Introduction to the EBA study on cost of compliance with supervisory reporting requirements

July 2020
Background

- Proportionality is an important aspect for the EBA to take into account when developing the Single Rulebook
- Supervisory reporting and the costs borne by institutions for the compliance with the reporting obligations is often cited by the industry as the important element of the overall compliance cost, warranting special consideration of proportionality aspects
- The EBA has been working over the years to ensure proportionality in supervisory reporting, whilst ensuring that competent and resolution authorities have all necessary information and data on the institutions to perform their tasks
- The EBA work on proportionality in supervisory reporting has been reinforced by specific mandate in the revised Capital Requirements Regulation (CRR): Article 430(8) of the CRR asks the EBA to perform a study of the institutions’ costs of compliance with the standardised supervisory reporting, and find ways to reduce such reporting costs primarily for small and non-complex institutions.
- The cost of compliance study represents one of several elements in the EBA’s overall work on further enhancing the proportionality of the regulatory and supervisory frameworks
- In the area of reporting, EBA is working in parallel on a feasibility study on a consistent and integrated system for collecting statistical data, resolution data and prudential data (‘feasibility study’) → both studies have synergies and complement each other, and the EBA is capitalising on these synergies
- The information collected as part of the study will be also used by the EBA as evidence in other work aimed at improving reporting efficiency
EBA study on cost of compliance with supervisory reporting requirements:

understanding reporting costs and increasing the efficiency of the reporting requirements
Mandate and objectives

Classify institutions into proportionality categories

- Measure historical reporting costs in relation to EBA ITS on Supervisory Reporting
- Assess if reporting costs were proportionate to the benefits
- Assess the impact of reduction of reporting requirements and other measures on costs and supervisory effectiveness

Make recommendations on how to reduce reporting costs

Targeted cost reduction by 10% - 20%,
  at least for small and non-complex institutions
Working methods

Q3 2019 – Q2 2020
Mapping of all EEA credit institutions to proportionality categories

from Q2 2020
Four pillar approach to understanding costs and benefits and making recommendations

1. Questionnaire to institutions
2. Questionnaire to competent authorities and other users of reporting
3. Interviews with associations and institutions
4. Fact finding/request for case studies

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Working methods: Phase 1

- The Objective was to map the entire population of the EEA credit institutions into the proportionality categories defined by the CRR, i.e. small and non-complex, large and other
- The work was being done with the EEA competent authorities based on already reported data, no involvement of the industry was necessary
- The results will of the mapping will not be published on a standalone basis and will be used in the study to inform Phase 2 planning and the assessment
Working methods: Phase 2

To fulfil its mandate for this study, the EBA is planning to organise the Phase 2 the analytical work aimed at understanding reporting costs and benefits and making recommendation based on four components requiring interaction and contribution from the industry.

1. **Questionnaire to institutions**
   - Voluntary questionnaire open to all EEA credit institutions and their reporting service providers focusing on understanding reporting cost, challenging areas in the existing supervisory reporting framework, identifying options to reduce reporting costs, also by means of technology.

2. **Questionnaire to competent authorities and other users of reporting**
   - Questionnaire to the public sector as the user of the supervisory reporting, focusing mostly on benefits of supervisory reporting.

3. **Interviews with associations and institutions**
   - Follow up discussions based on the results of the questionnaire to institutions with selected sample of institutions and industry associations.

4. **Fact finding/request for case studies**
   - Voluntary deep-dive case study analyses of practical examples or specific areas of reporting, to be provided by interested stakeholders.
Next steps

- **Publication** of the final questionnaire and the specification of the case studies
- **Launch** of the data collection exercise and **call for submission** of the case studies
- *IT tool for responses being made available later*

**July 2020**

- **1 October 2020**
  - Deadline for responding to all **qualitative questions**

- **31 October 2020**
  - Deadline for responding to **quantitative questions**
  - Deadline for **submitting fact-finding case studies**
Interaction with the stakeholders

- The EBA published draft questionnaire, specification for the case studies and various supporting and explanatory materials in June 2020 with a view of getting industry views
- Altogether the EBA received feedback from major EU-level and 10 national industry trade bodies
- The final questionnaires and the timelines have been adjusted to reflect the industry feedback

Should you have any questions regarding the study and/or questionnaires, please:

- Contact your competent authority with institution-specific questions
- Contact cost.of.compliance@eba.europa.eu with general inquiries
- Follow the dedicated website (https://eba.europa.eu/regulation-and-policy/supervisory-reporting/cost-compliance-supervisory-reporting) where the EBA will be publishing answers to frequently asked questions

Thank you for your participation in the study and for your responses!