

Occasional Paper Series

Paolo Poloni The evolution of the supervisory reporting framework for the EU banking sector



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Abstract¹

Supervisory data are typically not conceived for statistical purposes or considered "official statistics", but they are disclosed to the public, either directly by the supervised institutions or indirectly by the competent authorities. This disclosure is required under Pillar 3 of the Basel framework on banking supervision. The aim of the framework is to promote market discipline, whereby market participants monitor the risks and financial positions of banks and take action to guide, limit and price their risk-taking to safeguard financial stability. The disclosure of supervisory data is therefore a public good. In addition, supervisory data can be a reliable source for official statistics such as financial accounts. On the other hand, the nature of supervisory data differs from that of standard official statistics and its quality is subject to a robust assessment framework, with distinct particularities.

The aim of this paper is to analyse the EU supervisory reporting framework from an institutional and policy perspective, in view of its potential and desirable evolution over time, including its possible integration with the statistical framework.

The paper is split into three main parts. First, it describes the historical and current EU institutional settings, including the role of the European Banking Authority (EBA) reporting framework and the role of the Single Supervisory Mechanism (SSM), focusing on the data quality assessment framework and the publication of supervisory statistics. Current shortcomings are also analysed.

In the next section, the paper describes the possible future evolution of the framework, based mainly on three recent developments: (i) the recommendations of the EBA feasibility study on integrated reporting (common data dictionary, joint governance, central data collection point), (ii) the European Commission's strategy on supervisory data in EU financial services, and (iii) the "better data sharing" legislative initiative, proposed by the European Commission and elaborated on by the European Parliament.

Finally, the paper proposes several design choices and policy principles that could inspire such evolution under certain constraints and at low cost. The focus is on the application of the Basel Committee on Banking Supervision (BCBS) 239 principles for supervisory reporting, the interlinkages between supervisory reporting and Pillar 3 disclosure, compliance with BCBS Core Principle 10 (CP 10) on supervisory reporting and the management of ad hoc reporting requirements.

Keywords: supervisory reporting, Pillar 3, data integration, reporting policy, data quality

JEL classification: C81, G21, G28, G38

¹ A preliminary version of this paper was presented at session 6 of the 11th European Conference on Quality in Official Statistics held in Estoril on 4-7 June 2024.

Non-technical summary

This paper examines the role of supervisory data in the banking sector as a public good and the potential room for improvement. Supervisory reporting would benefit from institutional enhancements such as greater integration with other reporting requirements for statistical purposes. Some steps towards data integration have already been taken but further progress is necessary.

The paper identifies several shortcomings in the institutional and practical settings: (i) supervisors tend to maintain ad hoc reporting requirements detached from the EBA's harmonised supervisory reporting framework, (ii) data sharing between central banking and supervisory business areas is cumbersome, (iii) access to and usage of the main loan-level database in the euro area is limited for supervisory purposes, (iv) banks' public disclosures are difficult to extract and to compare and may not match data reported to the authorities, (v) misalignment between supervisory reporting and public disclosure leads to unnecessary ad hoc data requests, and (vi) there is no common data dictionary covering all statistical and supervisory data concepts and definitions.

Recent developments have addressed some of these shortcomings. New measures – such as joint governance under the Joint Banking Reporting Committee (JBRC), preparations for a common data dictionary, the "Pillar 3 data hub" and enhanced data sharing among authorities – will be tested over the next couple of years to address some of these shortcomings, while others will remain open.

The paper elaborates on several principles and proposals to address the remaining issues. Namely (i) to consolidate and simplify the legal acts supporting the collection of statistical and supervisory data, (ii) to apply the existing international standards on supervisory reporting, risk data aggregation and risk reporting without ambiguity, (iii) to acknowledge that banks should always remain accountable for the supervisory data that are reported to the authorities and publicly disclosed, (iv) to move stable ad hoc data collections into the EBA framework as soon as they become sufficiently mature and stable, and (v) to ensure closer alignment between supervisory reporting and public disclosure.

The application of these proposals and design choices at the institutional level is expected to minimise the implementation cost for banks, authorities and regulators, in addition to improving the quality of supervisory data as a public good.

1 Introduction

The EU banking reporting system for statistical, prudential and resolution purposes has become increasingly complex and costly for both the authorities and banks. This is reflected in a significant number of new data requests, which are sometimes overlapping and poorly defined.² The European authorities have launched strategic initiatives for the rationalisation, standardisation and integration of the existing reporting frameworks. However, these will require some time to implement. As described in Section 3, these initiatives mainly concern the EBA feasibility study on integrated reporting, the European Commission's strategy on supervisory data in EU financial services and the "better data sharing" legislative initiative. In view of the complexity of the system and its ongoing evolution, attempts have been made to connect the dots in order to rationalise the overall reporting framework³ and develop more ambitious scenarios.⁴ Such attempts take the current institutional settings as given. This paper argues instead that several of the current institutional settings could be reviewed, and that the application of some policy principles may reduce the current complexity. These principles are generally accepted by the supervisory reporting community and could be implemented at a relatively low cost, but they are not all located in one place. Referencing these principles could be an incentive to implement them.

² As acknowledged in the EBA's cost of compliance study (EBA 2021 (2)), the complexity and clarity (or lack of clarity) of "ad hoc reporting requests" from the authorities is one of the main cost drivers for banks when meeting their reporting requirements.

³ Casa (2023).

⁴ BaFin (2022).

The development of the EU institutional setting

The regulatory reporting requirements of the European banking sector can be split into two main parts: the ECB's statistical requirements for central banking purposes and the EBA's reporting framework for supervisory and resolution purposes. These frameworks were drawn up separately, as the EBA started to develop its FINREP and COREP templates in 2004, while the ECB's statistical (monetary) framework has existed since 1998. The first attempt to integrate the two frameworks took place in 2008, when the European System of Central Banks (ESCB) and the EBA decided to set up a Joint Expert Group on data Reconciliation (JEGR). The aim of the JEGR was to identify and (where possible) reconcile common elements in the statistical and supervisory reporting frameworks, e.g. definitions, concepts, validation rules and reporting templates. The JEGR published a classification system for the statistical and supervisory reporting frameworks, consisting of a methodological manual and a relational database. The mandate of the JEGR was renewed twice, in 2010 and 2012, as the scope was expanded. The latest version of the classification system is dated May 2014.⁵

Although the JEGR's classification system raised awareness of the interlinkages and the differences between the reporting frameworks and promoted the use of some common data definitions, its impact on the reporting burden for banks was somewhat limited. For this reason, in 2014 the ESCB's Statistics Committee decided to investigate the matter in greater depth. It set up an internal Groupe de Réflexion on Statistical and Supervisory data (GRISS), which was given a mandate to draw up recommendations and to propose both a vision and an action plan on how best to promote an integrated approach to supervisory and statistical data.⁶ The work of the GRISS coincided with the launch of the SSM. In this context, the GRISS considered it appropriate to combine and coordinate data collected for monetary policy purposes and data collected for supervisory purposes and to improve their cross-country harmonisation. The long-term vision proposed by the GRISS was to transform the existing national statistical and supervisory information systems into a joint European information system based on common practices, methodologies, infrastructures and tools. In addition, the GRISS made several other recommendations, while recognising the difficulties linked to legacy issues. This work inspired the current Banks' Integrated Reporting Dictionary (BIRD) and Integrated Reporting Framework (IReF) initiatives that are explained below.

Despite these promising developments, the ESCB's statistical framework and the EBA's prudential and resolution data frameworks have remained split into two separate silos, each subject to different mandates and governance. The ECB is empowered under Article 5 of the Protocol on the Statute of the European System of Central Banks and of the European Central Bank to collect, assisted by the National

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⁵ ECB and EBA (2014).

⁶ ECB (2014).

Central Banks (NCBs), the statistical information necessary to undertake ESCB statutory tasks. The independence granted to the ESCB and the ECB under Article 130 of the Treaty on the Functioning of the European Union (TFEU) enables the ECB to effectively pursue this objective. Conversely, the EBA is the empowered under the Capital Requirements Regulation (CRR) to develop technical standards on supervisory and resolution reporting, under the oversight of the European Commission, and to collect such data in cooperation with (national) competent authorities, which are not always NCBs.

As stressed by the banking industry,⁷ this silo approach is not optimal, because banks must report data to several authorities in the same country or across several countries and are required to fill in multiple templates in which data points partly overlap and definitions differ. For this reason, the banking industry has repeatedly called for an integrated, consolidated approach covering statistical, prudential and resolution reporting, as well as the application of the "define once" and "report once" principles.

Acknowledging that these are legitimate requests, in 2019 the European Parliament and Council mandated the EBA to carry out a feasibility study for an integrated reporting framework, taking onboard the views of the ESCB, given its experience with data integration (Article 430c of the CRR).

In September 2020 the ECB published the ESCB's envisaged input for the EBA feasibility study.⁸ This report advocates the development of a common data dictionary and a common data model covering all banks' statistical, resolution and supervisory reporting requirements, as a precondition for setting up a central data collection point in the medium term. The report also recommends establishing a coordination mechanism among authorities. The EBA published its feasibility study in December 2021, leveraging on the ESCB's input and elaborating on additional aspects.⁹ The EBA feasibility study confirmed that the main priority is to reduce the reporting burden through the integration of reporting requirements for statistical, resolution and prudential reporting.

The European Commission was expected to take legal initiatives based on the EBA feasibility study, with the aim of implementing an integrated framework in the EU, in accordance with Article 430c of the CRR. However, it ultimately took a somewhat different approach, as described in Section 3.2.

In parallel, the ESCB pursued its own data integration strategy, which was published in the ECB's 2019 Annual Report.¹⁰ This strategy consists of consolidating all statistical reporting requirements in IReF and developing the BIRD to help banks compile the data required by the EU authorities.¹¹

⁷ See, for instance, European Banking Federation (2018).

⁸ ECB (2020).

⁹ EBA (2021).

¹⁰ ECB (2019).

¹¹ See IReF webpage and BIRD website.

In 2024 the ECB and the EBA signed a Memorandum of Understanding to set up a JBRC to enhance cooperation in the integration of statistical, supervisory and resolution reporting.¹²

This summary of the main historical stages highlights that progress towards integrated reporting has been significant since the first attempt with the JEGR, even if the pace has been relatively slow. Further efforts are needed to achieve the final objective whereby banks' reporting requirements are consolidated in a single report which eliminates duplications and is more cost-efficient for all parties involved. The speed at which this goal will be reached depends primarily on the cooperation among the relevant authorities and between authorities and banks in the newly established JBRC.

2.1 The role of the EBA

The EBA is the EU's regulator of supervisory and resolution reporting and Pillar 3 disclosure, as mandated by level 1 legal acts.¹³ The EBA reporting framework is somewhat complex, comprising several legal acts (level 2 Implementing Technical Standards (ITS), guidelines and decisions) which have stratified over time, without an organic transparent structure. The ITS must be endorsed by the European Commission.

Since it was first established in 2011, the EBA has harmonised most of the supervisory and resolution data needs, which is a remarkable achievement given the situation of the data quality and the comparability that existed beforehand. Within its scope of application, the EBA reporting framework applies the "maximum harmonisation principle", which means that competent authorities cannot impose additional reporting requirements.¹⁴ By excluding national implementation mechanisms, a truly unified set of legally binding requirements is achieved. There are only two carve-outs to the maximum harmonisation principle. First, maximum harmonisation applies to banking supervision, but it is not meant to constrain data requests to meet central banking needs. Second, competent authorities retain the right to make ad hoc data collections, e.g. through short term exercise (STE) data collection and surveys, if they need to focus on specific risks which are not yet covered by the EBA framework or if they need to drill deeper into their analysis. This ad hoc reporting is intended to be temporary. If such data requirements become permanent and stable, they should be moved to the EBA's reporting framework,

¹² ECB (2024).

¹³ A specific regulatory process has applied in EU financial services since 2001. This regulatory approach has four institutional levels. At level 1, the European Parliament and Council adopt the basic laws proposed by the European Commission. At level 2, the Commission can adopt, adapt and update technical implementing measures with the help of EU agencies, such as the EBA. Levels 3 and 4 concern technical and interpretation aspects.

¹⁴ See the EBA Q&A 2015_1828

although this process is not automatic. Or, if they are not used anymore, they should be removed.¹⁵

The EBA is also the regulator for banks' public disclosure requirements, in accordance with Pillar 3 of the Basel framework, which aims to support market discipline. This is the most tangible public good. In this case, the EBA's ITS on public disclosure must also be endorsed by the European Commission. Such disclosure requirements are normally a subset of the EBA's supervisory reporting requirements, plus additional qualitative disclosure. Two exceptions apply, as data on environmental, social and governance (ESG) risk as well as on interest rate risk in the banking book (IRRBB), have been frontloaded before equivalent supervisory reporting requirements have been put in place. The delay in establishing ESG and IRRBB supervisory reporting requirements in the EBA reporting framework has led to ad hoc data requests from the EBA and from competent authorities, including the SSM.

Pillar 3 disclosures are difficult to locate as they are scattered across the banks' websites. Moreover, they are usually available in the form of non-standardised PDF files, which complicates the comparison across banks. To rectify this problem, the latest amendment of the Capital Requirements Regulation (CRR3) mandates the EBA to develop a Pillar 3 data hub to centralise all banks' Pillar 3 disclosures in a single location, to maintain a mapping tool between supervisory reporting and Pillar 3 disclosures and to establish a dedicated resubmission policy (i.e. covering disclosures only).

The EBA also publishes relevant supervisory information for risk analysis. The publications cover risk monitoring tools (e.g. indicators, dashboards), the outcome of EU-wide stress tests and the results of an annual transparency exercise to complement banks' own Pillar 3 disclosures.¹⁶

2.2 The role of the SSM¹⁷

The ECB is both a central bank and a competent authority within the SSM for supervising the banking sector in its jurisdiction. It can collect statistical data for central bank purposes (as explained in the next section) while, for supervisory purposes, the reporting functions are assigned to the EBA, as explained in the previous section. Nevertheless, in certain circumstances the SSM has the power to collect additional supervisory data beyond the EBA's ITS, guidelines and decisions. Indeed, it needs to maintain the flexibility to request data at short notice, e.g. if needed to assess new emerging risks. This is burdensome for banks but overall the SSM's additional reporting requirements are only a small fraction of the total data requested from the banking sector.

¹⁵ For a discussion on maximum harmonisation and the role of ad hoc reporting, see Enria (2023).

¹⁶ See the section on risk analysis on the EBA's website.

¹⁷ Similar considerations apply for other EU competent authorities outside SSM jurisdictions.

All reporting initiated by the SSM should, as far as possible, avoid duplicating existing reporting requirements set by the EBA. Where there are data gaps which might limit the ability of supervisors to fulfil their mandates, the existing EBA data are supplemented by additional reporting carried out by the ECB for all its supervised institutions or targeting specific supervised institutions.¹⁸ Once the data gaps have been filled by the harmonised set of common reporting templates issued by the EBA, the additional supervisory reporting is abrogated.

ECB Banking Supervision has a repository of all microprudential data collections requested from significant institutions (SIs) by a variety of SSM stakeholders (Joint Supervisory Teams, national competent authorities (NCAs), ECB business areas and external bodies). This database helps the SSM to monitor the reporting burden, avoid duplicated data requests and align data definitions.

Most supervisory data are reported by banks via the NCAs, from where they are immediately forwarded to the ECB, which in turn forwards them to the EBA. This sequential approach ensures a single source of truth, whereby any corrections are reflected in the data available to the relevant authorities.¹⁹

In its banking supervisory role, the ECB is also tasked with the performance of quality assessments on the data reported by banks and with checking compliance with banks' Pillar 3 disclosure requirements. This input supports the assessment of banks' data aggregation and reporting capabilities in accordance with the BCBS 239 principles.²⁰ This point is important because it underlines the dual nature of the supervisory data: first, its analysis supports the supervisory assessment of the financial, economic and capital situation of the supervised banks and the risks they face; second, the quality of the risk data used by banks' management bodies and reported to the authorities is key to establishing the robustness of their internal governance, decision-making and risk management. For this reason, the scope of this data quality assessment should be as broad as possible.

Furthermore, ECB Banking Supervision publishes quarterly aggregated supervisory banking statistics and dashboards on banks designated as SIs and less significant institutions (LSIs).²¹ This publication is accompanied by a press release which helps the public to interpret the main trends. Moreover, the SSM publishes selected SIs' Pillar 3 disclosures on its website on an annual basis, including an assessment of the reconciliation between supervisory reporting and public disclosure. If the ECB identifies misalignments between the two datasets or any other misrepresentation, it requests banks to correct the information. Several banks correct and republish their Pillar 3 reports immediately after this thorough quality assurance, while others do so at a later date.

¹⁸ Within the SSM, the ECB is responsible for the direct supervision of SIs. Similar considerations apply for LSIs supervised by the NCAs.

¹⁹ Exceptions to the sequential approach apply for some resolution data which are routed via the Single Resolution Board and to some SSM data collections which are reported directly by banks to the ECB, thus bypassing the NCAs. In general, exceptions to the sequential approach should be avoided because they may create data (quality) synchronisation issues.

²⁰ Bank for International Settlements (2013).

²¹ See ECB banking statistics.

2.3 The role of the ECB

In its central banking function, the ECB has a limited role in banking supervision. However, it does play a macroprudential role to safeguard financial stability. Traditional central banking data needs (for the banking sector and beyond) are satisfied by the ESCB's statistical framework, which is location based and on a single entity (solo) level. However, central bank users also need supervisory data that are consolidated at the banking group level and follow the home residency approach. For instance, supervisory data can be a reliable source of official statistics, such as financial accounts, and they are reference benchmarks for loanlevel data. Access to these supervisory data is granted on a need-to-know basis, in accordance with the separation principle. Similarly, macroeconomic statistics are of interest for banking supervision, in particular when data collections are available at the granular level (typically, AnaCredit data). The ECB, therefore, has a vested interest in making sure that the statistical and supervisory reporting frameworks are as integrated as possible.

The ECB's strategy for improving, simplifying and eventually integrating statistical and supervisory reporting is outlined in the ESCB's input to the EBA feasibility study on the integrated reporting system mentioned above. This strategy is built on three main principles:

- cooperating with other European and national authorities to integrate statistical and prudential reporting under the recently established JBRC;
- incorporating existing statistical reporting into the IReF as a first step towards broader integration;
- working with the banking industry to develop a unified approach through the BIRD, which makes it easier for banks to extract information from their internal systems in a uniform manner and thus meet their reporting requirements more efficiently.

2.4 Shortcomings of the current institutional setting

As explained in the previous sections, the path towards the integration of statistical, supervisory and resolution reporting and disclosure in the banking sector promises to deliver significant benefits for all stakeholders; but it has been long and there is still some distance to go. While the main stakeholders have a well-defined role, several shortcomings in the institutional settings have been identified. If these are overcome, the overall efficiency of the system would be improved and the reporting burden would be reduced. The following is a non-exhaustive list of shortcomings, some of

which are being addressed by recent initiatives, as explained in Section 3, while others require the application of additional principles, as described in Section 4.

- A. Ad hoc reporting outside the EBA framework is difficult to remove and more burdensome for banks. When supervisory data requests become recurrent and stable, it takes time to incorporate them into the EBA's reporting framework, because the EBA does not have a dedicated mandate in its level 1 legislation and because SSM users find it more convenient to control data requests that are managed internally.
- B. Data sharing between central banking and SSM business areas is not without problems. The separation principle in place between the ECB's supervisory function and its central banking function implies that sharing supervisory data is subject to a lengthy process of assessing the central banking business area's need to access the supervisory data. This need is well-justified for certain business areas, such as the financial stability function, and represents a clear case for simplifying the access process.
- C. AnaCredit data usage for supervisory purposes appears to be suboptimal.²² AnaCredit is considered as a statistical database for legacy reasons. Since the main purpose of the database is to support the compilation of residencybased macroeconomic statistics, the data are collected only at the single legal entity (solo) level. Although banking supervisors are key users of this granular dataset, SSM demand for AnaCredit data at the banking group consolidated level, with the same level of granularity, is not satisfied. If AnaCredit did not exist and were to be developed from scratch today, the data would certainly need to be collected at both the solo and banking group consolidated level.
- D. Banks' Pillar 3 disclosures are difficult to extract and compare because they are published on each bank's website, rather than in a central location. Moreover, the disclosures are made using pdf files rather than machine readable formats. These factors hinder the comparison of data for the final user.
- E. Banks' Pillar 3 disclosures may not match the data reported to the authorities. There is no mechanism or obligation in place to ensure that public disclosures are aligned with supervisory reporting, except in specific circumstances such as the EBA transparency exercise. Although the EBA maintains a mapping tool between supervisory reporting and disclosure, there is nothing to ensure, for instance, that when a bank submits a correction to its supervisory data, this is also reflected in the public disclosure. In other words, there is no common resubmission policy in place for public disclosures and supervisory reporting. If a bank omits or delays the correction of key Pillar 3 figures, market discipline may be impaired. The

²² AnaCredit is a dataset containing detailed information on individual bank loans in the euro area, harmonised across all Member States. "AnaCredit" stands for analytical credit datasets.

aim of the ECB's reconciliation exercise is to ensure this alignment, but it covers only a small fraction of the overall disclosure.

- F. Frontloading Pillar 3 disclosures triggers unnecessary ad hoc data requests. There have been two recent instances of frontloading Pillar 3 disclosures before the equivalent supervisory reporting; these involved ESG and IRRBB reporting. In one case, the frontloading of ESG disclosures originated from a mandate given to the EBA under the CRR2 to inform the public about how banks deal with climate risk. However, the mandate was not explicit about the need to collect the same data for supervisory purposes, resulting in a misalignment between the public disclosure and supervisory reporting. The absence of ESG data for supervisors triggered an ad hoc EBA data collection to bridge the time gap until ESG supervisory reporting will be put in place followed by another ad hoc SSM data collection as the EBA collection was too limited in scope and detail. These data collections are very costly for banks and are not aligned, which causes difficulties in the analysis.
- G. There is no common data dictionary. While reporting requirements are harmonised, the banking industry has often argued that institutions are required to fill in multiple templates in which data points partly overlap and definitions differ, although they could be harmonised. In fact, two data dictionaries, one for statistical purposes and another for supervisory/resolution purposes, currently exist, which have definitions that partially overlap. There is no mechanism in place for converging similar data definitions.
- H. There is limited cooperation among authorities. The slow and modest progress made on the integration of statistical, supervisory and resolution reporting so far is due to a lack of proper institutional incentives. The separate mandates provided under the Statute (in the case of the ESCB) and in the level 1 text (in the case of the EBA) have led to a "silo" approach between statistical and supervisory/resolution reporting. This has resulted in inefficient separate data collection, different data dictionaries and data models, as well as difficulties in sharing and reusing data.

3 Possible future evolution

This section describes three recent institutional initiatives aimed at addressing most of the above-mentioned shortcomings.

3.1 The EBA feasibility study on integrated reporting

Article 430c of the CRR mandated the EBA to prepare a report on the feasibility of developing a consistent and integrated system for collecting statistical, resolution and prudential data and to report its findings to the Commission by 28 June 2020, with the aim of developing possible legislative initiatives. Under the CRR, the EBA was also invited to involve competent authorities and to consider the previous work carried out by the ESCB on integrated data collection. The ESCB's input was published in September 2020, while the final EBA report was published in December 2021.

The EBA feasibility report concluded that a more integrated reporting system could be feasible to achieve, subject to certain conditions such as an adequate allocation of resources, an adequate level of integration of data definitions in the common data dictionary, the implementation of necessary changes to the legal framework and stakeholder buy-in. In particular, the EBA concluded that:

- 1. a common data dictionary for prudential, statistical and resolution data collection is a key building block of an integrated reporting system;
- the possibility to increase the level of granularity for the supervisory reporting requirements should be explored, where feasible;
- there is some support to further assess the possibility to create a central data collection point in the medium term;
- there is a strong need to enhance governance arrangements, to steer the integration and centralisation efforts; the report outlined a proposal for the governance structure of a Joint Reporting Committee and its membership.

Points 1 and 4 are being implemented under the aegis of the recently established JBRC, while points 2 and 3 are currently on hold. Point 2 represents an opportunity to seek out synergies with AnaCredit (and IReF in the future), while point 3 remains a medium-term objective, although the EU legislator may accelerate the process (see Section 3.3).

3.2 European Commission strategy on supervisory data in EU financial services

Article 430c of the CRR stated that within a year of the presentation of the EBA feasibility report on integrated reporting "the Commission shall, if appropriate and taking into account the feasibility report by EBA, submit to the European Parliament and to the Council a legislative proposal for the establishment of a standardised and integrated reporting system for reporting requirements."

The legislative initiative would have covered the main recommendations of the EBA report. However, instead of submitting a legislative proposal, the European Commission decided to publish a strategy on supervisory data in EU financial services.²³ The strategy originates from a comprehensive fitness check of EU supervisory reporting requirements²⁴ and focuses on four key areas: (1) data standardisation and consistency, including a common data dictionary, (2) data sharing and reuse, (3) the improved design of reporting requirements, and (4) joint governance.

The scope of the strategy differs from that of the EBA feasibility report in that it does not cover statistical reporting. Moreover, it comprises not only the banking sector but also the entities under the supervision of the European Insurance and Occupational Pensions Authority (namely, insurance companies and pension funds) and the European Securities and Markets Authority (listed companies). Neither the EBA feasibility study nor the European Commission's strategy cover Pillar 3 disclosure obligations, even though they contribute to the overall regulatory burden.

Table 1: Main similarities and differences between the EBA feasibility report and the
European Commission's strategy

Recommendations	EBA feasibility report	European Commission strategy	
Common data dictionary/model	YES	YES	
Central Data Collection Point	YES	NO	
Joint governance	YES	YES	
Scope	Banks only	All supervised entities	

²³ European Commission (2021).

²⁴ European Commission (2019).

The decision to set up a central data collection point (CDCP) jointly managed by the ECB (for central banking data needs) and the EBA (for supervisory and resolution purposes) was put on hold for three main reasons. First, because the ESCB expressed some concerns about the CDCP relating to the potential impact on the independence of the ECB in its statistical function.²⁵ Second, the timing was premature because the ESCB was engaged in a major project to consolidate its statistical reporting under the IReF, which will take several years to implement. Lastly, a common data dictionary and joint governance were considered to be preconditions for the CDCP.

To summarise, there are three main preconditions for the CDCP.

- 1. It requires legally sound joint governance where both the ECB and the EBA should be free to develop their own reporting requirements, while the data collection occurs via a single portal and a single transmission format.
- It requires a common data dictionary. This would initially be a common glossary, but authorities should set up a process for the convergence of data definitions, with the aim of aligning redundant definitions in legal texts on reporting and disclosure. Maintaining two or more similar definitions must be justified by users.
- 3. It requires the development of a common data quality assessment framework.

Work is under way to satisfy these preconditions. The JBRC is tasked with helping to develop common definitions and standards for the data that banks are required to report for statistical, supervisory and resolution purposes. The JBRC was established through an MoU and will comprise the ECB, the EBA, the European Commission, the Single Resolution Board and relevant national authorities. The banking industry will participate through a consultative body named the Reporting Contact Group. One of the JBRC's key tangible deliverables will be a common data dictionary for the reporting of statistical, supervisory and resolution data by banks. In this regard, the JBRC will work on establishing common concepts and definitions used in new and existing reporting. A roadmap to develop the common data dictionary has been finalised and the first deliverable - expected by the second quarter of 2026 - will be a description of how the two EBA and ECB dictionaries are semantically integrated. The focus will be on the decomposition and alignment of concepts used for statistical, supervisory and resolution purposes. The JBRC will then decide how to develop a common data dictionary using the outcome of the semantic integration.

²⁵ ECB (2020).

3.3 The "better data sharing" legislative initiative

In October 2023 the European Commission put forward a proposal amending the Regulations of the European Supervisory Authorities, the European Systemic Risk Board and the AML authority aimed at facilitating the exchange of information among authorities (known as the "better data sharing" initiative).²⁶ In February 2024 the European Parliament proposed several amendments to explicitly cover the ECB, to strengthen obligations in information exchanges and to require competent authorities, including the ECB, to jointly create a Single Integrated Reporting System (SIRS) to centralise banks' reporting and public disclosures within three years of the date of entry into force of the amending Regulation.²⁷ Currently, the Commission's proposal and the European Parliament's amendments are being used for the interinstitutional negotiations in the trilogues. The ECB has published an opinion on the proposal, which is expected to be considered during these meetings.²⁸

Under the European Parliament's proposal, the SIRS would consist of:

- a. a common data dictionary to ensure the consistency and clarity of reporting requirements and data standardisation;
- b. a joint repository for reporting and disclosure requirements, the descriptions of the collected data and the authorities that hold it;
- c. a central data space including the technical design for collecting and exchanging information;
- d. a permanent single contact point for entities to indicate instances of double reporting and redundant or obsolete reporting, or disclosure requirements.

While the features and scope of the SIRS may not be fully clear, the system appears to have some features in common with the CDCP concept envisaged in the EBA feasibility study. A key difference is that the scope of the SIRS is expected to be limited to supervisory and resolution reporting, while the CDCP also encompassed statistical reporting. Moreover, while the CDCP was considered a medium-term target, the European Parliament proposed to set up the SIRS in only three years. According to the ECB opinion, this timeline appears to be too ambitious.

²⁶ See European Commission proposal.

²⁷ See European Parliament proposal.

²⁸ See ECB opinion.

Proposed principles for guiding the evolution of supervisory reporting and public disclosure

The initiatives described in Section 3 do not fully address the current shortcomings of the EU supervisory reporting and public disclosure framework. Therefore, it is important to introduce some principles to steer further progress, which could also support integration with the statistical reporting framework. These principles are generally accepted by the supervisory reporting community but are scattered across different locations or not clearly specified.

4.1 Prerequisites for integrated reporting

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Important steps towards an integrated framework have been taken recently and will be tested in the next couple of years. These are: (1) joint governance under the JBRC, (2) preparations for the development of a common data dictionary (and an associated data model), (3) the Pillar 3 data hub,²⁹ and (4) enhanced data sharing among authorities. These are important prerequisites for further integration and they are also in the interest of banks, which need clarity to make the necessary contributions and investments.

There is a broad consensus that a common data dictionary is a key enabler of further data integration and reusability. The first step will be to process and document a semantical integration of statistical, supervisory and resolution data concepts. This semantic integration is expected to identify opportunities for the alignment of similar definitions, thus increasing their analytical value and decreasing the associated reporting burden. A typical example is the definition of "credit institution" applied for statistical and supervisory purposes. In the supervisory framework, the definition includes all multinational development banks, while the statistical definitions. This difference should be eliminated as it has no reason to exist from an analytical viewpoint, but currently there is no mechanism in place to do this. After completing the work on semantic integration, the implementation of the common data dictionary should foresee such a mechanism, ideally under the aegis of the JBRC.

²⁹ For a description of this initiative, see this section of the EBA's website.

4.2 Coverage, consistency and simplicity of legal acts

The European Commission's supervisory data strategy envisages the application of best practices and principles to improve the design of reporting requirements and other targeted improvements in the existing legislation. These measures are welcome, but they are not sufficient to ensure an effective and efficient reporting system. For instance, the Commission's strategy does not cover Pillar 3 disclosure requirements and does not address the complex structure of the legal acts regulating supervisory reporting and disclosure.

Further integration of the reporting framework for the banking sector should be supported by a legal act, which gives the relevant authorities a mandate to achieve a minimum degree of integration of the statistical and supervisory frameworks (including public disclosure) by a given deadline, while respecting their independence to set reporting requirements within their own remit. In each segment, the existing legal acts should be consolidated (rather than fragmented, as is currently the case), to provide reporting agents with a clear overview and to ensure internal consistency and simplicity.

Such consolidation is taking place at the ESCB where all current statistical regulations affecting the banking sector will be merged into one (IReF). Meanwhile, there is no visible plan to consolidate the numerous stratified legal acts in the EBA's reporting framework.

4.3 Application of BCBS 239 principles

Compliance with the BCBS principles for effective risk data aggregation and risk reporting (n. 239) has been one of the SSM's top supervisory priorities since 2017. This is because high data quality is an essential precondition for accurate risk information, leading to sound risk management and control and, ultimately, adequate capital requirements. The principles acknowledge that upgraded risk data aggregation and risk reporting practices will allow banks to comply effectively with supervisory reporting requirements, as well as with accounting and tax disclosures. The application of the BCBS 239 principles in supervisory reporting has recently been confirmed in the new version of BCBS CP 10 on supervisory reporting.

Moreover, in line with the provisions of the national transposition of Articles 74 and 76 of the Capital Requirements Directive (CRD), banks are expected to establish a data governance framework that allows them to identify, manage, monitor and report risks. To ensure the completeness of processes and controls, the framework should also be applicable to supervisory reporting processes. An additional regulatory reference has been provided by the European Systemic Risk Board, which has repeatedly highlighted the importance of receiving high-quality data to monitor and address financial stability risks. It has further made concrete proposals to improve

supervisory reporting and called for increased supervisory attention to be paid to data quality.³⁰

The ECB has published a guide to specify its minimum supervisory expectations for a set of priority topics that have been identified as necessary preconditions for effective data aggregation and reporting.³¹ The guide has a targeted focus on the areas that are critical to delivering progress. The work programme includes, among others, an enhanced focus on the data quality of institutions' supervisory reporting. This applies to the data quality of FINREP/COREP templates. For this purpose, the ECB uses data quality indicators that represent the minimum quality standards expected from banks in terms of accuracy, punctuality and completeness. Furthermore, the ECB publishes additional data quality checks twice a year, which are aimed at enhancing the quality of supervisory reporting data. The guide specifies that institutions are expected to always ensure consistency between their supervisory reporting and Pillar 3 disclosures (see Section 4.7).

In this area, the SSM has enhanced and complemented the measurement of data quality by introducing a management report on data governance and data quality. When completing this report, institutions are asked to respond to a set of open questions. At least one member of the management body is requested to sign off on the answers to further ensure its accountability.

Under these initiatives, banks are requested to consistently apply BCBS 239 principles not only for internal risk data purposes, but also in their financial reporting, supervisory reporting and public disclosures. However, the feedback statement on responses to the public consultation on the ECB's draft guide on effective risk data aggregation and risk reporting (dated 3 May 2024) shows that, until recently, banks have questioned the application of this expanded scope. For instance, the European Banking Federation argued that this expanded scope was not mandatory before the ECB's guide was in place. Moreover, the German banking industry committee claimed that "some BCBS 239 assessments may not be fully applicable to reports already fully regulated by supervisory standards (in terms of time of production, level of details, templates, etc.), which are very different from managerial report production".³²

The ECB's guide prescribes that banks should take a holistic view on data quality based on the BCBS principles. However, there is still some ambiguity and inconsistent behaviour among stakeholders, as illustrated by the three examples below.

 To attract clients, some software vendors tend to implicitly promise their client banks that the application of common, shared supervisory reporting software or automatic transformation rules to derive supervisory aggregates allow management to sidestep accountability for the data quality, because these common software and transformation rules are allegedly endorsed by

³⁰ European Systemic Risk Board (2022).

³¹ ECB (2024) (3).

³² ECB (2024) (4).

the authorities. However, while this idea can work for statistical reporting purposes, it is wrongly based on the assumption that the transformation rules for supervisory data are fixed and identical for all banks and that raw data are internally consistent. In reality, since banks need to exercise expert judgement, they must always retain the right to override the predefined transformation rules.³³

- Another example which is a classic principal-agent conflict is the call to decommission FINREP at solo level if it can be derived by authorities from statistical granular reporting. As described in Section 4.4, such decommissioning may be possible only if the derived aggregates are the same as the anchor values reported by banks, to ensure compliance with BCBS 239 principles.³⁴
- 3. As discussed in Section 4.7, banks' reluctance to accept an automatic extraction of their Pillar 3 disclosures from supervisory reporting is a sign that they want to retain control of the data disclosed to the public and to amend them if necessary. Supervisory data reported to the authorities and those disclosed to the public should be aligned and subject to the same internal quality assurance processes, but this reluctance casts some doubt.

4.4 Data responsibility

Since its launch in 2014, the SSM has worked under the assumption that banks are responsible for the supervisory data reported to the competent authorities and that all data corrections should be made by the supervised institutions and reported without undue delay. In fact, the quality of the supervisory data, including its punctuality, accuracy and correctness, is assessed within a broad and well-established framework that contributes to the Supervisory Review and Evaluation Process.

This approach is aligned with the Article 88(1) of the CRD (Directive 2013/36/EU), according to which "the management body [of banks] must ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards". The principle followed so far is that banks should submit correct and accurate reports on time, in the prescribed formats, to all stakeholders: internal management, supervisory authorities and the public. It is the role of supervisors to ensure that this principle is respected. This implies that supervisory data reported by banks cannot be modified by the SSM,

³³ According to the EBA feasibility report on integrated reporting (EBA 2021), reporting at the consolidated level requires expert judgement in the application of relevant accounting and prudential standards. Moreover, the accounting consolidation process involves the distribution of capital and profits/losses across legal entities and the jurisdiction for which the institution bears responsibility vis-à-vis its shareholders and regulatory stakeholders; hence, it cannot be delegated to third parties. Manual adjustments cannot be eliminated entirely.

³⁴ This point has been acknowledged in the ECB's "Complementary cost-benefit assessment on the Integrated Reporting Framework. Closer alignment with FINREP solo". ECB (2024) (2).

only controlled and assessed. Furthermore, the compilation of supervisory data cannot be automatised mechanically through the application of mandatory or rigid transformation rules, as too much managerial discretion and too many accounting options exist (e.g. during a financial crisis) that can only be chosen by banks.

As banks are responsible for the data they report and disclose, delegating the compilation of supervisory data to third parties is not easy, largely because of the dual nature of the supervisory data reported to the authorities. The data are used not only for analytical purposes, to monitor the financial health of the supervised entities, but also to assess banks' risk data aggregation and reporting capabilities, in accordance with BCBS 239 principles.

An exception to this approach is currently being considered in the context of the alignment of IReF with FINREP solo. Some FINREP solo templates could be decommissioned if their information content can be replicated from the IReF. To ensure the data quality assurance mentioned above, supervisors may opt to retain certain high-level aggregated data points from FINREP or to define other suitable aggregated benchmarks that would be collected on an aggregated basis in parallel with the granular IReF data collection.

4.5 Flow data and further alignment with BCBS Core Principles

The BCBS is the international standard setter for banking supervision. The BCBS has published and recently updated a set of Core Principles on banking supervision, including one (CP 10) devoted to supervisory reporting.³⁵ The aim of the Core Principles is to incentivise supervisors to follow best practices, although the wording of the principles is sometimes the result of negotiations among jurisdictions to maximise the number of those that comply with these principles. As such, the principles are a benchmark for the supervisory systems.

The EBA reporting framework is generally aligned with CP 10, with one notable exception.

Paragraph EC5 of CP 10 reads as follows: "to make meaningful comparisons between banks, the supervisor collects data from all banks and all relevant entities covered by consolidated supervision on a comparable basis and for the same dates (stock data) and periods (flow data)."

Contrary to monetary and other macroeconomic statistics, the EBA supervisory reporting framework concentrates mostly on stock data, with very little flow data. This is because the EU regulator has traditionally chosen to focus on the current situation of the supervised entities, rather than on their evolution over time. The lack of flow data for most supervisory variables implies that it is not possible to disentangle the

³⁵ Basel Committee on Banking Supervision (2024).

impact of foreign exchange and price changes as well as reclassifications to derive the true flow data from one reporting period to another. As a result, the flow data can only be estimated and supervisors cannot rely on accurate information. Therefore, the EU jurisdictions under the EBA reporting framework are not fully compliant with this part of CP 10. The EBA could invest in this area by requiring banks to report flow data, at least for the key supervisory aggregates.

4.6 Ad hoc reporting requirements

As mentioned in Section 2.1, the EBA reporting framework applies the maximum harmonisation principle. However, in a notable exception, supervisors may impose ad hoc reporting requirements to satisfy data needs beyond the scope of the EBA framework or if they need to drill deeper. This option is granted to the SSM under Article 10 of the SSM Regulation.

Since ad hoc reporting is intended to be temporary, the SSM has on some occasions promoted moving some ad hoc data requests into the EBA framework, focusing on those that become sufficiently stable and mature. However, there is no automatic mechanism in place to do this. The issue was acknowledged by the International Monetary Fund in its 2018 Financial System Stability Assessment on euro area policies, when it stated that "supervisory reporting at EU level is not sufficiently granular to adequately support off-site supervision, while "maximum harmonisation" does not allow sufficient flexibility and agility". Moreover, "while STE reporting and surveys give the ECB some flexibility in addressing its data needs, the process for amending and augmenting the EU-wide harmonised supervisory reporting based on the ITS is lengthy and cumbersome and should be streamlined and expedited".³⁶

The banking industry has often complained that ad hoc reporting is relatively more burdensome than the harmonised EBA reporting framework, because the underlying reporting concepts are not well defined, the reporting instructions are poorer and the preparation time is generally more limited. However, the SSM and other competent authorities find it convenient to manage ad hoc data collections with the flexibility that the EBA cannot offer.

In its study on the cost of compliance with supervisory reporting requirements, the EBA made several recommendations to seek more coordination between various reporting requirements and improve practices in ad hoc data collections, but progress on the implementation of these recommendations has been modest.³⁷

To set the right incentives, the need to shift stable ad hoc data collections into the EBA framework should be enshrined as a principle in level 1 legislation, by introducing a time limit. For instance, ad hoc reporting requirements sent out by competent authorities affecting at least a given number of banks should not be

³⁶ IMF (2018).

³⁷ EBA (2021) (2).

maintained for more than two years. After that time, they should be moved into the EBA framework. To implement this principle, a monitoring mechanism at the EU level for such ad hoc data collections, as envisaged in the cost of compliance study, should be put in place.

4.7 Alignment with Pillar 3 disclosure

The aim of Pillar 3 of the Basel framework is to promote market discipline through disclosure requirements for banks, i.e. by publishing certain qualitative and quantitative information on a regular basis. The purpose of Pillar 3 is to complement the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2) of the Basel framework. It allows market participants to assess key pieces of information on capital, risk exposures, risk assessment processes and, hence, the capital adequacy of the supervised institutions. Yet market discipline remains complimentary and is not a substitute for the supervision carried out by the competent authorities. This is reflected in the amount of Pillar 3 information disclosed to the public, which is a subset of the supervisory data reported to the authorities.

4.7.1 Common resubmission policy

Under the Basel framework and its EU implementation through the CRD and the CRR, the ECB is responsible for assessing banks' compliance with Pillar 3 disclosure requirements. To do so, the ECB performs an annual reconciliation exercise where it compares banks' published Pillar 3 information and the data that are reported to the supervisors. Where the ECB identifies misalignments between the two datasets, it asks banks to correct the information, which ultimately improves the quality of the disclosed data. The content of this reconciliation exercise varies each year depending on changes in regulation, the risk environment for banks and the supervisory priorities of European banking supervision.

The EBA contributes to market discipline in the EU financial market through its annual transparency exercise, which complements banks' own Pillar 3 disclosures. In the latest transparency exercise (in 2023), capital positions, financial assets, risk exposure amounts, sovereign exposures and asset quality information of the EU banking sector were disclosed. This exercise is based exclusively on supervisory reporting data, therefore, it does not represent an additional reporting burden for banks, although they are invited to review the data before their publication.

The alignment between supervisory reporting and Pillar 3 disclosures, however, has somewhat weak legal grounds, as it is based on recommendations and moral suasion by the competent authorities. For instance, the ECB's guide on effective risk data aggregation and risk reporting already recommends the following: "institutions are expected to always ensure consistency between their supervisory reporting and Pillar 3 disclosures. They can count on the support of the EBA, which has prepared and maintained a tool that specifies the mapping of the templates and tables for disclosures with those on ITS reporting. The mapping tool is accessible to the public on the EBA website."³⁸ Despite this guidance, the annual ECB reconciliation exercise shows that banks do not always align supervisory reporting with Pillar 3 disclosures. Corrections should be made without undue delay, subject to small materiality thresholds. However, in the absence of a resubmission policy, some banks tend to delay such corrections. The resubmission policy should be commonly applied to both supervisory reporting and public disclosures, while under Article 434a of the CRR, the EBA has been mandated to draw up such a policy only for public disclosures. Moreover, common materiality thresholds should be put in place. Hence, a gap in the existing regulation still exists.

4.7.2 Automatic Pillar 3 extraction

The EBA has been mandated under CRR3 is to publish the prudential disclosures for all institutions subject to Pillar 3 disclosure requirements on its website, making this information readily available in a centralised manner to all relevant stakeholders through a single electronic access point. To comply with this mandate, the EBA is building a data hub to bring all the required disclosures together. A distinction is made between small and non-complex institutions (SNCIs) and other banks. For SNCIs, the EBA will extract the quantitative Pillar 3 data from supervisory reporting, using a mapping tool. The other banks will instead be required to report the Pillar 3 information to the EBA. This is a duplication of supervisory data that has already been reported to the authorities.

Article 434c of CRR3 gives the EBA the mandate to prepare a report on the feasibility of applying the SNCI approach to other banks to avoid this double reporting. The report should be submitted within three years of the entry into force of CRR3. Based on this report, the European Commission shall, where appropriate, submit to the European Parliament and to the Council a legislative proposal by 31 December 2031. The initial feedback provided by the industry to the EBA indicates that banks are sceptical about extending the SNCI approach to other banks, as they are concerned about their potential lack of control over the data disclosed to the public. Despite this feedback, it can be argued that the automatic extraction of Pillar 3 disclosures from supervisory reporting for all banks would ensure a perfect alignment between the two, and avoid duplicated reporting and reconciliation exercises, including the EBA's transparency exercise.

³⁸ ECB (2023).

4.7.3 No misalignment of Pillar 3 with supervisory reporting

As described in Section 2.4, one of the shortcomings of the current institutional settings is the frontloading of Pillar 3 disclosure requirements before equivalent data have been reported to authorities. This approach should be avoided in the future because it triggers burdensome ad hoc data requests which could otherwise be avoided. Frontloading the information could be justified for political reasons, e.g. the need to inform the public about how banks are dealing with climate risk to meet the global challenge of reducing carbon emissions. However, the regulator should ensure that supervisors receive at least the same data.

5 Summary and conclusion

This paper has examined the role of (quality assured) supervisory data as a public good and the potential room for improvement. Supervisory reporting would benefit from several upgrades from an institutional perspective. First, it would gain from a stronger integration with the traditional "official statistics" that are used for monetary and other macroeconomic purposes. A lot has been achieved since the first steps towards data integration were made in 2008 and some recent developments have triggered further progress.

Second, while the main stakeholders have a well-defined role, the paper has identified several apparent shortcomings in the institutional settings. For instance (i) ad hoc reporting does not maintain its temporary function and tends to stay detached from the EBA's harmonised supervisory reporting framework; (ii) data sharing between central banking and supervisory business areas is difficult; (iii) for legacy reasons, access to and usage of the main loan-level database in the euro area (AnaCredit) is limited for supervisory purposes; (iv) banks' Pillar 3 disclosures are difficult to extract and to compare, and may not match data reported to the authorities; (v) misalignment between supervisory reporting and Pillar 3 disclosure triggers unnecessary ad hoc data requests; (vi) a common data dictionary covering statistical and supervisory data is lacking; and (vii) cooperation among authorities needs to be improved.

Recent developments such as the EBA feasibility report on integrated reporting, the European Commission's strategy on supervisory data and the "better data sharing" legislative initiative have addressed some of these shortcomings. New measures, such as joint governance under the JBRC, preparations for a common data dictionary, the Pillar 3 data hub and enhanced data sharing among authorities will be tested over the next couple of years to rectify some of these issues, while others will remain open. Against this background, the paper elaborates on several principles that should boost the evolution of the supervisory reporting system to address those issues that are still open.

First, legal acts supporting the collection of statistical and supervisory data should be consolidated to provide further clarity to stakeholders, as well as consistency and simplicity. Second, the application of BCBS 239 principles in supervisory reporting and public disclosure should be communicated without ambiguity to stakeholders to avoid inconsistent behaviour. Linked to this point is the acknowledgment of the dual nature of the supervisory data: they are not only used for analytical purposes, but also to assess banks' risk data aggregation and reporting capabilities. Therefore, the compilation of supervisory data can be delegated to third parties only if banks remain accountable.

The EU supervisory reporting framework should also be fully aligned with BCBS CP 10. In particular, the EBA could require banks to report flow data at least for the key supervisory aggregates. It is also important to move stable ad hoc data collections into the EBA framework by introducing a time limit in the level 1 legislation.

The final set of improvements concern the application of three basic principles to ensure closer alignment between supervisory reporting and Pillar 3 disclosure: aligned resubmission policies to avoid costly reconciliation efforts, automatic extraction of quantitative Pillar 3 disclosures from supervisory reporting for all banks and constant alignment of Pillar 3 disclosures with supervisory reporting available to the authorities.

To conclude, the application of supervisory policy principles and design choices at the institutional and legal level may have significant (cascading implementation costs for banks, authorities and regulators, as well as implications for the quality of supervisory data as a public good.

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