

The ESCB Integrated Reporting Framework (IReF): an overview

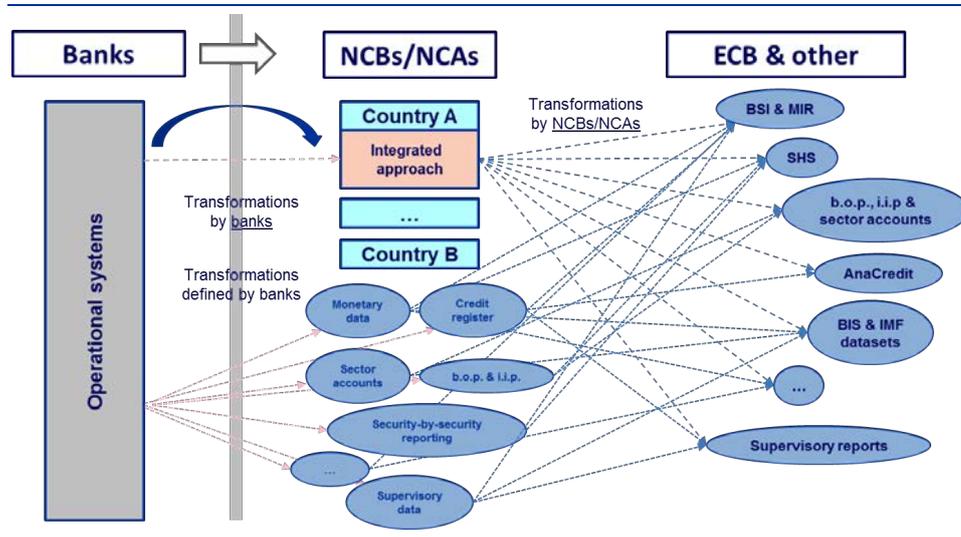
1 Background

European banks face many data reporting obligations, ranging from data collected for the compilation of macroeconomic statistics to supervisory requirements. At European level, these reporting obligations are specified in different legal frameworks including, for instance, the ECB statistical regulations on balance sheet items (BSI) and interest rates (MIR) of monetary financial institutions (MFIs), the sectoral module of Securities Holdings Statistics (SHS-S), granular credit and credit risk (AnaCredit), as well as the European Banking Authority's (EBA's) Implementing Technical Standards (ITS) reports (FINREP and COREP) and the ECB Regulation on reporting of supervisory financial information. At national level, these requirements may be further extended to cover other needs arising, for example, from balance of payments (b.o.p.), international investment positions (i.i.p.) or sector accounts purposes, national credit registers or reporting obligations vis-à-vis international organisations like the Bank for International Settlements (BIS) and the International Monetary Fund (IMF), or other country specificities.

While in some European countries the existing reporting requirements for banks are integrated, at least to a certain extent, in most cases they result in a large number of separate reports having to be submitted to NCBs and national competent (supervisory) authorities (NCAs), with different transmission frequencies and timelines, and different levels of aggregation. This often leads to redundancies and overlaps, lack of harmonisation as well as complex reporting schedules and processes. In addition, cross-border banks are faced with the challenges of reporting to national authorities according to different requirements in the different countries in which they operate. In turn, NCBs and NCAs extract from their systems the data needed to fulfil their reporting obligations vis-à-vis the ECB and other relevant organisations, resulting into additional flows of data, each characterised by its own frequencies, timeliness and aggregation level. The current approach to data collection is schematised in Figure 1.

The idea underpinning the ESCB IReF is to integrate, as far as possible, existing ESCB statistical data requirements for banks (see also Section 5 on the IReF target population) into a single framework, thus ensuring integration across countries and data domains. In particular, the IReF would consist of: (i) an integrated set of reports for banks, aimed in the long run at replacing national reporting templates as far as possible; and (ii) a unique set of transformation rules for compiling the derived statistics required by authorities, possibly to be shared with the stakeholders involved.

Figure 1
Current approach to data collection from banks



The IReF is not meant to introduce new reporting requirements. However, it may add some granularity compared to the datasets it is intended to integrate so as to better ensure the integration of the existing reporting lines and help avoid a duplication of the requirements. This approach could simplify the process for fulfilling reporting requirements, and ensure cross-country harmonisation and standardisation. The project envisages focusing on statistics collected for monetary, macroeconomic and macroprudential purposes.

This overview provides key facts and information on the IReF and how it relates to the BIRD, discussing the level of integration that the IReF could be expected to achieve and related methodological challenges. A cost-benefit analysis (CBA) has been initiated with a view to assessing the impact of the IReF on the supply and demand sides, in close cooperation with the banking industry and other stakeholders (see also Section 7 on the ongoing work and steps ahead).

2 Advantages of the IReF

The IReF consists of a single comprehensive and harmonised “primary reporting framework” which condenses the reporting of the targeted financial institutions into a unique set of reports, reducing redundancies and overlaps. Reporting schedules and processes are also expected to be much simplified, helping to minimise the reporting burden. The cross-country standardisation of the reports may particularly benefit large banking groups that operate cross-border in the euro area. However, all banks, including smaller institutions, are expected to gain from the integration of the different reporting requirements, especially as the reporting requirements should become more stable over time, e.g. ad hoc requests to fill information gaps may become less frequent. The initial gains will differ from country to country depending on the reporting model and the degree of integration of the current national

frameworks, as well as on the degree to which country-specific requirements may continue to apply. The costs to banking groups of using external data services are also expected to decrease as requirements are harmonised across the euro area, resulting in fewer national changes and amendments. These aspects are being assessed through the responses to the CBA questionnaires in a transparent and cooperative way in consultation with the banking industry.

NCBs will also benefit as they will receive only one integrated set of reports for the production of the datasets that the IReF is intended to integrate. The IReF will use a unique data model, which is expected to ensure methodological soundness, and help describe the reporting scheme and the transformation rules (in particular mapping and aggregation rules). In addition, users will be able to drill down from aggregated data to the underlying granular information (subject to a flexible IT infrastructure and in accordance with the relevant access policy) and may benefit from a higher degree of standardisation of compilation practices across countries. As the IReF is expected to directly reuse granular instrument-by-instrument data on loans and securities for statistical compilation, more breakdowns will be available for policy use.

An integrated system is better suited to automation by both reporting and recipient institutions. While there are one-off fixed costs related to implementation, the regular costs will be reduced, not least because the harmonisation and granularity of the IReF will help address new user needs without necessarily changing the data collection – this is a salient feature to minimise maintenance costs. The cost savings will depend on where individual institutions stand initially (e.g. depending on the current level of integration in the countries where they operate), as well as how they organise their processes.

Users of statistics, including the banking industry itself, will also benefit from the IReF, as its model aims to ensure a precise and unambiguous definition of the information relevant for their needs throughout the Eurosystem. This will improve comparability of data across datasets and across countries. Quality will improve through a unique set of concepts and definitions as well as a collection method that is intended to be free from redundancies. The analytical value will also increase as users will have a fully consistent and standardised dataset, rather than data relating to different frameworks to be reconciled ex post (e.g. between BSI and SHS-S).

3 The IReF and the BIRD

The ESCB's long-term strategic approach to data collection from banks also foresees supporting reporting agents in optimising the organisation of the information stored in their internal operational systems (e.g. for accounting, risk management, securities or deposits) in an "input layer," which could then provide the basis for fulfilling all applicable reporting requirements. Based on harmonised concepts and using clear classifications, the input layer provides an accurate, standardised and unique means of defining and identifying individual business positions and transactions, together with their corresponding attributes. Consistency, the absence

of redundancy and the ease with which the framework can be extended are therefore key features of the input layer. Harmonised transformation rules can be applied to fulfil banks' reporting requirements. Those transformation rules would be specified in a single formal language facilitating their implementation by banks in a standardised way, leading to reduced efforts and costs.

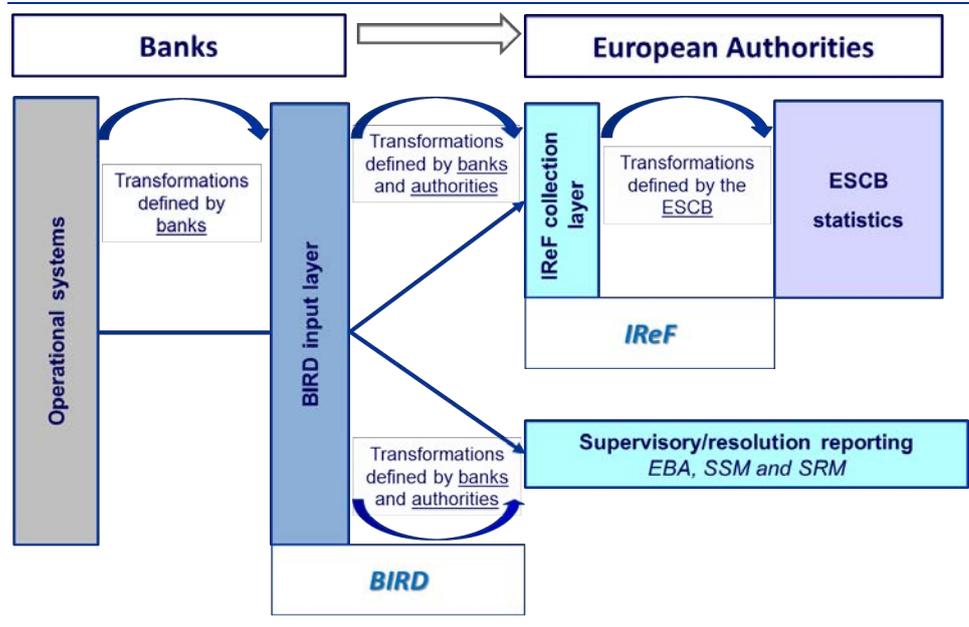
The BIRD refers to the definition of this input layer and the transformation rules, and is being developed in close collaboration by a group composed of members from the ECB, some euro area NCBs and the banking industry. In particular, the BIRD is being designed to generate outputs that are compliant with the reporting schemes of secondary statistics and is currently not considering how these requirements are fulfilled in the national collection frameworks. In order to implement the BIRD approach at national level, major country-specific adjustments may be required. It is therefore expected that most of the benefits of such an approach will only be achieved if the IReF and the BIRD are implemented together. The more the reporting is incorporated in a single "primary reporting framework", the more effectively the BIRD will support reporting agents. However, implementing the BIRD is not a necessary condition for implementing the IReF, and it will remain voluntary for the banking industry.¹

The envisaged approach to data collection from banks, presented in Figure 2, is meant to be cost-effective and transparent. It ensures that reported data will be extracted effectively from the internal systems via the BIRD input layer, which may also be used by banks for their own internal purposes. In this sense, the IReF could bring together internal and external reporting to ensure that the banks' internal management and the NCBs both base their work on the same set of data. Data quality should increase and costs might decrease as the BIRD input layer would provide a comprehensive and flexible tool to support data reporting for statistical requirements. A further advantage of the input layer is the holding of passive data within each reporting institution – i.e. data that are not directly reported under the IReF collection layer, but that may be used to fulfil future data requests.

This makes it much easier to meet potential ad hoc data requirements in addition to the regular reporting, as statisticians are familiar with the structure and definitions of the input layer. These ad hoc data requirements can therefore be defined in a common, business-friendly language and the results will be readily available in a harmonised format with short response times.

¹ Thus far, the BIRD has covered, as separate outputs, the reporting requirements for AnaCredit, the group module of the Securities Holdings Statistics and FinRep, while the coverage of CoRep, Asset encumbrance and Resolution planning is still under development. For additional insights on BIRD, see the dedicated [website](#).

Figure 2
Envisaged approach to data collection from banks



4 The scope of the IReF

The IReF aims at integrating the existing ESCB statistical data requirements related to banks, as far as possible, into a unique and standardised reporting framework that would be applicable across the euro area and might also be adopted by other European countries. In its initial phase, the IReF is focusing primarily on ECB statistical datasets relating to banks and, as such, will cover the requirements of the ECB regulations on BSI and MIR statistics, SHS-S and AnaCredit. Regarding SHS-S, ideally requirements for banks in their role as custodians would also be covered. The group module of the SHS would only be considered in the longer term, while other ECB statistics that do not directly relate to banks' balance sheet assets and liabilities, e.g. the ECB requirements in the area of payments or money market statistics, are not currently covered by the exercise. Selected requirements included in national collection frameworks for banks on their own transactions and positions of relevance for b.o.p. and i.i.p. statistics would also be covered in the IReF.² Other requirements included in national collection frameworks may also be considered, mainly to assess the conditions under which the IReF could become feasible and relevant for all stakeholders. These requirements might include, for instance, data collected in the area of sector accounts as regards reporting by banks on their own

² These are expected to refer to granular information on securities and loans (and potentially related investment income), as well as aggregated requirements on cash, deposits, financial derivatives, other financial assets and liabilities (e.g. trade credits and certain other accounts receivable/payable items). Other b.o.p./i.i.p. requirements, in particular those related to the compilation of foreign direct investment, explicit financial services and certain income items (e.g. those derived using detailed profit and loss accounts data) are considered to be out of the integration scope for the moment although further methodological analyses will be carried out in the forthcoming months.

transactions and positions, as well as other requirements arising from the collection frameworks of international organisations (e.g. BIS Locational Banking Statistics or IMF Standardised Report Forms), or from country-specific user needs.

With the IReF, the Eurosystem is aiming to develop a standardised set of statistical reporting requirements for banks that would be applicable across the euro area and to the benefit of all stakeholders. The CBA focuses on the statistical requirements that are within the scope of the IReF. References to supervisory reporting requirements have only been included in the questionnaire to assess the relevance of the IReF for the stakeholders.

5 The IReF target population

The IReF aims primarily at covering deposit-taking corporations; in particular, the IReF will distinguish between requirements that are applicable to credit institutions and those that relate to deposit-taking corporations other than credit institutions. Such a distinction is made because of the different reporting populations of the datasets within the scope of the IReF. For example, loan-by-loan requirements would apply to credit institutions, while deposit-taking corporations other than credit institutions would report loan data on an aggregated basis.

Requirements addressed to money market funds (MMFs) would not be part of the IReF. These requirements would continue to be set out in separate ECB legal acts, leaving discretion at national level on how to collect them in practice. Some NCBs have developed an integrated reporting framework for (both MMF and non-MMF) investment funds. This practice may be extended in the medium term at ESCB level and would allow convergence towards integrating the (statistical) reporting for fund managers across the EU.

6 Ensuring proportionality under the IReF

Each ECB statistical collection framework includes derogations or sampling schemes that aim at ensuring proportionality. The approaches are not usually harmonised across datasets, and range from cases where reporting agents that are small with reference to some criteria can be exempted, at least partially, from the data collection (e.g. BSI, SHS-S, AnaCredit) to cases where derogations also relate to a subset of the requirements specified in a dataset (e.g. BSI). In other cases, the collection framework can be based on a sampling approach (e.g. MIR). In addition, countries normally have discretion on the way these general derogation schemes are applied at national level and this results in a wide range of solutions, including cases where no derogations at all are applied.

The ESCB recognises the need to ensure proportionality under the IReF and favours the implementation of simple solutions, like derogations for institutions in the tail of the national populations, e.g. defined in terms of total assets. Derogated institutions

would be subject to simplified reporting. Such an approach will be assessed in the course of the ongoing CBA.

7 Ongoing work and steps ahead

Technical work is currently ongoing to determine how the IReF might look, taking into account important data collection and compilation aspects, including the principle of proportionality. These aspects, and how they will be reflected in the IReF, are being assessed in close cooperation with the banking industry and all other stakeholders involved by means of the above mentioned CBA. The CBA methodology draws to a large extent on the ECB merits and costs procedure. However this exercise is different in two respects. First, the IReF does not aim at introducing new reporting requirements. Second, the CBA aims to assess the interest and potential benefits in the banking industry, as well as the Eurosystem/ESCB, of moving towards an integrated solution. In turn, the CBA will make it possible to produce an optimal design for the IReF in greater detail, should the decision be taken to embark on this approach.

The CBA consists of two main stages: (i) a qualitative stock-taking questionnaire in 2018 on the state-of-play across domains and countries, to identify the main cost factors and potential benefits of the IReF and help design scenarios for the IReF as regards various data collection and statistical production aspects (e.g. reporting dates, data frequency, derogations/sampling, transactions); and (ii) a cost-benefit assessment questionnaire to explore preferences across the scenarios with a view to identifying the optimal approach that would best suit the industry and Eurosystem/ESCB.

The qualitative stock-taking questionnaire was conducted from June to October 2018, and the ESCB has assessed, jointly with banking representatives, the feedback received in the ensuing months.

8 The implementation of the IReF

At the current stage the ESCB considers it likely that the IReF could be implemented in 2024-27, subject to the outcome of the CBA. This time horizon for the implementation of the IReF ensures enough time for reporting agents to implement and stabilise the transmission of AnaCredit data, and seems consistent overall with the envisaged timeline for the possible further stages of AnaCredit. In addition, the proposed IReF implementation timeline would ensure enough lead time for reporting agents to prepare, also from a technical perspective, and takes due account of the lifecycles of existing IT systems.³ However, the banking industry (as well as the other stakeholders) has been offered the opportunity to provide feedback on this proposal during the qualitative stock-taking questionnaire.

³ Once the IReF has been implemented, the current reporting is expected to continue in parallel for a limited time to ensure data quality.

If the outcome of the CBA is positive, the IReF may become mandatory and the appropriate legal framework for the IReF would then be defined. During the interim phase, the existing regulations would remain in place.

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