European Reporting Framework - a possible solution to reporting challenges for banks

Johannes Turner*
Oesterreichische Nationalbank (OeNB), Vienna, Austria – Johannes.Turner@oenb.at

Guenther Sedlacek
Oesterreichische Nationalbank (OeNB), Vienna, Austria – Guenther.Sedlacek@oenb.at

Abstract

Data reporting and user requirements have grown significantly and are getting more and more granular and complex, also in the field of central banks' statistics and supervision. Traditionally, each body used to devise its own approach to data collection. This often leads to redundant data collection schemes and a lack of data consistency and limits the overview of the whole reporting and compilation process. This situation motivated the euro area central banks to consider building a joint European Information System, based amongst others on a comprehensive and harmonised common European Reporting Framework (ERF) for the range of data that banks resident in the euro area are required to transmit to their central banks and other supervisory authorities on a regular basis. Initially, the ERF will be limited to data required by central banks for different statistical purposes, in a second step it will be enhanced to include data required for banking supervision.
Rather than creating new reports for each new data requirement, the idea of the ERF was to facilitate the use of existing data wherever possible ("multi-use of data"). This paper illustrates the concept of the ERF on the basis of the so-called loan cube which the Austrian central bank plans to use to compile different kinds of statistics. Furthermore, we link our loan cube to a current ECB project, which is aimed at establishing a common granular Analytical Credit dataset (AnaCredit). To conclude, we discuss the advantages, challenges and possible solutions of such a system in a European context.

Keywords: integrated reporting system; loan cube; AnaCredit; granular data collection.

1. Introduction

The number of reports required from banks for monetary policy, financial stability and supervision purposes has increased substantially in recent years and keeps increasing; at the same time, data requirements are getting more and more granular and complex. Most recently, this mainly reflects EU efforts to impose uniform requirements in relation to supervisory reporting to competent authorities ("implementing technical standards" published by the European Banking Authority (EBA), in force since June 2014) and the establishment of an integrated system of banking supervision in the euro area ("Single Supervisory Mechanism, SSM") in late 2014.
Traditionally, each body used to devise its own approach to data collection. Apart from increasing the reporting burden, this often led (and still leads) to redundant data collection schemes and to a lack of data consistency, while also limiting the overview of the whole reporting and compilation process. As a case in point, table 1 summarizes existing and forthcoming balance sheet-related reporting requirements to be met by a significant Austrian credit institution (at an unconsolidated level) for secured loans with a credit line to nonfinancial corporations – subject to different frequencies, different reporting deadlines and different aggregation levels.
Within each template, up to three dimensions can be cross-classified. With FinRep[1] template 5 the carrying amount of loans and advances can be analysed by product type and economic sector of the counterparty, but you cannot combine both dimensions with the country of residence and the industry classification of the counterparty, for instance. Furthermore, the level of detail of a dimension can differ between different data reporting templates, e.g. some templates require reporting agents to

[1] FinRep – financial reporting based on Implementing Technical Standards amending Commission Implementing Regulation (EU) No 680/2014 (ITS on supervisory reporting) under Regulation (EU) No 575/2013 of the European Parliament and of the Council

indicate the country of residence a country-by-country level, other templates on a grouped level (domestic, other euro area country, rest of the world).

Reporting requirement	**Template**	**Value**
FinRep solo[2] (as of June 2016)	Templ. 1.1 (Non-trading debt instruments measured at a cost-based method - sum)	(Net) carrying amounts (incl. accrued interest)
	Templ. 4.9 (Breakdown by counterparty sector and impairment status)	(Gross) carrying amounts and allowances
	Templ. 5 (Breakdown by product, collaterals, subordination each with economic sector)	(Net) carrying amounts
	Templ. 6 (Breakdown by industry classification and performing status)	(Gross) carrying amounts
	Templ. 9.1 (Loan commitments by performing status)	Nominal amounts
	Templ. 18 (Breakdown by economic sector and performing/non-performing categories)	(Gross) carrying amounts, allowances
	Templ. 19 (Information on forborne exposures by economic sector and performing status)	(Gross) carrying amounts, allowances
	Templ. 20.4 (Breakdown by residence of the counterparty, economic sector and forbearance respectively performing status)	(Gross) carrying amounts, allowances
National Financial Market Stability Reports	Breakdown by remaining maturity and counterparty sector	(Net) carrying amounts
	Breakdown by currency, economic sector and redemption details	(Net) carrying amounts
ECB – MFI Balance Sheet Items (BSI)	Breakdown by original maturity, economic sector and residence of the counterparty	(Gross) carrying amounts (excl. accrued interest)
	Breakdown by product type and residence of the counterparty	(Gross) carrying amounts
	Breakdown by currency, economic sector and residence of the counterparty	(Gross) carrying amounts
	Loan transfers broken down by counterparty of the transfer and economic sector of the borrower	Net flows
	Breakdown by industrial classification	(Gross) carrying amounts
BoP & IIP[3]	Cross boarder loans by original maturity, economic sector and residence of the counterparty	(Gross) carrying amounts, transactions
National Central Credit Register (CCR)	Breakdown by borrower, product type, collateral type	(Gross) carrying amounts, credit lines, allowances

Table 1: Loan reporting requirements for significant banks

Against this background, the ESCB Statistics Committee (STC) established in 2013 a Groupe de Réflexion on the integration of statistical and supervisory data ("GRISS"). As identified in the mandate of GRISS, "an integrated approach consists of managing the data needs of specific domains (monetary policy, supervision…) as parts of a comprehensive system, rather than independently from

[2] FinRep solo – reporting of supervisory financial information on an individual basis based on REGULATION (EU) 2015/534 OF THE EUROPEAN CENTRAL BANK.
[3] BoP – Balance of Payments, IIP – International Investment Position.

each other in separate "stovepipes", paying attention to the overall process ranging from the possible data sources to the final use". In other words, the idea is to facilitate the use of existing data wherever possible ("multi-use of data") rather than creating new reports for each new data requirement.
As an outcome of their work, the group agreed on eight concrete recommendations. The first recommendation was "to start work towards the ultimate goal of a comprehensive and harmonised common reporting framework for regular data transmission by banks to European NCBs/NCAs.[4]" As a follow up of this recommendation, the STC established in 2014 a Task Force on the European Reporting Framework (TF ERF). The initial mandate of this task force is to develop a "European Reporting Framework" (ERF) covering the existing ECB reporting requirements for banks for (i) balance sheet items, (ii) MFI (monetary financial institutions) interest rates and (iii) securities holdings statistics. Moreover, the task force has been installed to support ongoing work on establishing a common granular Analytical Credit dataset (AnaCredit), and to investigate possible ways for further integrating existing reporting schemes and new requirements developed, in particular, by the SSM and EBA.

2. The vision of a European Reporting Framework

The idea behind the ERF is to use an integrated and harmonised approach to collect the range of data required for different statistical purposes (in a first step) and for banking supervision (in a second step) which are currently spread across many different individual reports. The goal is to build a "primary reporting framework" for regular data transmissions from reporting agents to national central banks and other supervisory authorities. Given the number of issues to be agreed upon, this can only be realised in a stepwise approach, with statistical (unconsolidated) data being the main focus of the first step.
Based on this "primary reporting framework", the monetary and supervisory authorities will apply harmonised transformation rules defined, in close collaboration, by themselves, the ECB and EBA to produce the required secondary statistics, templates and other relevant aggregates. All the information needed for the understanding of these secondary statistics, templates and other aggregates will be described in a 'Statistical Data Dictionary'.
The obvious advantages of such an integrated reporting system are manifold:

- It fosters efficient, non-redundant data collection, a consistent interpretation of different statistics, an identical compilation process and the application of identical data quality methods.
- It aims to ensure a precise, simple, and unambiguous definition of information relevant for reports.
- Data quality will improve through the use of harmonised concepts, business-friendly definitions and collection methods that are, as far as possible, free of redundancy.
- A common framework eliminates the need to cross-check individual reports published by one and the same reporting institution.
- With data defined at a granular level, changes in the level of aggregation may be implemented with greater ease.
- A common framework increases the analytical value added as it enables data users to drill down within the respective secondary statistics.
- Integrated and harmonized data production reduces the need for burdensome ex-post reconciliation and comparisons.

3. The Austrian Loan Cube

Following the approach outlined above, the Austrian phase 1 "loan cube" integrates data for monetary policy, external statistics and financial market stability purposes on a national level. The loan cube, which was developed by the Austrian central bank in co-operation with the biggest resident banks[5], aims at replacing existing reporting templates while adding analytical value. It is a multidimensional matrix at an aggregated level, covering different aspects of on-balance loans and the borrowers of such

[4] NCBs – national central banks, NCAs – national competent (supervisory) authorities.
[5] See also Turner et al. (2014) and Hille (2013)

loans, as needed for the compilation and analysis of the statistics mentioned above. Table 2 shows the phase 1 loan cube with a sample record of the "other loan category." This sample shows all other loan assets aggregated by the same characteristics required by the matrix. Some of the dimensions rely on standardized domains (country, industrial classification, ESA[6] 2010 sector, currency), others on code lists defined by the OeNB with the aim to fulfil different user needs (e.g. amortization type, purpose, interest rate type). The entry "not relevant" means that a dimension is not asked or meaningful for a given combination.

	credit card credits	revolving loans	financial leasing	other loans
balance sheet item local GAAP code (according to Austrian banking act)				Loans and advances to customers
country of borrower's residence (by ISO 3166 country)				DE
economic sector of the borrower (by ESA 2010 sector)				11
industrial classification of the borrower (by Nace)				C10100
own foreign branch (indicatior)				No
intracompany receivables (indicator)				No
claim past due (indicator)				No
reverse repo (indicator)				No
syndicated loan (indicator)				No
purpose (own code list)				not relevant
original maturity (by maturity bands)				>2 years
contractual residual maturity (by maturity bands)				1-2 years
interest rate reset (by maturity bands)				1-2 years
initial period of interest rate fixation (by maturity bands)				>2 years
interest rate type (own code list)				fixed
currency (by ISO 4217 currency)				EUR
trust business (indicator)				no
collateralised by immovable property (indicator)				yes
collateralised by other collaterals (indicator)				no
loan diisposal/acquisition code (own code list)				no loan transfer
loan transfer type (own code list)				not relevant
loan servicing (indicator)				not relevant
counterparty country of residence in case of loan transfers (by country)				not relevant
counterparty sector in case of loan transfers (by sector)				not relevant
amortisation type (own code list)				bullet
country of the business (by country)				AT
economiic sector of the ultimate borrower (by sector)				not allocated
country of residence of the ultimate borrower (by country)				DE
borrower's default status (indicator)				not default
value type				carrying amount
value				150 mio

Table 2: Phase 1 loan cube of the OeNB

The matrix, definition and domains of each dimension as well as the corresponding amount values, e.g. carrying amounts, allowances, accrued interest, are published at the OeNB homepage. Basically, this new primary reporting framework consists of three multidimensional cubes ("loans and advances", "Securities", "Deposits"). These cubes will replace most of the existing templates required by banks in the area of monetary policy, external statistics and financial market stability; the first reports are due in March 2016.

Such a multidimensional, granular reporting form enables data users to analyze more than three dimensions simultaneously and to combine dimensions according to user needs. By definition, this reporting form results in a higher data volume, but at the same time it makes it possible to replace several existing reporting templates with one matrix. This matrix can be extended, i.e. restructured to

[6] ESA – The European System of National and Regional Accounts

borrower-by-borrower (or even loan-by-loan) reporting by incorporating a borrower and loan ID and taking borrower-related reference data from an entity reference database. Such loan-by-loan data requirements have been developed within the ESCB under the project name "AnaCredit." It is the ERF vision to develop a primary reporting scheme which treats the granular loan data requirements of AnaCredit as a kind of "secondary statistics" which can be derived – as other secondary statistics or aggregates – from this primary reporting framework. Such a framework is under development in the Task Force on European Reporting Framework. In phase 1 of this development, the main focus regarding loans is on integrating AnaCredit with the related data concepts of balance sheet items, MFI interest rates and securities holdings statistics, as well as FinRep.

4. Challenges

Of course, such a project requires stronger efforts for intensified international and national cooperation and communication. On a national level, the different public bodies that are active in the area of statistics, such as different ministries or the national statistical institutes, etc., are called upon to contribute to these efforts, which should always be guided by the clear goal of avoiding redundancies, harmonizing and sharing available information, and thus reducing the reporting burden for all parties involved. On an international or European level, this implies even closer cooperation between the ECB and national central banks, and between the European Systemic Risk Board (ESRB) and the European Supervisory Authorities (ESAs).

Likewise, a closer cooperation with data providers and reporting institutions is required to follow market trends and get a clear picture of what is possible for statistical analysis and at what price.

Then there are legal issues. Speaking from a purely statistical perspective, we often find existing legal regimes to prevent economically efficient solutions. For example, multi-use of data is often restricted by data protection laws. While such laws are essential, one may get the impression – to put it very simple – that the new micro- and macroprudential architecture together with the respective mandates are not yet fully reflected in the relevant legal frameworks dealing with statistics. In contrast, one could also say that the mandates of prudential authorities do not optimally take into account existing regulations for statistics and data protection. Apparently there is a trade-off between economic and legal reasoning. What we need are balanced solutions. In any case, this requires closer cooperation and intensified efforts with the relevant legislative authorities.

The concentration of statistical responsibilities, the new organisational setup, and the way data are treated within a new data model call for a new, cutting-edge technological setup. Significantly more extensive sets of data resulting from a trend towards higher granularity require adequate IT systems to process and interlink these vast amounts of data.

From a reporting process point of view, a European Reporting Framework has to take into account different reporting deadlines and frequencies (e.g. balance sheet items, AnaCredit, FinRep), aggregated data (e.g. below the threshold) as well as proportionality concepts given by material reporting regulations.

5. Conclusions

The significantly growing reporting requirements for statistical purposes and supervision and the need for harmonized, consistent and – in many cases – granular data call for a paradigm change in data reporting and compilation. One pillar of such a paradigm change could be the European Reporting Framework, a comprehensive and harmonized common reporting framework for regular data transmission by banks to European monetary and supervisory authorities, which could replace the existing reporting templates in the long run. Potential advantages of such an integrated reporting system include efficient, non-redundant data collection, a consistent interpretation of different statistics, an identical compilation process as well as the application of identical data quality methods. Of course, the process of developing such a reporting framework is also fraught with challenges in terms of (i) cooperation and communication, (ii) legal aspects, (iii) the organization structure of reporting banks as well as monetary and supervisory authorities and (iv) the ultimate structure and scope of the ERF.

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