compliance at the ITS remittance date or explain the reasons for non-compliance.
- Banks are expected to be **actively engaged after T+10** to clarify and remediate potential issues, including issues uncovered by **“soft” checks** (see Annex).

Key takeaways (2)

- Reports should be compliant with the applicable reporting obligations and published validations since the first transmission, at the ITS remittance date. Where issues are identified, **banks are expected to resubmit promptly**.
- Resubmissions should be justified: banks should be prepared to **give reasons for resubmissions**.
- The ECB will review the **patterns behind all submissions to identify potential deficiencies in banks' data aggregation capabilities, in their reporting processes and data governance**. Indicators on resubmissions will be incorporated in the ECB data quality assessment.

Annex

The ECB data quality assessment – controls



The data quality framework includes a combination of “**hard**” checks (the minimum set of data quality controls agreed between NCAs and the ECB) and “**soft**” checks.

Hard checks:

- Reporting requirements (*punctuality*)
- [EBA validation rules](#) (*accuracy*)
- [Additional checks published on the ECB website](#) (*accuracy*)
 - [in development] Specific checks on missing datapoints (*completeness*)

Soft checks:

- Additional “request for information” checks defined by the Expert Group on Data Quality
- Detected outliers