Dear Sir/Madam,

Standard Chartered’s Response to the European Commission’s consultation document on Its Fitness Check on Supervisory Reporting

We appreciate the opportunity to respond to the European Commission’s Fitness Check on Supervisory Reporting. This is a timely consultation, as many new reporting requirements have recently come into effect, and new technologies are emerging that offer potential solutions to the complexities and costs of regulatory reporting. It is therefore worthwhile to take stock of existing EU frameworks and the challenges they present to reporting entities and regulators, while simultaneously considering new opportunities to improve the quality and reduce the burden of supervisory reporting.

EU level supervisory reporting requirements present firms with considerable challenges. These challenges often stem from new requirements that are designed with insufficient consideration of existing reporting obligations. This results in new data elements being reported that duplicate – or closely approximate – existing ones, while still being different enough that they require new systems and processes, and do not allow firms to leverage their existing investments in reporting solutions. While we elaborate many of these challenges and the related costs in our response, we focus on the opportunity presented by the Fitness Check to make positive changes. In order to realise these changes, it is important that regulators and firms focus their energies on working together where it matters most. To that end, we encourage a short to medium-term focus on the delivery of greater harmonisation and alignment across the reporting frameworks that are already in place, or are soon to be introduced. In particular:

- Maximising alignment across reporting requirements is the most important step to reducing compliance costs. New reporting requirements should be assessed against existing requirements to determine whether any new information will be reported, and aligned with the existing requirement to the greatest extent possible, so that new systems and/or additional manual processes are not necessary.
- The development of a common financial language, greater clarification of the content of data elements, and greater standardisation across existing reporting obligations will all serve to reduce compliance costs while enhancing the quality and clarity of the data that is reported.
- The use of information and communications technology (ICT) and automation to streamline reporting, and the development of new arrangements to ensure frameworks and receiving entities are interoperable, are longer-term possibilities. They should be explored to the fullest by both regulators and firms, but they are only realisable where a previous level of harmonisation and standardisation has been achieved.
Finally, the pace of regulatory changes relating to reporting increases the costs of compliance. The frequency of changes and/or new obligations makes it difficult for firms to achieve economies of scale and invest in the systems that will streamline reporting. It also makes it more difficult to achieve meaningful harmonisation and standardisation, as fields and data elements are constantly in flux.

In part 3 of our response, we make a number of concrete recommendations that will help realise a more coherent and efficient EU supervisory reporting framework, and improve the quality of reported data. In particular, we recommend that the EC and other EU supervisory authorities and regulators:

- Undertake a granular, dedicated review of reporting requirements, in coordination with industry stakeholders, to assess the opportunities for harmonisation of key terms, standardisation of data elements, and elimination of duplicative requirements;
- Pause the pace of regulatory change so firms can make strategic and long-term investments, rather than tactical one-off investments in reporting systems and manual capacity;
- Coordinate on an international basis so that definitions and standards are applicable in multiple jurisdictions, which may include the greater use of international standards and taxonomies;
- Continue to develop purpose-built communication channels (including stakeholder or expert groups around specific reporting requirements), so that firms and regulators can communicate on an ongoing basis and come to shared understandings of what is to be reported;
- Work with ICT experts while developing policy, so that any new reporting obligations are developed in tandem with the technological solutions that are appropriate and practical; and
- Assess the potential role of regulated industry utilities.

We would be happy to discuss any points raised in our response in more detail.

Yours Sincerely,

Daniel Trinder
Global Head, Regulatory Reform
Compliance
ANNEX – Responses to the questions outlined in the Consultation Paper

Section 1: Assessing whether the supervisory reporting requirements are fit-for-purpose

1.1 Taken together, to what extent have EU level supervisory reporting requirements contributed to improving the following:

i) financial stability (i.e. monitoring systemic risk)
   - Very significantly
   - Significantly
   - Moderately
   - Marginally
   - Not at all
   - Don’t know

Please elaborate and provide examples to justify your answer.

The number of supervisory reporting obligations we comply with has increased both quantitatively (in terms of the amount of data we report) and qualitatively (in terms of the types of data we report) since the global financial crisis. The policy intent of many of these obligations is to increase transparency in markets so that regulators can identify and mitigate sources of systemic risks before they have negative impacts on overall financial stability. To the extent that regulators can make use of newly reported data and use it to monitor risk effectively, these new requirements can contribute to financial stability.

For instance, the requirement to report over-the-counter (OTC) derivatives under the European Markets Infrastructure Regulation (EMIR) has increased transparency in a previously-opaque market, although serious issues remain with regards to the quality of the reported data, the reconciliation of double-sided transaction reports, and the general requirement to report transaction (rather than position) data for exchange traded derivatives (ETDs). We similarly expect that the reports we provide for the purposes of prudential supervision help those supervisors understand, identify, and manage systemic risks.

At the same time, we have concerns about how the data we report is interpreted, particularly in the absence of shared standards and/or harmonised definitions. There is a risk of differing interpretations – or even misinterpretation – where we are required to report similar data elements in a different way across reporting requirements, where firms must make decisions about how and what data will best fit requirements where there is a lack of clarity, and/or when intermediaries interpret and aggregate the information we and other firms are reporting differently. In Part 3 of this consultation response we identify several measures that we believe would help regulators make better and more accurate use of the data we report, while also improving the quality of that data.

Further, several reporting and disclosure frameworks are subject to frequent changes, as templates and data elements are updated or altered. This rapid change may limit the benefits of information collection from a systemic risk monitoring perspective, as the identification of patterns and trends often requires time-series data. For example, the Pillar 3 disclosure requirements have been subject to annual changes. This makes it difficult for analysts to interpret the data and draw conclusions. This, in turn, may impede the exercise of market discipline, and therefore limits the benefits of Pillar 3 disclosures.
ii) market integrity (i.e. surveillance of market abuse and orderly functioning of the markets)

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don’t know

Please elaborate and provide examples to justify your answer.

We are often required to retain records alongside our obligations to report trade and transaction data. In tandem, these sources of stored and reported data can be a resource for both firms and regulators seeking to enhance market integrity and standards of conduct; there is no doubt that effective disclosure requirements can facilitate investor protection and market supervision, and efforts to enhance, standardise, and compare disclosures further advance those goals. That said, we do not have a view on the extent to which regulators are using reported/disclosed data in their supervisory responsibilities with regards to market integrity and investor protection standards.

iii) investor protection (i.e. ensuring proper conduct by firms to ensure that investors are not disadvantaged/negatively impacted)

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don’t know

Please elaborate and provide examples to justify your answer.

See our response to 1.1(ii).

1.2 Are all of the existing supervisory reporting requirements relevant for maintaining financial stability and upholding market integrity and investor protection?

- Yes, they are all relevant
- Most of them are relevant
- Some of them are relevant
- Very few are relevant
- Don’t know

If you do not think that all of the requirements are relevant, please provide specific examples of any requirements which in your view are superfluous and explain why you believe they are not necessary.

In identifying requirements which are superfluous, we see a distinction between requirements that do not achieve the intended aims (and could therefore be better designed to help meet certain policy goals), and requirements that are unnecessary (and could therefore be removed without affecting the realisation of those policy goals).

Certain requirements are unnecessary because the data that they contain is already captured within the same reporting framework. This is particularly the case where harmonised data elements are required. For instance, the requirement to report an International Securities Identification Number (ISIN) in certain reporting frameworks makes it unnecessary to report most other product-specific details, as the ISIN reference already contains those details. Similarly, the requirement to report a counterparty legal entity identifier (LEI) makes it unnecessary to report counterparty details that are inherent in the LEI, such as the country of domicile. Importantly, these superfluous details...
are not merely a challenge for firms to capture and report. Where they are misaligned in the context of double-sided reporting requirements (as is often the case, as firms are unlikely to have perfectly harmonised static and reference data), they can also result in rejected reports, or difficulties at the level of reconciliation. This lowers the overall quality of reported data, and even undermines the value of using standardised identifiers in reporting.

Other requirements are not fit-for-purpose, and are therefore superfluous in achieving the intended policy goals as presently designed. For instance, the requirement to report transaction-level data relating to ETDs under EMIR does not help regulators monitor systemic risk. ETDs are compressed into an end-of-day overall position, and it is that position-level data that is salient for the purposes of monitoring systemic risk. This requirement to report transaction level data for ETDs should be reconsidered in the context of the EMIR Refit process.

1.3 Is there information that should be reported but which currently is not (i.e. there are reporting requirements that should be added)?

- Yes
- No
- Don’t know

If you answered ‘Yes’, please provide specific examples of reporting requirements which in your view should be added and explain why you believe they are needed.

This fitness check is a welcome opportunity to take stock of the existing reporting requirements in the EU, particularly those that have been introduced recently, and assess the degree to which certain policy goals are being achieved. We expect that this exercise will result in greater dialogue between regulators and reporting entities regarding the information that is reported and what it is used for, and a thorough review led by regulators of the data they are receiving across reporting frameworks. These processes should result in certain data elements being replaced with other, better-suited types of information – and duplicative requirements eliminated. On this basis we do not recommend any specific new reporting requirements as this broader look-back is taking place.

1.4 To what extent are supervisory reporting requirements across different EU level reporting frameworks coherent (e.g. in terms of scope, content, methodology, timing/frequency of submission, etc.)?

- Fully coherent
- Mostly coherent (a few or minor inconsistencies)
- Somewhat coherent (numerous inconsistencies)
- Not coherent (mostly or totally inconsistent)
- Don’t know

Please provide specific examples of reporting requirements which in your view are inconsistent and explain why you believe they are inconsistent.

The coherence of reporting frameworks would be improved if new reporting requirements were designed to be consistent with existing requirements. Certain deviations will clearly be necessary where the scope of what is reportable and what entities must report are expanded; however, even in the context of expanding obligations, it is always valuable to look back at what is already being reported, and how it is being reported. This is not done sufficiently at present.

Where new obligations substantially mirror the content, methodology, and format of existing obligations, firms and regulators can leverage existing systems to report, receive and interpret new types of data.
Conversely, where new requirements are introduced without a review of existing requirements, the result is that fundamental elements of the new framework are not aligned to similar elements that already exist. These misalignments can include:

- **Reporting arrangements**, which are sometimes direct to regulators, but often require the use of intermediaries including trade repositories (TRs) or approved reporting mechanisms (ARMs). This results in multiple, non-complementary commercial and connectivity arrangements, and can lead to divergent interpretations by intermediaries about how certain data elements should be reported;
- **Data formats**, including technical protocols and templates, which results in the need to maintain and populate multiple processes and forms. This is mitigated by the greater use of ISO standards and globally harmonised approaches (e.g., CPMI-IOSCO and FSB standard data elements);
- **Typologies of counterparties**, which leads to client classifications which differ across reporting frameworks, and results in overlapping but non-complementary static data sets. Examples include 1) the different counterparty sectors used under Financial Reporting (FINREP) and Common Reporting (COREP) frameworks; and (2) the subcategory of small non-financial counterparty (NFC) within the Securities Financing Transaction Regulation (SFTR) reporting framework that does not overlap with the existing EMIR categories, for the purposes of determining whether mandatory delegated reporting applies;
- **Definitions (and subsequent reportable content) of key terms**, which requires firms to prepare and report the same data element differently across frameworks. Examples include fundamental data elements such as ‘start date’, ‘maturity date’, ‘default’, ‘derivative’, and ‘venue of execution’, and more complex concepts such as ‘exposure’ and ‘collateral’.

For a broad example of a new reporting requirement that was not aligned with existing requirements, we point to the European Banking Authority’s (EBA) implementing technical standards (ITS) on supervisory reporting for EU institutions. The ITS aim to harmonise key reportable elements across COREP and FINREP reporting, including information on sovereign exposures and operational risk. These ITS represent a welcome degree of standardisation and harmonisation of what were previously ad hoc reporting requirements. At the same time, the ITS combine FINREP and COREP elements related to financial accounting, credit risk, counterparty risk, and market risk within a single template. This does not allow reporting institutions to leverage existing systems that were built to meet FINREP and COREP obligations, and that can already extract these data elements but then use those elements to populate separate templates. Instead, a significant manual data entry effort is needed to meet this combination of multiple existing reporting frameworks within a new single template. This would have been avoided by tailoring the ITS to complement existing formats, thereby increasing the coherence and consistency of what is reported without any reduction in the quantum of reported data.

1.5 To what extent is supervisory reporting in its current form efficient?

- Very efficient
- Quite efficient
- **Rather inefficient**
- Very inefficient
- Don’t know

If you think that supervisory reporting is not fully efficient, please provide specific examples and explain why you believe it is not efficient.
While efficiency can be measured in different ways, our general view is that supervisory reporting is not fully efficient because it could be less resource intensive while achieving the same overall outcomes. The reasons for this inefficiency can be distilled into three root causes:

1. Reporting obligations are often duplicative, meaning that the same information is reported more than once, often with slightly different data elements.
   - For example: The same transactions are often reported under both the Markets in Financial Instruments Regulation (MiFIR) and EMIR, and depending on the instrument and how it is being traded there may also be a reporting requirement under the Money Markets Funds Regulation (MMFR), the Short Selling Regulation (SSR) reporting framework, and the UK takeover panel disclosure framework for equities. Notably, even within the same reporting framework transactions may be reported multiple times, for instance 1) under the trade and transaction reporting frameworks in MiFIR, 2) where certain corporate actions are exercised under MiFIR, 3) where certain lifecycle events take place for a derivative under EMIR, or 4) where there are re-valuations for collateral under SFTR. This results in a significant volume of data being reported more than once, rather than only the material details such as changing market positions, title to securities, and other details.

2. Reporting obligations can be redundant, meaning that certain reported data elements do not provide additional information.
   - Please refer to our response to Question 1.2. The requirement to report certain harmonised data elements such as ISIN or LEI should stand in for many additional product or counterparty details, but it is often required that firms report those redundant details as well, which can lead to data validation and reconciliation challenges.

3. The pace, sequence, and content of regulatory change does not enable reporting entities to streamline their implementation programs, and results in budgetary and resource constraints that lead to overruns and delays.
   - The repeated changes to existing reporting frameworks requires that firms continually adjust and update their existing systems, rather than take the time to improve those systems, and perhaps redeploy them for the purposes of new reporting obligations. A primary example of this pace of change is the four phases of EMIR reporting (the initial release in 2014, the collateral and valuation release shortly thereafter, the Level 1 and Level 2 validations on the data, and then the Article 9 re-write expanding the reportable fields in 2017, which nearly coincided with the go-live of MiFIR reporting); additional examples include the ongoing changes to Pillar III reporting; and the frequent updates to FINREP and COREP reporting standards.

In Part 3 of this consultation response we make suggestions that we believe will help improve the overall efficiency of reporting, i.e., reduce the overall resource intensity of reporting while realising the same outcomes.

1.6 How well are the supervisory reporting requirements adapted to developments in the fields of modern information and communication technologies (ICT) and digital processes?
- Very well
- Fairly well
- Not very well
- Not at all
- Don't know
Please elaborate and provide specific examples.

Our general observation is that new regulatory requirements – or adjustments to existing requirements – are not developed with sufficient consideration given to the opportunities afforded by advanced ICT and digital processes. In Part 3 of this response we offer suggestions on how this could be improved, and the benefits that we anticipate as a result.

1.7 To what extent has the adoption of supervisory reporting requirements at EU level facilitated supervisory reporting in areas where previously only national requirements existed?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- It has made supervisory reporting more complicated
- Don’t know

Please elaborate and provide specific examples.

The standardisation of supervisory reporting requirements across the EU is welcome. As with all reporting requirements, we note that harmonisation is most effective where it takes into account existing reporting frameworks at the national level and, wherever possible, remains consistent with those frameworks in order to ensure that firms’ existing systems and processes are not wholly discarded.

Furthermore, we encourage EU authorities to continue to work closely with their international partners to develop standardised reporting approaches on a cross-border basis. Harmonisation within the EU is an important first step, and it is particularly helpful where it is consistent with practices in other jurisdictions where EU entities also face reporting obligations: the greater use of international standards is the surest way to simplify and facilitate ongoing supervisory reporting requirements for firms with a global footprint.

Additionally, we note the significant amount of interpretive work that is needed to determine how individual data elements are reported. It is critical that this work is done at an EU level in advance of go-live dates, so that the benefits of harmonised requirements across the EU are not lost at the level of implementation, and supervisory convergence is encouraged. In this respect, it is important that the EU supervisory authorities (ESAs) provide timely interpretative guidance (‘Level 3’), and that they do so in close coordination with reporting firms who, in many instances, have made prior judgments in the absence of clear directions in the implementing rules – as we have for MiFIR reporting, and are currently undertaking with regards to SFTR.

1.8 To what extent have options left to Member States in terms of implementing EU level supervisory reporting requirements (e.g. due to their adoption as Directives rather than Regulations) increased the compliance cost?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don’t know
If you think divergent Member State implementation has increased the compliance cost, please provide specific examples of reporting frameworks or requirements where you believe this to be the case and explain your suggestions.

As per our response to Question 1.7, even where reporting requirements are contained in Regulations there is scope for different interpretations of how certain data elements should be reported. Clear supervisory guidance at an early stage, in addition to the greater use of standardised definitions, help to mitigate the overall compliance costs while increasing the coherence of EU level reporting frameworks.

1.9 Are there any challenges in terms of processing the data, either prior to (i.e. within the reporting entity) or subsequent to (i.e. within the receiving/processing entity) it being reported?

- [ ] Yes
- [ ] No
- [ ] Don't know

If you answered 'yes', please elaborate and provide specific examples.

Reporting entities face considerable challenges in processing data prior to it being reported to receiving entities, and in many instances we face additional challenges after it is reported. These challenges are particularly acute for transaction reporting, and include:

- Properly identifying all the lifecycle events within a transaction that may make it reportable, and ensuring those events result in a new report, but do not result in false or duplicative reports;
- Ensuring the appropriate orchestration of lifecycle events for reporting purposes, which means ensuring that they are packaged in the correct order within a report;
- Allocating the appropriate timestamps to each event, and avoiding the incorrect replication of stamps when transactions move through separate systems;
- Building processes that maintain data lineage and integrity as information moves across systems (particularly if that information needs to be reported multiple times, to multiple receiving entities), which means ensuring that systems retain and properly repackage certain data elements as they are translated and/or manipulated to fit different frameworks or templates;
- Working with receiving entities to remediate where reports are rejected, which involves identifying errors within complex systems and ensuring they are fixed, without impacting ongoing reporting obligations.

The general challenge of ensuring that data remains accurate as it is aggregated, translated, or standardised for multiple reporting obligations is a significant one across all our supervisory reporting obligations (i.e., not only transaction reporting). A key challenge in data processing is the mapping of reference data at a granular level to enable the reporting institution to combine information from various sources to meet requirements for different reporting purposes. This is of increasing importance as reporting requirements have become more complex and interdependent. For example, various recently-introduced Pillar 3 disclosure templates or the proposed template to collect information on sovereign risk exposures (EBA/CP/2016/20) combine data elements, e.g., accounting values with credit risk and market risk data in the same template. Given that accounting standards and the risk weighted asset (RWA) framework have evolved independently over decades, it is very difficult to combine information from different frameworks, as the underlying architecture – data stores, data flows, transformations, attributes and infrastructure – are different and often incompatible. As noted elsewhere in this consultation response, it is difficult to undertake large scale systems changes to facilitate such dependencies across reporting requirements (i.e., restructuring the underlying data architecture) because the frequency and pace of regulatory change makes it challenging to plan for and then commit to such investments.
1.10 Are there any negative environmental and/or social impacts related to supervisory reporting stemming from EU legislation?

- Yes, both environmental and social
- Yes, environmental only
- Yes, social only
- No
- Don't know

If you answered 'yes' for either or both types of impacts, please elaborate and provide specific examples.
Section 2: Quantifying the cost of compliance with supervisory reporting requirements

2.1 Is supervisory reporting in its current form unnecessarily costly for its intended purposes (i.e. ensuring financial stability, market integrity, and investor protection)?
   o Yes
   o No, it is at an appropriate level
   o Don't know

2.2 To what extent have the following factors contributed to the excessive cost of supervisory reporting? Please indicate the relevance of the following factors by giving each a rating from 0 to 4 (4: contributed greatly; 0: not contributed at all).
   i) Too many requirements - 3
   ii) Need to report under several different reporting frameworks - 3
   iii) Need to report to too many different entities - 2
   iv) Lack of interoperability between reporting frameworks and/or between receiving/processing entities or supervisory authorities - 2
   v) Need to report too frequently - 3
   vi) Overlapping requirements - 3
   vii) Redundant requirements - 2
   viii) Inconsistent requirements - 3
   ix) Unclear/vague requirements - 3
   x) Insufficient use of (international) standards - 3
   xi) Need to introduce/update IT systems - 4
   xii) Need for additional human resources - 4
   xiii) Too many/too frequent amendments in the relevant legislation - 2
   xiv) Lack of a common financial language - 2
   xv) Insufficient use of ICT - 3
   xvi) Insufficient level of automation of the reporting process - 2
   xvii) Lack of (adequate) technical guidance/specifications - 3
   xviii) Other (please specify and provide a ranking from 0 to 4)

2.3 To what extent have the following types of legislative/regulatory requirements been a source of excessive compliance costs in terms of supervisory reporting? Please indicate the relevance of the following types of legislative/regulatory requirements by giving each a rating from 0 to 4 (4: very significant source of costs; 0: not at all a source of costs).
   i) Supervisory reporting requirements imposed by EU Regulations and/or Directives - 4
   ii) Different Member State implementation of EU financial legislation, resulting in diverse national supervisory reporting requirements for the same financial entity/product – N/A
   iii) National supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product - 3
   iv) Other supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product (please specify) - 3

Please elaborate and provide examples.

SCB's current footprint across EU member states is relatively limited and we do not, as a result, have significant first-hand observations regarding how EU-level requirements across EU jurisdictions have been implemented (i.e., consistently or not). As catalogued more generally in our response, the supervisory reporting requirements imposed at an EU and member state level present material initial and ongoing compliance costs, notwithstanding possible divergence at the national level.

It is also important to note the costs associated with ad hoc data gathering exercises. Quantitative Impact Studies (QIS) run by the Basel Committee and the EBA are generally the most resource intensive, as they require substantial manual extraction efforts, and are also subject to short
response windows, very little advance communication, and long and iterative review and resubmission processes as they are cascaded across regulators. Our view is that the data that is generated through QIS is of value, but the process by which it is produced is resource intensive and very inefficient – particularly as the templates used, as well as accompanying guidance and FAQ are subject to frequent changes.

2.4 Does the obligation to use structured reporting (i.e. templates or forms in which specific data elements to be reported are listed) and/or predetermined data and file formats (i.e. (i) the exact way in which the individual data elements are to be encoded or (ii) the file format in which the information to be reported is exchanged/submitted) for supervisory reporting increase or decrease the compliance cost of supervisory reporting?

(a) Increases the compliance cost
(b) Decreases the compliance cost
(c) Does not impact the compliance cost
(d) Don't know

Please provide specific examples to substantiate your answer.

The use of templates does not determine the costs of compliance – rather, it is what is contained in templates that determines whether they impact the costs of compliance.

The use of structured reporting formats can decrease the compliance costs of reporting, where those formats are consistent and make use of the same definitions across reporting frameworks, including appropriate international standards. As we note elsewhere in our response, this level of standardisation is welcome, but it is rare in the context of EU reporting obligations.

Conversely, where reporting templates and the specific data elements they contain are not consistent, the costs of reporting increases. We note two specific examples we have referenced elsewhere in the consultation:

- As a template that increases compliance costs, the EBA ITS aimed at harmonised reporting of operational risk and sovereign exposures across FINREP and COREP has introduced new consolidated templates that do not allow banks to make use of their existing data capture and reporting processes;
- As a data element within a template that increases compliance costs, the definition of “venue of execution” is inconsistent across MiFIR and EMIR; this does not allow firms to build a system to capture a single value for that field and populate it across those templates.

2.5 Please specify the supervisory reporting frameworks to which you are subject (or, in the case of entities receiving and/or processing the data or supervisory authorities, which you deal with or make use of) and estimate the cost (in monetary terms and as a percentage of operating cost) for your entity of meeting supervisory reporting requirements (or, in the case of entities receiving and processing the data or supervisory authorities, of processing the data).

i) Subject to/deal with/make use of the following supervisory reporting frameworks:

We monitor and comply with our obligations under many reporting frameworks that apply to our EU activity, including the following EU, global, and local requirements:

- Central Securities Depository Regulation (CSDR) settlement internaliser reporting
- EBA Monitoring exercises for CRD/CRR/Basel
FSB & BIS
- BIS locational banking statistics and consolidated banking statistics
- Basel Quantitative Impact Studies (QIS)
- FSB G-SIBs reporting package:
  - Phase 1: Top 50 counterparties
  - Phase 2: Main Funding Providers, Holding of tradable debt securities issued by other Hub reporting firms
  - Phase 3: Immediate Counterparty Report, Financial Derivatives Template, Foreign Exchange Derivatives Template, Bridge Template
  - Phase 4: Systemic indicators

EMIR

G-SIB disclosures
- EBA/ITS/2016/01 ITS on uniform formats and date for the disclosure of the values of the indicators used for determining the score of the institutions identified as global systemically important institutions (G-SII)

Market Abuse Regulation (MAR)

MiFID II/MiFIR
- transaction reporting
- trade reporting
- best execution reporting
- instrument reference data reporting
- position limits reporting

Money Market Statistical Reporting (MMSR)

Operational Continuity in Resolution (OCIR)

Pillar 3 disclosures:
- Regulation (EU) No 1423/2013 – ITS on disclosure of own funds requirements
- EBA/GL/2014/03 – Guidelines on disclosure of encumbered and unencumbered assets
- EBA/GL/2016/11 – Guidelines on disclosure requirements under Part Eight of CRR
- EBA/GL/2017/01 – Guidelines on LCR disclosure to complement the disclosure if liquidity risk management under Article 435 CRR
- EBA/ Guidelines on disclosure requirements on IFRS 9 transitional arrangements
- Guidance to banks on non-performing loans

Regulation (EU) No 680/2014 – ITS on supervisory reporting of institutions (as amended)
- COREP
- FINREP
- Liquidity coverage ratio (LCR)
- Net stable funding ratio (NSFR)
- Leverage ratio
- Additional monitoring metrics
- Asset encumbrance
- Funding plans
- Large exposures

SFTR
ii) **Average initial implementation cost (i.e. one-off cost):**

<table>
<thead>
<tr>
<th>Cost in euro</th>
<th>as a percentage of total assets/turndover/other (please specify), as applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.5mn</td>
<td>Less than 0.01% of total assets</td>
</tr>
<tr>
<td>Not possible to estimate (please elaborate)</td>
<td>Not possible to estimate (please elaborate)</td>
</tr>
</tbody>
</table>

iii) **Average annual running cost (i.e. recurrent cost):**

i) in **2016:**

<table>
<thead>
<tr>
<th>Cost in euro</th>
<th>as a percentage of operating cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>1mn</td>
<td>Less than 0.01% of operating cost</td>
</tr>
<tr>
<td>Not possible to estimate (please elaborate)</td>
<td>Not possible to estimate (please elaborate)</td>
</tr>
</tbody>
</table>

ii) average over the last 5 years:

<table>
<thead>
<tr>
<th>Cost in euro</th>
<th>as a percentage of operating cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.4mn</td>
<td>Less than 0.01% of operating cost</td>
</tr>
<tr>
<td>Not possible to estimate (please elaborate)</td>
<td>Not possible to estimate (please elaborate)</td>
</tr>
</tbody>
</table>

iii) average over the last 10 years:

<table>
<thead>
<tr>
<th>Cost in euro</th>
<th>as a percentage of operating cost</th>
</tr>
</thead>
</table>

Not possible to estimate (please elaborate) | Not possible to estimate (please elaborate)

Estimates above are related to OTC transaction reporting requirements n/a
Please indicate whether the above figures concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.).

The figures above are based our experience implementing EMIR reporting, and are drawn from the budget of our global team responsible for OTC derivative transaction reporting. We face OTC reporting obligations in many jurisdictions across our footprint and like many global banks we have centralised the implementation and management of these obligations, which makes it difficult to identify which funds are allocated to specific regulatory requirements in one jurisdiction or another. A significant portion of the resources used by this team over the past 5 years have been specifically targeted at compliance with the EMIR reporting obligation for OTC and ETD derivatives, which we have estimated in the table above.

While these figures are not substantial as a percentage of SCB’s total assets and overall cost base, they nevertheless represent a significant initial and ongoing cost in the context of the overall IT and operations budget, particularly when extrapolated across the many regulatory obligations we must build for within the EU and across our global footprint – including and beyond OTC reporting.

Finally, in order to be consistent, the numbers of FTEs we have provided below (in response to Question 2.8) also relate to this same global team responsible for OTC derivative transaction reporting only, and illustrate the human resource commitment required for only a single set of supervisory reporting requirements. Only a small number of these FTEs sit within our broader compliance function, and the figures include IT and operations specialists in addition to regulatory and compliance professionals.

2.6 Which reporting frameworks contribute the most to the cost of compliance with supervisory reporting requirements? Please indicate as many frameworks as necessary and explain your answer.

Please see our response to question 2.5. Our global footprint means that we generally organise and manage data for the purposes of compliance with supervisory reporting obligations on a centralised basis, and it is very difficult to split out cost-related figures for specific jurisdictions or obligations. In general, we consider the estimates given above with regards to EMIR reporting as accurate and indicative of the types of outlays we frequently commit to for reporting compliance purposes.

2.7 Does your entity deal with supervisory reporting directly in-house or has this task been outsourced to an external provider?

- o fully in-house
- o partially outsourced
- o fully outsourced

Please elaborate and, if possible, explain the reasons for your business choice.

In some instances, a cost-benefit analysis has led us to retain an external service provider to assist with certain elements of data capture, generation and processing, particularly where an appropriate off-the-shelf solution exists. We also consider the extent to which third parties are able to offer industry-wide solutions, which has been the case for the generation of certain harmonised data elements for MiFIR reporting. Finally, we note that reporting entities are required to contract with intermediaries for certain reporting obligations, including TRs and ARMs.
2.8 Please indicate the size of your entity’s department dealing with supervisory reporting:

i) in terms of the number of employees, indicated as full-time equivalents (FTE):

(a) at the end of 2016:
   o [number] FTEs: 35 (with regards to OTC transaction reporting only)
   o Not possible to estimate (please elaborate):

(b) In 2009:
   o [number] FTEs: 10 (with regards to OTC transaction reporting only)
   o Not possible to estimate (please elaborate):

ii) as a percentage of the compliance work force:

(a) at the end of 2016:
   o [number]%: less than 1%
   o Not possible to estimate (please elaborate):

(b) In 2009:
   o [number]%: less than 1%
   o Not possible to estimate (please elaborate):

iii) as a percentage of the total work force:

(a) at the end of 2016:
   o [number]% less than 1%
   o Not possible to estimate (please elaborate)

(b) In 2009:
   o [number]% less than 1%
   o Not possible to estimate (please elaborate):

Please indicate whether the above figures concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.).

See our response to Question 2.5

2.9 Have any of the EU level reporting frameworks brought (or partially brought) cost-saving benefits (e.g. simplified regulatory reporting, facilitated internal data management processes, improved risk management, increased operational efficiencies, etc.)?

   o Yes
   o No
   o Don’t know

If you answered ‘yes’, please indicate which frameworks, explain in what way they have contributed to cost-savings, and if possible quantify the savings (with respect to previous or other similar reporting frameworks).

As we noted in our responses to Questions 1.7 and 1.8, we generally welcome efforts to standardise reporting frameworks at the EU level. Standardisation can indeed lead to the cost savings described in this question, particularly where it is paired with helpful interpretive guidance, additional international standardisation, and an effort to align new obligations with existing ones.

For example, many of the reportable fields within SFTR are intended to overlap with existing fields that are already reported under EMIR and MiFIR, and SFTR allows firms to report via TRs that have been set up for EMIR reporting purposes, and are separately authorised under SFTR. While
SFTR remains a considerable implementation challenge, these overlaps will potentially allow for operational efficiencies and data management synergies – opportunities we and other firms are currently exploring. We note that SFTR intended to provide for these opportunities and we encourage the broader adoption of this type of approach.

As we have explained more generally in our response, however, we do not consider that EU level supervisory reporting on the whole is efficient, consistent, coherent, or harmonised. The obligations we face tend to result in duplicative costs rather than opportunities to realise efficiencies.
Section 3: Identifying possible ways to simplify and streamline supervisory reporting

Concerning the development of a common financial language (i.e. a set of harmonised definitions of the terms used in supervisory reporting):

3.1 Please indicate which of the following could reduce the compliance cost while maintaining a sufficient level of supervisory reporting to ensure that the intended objectives are achieved. Please select all relevant answers that apply.

<table>
<thead>
<tr>
<th>Reduction in the number of data elements</th>
<th>Short term</th>
<th>Long term</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>Clarification of the content of the data elements</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater alignment of reporting requirements</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater standardisation/use of international standards</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development of a common financial language</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ensuring interoperability between reporting frameworks and/or receiving/processing entities or supervisory authorities</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater use of ICT</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Greater automation of the reporting process</td>
<td>X</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other (please specify)</td>
<td>X</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Please elaborate, in particular explaining how you believe the answer(s) you selected could be achieved in practice.

Maximising alignment across reporting requirements is the most important step to reducing compliance costs, and it will determine whether the absolute number of reportable elements increases or decreases costs. New reporting requirements should be assessed against existing requirements to determine whether any new information will be reported, and avoided where the proposed requirement would be duplicative. If the new requirement goes ahead even where certain data elements are duplicative, the new requirement should be aligned with the existing requirement to the greatest extent possible, so that new systems and/or additional manual processes are not necessary – i.e., so that complying with the new requirement is effectively interoperable with an existing requirement for reporting firms.

Relatedly, the development of a common financial language, greater clarification of the content of data elements, and greater standardisation will all serve to reduce compliance costs while enhancing the quality and clarity of the data that is reported. We elaborate further on these points throughout section 3.

The use of ICT and/or automation to streamline reporting, and the development of new arrangements to ensure frameworks and/or receiving entities are interoperable, are both longer-term possibilities. We believe that they should be explored to the fullest by both regulators and firms, but that they are only realisable where a previous level of harmonisation and standardisation has been achieved.

As a result, we encourage a short to medium-term focus on the delivery of greater harmonisation and alignment across the reporting frameworks that are already in place, or are soon to be introduced.
Finally, the pace of regulatory changes and amendments relating to reporting represents a significant source of the costs of compliance. The frequency of changes and/or new obligations makes it difficult for firms to achieve economies of scale and invest in the systems that will streamline reporting. As detailed elsewhere in our response, it also makes it more difficult to achieve meaningful harmonisation and standardisation, as fields and data elements are constantly in flux. A pause in the pace of change is an important step to not only retaining but improving upon the data that is currently being reported.

3.2 To what extent would the development of a common financial language help reduce the compliance cost of supervisory reporting?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know

Please elaborate.

The development of a common financial language with standardised definitions and taxonomies is likely to reduce compliance costs. It will allow firms to take advantage of economies of scale in how we plan for and build complex systems to capture and then deliver data in the appropriate format.

The most significant proportion of the cost of complying with supervisory reporting requirements results from the need to build IT systems and/or deploy FTEs to comply with specific mandates across different regulations or jurisdictions. Frequently these mandates require firms to report the same data points in different formats, or to capture different data attributes or reference points to populate similar fields across templates. This results in duplicative investments in systems and/or personnel to manage these nuances and differences across frameworks.

We note that it is often not economical to build secondary automated systems that capture and report tailored versions of data that we are already capturing in existing systems – or to build automated systems in the first place, in the case of ad hoc reporting requests. Instead, we often rely on manual extraction and coding (or re-coding) of that data in order to tailor it to particular reporting requirements. The development of a common financial language would enable firms to invest in systems that can extract, aggregate, and retain the same data elements for multiple reporting purposes. Such a development would therefore reduce firms’ reliance on bespoke manual processes and on parallel sets of automated systems.

Finally, it is important that a common financial language is sufficiently prescriptive that it allows firms to move towards a common baseline, but not so inflexible that it means existing systems and processes are immediately abandoned. Our view is that this process should be evolutionary rather than a “big bang.” Firms have built reporting solutions that rely on particular electronic data interchange standards (such as ISO 20022, FIBO, FpML etc.) that have been appropriate to meet existing requirements. A common financial language should be developed in a way that promotes harmonisation where it is most useful without overriding these existing systems and investments – a balancing act that requires focused dialogue between industry and regulators.

3.3 To what extent would the development of a common financial language help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

- Very significantly
- Significantly
In addition to reducing the costs of capturing and reporting supervisory data, a common financial language and associated data dictionary can also help reduce the complexity of the systems and processes that are put in place to meet these obligations. The reduction of this complexity will subsequently reduce the operational risks of building and maintaining multiple overlapping processes that rely on a combination of automated and manual process.

There is always a level of aggregation and standardisation of data that must take place within reporting entities before it is reported, as “raw data” is rarely fit for purpose. With a common financial language, firms would be able to move more readily towards the maintenance of a single data store containing potentially-reportable data in a less “raw” state. This would simplify the technical and manual systems involved in this aggregation and standardisation exercise, and simplify the governance of this process within the organisation.

### 3.4 Are there any prerequisites for the development of a common financial language?

- **Yes**
- **No**
- **Don't know**

**If you answered ‘yes’, please elaborate and provide specific examples.**

The most important condition for a financial language to be effective, and for cost savings to be realised, is a pause in the pace of change relating to reporting obligations. It is critical that both existing and new reporting obligations make use of harmonised definitions and avoid introducing new ones. Absent a reduction in the pace with which new obligations, taxonomies, definitions, or templates are delivered to the market, it is difficult to see how a common financial language can be meaningfully achieved – either with regards to existing or upcoming reporting requirements.

For a recent example of new regulations leading to definitional conflicts with existing regulations, we point to the “venue of execution” field under both EMIR and MiFIR reporting, which now includes systematic internalisers (SI) for the purposes of MiFIR reporting but excludes SIs for the purposes of EMIR reporting. This difference reflects the types of execution venues that are covered by these respective regulations, but it has also required that we build a secondary system that filters out this SI data for certain transaction reports, but not others. As this example shows, we are frequently unable to leverage existing systems, resources, or infrastructure to comply with new or additional requirements, and instead we need to build a second set of system capabilities. A higher order agreement on what constitutes a “venue of execution” across regulations would allow this data point to be captured a single time, rather than multiple times for different regulations.

In order for a financial language to be effective, we encourage regulators to develop harmonised definitions in close conjunction with industry stakeholders. Individuals with expert knowledge regarding the technical content of reported data know how firms have interpreted specific data elements that are already reported – i.e., what technical and/or practical considerations are relevant and would be useful for regulators to understand as they develop a harmonised framework. Engaging with industry stakeholders will also allow regulators to determine where more granular definitions are needed (i.e., nuanced definitions narrowing the scope for interpretation or confusion) and where high-level definitions would be more practical and achieve the same outcomes (i.e., allowing for differences in firms’ commercial activities, legal frameworks, or capacity to deliver certain data elements). Too granular and prescriptive a common financial language – i.e., one that
mandates the programming language or interchange standards – could create an additional layer of requirements and lead to the overhaul of existing systems, rather than simplify existing requirements.

Relatively, and in the shorter term, we see a need for deeper dialogue between reporting firms and supervisors regarding reporting obligations. We recommend the development of purpose-built communication channels through which firms can more readily ask regulators not only how they want specific fields filled in, but also what they intend to do with that data. Through such channels, firms could make recommendations regarding the most relevant elements to report, and would in return have clarity from regulators regarding the interpretations, definitions, and controls that are appropriate. As it stands, it is very difficult for reporting entities to apply risk principles to the standards and controls that we implement, because the use and value of certain data items and attributes is not apparent. At the same time, the process for receiving interpretive guidance – i.e., Level 3 Q&A and similar publications from ESMA and the EBA – can take many months, and firms may be forced to make interpretive choices that could be undone later, and that can lead to multiple interpretations being settled on across the industry.

In short, in the likely absence of a near-term harmonised set of definitions, we recommend establishing mechanisms of engagement across multiple supervisory bodies and industry stakeholders that can proactively drive towards shared understandings without relying on formally harmonised definitions. Where feasible, regulators should also explore deepening their existing cross-border cooperation arrangements and forums, and bringing industry stakeholders together at a global level more often.

3.5 Are there any obstacles to the development of a common financial language in the short term (i.e. 2 years or less)?

- Yes
- No
- Don't know

If you answered ‘yes’, please elaborate and provide specific examples.

Firms have sunk considerable costs into complying with reporting requirements and it is important that these investments are protected, or at least not duplicated, to the extent possible. Harmonising the definition of reporting terminology is likely to generate efficiencies (per our answer to 3.2); however, changes to reporting requirements themselves will also result in firms being forced to rebuild legacy systems. While there are no firm obstacles to regulators and the industry jointly undertaking the work of developing a common financial language, it is important that the development of a common financial language allows firms to make use of existing systems and leverage their existing capabilities. A standardisation effort of this sort should not result in a de facto obligation to meet a new set of requirements that simply add to, rather than complement, existing investments – new costs would present significant implementation obstacles. If common definitions present a costly rebuild this will result in delays and will limit the effectiveness and uptake of any changes.

As described in our answer to 3.4, we believe it would be helpful for regulators to engage closely and regularly with industry stakeholders to understand where and how harmonisation would be effective – and where, conversely, it would lead to new overlays (i.e., new systems requirements and investments) on existing requirements.
Concerning interoperability between reporting frameworks (i.e. alignment/harmonisation of the reporting requirements) and/or receiving entities (i.e. the ability of entities receiving supervisory data to share it amongst themselves in such a way that it remains legible):

3.6 To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help reduce the compliance cost of supervisory reporting?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know

Please elaborate.

Interoperability between frameworks can reduce reconciliation efforts and would potentially reduce the absolute volume of reported data. That said, interoperability is only feasible where a significant degree of harmonisation of the definitions and data requirements across those frameworks has been previously achieved.

In a truly interoperable reporting environment, firms would only need to capture data a single time, for multiple reporting purposes. This would reduce reliance on secondary automated systems or manual processes to extract and/or enhance data that has already captured, and as a result we would expect a significant reduction in compliance costs, per our answer to Question 3.2.

Interoperability between receiving entities (as opposed to between reporting frameworks) would reduce costs, as it would likely lead to a reduction in the number of separate reports that must be submitted, and reporting lines that must be maintained. This would lead to a reduction in the number of systems that reporting firms need to develop and maintain to provide data to regulators and/or commercial intermediaries, such as TRs. A reduction in these channels would potentially generate significant cost savings, although the realisation of those savings depends on the nature of the alternative receiving entity(ies) and the costs of connecting. A private monopoly, for instance, would not necessarily reduce the commercial impact, even if some of the administrative burden was simplified by a single point-of-entry for reporting purposes. Furthermore, where interoperability between receiving entities is introduced without prior harmonisation, it would likely introduce considerable new frictional costs related to validation and reconciliation exercises.

3.7 To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know

Please elaborate.

Per our answer to question 3.3, we believe that interoperability between frameworks is predicated on a significant degree of prior harmonisation, and as a result we expect the same benefits in the form of reduced operational risk, as well as streamlined governance and accountability within firms. The volume of work involved in data management and control will be reduced.
Similarly, a reduction in the number of receiving entities would simplify the administrative and technical burden of managing information systems connected to supervisors and/or commercial intermediaries we report to. Even where the absolute number of receiving entities is not reduced, we expect that supervisors receiving data that has been subject to standardisation and/or harmonisation will also see benefits, in terms of being able to make prompt and efficient use of that data.

3.8 Are there any prerequisites for introducing greater interoperability between reporting frameworks and/or receiving entities?

- Yes
- No
- Don't know

If you answered 'yes', please elaborate and provide specific examples.

As described above, effective interoperability across regulatory reporting frameworks is not feasible without a significant prior effort to harmonise the reported data required by those frameworks. This harmonisation should be a priority undertaking, in order to reduce the costs of compliance and to ensure that supervisors can make prompt and effective use of the data they receive. A granular, systematic review by regulators to determine the extent to which reported data elements may be harmonised is therefore an important first step.

Interoperability between receiving entities is only partly dependent on the prior harmonisation of frameworks, although it remains important to avoid frictional costs related to data reconciliation. It would also necessarily require a process of dialogue and discussion among regulators, supervisory bodies, and political institutions. A maximal outcome to such negotiations could result in a single, or small set of supervisory authorities and/or private receiving entities. As described above, such an outcome could provide significant cost savings to firms connecting to receiving entities, both within the EU and on a cross-border basis.

We are mindful, however, of the tentative conclusions reached by the Financial Stability Board’s (FSB) Aggregation Feasibility Study Group, in its consultative processes regarding the cross-border aggregation of OTC derivatives data. The FSB has identified ongoing challenges impeding greater aggregation due to legal and regulatory barriers to data sharing. Given this context, it is important that interoperability between frameworks is not abandoned even if data sharing agreements cannot be negotiated between regulators in the near term. The ability of firms to capture and report single points of data across multiple frameworks is still a worthwhile goal.

SCB therefore encourages a focus on harmonisation at the “front end” – i.e., harmonisation in the data that is reported – as a priority matter, including efforts to achieve this harmonisation on a cross-border basis. Efforts to resolve longer-standing issues regarding information-sharing and data aggregation between regulators and across jurisdictions remain important, but should not override efforts to harmonise data standards themselves.

3.9 Are there any obstacles to introducing greater interoperability between reporting frameworks and/or receiving entities in the short term (i.e. 2 years or less)?

- Yes
- No
- Don't know

If you answered ‘yes’, please elaborate and provide specific examples.
In the absence of harmonised definitions, reporting formats, templates and taxonomies across reporting frameworks, it is difficult to see how regulators could share that information in a way that is legible to all parties, either in terms of being machine-readable, or even easy to understand from the perspective of an individual attempting to read or compare reports. The lack of harmonisation in what firms report, and how they report it is a significant impediment to overall interoperability and should be addressed with some urgency.

Secondary obstacles also exist, including: the investments that firms and regulators have made into existing systems, and the time it takes to change those systems; contractual commitments that firms have made to intermediaries that may limit the ability to change reporting arrangements in the short term; and, legal barriers that prohibit or at least inhibit data sharing across institutions and jurisdictions.

Considering these issues, a near-term focus on improving the interoperability of regulatory frameworks via the harmonisation of reported data elements will yield the most immediate results.

Finally, it is important that the introduction of any interoperability arrangements are accompanied by an effort to review existing reporting obligations and, where appropriate, put an end to obligations where they become redundant. In the absence of such a formal review, an interoperability arrangement will only add to the overall workload facing both reporting and receiving entities.
Concerning greater use of ICT in supervisory reporting:

3.10 To what extent would greater use of ICT help reduce the compliance cost of supervisory reporting?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know

Please elaborate.

The greater use of ICT reduces compliance costs where it can be deployed efficiently. ICT investments are generally costly and resource-intensive. Multiple overlapping or sequential ICT implementation projects will, in fact, result in higher costs.

To a significant extent firms’ ability to implement new ICT systems efficiently is dependent on effective in-house management and strategic planning. In general, however, ICT investments only lead to lower (and not greater) costs over the long term where the technological solution can replace existing manual processes and/or consolidate multiple existing processes, rather than sit alongside those processes. This allows firms to deploy technological solutions strategically across multiple requirements. The consolidation of existing reporting frameworks and the harmonisation of those requirements is therefore a precondition for ICT reducing compliance costs.

3.11 To what extent would greater use of ICT help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know

Please elaborate.

At present, it is common for supervisors to require reporting in formats that do not make full use of potential ICT solutions – for instance, reporting via spreadsheets overlaid with complex macros. The manual extraction effort involved in populating such templates is prone to standard human errors such as fat fingering and other data entry mistakes. Furthermore, both replication and recordkeeping over several iterations of a reporting requirement are made more difficult by reliance on manual methods of extraction and delivery. It is better to be able to use technological solutions that can repeatedly extract and then store the same data each time.

3.12 Are there any prerequisites for the greater use of ICT in supervisory reporting?

- Yes
- No
- Don't know

If you answered ‘yes’, please elaborate and provide specific examples.
As noted in our response to 3.10, economies of scale are necessary for firms to be able to make strategic investments to reduce the cost of our reporting activities – which requires a prior level of harmonisation across those activities as a precondition.

Aside from undertaking an effort to achieve greater harmonisation, regulators and supervisors should also review the extent to which they coordinate with and consult their own specialists on ICT, as well as third party specialists, as they develop new reporting requirements. As recently as the transitional provisions relating to IFRS 9 reporting, new reporting obligations have been introduced that require manual information extraction and delivery via spreadsheet. It is worth exploring whether a more efficient ICT solution is available for some of these reporting requirements, as it is very difficult to systematise such manual processes. Even new requirements that do make use of expensive automated systems are designed in such a way that firms’ ability to use the latest in ICT is limited – for example, the reporting infrastructure in MiFIR is very similar in its use of technology and methodology to the Investment Services Directive from 1993. We therefore encourage regulators to consider the availability and feasibility of such solutions when developing reporting requirements, as a standard part of the policy making process. This entails developing both the requirement and the technological solution for complying with that requirement simultaneously, rather than sequentially. As it stands, the sequential approach often leads to costly and complex efforts by both reporting firms and receiving entities to achieve just-in-time levels of compliance, rather than building reliable long-term ICT solutions. It also leads to differing interpretations between firms, which erodes the value of standardised reporting requirements.

3.13 Are there any obstacles to the greater use of ICT in supervisory reporting in the short term (i.e. 2 years or less)?

- Yes
- No
- Don’t know

If you answered ‘yes’, please elaborate and provide specific examples.

Certain regulatory requirements that are ancillary to reporting obligations can present significant challenges to firms attempting to deploy strategic, cost-effective ICT solutions. For instance, strict data protection requirements and legal obstacles to sharing data across borders can result in a complicated system of flags, checks, and masks on reported data. The legal and operational risks associated with ICT projects are also significant where there are ancillary obligations related to the storage and sharing of data. This increases the complexity and cost of building new systems, which is particularly true where new obligations – such data protection requirements, but not limited to those – emerge in the middle of efforts to build reporting solutions. These mid-project regulatory developments can lead to new budgetary requirements and last-minute system adjustments.

SCB supports higher data protection standards, but we believe regulators should be aware that regulations other than reporting requirements can introduce complexities into the industry’s efforts to comply with reporting obligations.
Concerning greater automation of the reporting process:

3.14 To what extent would greater automation of the reporting process help reduce the compliance cost supervisory reporting?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know

Please elaborate.

See our responses to Questions 3.2, 3.6, and 3.10. A reduction in the use of manual processes presents opportunities to realise significant cost savings; however, given the resource-intensity of deploying new technological solutions, certain preconditions relating to harmonisation must be met, as detailed in those responses.

3.15 To what extent would greater automation of the reporting process help improve the management (i.e. reporting and/or processing) of supervisory data required to be reported?

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know

Please elaborate.

See our responses to Questions 3.3, 3.7, and 3.11.

3.16 Are there any prerequisites for a greater automation of supervisory reporting?

- Yes
- No
- Don't know

If you answered ‘yes’, please elaborate and provide specific examples.

An increasing number of third party vendors are offering automated reported solutions to firms. While these solutions are often effective, there are important questions regarding whether the current regulatory and legal environment fully supports the use of these third parties. Firms’ continued liability for data that is reported through or via third parties can discourage the use of off-the-shelf solutions, as the subsequently legal, compliance and operational risk concerns are often too great. There may be scope for regulators to consider whether closer regulation of vendors is necessary given the potential benefits of off-the-shelf options.

Additionally, regulators could consider the potential for regulated industry utilities to play a greater part in the reporting landscape. The process and governance of standard-setting activity in a reporting framework could be undertaken by a regulated entity (which may or may not also be the receiving entity) that is subject to roles and responsibilities that are defined in regulation. In such a scenario, there will be strong incentives for the industry to coalesce around such a regulated entity, to first build a single rules engine and then deploy the resources to develop the necessary systems.
In the absence of such industry-wide solutions – i.e., if firms decide whether or not to automate on a unilateral, in-house basis – then the prerequisites identified elsewhere in this response remain relevant. It is important that the pace of change be slowed, and that harmonisation efforts bear results, so that firms can make cost-intensive commitments to building automated reporting architecture.

3.17 Are there any obstacles to a greater automation of supervisory reporting in the short term (i.e. 2 years or less)?

- Yes
- No
- Don't know

If you answered ‘yes’, please elaborate and provide specific examples.

See our responses to Questions 3.5, 3.9, and 3.13.

3.18 What role can EU regulators play in facilitating or stimulating greater use of ICT in supervisory reporting?

- Crucial role
- Important role
- Moderate role
- Limited role
- No role
- Don't know

Please elaborate and provide specific examples of where and how you believe EU regulators could help.

We have identified several steps that regulators can take to facilitate the greater use of ICT and automation in reporting.

To summarise:

- Undertake a granular, dedicated review of reporting requirements, in coordination with industry stakeholders, to assess the opportunities for harmonisation of key terms, standardisation of data elements, and elimination of duplicative requirements;

- Pause the pace of regulatory change so firms can make strategic and long-term investments, rather than tactical one-off investments in reporting systems and manual capacity;

- Coordinate on an international basis so that definitions and standards are applicable in multiple jurisdictions, which may include the greater use of international standards and taxonomies;

- Continue to develop purpose-built communication channels (including stakeholder or expert groups around specific reporting requirements), so that firms and regulators can communicate on an ongoing basis and come to shared understandings of what is to be reported;

- Work with ICT experts while developing policy, so that any new reporting obligations are developed in tandem with any technological solutions that are appropriate and practical; and
• Assess the potential role of regulated industry utilities.

3.19 What role can EU regulators play in facilitating or stimulating greater automation of the reporting process?

   o Crucial role
   o Important role
   o Moderate role
   o Limited role
   o No role
   o Don't know

Please elaborate and provide specific examples of where and how you believe EU regulators could help.

See our response to Question 3.18.

3.20 What else could be done to simplify supervisory reporting while ensuring that regulated entities continue to fulfil their supervisory reporting requirements?

We do not have additional recommendations.

3.21 Can you provide any practical example of improvements to data management processes that could be applied to supervisory reporting with a view to reducing the compliance cost and/or improving the management of supervisory reporting?

   o Yes
   o No

If you answered 'yes', please specify and explain your suggestions.

From our experience, the key to improved management and reduced costs relating to supervisory reporting lies in broad data quality management policies, and specific reference data management practices. The effectiveness of these controls is connected to the regulatory framework within which they are applied – i.e., they are more effective as the degree of harmonisation across frameworks increases.

Reference data management entails the maintenance of a single golden source of data that is used throughout an entire organisation, from data capture in transaction processing systems right through to reporting applications. This data includes country codes, currency codes, exchange rates for internal and external reporting, product codes, legal entity details, and market data (e.g., ISIN, credit risk grades, etc.). A sound reference data management system can minimise data quality issues arising from non-standardisation; however, it is less costly to maintain and has a broader range of applicability where codes and valuations are standardised across reporting frameworks.

More broadly, a data quality management policy provides an organisation-wide set of data quality principles, while articulating data ownership, responsibilities, and accountabilities relating to data domain owners, custodians, providers, and consumers. Such a policy ensures that data documentation, assurance, and governance are in place. These processes improve the quality of reported data and ensure governance and accountability is understood across the organisation. As we have articulated elsewhere in this response (see our responses to questions 3.3, 3.7, 3.11, and 3.15), such a policy and its implementation can be streamlined where reporting requirements are simplified via greater harmonisation, automation, and greater interoperability.