European Banking Authority

BANKING STAKEHOLDER GROUP

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Pillar 3 Data Hub Processes and Possible Practical Implications (Discussion Paper)

Scope & Objective of the Discussion Paper

The EBA Pillar 3 Data Hub (P3DH) will centralise and make publicly available Pillar 3 information for all EEA institutions. This Discussion paper describes in detail the relevant aspects to be taken into account when defining the final processes to be followed by all stakeholders. It

- outlines the processes for institutions, focusing on the challenges related to user identification, data consistency, submission timelines, and signing-off
- discusses the feasibility study's aim to evaluate the impact, costs, and benefits of applying P3DH SNCIs' process to Large and Other institutions
- provides an overview of the user information process, seeking input from users on relevant aspects for EBA's planned tools
- details the synergies with other ongoing projects at the EBA and EU level
- introduces the verifiable LEI (vLEI) and explores its potential use for submitting Pillar 3 Data
- Finally, covers policy implications, including the review of the EBA comprehensive Pillar 3 ITS, resubmission policy development, and the mandate for developing IT solutions

1. General Considerations

The BSG welcomes the establishment of the Pillar 3 Data Hub (P3DH) and gladly takes the opportunity to comment on this discussion paper. It intends to also touch upon the topics where EBA seeks input such as the timeline for submission and publication or incorporation of findings / resubmissions and the signing-off by institutions.

The BSG is very positive that the P3DH will enhance comparability between peer institutions, thereby improving transparency and market discipline. The centralisation of data can lead to a reduced time for data retrieval by all stakeholders. For Large and other institutions, the report creation gets simpler with a reduced emphasis on document layout and can result in less effort for drawing up the reports. Future will show, whether banks drop publication within their own remit, fully leveraging on the P3DH.

There are still some challenges that the BSG identified and would like to address:

- Whilst the xBRL-CSV format is the go-to format to collect high-volume, granular data and facilitates database operations, one concern revolves around the capability of financial institutions` reporting tools to directly transmit data to the EBA. Some banks currently lack a solution capable of generating xBRL-CSVs and know how on how to generate these files. The implementation will also incur additional costs.

- The BSG notes that essential characteristics still need elaboration. In particular, the IT solutions (right of access / authorisation to the EBA website, validation process for data submission by institutions, etc.) are not yet known. Therefore, to give institutions time to plan IT costs and evaluate the best IT implementation, it is of utmost importance that the EBA provides clarity on the IT aspect as soon as possible.

- The BSG also highlights the interdependence of the expected go-live date of the Pillar 3 Data Hub with the implementation of the banking package. This is a major undertaking for banks and authorities alike; banks are currently taking the necessary steps to get their systems, policies, and infrastructures up to speed to go-live in January 2025 and the EBA is seeking views from stakeholders on how the supervisory reporting and disclosure frameworks should be adjusted to cater for the amendments being introduced with CRR3. Considering the go-live of the new rules as well as the finalization of the provisions governing the P3DH, especially the challenges highlighted in the BSG`s opinion, the BSG recommends in close cooperation with the industry to align these major projects as much as possible..

Furthermore, the BSG would like to stress the importance of the resubmission policy which the EBA is going to set out as part of the P3DH. In this context, the BSG urges the EBA to finalize its Guidelines on resubmission of historical data under the EBA reporting framework; having in mind the importance of having consistent supervisory and disclosure data, the two resubmission frameworks (disclosure and reporting) should be as consistent as possible. Resubmissions should only be envisaged in truly material cases, as frequent resubmission would jeopardize the correct functioning of the centralized data hub. In this respect, the BSG is of the view that the “materiality approach” envisaged by the EBA (cfr. Paragraph 138 letter c) is a sensible and pragmatic way forward. The BSG would fully support an approach like the one implemented by institutions under the IFRS framework on restatement of financial statements.Last, the EBA might explore the possibility to also produce the reports as for the small and non-complex institutions centrally. EBA could make use of an existing mapping tool that is available to map CoREP/FinREP and Pillar 3 data, retrieving the Pillar 3 data directly from CoREP/FinREP, leaving the preparation of qualitative information to the institution.

2. Reply to Questions for Discussion

2.1 Q1: In your view, which are the main benefits in operational terms that the new EBA legal mandate would bring to Large and Other institutions? And the main challenges? Would you agree that given the complexity of Large institutions, when compared to SNCIs, the proposed solution in terms of process for the Large and Other institutions is a well-balanced one? Please explain why.

The BSG sees consumers/end-users of Pillar 3 reports as the main beneficiaries.

In addition, the benefits of this solution for researchers are worth highlighting. The availability of a wide range of detailed data on all banks in the EU should contribute to the expansion of research into, inter alia, the determinants of financial stability of these institutions, the determinants of their capital and liquidity adequacy (and the calibration of prudential requirements). The availability of such data for small, non-complex institutions (currently, a significant number of them do not publish Pillar III reports on their websites) seems particularly valuable: Members of the BSG indicate that whilst currently, research tends to focus on large entities or entire sectors when it comes to assessing financial stability, also smaller entities can contribute to a crises ('too many to fail' hypothesis); in addition, there is merit in exploring issues related to the proportionality of prudential requirements.

For Institutions, implementation of the new file format can be a challenge.

2.2 Q2: Would you agree with the current EBA considerations on the sign-off process (i.e., submission of Pillar 3 information by the institutions is performed once the sign-off is complete and accompanied by the corresponding confirmation)? Would you have any other suggestions or comments on this point?

The BSG agrees that the submission of Pillar 3 information is performed once the sign-off is complete, however believes that the written confirmation does not necessarily need to be part of the package delivered.

2.3 Q3: In addition to the sign off of information by institutions of the PDF report and xBRL-CSV report upon submission, which will be republished without any transformation, do you see the need of an additional sign-off process of information contained in these

files once they are on the EBA dissemination portal and before opening the portal to the public, beyond the preview for the technical acceptance step? If you see this need, how long would you deem necessary for the signing-off process? How would you see the process for this additional signing-off within the institutions, including who should provide this signing off?

The BSG questions whether an additional sign-off is necessary and would rather opt for sticking to the preview for the technical acceptance step.

2.4 Q4: Would end-June as limit date for year-end submission be adequate for most of the jurisdictions / institutions? Should a different window be defined? Which one and for which reasons? Would you see any advantages of having more flexibility as regards the timing for this submission? Why? What would be, in your view, a proper window-period for the different interim reports?

The BSG agrees that end-June as limit date for year-end submissions is adequate. It points at the fact that lots of European banks publish their year-end reports earlier. However, there are banks that provide certain information at a later point in time. For example, templates on remuneration information are published in early July. Thus, it might be necessary to cater for the upload of amended version even after end-June.

2.5 Q5: Do you agree that at this stage the inclusion of this information in the PDF report is the best approach?

Yes, we agree. In addition, the BSG is of the view that giving users of the P3DH the possibility to download the full PDF document would be extremely useful.

At the same time, we appreciate that the target format is to be xBRL-CSV, as it helps collect high-volume, granular data and facilitates database operations. The xBRL format is used for reporting by entities listed on regulated EU markets (according to the European Single Electronic Format), so the availability of reporting tools should reduce the costs associated with widespread use of this format by banks - including those outside regulated markets. Until the target solution is implemented, it makes sense to provide reports in PDF format.

2.6 Q6: Views are asked on the possibility to request this information in the future in machine readable format like block tagging. Would you consider any other format (than PDF) better

suited for the purpose? Would ODF (OpenDocumentFormat) better serve this purpose? Why?

The BSG points out that a solution that allows banks to use block tagging is currently not standard methodology in banks. Thus, PDF is the preferred option to start with whilst exploring the option to introduce more innovative formats. The costs associated with purchasing, implementing and maintaining alternative solutions (e.g. plug-in to generate xBRL-CSVs) should be properly considered vis-à-vis the benefits such solutions are expected to bring.

2.7 Q7: Would you agree that having a centralised calculation for Large and Other institutions (as it is required for SNCIs) would bring some benefits? How would you measure these benefits in relation to the described main potential challenges? Please refer to the challenges described in the respective sub-section of this Discussion Paper, providing your views to each one of the points.

The BSG is of the view that establishing a centralized calculation for Large and Other institutions (as it is required for SNCIs) may bring some benefits, provided that certain enabling factors are activated (i.e., materiality thresholds, sufficient time to submit the narratives, etc.). Were the P3 disclosure process to fully rely on the supervisory reporting process, changes to the latter would be required to sufficiently guarantee the institutions' responsibility for the P3 disclosure. This applies to the question of when corrections to supervisory reporting are considered material for P3 disclosure and more broadly to the ‘materiality’ as per Article 432 CRR.

2.8 Q8: What would your opinion be as regards full alignment of the process for all institutions vs benefits that a decentralised calculation of disclosures figures might represent at the moment? When providing your answer, please consider aspects like efficiency, accuracy, burden for institutions, flexibility in terms of publication date and any other challenges or benefits mentioned in this Discussion Paper or others that you deem relevant.

The BSG thinks that full alignment will contribute significantly to comparability and thus also transparency. The publication of the Pillar 3 report can be less burdensome due to the focus on the actual information requiring less attention to the layout.

2.9 Q9: In terms of costs, would the P3DH reduce the costs of producing the Pillar 3 reports for Large and Other institutions if

these reports are produced centrally by the EBA on the basis of the supervisory reporting data?

The BSG sees quite some potential in a reduction of costs for Large and Other institutions. This is mainly due to the fact that they will be able to focus on preparing the data whilst the EBA is centrally producing the reporting data. However, the BSG is also of the view that it is likely that institutions may continue to run the existing processes notwithstanding the 'centralized solution' which the EBA will put in place (i.e., verification and validation of numbers, population of reporting templates, etc.) and this in turn may have the consequences of increasing the costs associated with the Pillar 3 publication.

2.10 Q10: Would you see any other positive or negative impacts on your current disclosures process if the P3DH process for SNCIs is extended to Large and Other institutions?

Deriving disclosure figures for Large and Other institutions, via an automated process from reporting data, would lead to the need to define fixed timelines, possibly linked with those established for supervisory reporting, and this is something the BSG would not recommend. In the BSG's view, the timeline flexibility for disclosures has served both institutions and Competent Authorities well so far, hence it should be preserved.

Another potentially relevant main challenge the BSG sees is related to the possible increased efforts which may be observed in case the process of deriving the quantitative templates (centralised) is separated from the process of producing the narrative accompanying those templates. As the EBA correctly points out in its DP, "*The process to get this narrative, […], is expected to be lengthier in the case of Large and Other institutions given the amount and complexity of the information to be disclosed. The required frequency of disclosures would, in principle, also represent increased efforts to comply with the respective timeline*".

Overall, the BSG is of the view that pulling out quantitative information from the supervisory reporting and giving banks enough time to just focus on the narratives/qualitative section would bring benefits to institutions.

2.11 Q11: Would you have any particular observations on the possibility to implement the "technical acceptance" step? How do you see this step in terms of relevance to the whole process, time needed to conclude it and "automatic acceptance" in case no answer is provided by the institution (considered as non-objection to publication)?

The BSG regards the technical acceptance step as important. Members also agree with the concept of an automatic acceptance in case no answer is provided. However, some members would see a benefit offering a further automated step comparing the data contained in the Pillar 3 Report to the corresponding reporting data.

2.11 Q12: In your view, which are the main benefits, in operational terms, that the new EBA legal mandate will bring to SNCIs? And the main challenges? Would you have any views on the challenge related to those disclosure requirements where there are not similar reporting requirements and therefore reporting data? Would you anticipate / identify any specific situation where this could be the case? Do you agree that the new proposed approach reduces the burden for SNCIs as regards the Pillar 3 disclosures preparation? Please explain why.

The new proposed approach would reduce the burden for small and non-complex institutions (SNCIs) as regards the Pillar 3 disclosures preparation: these entities will not have to duplicate the preparation of the quantitative reports - these will be directly generated by the EBA from data already provided as part of supervisory reporting.

2.12 Q13: Feedback is asked on how to set up the process for the submission of qualitative information by SNCIs. The feedback should cover the process for the qualitative information required in the tables specified in the comprehensive Pillar 3 ITS and the process for the accompanying narrative to quantitative templates.

Some members of the BSG observed that - although the essence of qualitative disclosures is assumed to be their individualized nature - in the case of the smallest SNCIs, qualitative disclosures are very narrow and little differentiated. In case of entities participating in institutional protection schemes they are very often even unified. To foster quality and usefulness of these disclosures, EBA might consider an evaluation of these disclosures and depending on the final assessment take adequate steps such as standardizing a certain group of qualitative disclosures for the smallest SNCIs.

2.13 Q14: For the submission of qualitative information by the SNCIs, which formats / approaches would you consider more viable in operational terms? What would be your views as regards the submission of a PDF report? And on the use of a block tagging approach? Would you consider any other format (than PDF) better suited for the purpose? Would ODF (OpenDocumentFormat) better serve this purpose? Why?

A PDF report in data extractable format seems to be accurate also for qualitative disclosures of SNCIs. Widely available tools for (1) extracting data and information from PDF files (and converting them to user-required formats) and (2) automatic translation from and into any language make such reports a sufficient source for interested stakeholders. Of course, the use of a block tagging approach would make the task much simpler for users, but the time and cost intensity of this approach would need to be verified - especially for the smallest institutions.

2.14 Q15: In your view, how could the sign-off of the Pillar 3 reports prepared by the EBA be done by SNCIs?

In the case of SNCIs consideration could be given to having the accuracy and completeness of the data disclosed done by NCAs.

2.16 Q16: Would you agree with the definition of a common date to publish the required disclosure information to all the SNCIs? Should this common date be linked to the supervisory reporting deadlines (for instance, "x" number of months following the legal deadline for the submission of the supervisory data)? If not, how could this common date be defined in order to ensure that this information is disclosed on a timely manner to the market?

Yes, this approach is justified.

2.17 Q17: Would end-June be regarded as an appropriate date for this purpose? How well would this date work in conjunction with the audit processes?

For entities for which the financial year coincides with the calendar year (i.e. the vast majority of SNCIs), the end of June is the required cut-off date for the approval of the previously audited financial statements (the statements are prepared within three months of the balance sheet date, with a further three for the audit process). It is therefore reasonable to adopt this date also for the Pillar III report.

2.18 Q18: Which are your views in relation to the language challenges presented in the sub-section for SNCIs? Which possible solutions could be, in your view, pursued?

Providing disclosures in national languages, in a PDF report in data extractable format seems to be accurate for qualitative disclosures of SNCIs. Widely available tools for (1) extracting data and information from PDF files (and converting them to user-required formats) and (2) automatic translation from and into any language make such reports a sufficient source for interested stakeholders.

2.19 Q19: Would you have any aspects related to the process for institutions that is not covered by the previous questions but you would still like to highlight?

The BSG wants to come back to its answer to question 11 and highlight that – for the quantitative part – there is a mapping tool available to map data between CoRep/FinRep and Pillar III - that data could be directly extracted from already submitted reports, so that the quantitative part would be automated where applicable. This would give the institutions more time to focus on the qualitative part.

In addition, the BSG would like to note that the implementation of the CRR3 (and the definition of the templates to disclose) may have an impact on the P3 process, hence it is necessary to define as soon as possible the mapping tool associated to the post-CRR3 P3 process.From the text of the discussion paper, it is not clear until when the EBA publishes on the P3DH the data as provided by the banks. For reasons of transparency and planning, it would be good to know the planned timelines on this.

The BSG questions whether non-response by the bank can be regarded as acknowledgement. There might be many reasons why a reply is pending.

2.20 Q20: Data dissemination: do you think the P3DH would significantly reduce the time of searching and downloading of data?

Certainly, from the viewpoint of consumers and researchers, this would be true. Additionally, it would enhance comparability.

Thanks to the availability of reports from all banks, it will be possible to fill the data gap (many small banks do not publish Pillar III reports on their websites). Additionally, providing a PDF report in data extractable format (and even more so in a machine-readable format) will allow for significant savings the time needed for data extraction (currently, many reports are available in a format that does not allow automatic extraction, which requires manual extraction).

2.21 Q21: Data dissemination: would you agree that the tools to be developed would increase the usage of the Pillar 3 data and, as such, better promote market discipline?

It is likely that this is the case; in the present form, comparing more than two institutions (and sometimes even comparing data from several periods for the same institution) requires significant manual effort. Additionally, in the case of many SNCIs the reports are not available on the Internet, therefore making all reports available in one place will make it possible to fill data gaps and will significantly shorten the time needed to obtain data and information.

2.22 Q22: Would you see any challenges in the described process that would deserve further consideration by the EBA?

Some members of the BSG point at missing to produce xBRL-CSVs. This gap might be resolved once ESAP is operational.

Furthermore, the BSG advocates for at a least a minimum check such as 4 eyes principle before data is published by the EBA.

2.23 Q23: In your view, how would you tackle the requirements of Article 432 of the CRR (non-material, proprietary and confidential information) in accordance with the proposed process?

No comments.

2.24 Q24: As regards the archiving period to be considered by the EBA under the respective legal provision, what is the number of years set in your jurisdiction as regards the storage for information included in the institutions' financial reports?

BSG members commented from their experience on the question as follows:

- Given the mandate for the EBA to centralise institutions' prudential disclosures and make prudential information readily available to improve market transparency, the BSG is of the view that it would be desirable to storage as much historic information as the digital capacities could afford. Given the differences across EU Member States, the BSG believes that 10 years should suffice.

- For Austria, this is usually 7 to 10 years, depending on the context. Longer periods are possible.

- In Poland nowadays it is 5 years for the financial statements (and in the case of accounting evidence relating to credits and commercial contracts, claims etc. - for 5 years from the beginning of the year following the financial year in which the operations, transactions and proceedings were finally completed, paid off, settled or time-barred). Until 2019, there was a requirement for perpetual storage of approved financial statements.

2.25 Q25: What are users of information views on how the timeline for availability of information in the EBA P3DH should look

like? Some options could be further explored by the EBA, if considered useful, like automatic alerts or the preparation of dashboard of reports for specific periods.

The BSG does not see the added value for alerts, however, would find it useful e.g. to have a dashboard with institutions whose data is already available in the ESAP (whereby it would be useful to have filters that allow banks to be listed according to different characteristics, e.g. country, size, legal form, etc.).

2.26 Q26: What are the users views on the approach proposed in terms of visualization and bulk downloading tools? What kind of functionalities and tools would be useful for users in this regard?

Predefined visualizations will mostly add benefit to consumers of banking services whilst other stakeholders that are proficient in analysing data might have the skillset to work with the data and illustrate according to their needs. Thus, the possibility to easily download the ESAP`s data in users systems is of utmost importance. The bulk downloading tools will be highly desirable.

2.27 Q27: Would you have any other suggestions, from a user perspective, that could be considered by the EBA when developing the P3DH and the users' interface?

2.28 Q28: Would you have any comments or observations on the presented links and synergies with other on-going projects?

2.29 Q29: Do you agree that there is merit in leveraging the vLEI solution as a decentralized organizational digital identity management system?

The BSG believes that the vLEI is a reasonable approach to identify and verify institutions.

2.30 Q30: If you agree with Q29, do you agree that the EBA Pillar 3 reporting use case represents an opportunity to introduce vLEI into the market? And what are the main challenges that you perceive in the practical implementation of the vLEI from your point of view? If you disagree with Q29, are there alternative options you would suggest the EBA consider?

Having the Pillar 3 reporting as a first use case is fine for us. The main challenge that we see is whether our reporting tool is capable of delivering data directly to EBA and if so, an additional authentication via vLEI is necessary.

2.31 Q31: If you agree on the adoption of the vLEI for Pillar 3, what should the EBA do to facilitate its practical application and promote market acceptance?

During the implementation of the vLEI, the BSG opts for user friendliness, thus avoiding any additional verification systems, apps, or passwords.

2.32 Q32: Please provide your views for each one of the particularities that would need to be defined or further clarified as regards the resubmission policy.

The BSG believes that an approach where corrections are limited to the biggest extent would contribute to transparency. It might be feasible to introduce a limit to which data can be corrected, such as a cap at the last year`s report for the fourth quarter.

One further topic that could be clarified in the final version of the ESAO Guidance is when the disclosure shall be amended, before or after the supervisory data have been submitted to the respective NCA.

2.33 Q33: Do you have any comments regarding the resubmission of disclosure data and the process of the publication via the EBA? Do you see specific requirements regarding the process and timing EBA will republish updated disclosure figures?

There are banks that still finalise templates after eo June, thus there should be the possibility to amend documentation (e.g in case of remuneration data).

2.34 Q34: Do you identify any other aspects that would need to be taken into account when defining the final resubmission policy? Which ones and why?

In case of changes to existing figures which could occur due to reruns on the CoRep or FinRep side, the EBA would also need to design a policy/procedure in place, so that in the P3DH always the most recent figures are available.

However, for the purposes of P3DH, resubmissions should only be envisaged in truly material cases, as frequent resubmission would jeopardize the correct functioning of the centralized data hub. In this respect, the BSG is of the view that the “materiality approach” envisaged by the EBA (cfr.

Paragraph 138 letter c) is a sensible and pragmatic way forward. The BSG would fully support an approach like the one implemented by institutions under the IFRS framework on restatement of financial statements.

When developing its technical standards, the EBA should consider the following BSG's recommendations:

- *Key metrics involving more than one period*: If an amendment is needed for one of these previous years (and not the current period), the resubmission policy should require the resubmission for a pre-determined number of periods also linked to the frequency of the disclosures at stake (i.e., annual, semi-annual or quarterly).

- *Materiality approach*: the BSG strongly believes that the materiality assessment should be left to the institutions based on the EBA Guidelines on materiality, proprietary and confidentiality and on disclosure frequency (EBA/GL/2014/14). As mentioned previously, the BSG would welcome an approach like the one implemented by institutions under the IFRS framework on restatement of financial statements.

- *Supervisory review and evaluation process (SREP) and external audit*: The BSG agrees with the EBA that the resubmission policy should take into account how to factor in the outcome of the SREP process as well as audit findings and the possibility that institutions are asked to resubmit accordingly.

- *Quantitative vs qualitative information*: the BSG is of the view that quantitative information should be resubmitted accompanied by the directly related qualitative information; amended qualitative information not related to any impacted quantitative figures would be corrected in the next period and, as such, would not be subject to resubmission.

2.35 Q35: Would you have any other observation or comments on any of the aspects covered in this section?

It remains to be seen if the publication on P3DH triggers requests on the data published by stakeholders either to the EBA or to the institutions that published the data and how in this case the communication would be amongst EBA, the financial institutions and stakeholders.