BCE et Reporting : Comment « faciliter » ?
avec Jean-Marc Israël

Paris, le 17 mars 2016

**Développer et promouvoir une « smart regulation »
à travers l'échange entre régulateurs et régulés**

Prochains évènements

Matinale – BCE et Reporting : Comment « faciliter » ? avec Jean-Marc Israël	**17 mars 2016** **Paris**
Atelier – Risk Appetite : vers une stratégie et un déploiement efficaces	**24 mars 2016** **Paris**
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Jean-Marc Israël

Head of Division
Monetary and Financial Statistics

Banks' Integrated Reporting Dictionary (BIRD) and European Reporting Framework (ERF): Where are we going?

Matinale de l'EIFR

17 March 2016

Overview

The presentation intends to open the discussion in

- Clarifying definitions, and

- Ongoing actions

- Putting actions in perspective with broad objectives

It reflects the views of the presenter

not necessarily those of the ECB

Overview

1	Introduction
2	**BIRD -** Banks' Integrated Reporting Dictionary
3	ERF - European Reporting Framework
4	BIRD for AnaCredit
5	Standardisation

G.R.I.S.S. - Final Report

Recommendation No 4
Development of a European "input approach"

Recognising the potential benefits of a European "input approach", GRISS recommends that the SDD Expert Group (or a sub-group thereof) collaborate with the ECB in developing the Banking Data Dictionary (BDD). The BDD will contain a logical description of the source data and of the transformation rules a bank might use to fulfil the reporting requirements of the authorities.

Data transformation process

Reporting obligations for banks

Input approach and
Banks' Integrated Reporting Dictionary

INPUT APPROACH

The input approach is a model for organising in an integrated way the reporting production process within the banks, facilitating also a standardisation of elaboration rules

BANKS' INTEGRATED REPORTING DICTIONARY (B.I.R.D.)

The BIRD is a logical description of the data and the transformation rules which banks may implement in their own system to fulfil the reporting requirements of the authorities

Banks' processes to produce reports

NON-INTEGRATED APPROACH

System 1 → → **Report A**

System 2 → → **Report B**

Reporting applications

.... **...............**
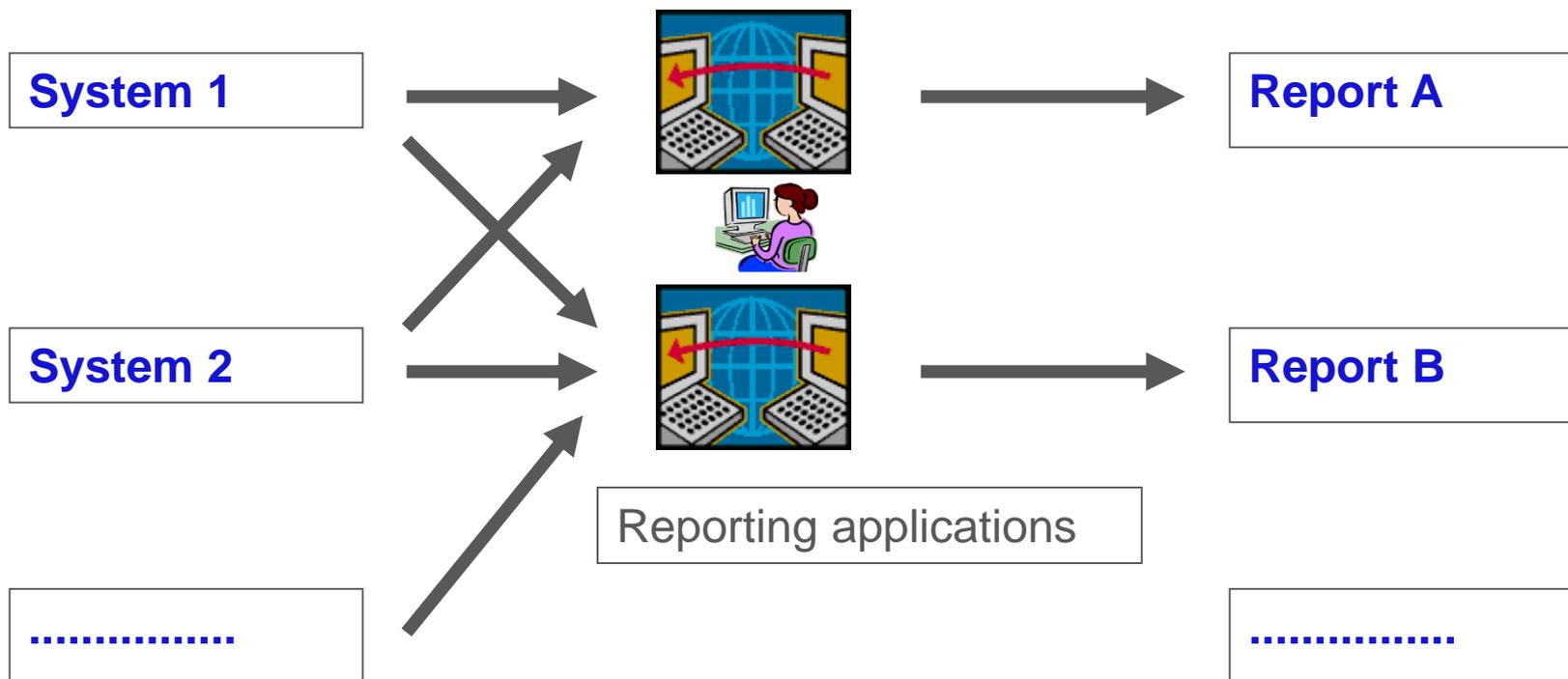
Banks' processes to produce reports

INTEGRATED APPROACH
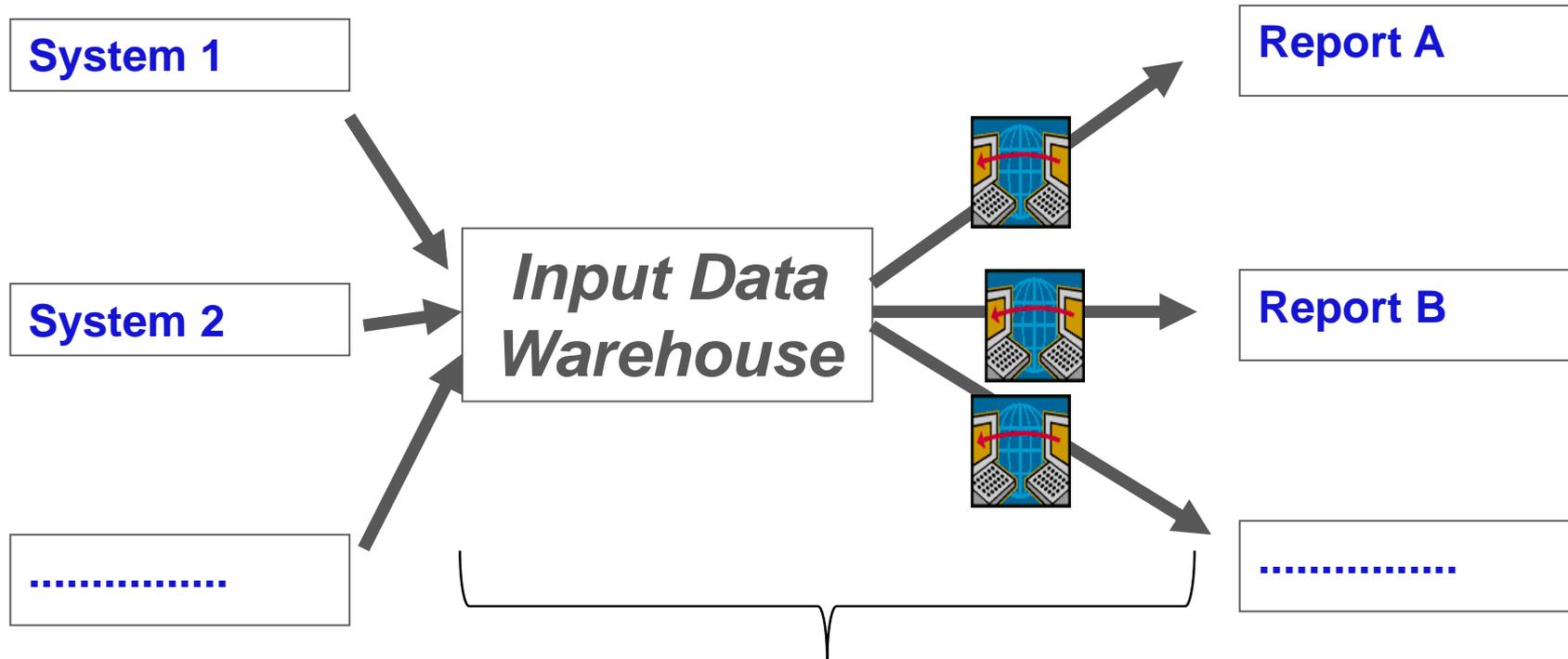
Defined by banks and authorities in cooperation

↓
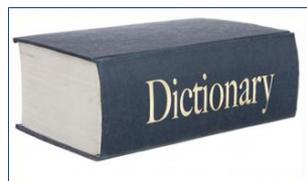
BIRD

BIRD features
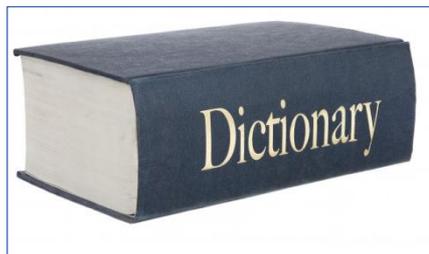
- **precise description of the input data to be extracted from banks' internal IT systems; and**

- **data transformations needed to derive the reports requested by authorities**

✓	Carried out and maintained by banks and authorities in close cooperation	**BIRD key facts**
✓	It will be available, as a "public good", to banks and all interested parties	
✓	Its adoption is voluntary	

BIRD advantages

For the banking industry

- **Data consistency:**
  integrated production of different reports

- **Univocal interpretation of requirements**

- **Facilitates IT solutions for reporting:**
  automated data processing from banks' internal systems to the authorities

- **Contained reporting burden:**
  some activities are performed centrally

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BIRD advantages

For the authorities

- **Data quality:**

    - more harmonised data at the banking system level

    - ease to detect and correct mistakes

- **Flexibility**: quickness to satisfy new reporting requirements

BIRD components

Input layer

- It is a very granular database containing micro-data that describe the banking business

- Input information is not redundant and is at least that necessary to fulfil reporting obligations

Transformations

- The BIRD manages most transformations (checks, aggregations, complex calculations, etc.)

- It gives a unique interpretation of reporting rules

Output layer

- The output layer is in the BIRD, and also defined in the regulations

State of play

Collaboration model:

- **ECB** plays leading role: it proposes the methodology, organises activities, moderates the discussions, maintains the data dictionary

- **NCBs/NCAs:** participate on a voluntary basis (currently 7) & promote the initiative at national level

- **Commercial banks:** they participate on a voluntary basis (currently 26)

Goals:

- **Short-term goal: BIRD for AnaCredit**

- **Long-term goal: steady state solution to cover all reporting frameworks**

Participants

- **ECB**: BIRD team + 1 of AnaCredit team

- **7 NCBs**: Austria, France, Germany, Ireland, Italy, Netherlands, Spain

- **26 commercial banks**:

  - ✓ *5 from Italy and Spain*

  - ✓ *4 from Ireland and Netherlands*

  - ✓ *3 from France and Germany*

  - ✓ *2 from Austria*

Three key elements
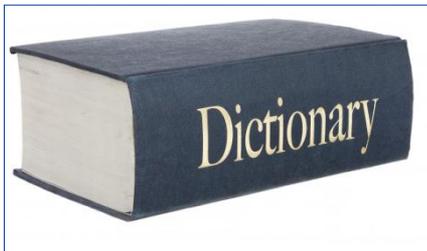
Banks' Integrated Reporting Dictionary (BIRD)

Common language **with the industry**

Logical description of data at the banks and transformation rules to produce existing reports

ECB Single Data Dictionary (SDD)

Common language **within the ECB**

Methodological and semantic integration of existing European reporting frameworks

European Reporting Framework (ERF)

"One report" replacing the multiple, overlapping reports
Vision: single and integrated ERF for the ECB and EBA (ITS)

The Role of BIRD, ERF and SDD
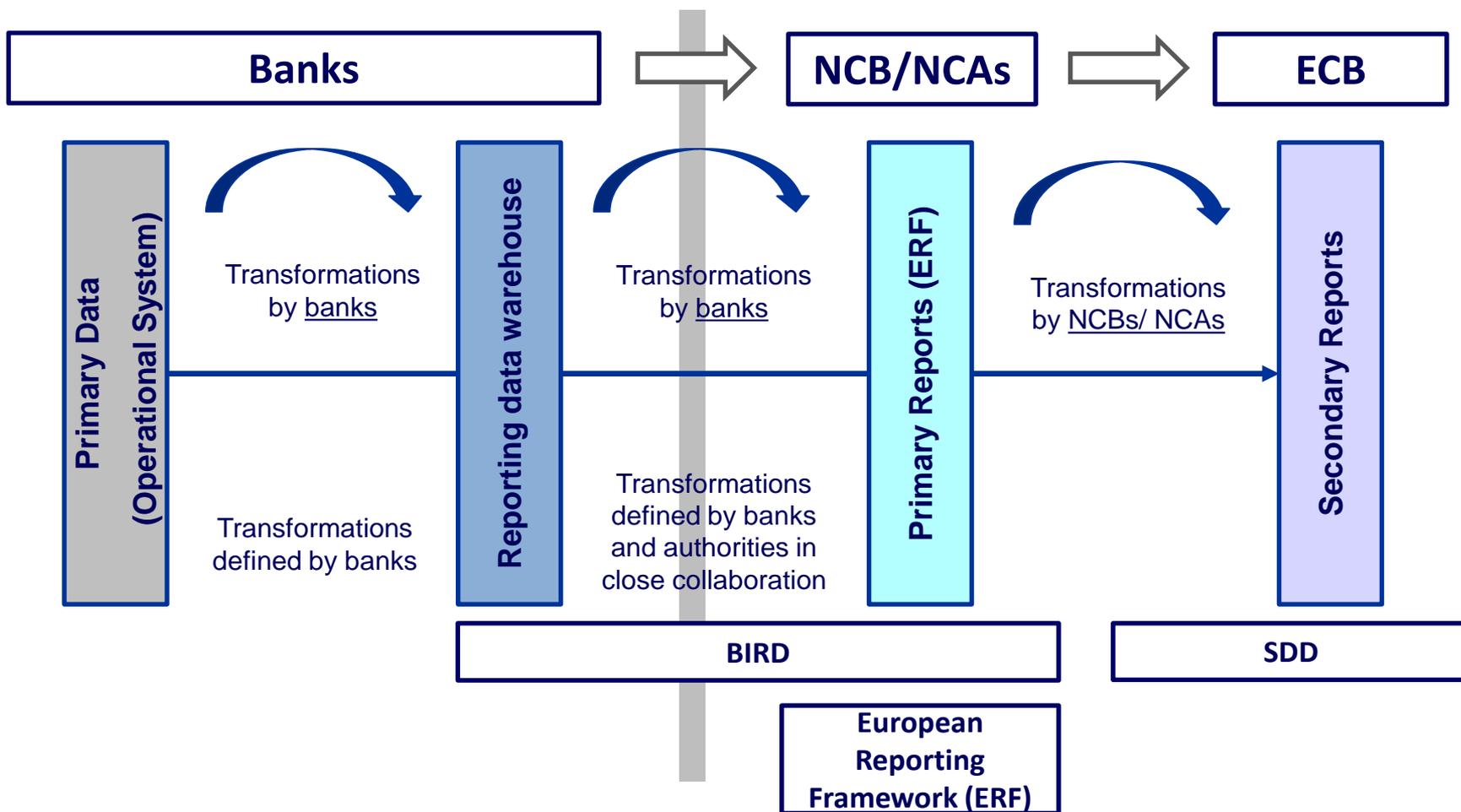
Banks ⇨ **NCB/NCAs** ⇨ **ECB**

Primary Data (Operational System) → Transformations by banks → **Reporting data warehouse** → Transformations by banks → **Primary Reports (ERF)** → Transformations by NCBs/ NCAs → **Secondary Reports**

Transformations defined by banks

Transformations defined by banks and authorities in close collaboration

BIRD

SDD

European Reporting Framework (ERF)

Overview

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3	**ERF - European Reporting Framework**
4	BIRD for AnaCredit
5	Standardisation

What is meant?

Integrated and harmonised cross-county reporting scheme for banks, covering most reporting requirements of ECB and EBA

✓ Best practice for collecting banks' data for different purposes, avoiding duplication across various reports

✓ Basis for harmonised production of secondary statistics via unique transformation rules

✓ Project in its early stages: design, adoption and timeline of eventual implementation are "work in progress"

✓ ERF key facts and information (June 2015) available at:
http://www.ecb.europa.eu/pub/pdf/other/europeanreportingframeworkkeyfactsandinformation062015.en.pdf

ERF key facts

Envisaged application to AnaCredit project
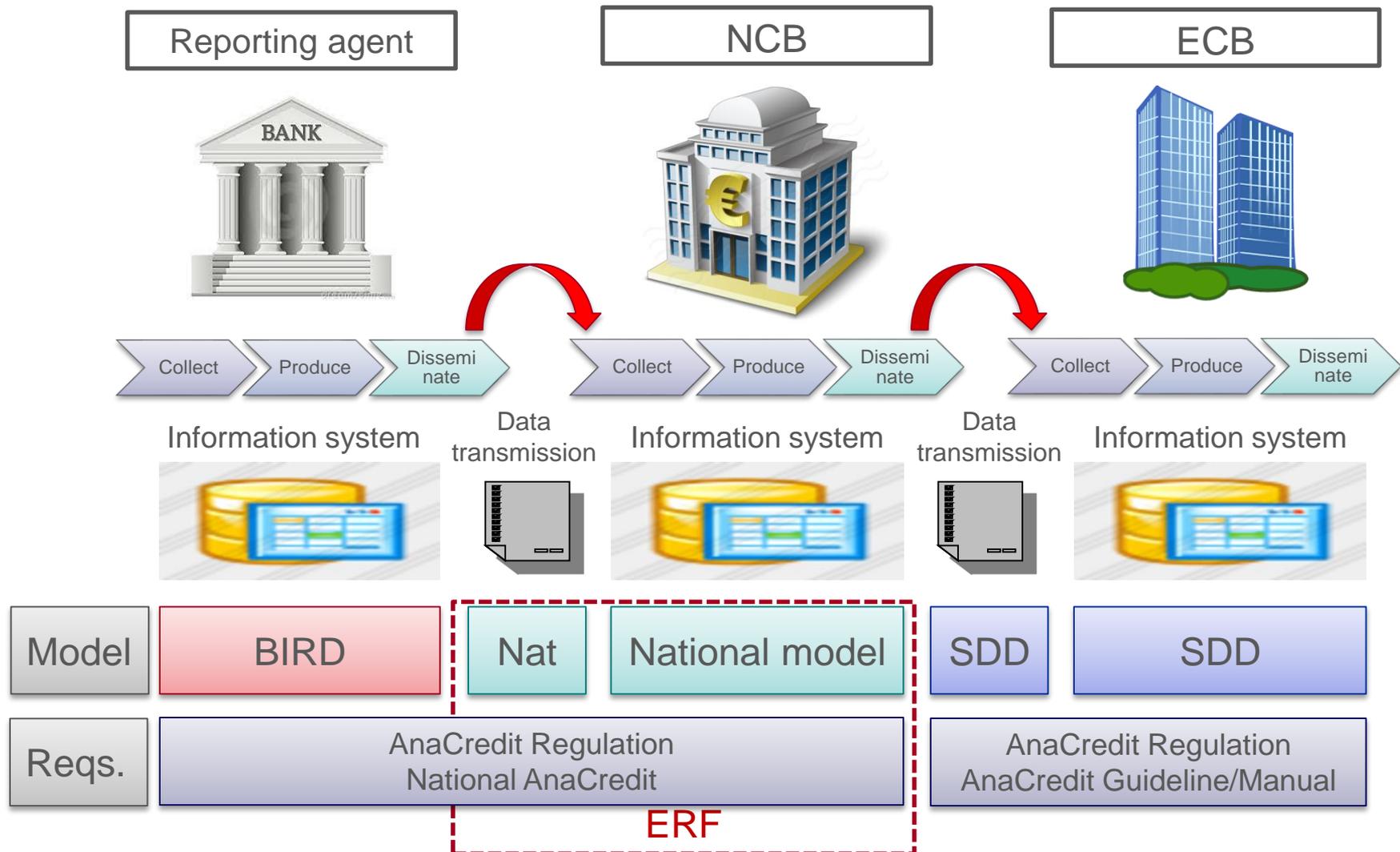
Reporting agent	NCB	ECB

Collect → Produce → Disseminate   Collect → Produce → Disseminate   Collect → Produce → Disseminate

Information system	Data transmission	Information system	Data transmission	Information system

Model	BIRD	Nat	National model	SDD	SDD
Reqs.	AnaCredit Regulation National AnaCredit			AnaCredit Regulation AnaCredit Guideline/Manual	

ERF

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Analytical Credit Dataset (AnaCredit)

Multipurpose set of harmonised granular data on credit and credit risk [*under development*]

- **When?** to be implemented in a stepwise approach; the first stage (tentatively) introduced in 2018

- **What?** bank loans (and guarantees) to legal entities above €25,000 e.g. *non-financial corporations* (<u>not</u> households, at least in the first stage!)

- **Who?** all banks in the euro area

- **For whom?** central banking purposes e.g. monetary policy, risk management, macro prudential supervision… and statistics

- **Legal basis?** ECB regulation in preparation

Work organisation

Subgroups

Composed with representatives of 7 NCBs, 26 banks and the ECB

1 – Basic content for loans (including an input list of instruments)

2 – Basic content for counterparties (including an input list of institutional sectors)

3 – Collaterals and guarantees (including an input list of collaterals/guarantees)

4 – Accounting area

5 – Credit quality

6 – Securitisations and recognition/derecognition

Collaboration tools

- Wiki

- Web conferences

- Plenary meetings

Tentative plan for 2016

Release of BIRD documentation

April	First draft version	Basic content of the input layer for loans, counterparties and collaterals/guarantees.
July	Second draft version	Input information concerning accounting variables and credit quality.
October	Third draft version	Input information concerning securitisations and recognition/derecognition; transformations.
December	Complete version	Including final transformations to AnaCredit output.

Documentation tools

Public wiki:

- accessible to all
- link from ECB website

Database:

- it describes the BIRD more formally
- it is included in the wiki

BIRD and AnaCredit Manual

BIRD

- formal description of the input layer and transformation rules
- the output layer is given, but interpretation of the regulation can be problematic

AnaCredit Manual

- helps clarify reporting (output) requirements
- can take from the BIRD work some hints:
  - *topics that need clarifications*
  - *specific questions*
  - *concrete cases/example*s

Some interpretation problems:

- ✓ credit facilities referred to two or more types of instrument
- ✓ convenience credit and extended credit originating from the same credit card
- ✓ instruments involved in securitisations
- ✓ ……

Overview

- For the Money Market Statistical Reporting (MMSR) both the Reporting Instructions and the XML messages have been developed to be fully ISO 20022 standard compliant

- MMSR messages went through an ISO approval procedure and have been approved *in January 2016* for being officially and globally recognised

- **Harmonisation** based on market standards:

    − fosters automation of the reporting

    − further clarifies the reporting framework and improves the data quality

    − eases the reporting burden

- **Possibility to make ISO 20022 *the* standard**

- **Bank of England** decided to use the same messages for its new data collection **Sterling Money Market Daily (SMMD)**

  - ISO approved reporting and status messages will therefore be used for both the MMSR and the SMMD

- **ESMA** (*28 September 2015*):

  - Recommendation on MIFIR/MIFID technical standards, concluding that ISO 20022 using XML schemas is the best reporting format

  - "Transactions and instrument reference data should be reported in a common XML format and in accordance with ISO 20022 methodology"

- **SIBOS** (October 2015): in a panel discussion, Deutsche Bank and Rosswift Russia stressed the benefits, for banks operating on an international basis, if ISO 20022 is adopted by as many jurisdictions as possible

- *Work on data dictionaries is key*: a better understanding of market practices by regulators and supervisors and a business-friendly presentation of the requirements for statistical data by regulators is seminal and a win-win

- Standardisation, as done with ISO 20022 for MMSR, helps minimise costs by ensuring *better communication* and *re-usability* of data and processes

- *A European reporting framework is an ambitious objective*

    - Numerous prerequisites

    - Need for clear objectives and stage-in approach

    - Convergence over time

    - Is this manageable?

Thank you!

Questions?

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