

# The evolution of the supervisory reporting framework for the EU banking sector

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## Abstract

Supervisory data are typically not conceived for statistical purposes or considered as “official statistics”, but they are disclosed to the public, either directly by supervised institutions or indirectly by the competent authorities. This is because Pillar 3 of the Basel framework on banking supervision aims to promote market discipline, whereby market participants monitor the risks and financial positions of banks and take action to guide, limit, and price banks' 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 is different, and its quality is subject to a robust assessment framework, which has distinct peculiarities compared to standard official statistics.

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 potential integration with the statistical framework.

The paper will be articulated into three main parts. Firstly, it will describe the history and current EU institutional settings, including the role of the EBA reporting framework and the SSM role focusing on the data quality assessment framework and the publication of supervisory statistics. The current shortcomings will also be analysed.

Next, the paper will describe the possible future evolution in the future, triggered mainly by three recent developments. The first one concerns the recommendations of the EBA feasibility study on integrated reporting (common data dictionary, joint governance, central data collection point). The second element is represented by the European Commission's strategy on supervisory data in EU financial services. The third development consists of the so-called “better data sharing” legislative initiative, promoted by the European Commission and further elaborated by the European Parliament.

Finally, the paper will propose several policy principles that should inspire such evolution under certain constraints, including the application of Basel Committee on Banking Supervision (BCBS) 239 principles to supervisory reporting, the interlinkages between supervisory reporting and Pillar 3 disclosure, the compliance with Basel core principle 10 on supervisory reporting, and the management of ad-hoc reporting requirements.

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

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<sup>1</sup> Opinions are my own and not the views of my employer.

## 1. Introduction

The EU banking reporting system for statistical, prudential and resolution purposes has become increasingly complex and costly for both authorities and banks. This is reflected in a significant number of data requests, which are sometimes overlapping and poorly defined. The European authorities have launched some strategic initiatives for the rationalization, standardization and integration of the existing reporting framework, which require time to be implemented. Against the complexity of the system and the slow response by authorities, attempts have been made to connect the dots with the aim to rationalize the overall reporting framework<sup>2</sup> and to elaborate further on more ambitious scenarios<sup>3</sup>. Such attempts take the current institutional settings as given. This paper argues instead that the current institutional settings should be reviewed, and that the application of some policy principles is necessary to reduce the current complexity.

## 2. History and current EU institutional settings

The regulatory reporting requirements of the European banking sector can be split into two main parts: the ECB statistical requirements for central banking purposes and the European Banking Authority (EBA) reporting framework for supervisory and resolution purposes. These frameworks were developed in isolation, as the EBA started to develop the FINREP and COREP templates in 2004, while the ECB statistical (monetary) framework existed since 1998. The first attempt to integrate the two frameworks began in 2008, when the 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) to 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 between 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. The latest version of the classification system is dated May 2014.<sup>4</sup>

Although the JEGR classification system raised awareness of the interlinkages and the differences between the reporting frameworks and promoted the use of some common data definitions across frameworks, its impact on the reporting burden for banks was rather limited. For this reason, in 2014 the ESCB Statistics Committee (STC) decided to investigate the matter more in depth. It established an internal *Groupe de Réflexion* on Statistical and Supervisory data (GRISS) with the 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. The work of the GRISS coincided with establishment of the Single Supervisory Mechanism (SSM). In this context, the GRISS considered it appropriate to combine and coordinate data collected for monetary policy and those collected for supervisory purposes and to improve the cross-country harmonisation of data. The long-term vision proposed by GRISS was to transform the existing national statistical and supervisory information systems into a joint European Information System through common practices, methodologies, infrastructures, and tools. In addition, the GRISS made several other recommendations, while recognising the

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<sup>2</sup> Casa M. (2023).

<sup>3</sup> Bafin (2022).

<sup>4</sup> ECB and EBA (2014).

difficulties linked to legacy issues. The GRISS work inspired the current “BIRD” and “IReF” initiatives that are explained below.

Despite these promising developments, the ESCB statistical framework and the EBA prudential and resolution data frameworks remained split in two separate silos, each subject to different governance. 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.

Acknowledging that these are legitimate requests, the EU Parliament and Council mandated the EBA to develop a feasibility study for an integrated reporting framework, and to consider the ESCB views, given its experience in data integration (art. 430c of the Capital Requirements Regulation (CRR)).

In September 2020, the ECB published the ESCB input envisaged for the EBA feasibility study.<sup>5</sup> 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 pre-condition to establish 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, by leveraging on the ESCB input and further elaborating additional aspects.<sup>6</sup>

After assessing the EBA feasibility study, the European Commission was expected to take legal initiatives to implement an integrated reporting framework in the EU, in accordance with art. 430c CRR. However, it took a different approach, as described in section 3.2.

In parallel, the ESCB pursued its own data integration strategy, which was published in the 2019 ECB annual report.<sup>7</sup> The strategy consists of consolidating all statistical reporting requirements into an Integrated Reporting Framework (IReF) and developing a common Banks’ Integrated Reporting Dictionary (BIRD) to help banks compiling the data required by EU authorities.<sup>8</sup>

At the end of this lengthy road, the ECB and EBA signed in 2024 a Memorandum of Understanding (MoU) to establish a Joint Banking Reporting Committee (JBRC) to enhance cooperation in the integration of statistical, supervisory and resolution reporting.<sup>9</sup> This summary of the main historical stages is meant to say that, since the first attempt with the JEGR, the progress has been slow, and we are still far from the final objective whereby banks reporting requirements are consolidated into a single report which eliminates duplications of the past and operates in a more cost-efficient manner for all parties involved. The speed at which we reach this goal will depend on the cooperation among the relevant authorities, and between authorities and banks.

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<sup>5</sup> ECB (2020).

<sup>6</sup> EBA (2021).

<sup>7</sup> ECB (2019).

<sup>8</sup> See BIRD website under <https://bird.ecb.europa.eu>

<sup>9</sup> ECB (2024).

## 2.1. The role of the EBA

The EBA is the EU regulator of supervisory and resolution reporting and Pillar 3 disclosure, as mandated by level 1 legal acts.<sup>10</sup> The EBA reporting framework is rather complex, comprising several legal acts (level 2 Implementing Technical Standards (ITS), guidelines, decisions) which have stratified over time, without an organic and transparent structure.

Since its establishment in 2011, the EBA has harmonized the largest part of the supervisory and resolution data needs, which is a remarkable achievement compared to the situation beforehand in term of data quality and comparability. Within its scope of application, the EBA reporting framework applies the so-called maximum harmonization, which means that competent authorities cannot impose additional reporting requirements. By excluding national implementation mechanisms, a truly unified set of legally binding requirements is achieved. There are only two carve-outs to the maximum harmonization. Firstly, maximum harmonisation applies to banking supervision, but it is not meant to constrain data requests to meet central banking needs. Secondly, competent authorities keep the right to make ad hoc data collections, through Short Term Exercises (STE) data collections 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. But this ad hoc reporting is intended to remain temporary. If such data requirements become permanent, they should be moved to the EBA reporting framework, although this process is not automatic. Or, if they are not used anymore, they should be removed.<sup>11</sup>

The EBA is also the regulator for banks' public disclosure requirements, in accordance with Pillar 3 of the Basel framework, that is to support market discipline. This is the most tangible public good. Such disclosure requirements are normally a subset of the EBA 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 on the Banking Book (IRRBB) have been frontloaded before equivalent supervisory reporting requirements are in place. The delay in establishing ESG and IRRBB supervisory reporting requirements into the EBA reporting framework triggered ad-hoc data requests by the EBA and competent authorities, including the SSM.

The Pillar 3 disclosures are difficult to locate as they are scattered within the banks' websites. Moreover, they are available in pdf files, which complicates the comparison across banks. To remediate 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 disclosure in a single location, to maintain a mapping tool between supervisory reporting and Pillar 3 disclosure, and to establish a resubmission policy.

Also, the EBA publishes relevant supervisory information for risk analysis. The publications cover risk monitoring tools (indicators, dashboards), the outcome of EU-wide stress tests and of an annual transparency exercise to complement banks' own Pillar 3 disclosures.<sup>12</sup>

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<sup>10</sup> Since 2001, a specific regulatory process applies in the EU financial services. This regulatory approach is structured in four institutional levels. At level 1 the European Parliament and Council adopt the basic laws proposed by the 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.

<sup>11</sup> For a discussion on the maximum harmonisation and the role of ad-hoc reporting, see Enria A. (2023).

<sup>12</sup> See [www.eba.europa.eu/risk-and-data-analysis/risk-analysis](http://www.eba.europa.eu/risk-and-data-analysis/risk-analysis)

## 2.2. The role of the SSM<sup>13</sup>

The ECB is a competent authority within the SSM for supervising the banking sector in its jurisdiction, while the regulatory functions have been delegated to the EBA, as explained in the previous section. Nevertheless, the SSM has the power to collect additional data beyond the EBA ITS, guidelines and decisions. Indeed, it needs to keep flexibility to request new data at short notice. This is burdensome for banks, but overall, the SSM additional requirements represent only a small fraction of overall data requested to the banking sector.

All reporting initiated within the SSM should, as far as possible, avoid duplicating existing reporting requirements. In fact, the SSM reporting framework relies primarily on the EBA reporting framework. Where there are data gaps which might limit supervisors' ability to fulfil their mandates, the existing EBA data are supplemented by additional reporting developed by the ECB for all its supervised institutions, or only targeting specific supervised institutions. 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.

The ECB banking supervision maintains a repository of all micro prudential data collections requested to Significant Institutions 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 avoid duplicated data requests and to align data definitions.

Most supervisory data are reported by banks via the NCAs, which then forward immediately the data to the ECB and the latter forwards them to the EBA. This is the so-called "sequential approach", which ensures a single source of truth, whereby any data correction is reflected in the data available to the relevant authorities.<sup>14</sup>

The ECB banking supervision is also tasked to carry out a quality assessment of the data reported by banks and to check compliance with banks Pillar 3 disclosure requirements. This input is supporting the assessment of banks' data aggregation and reporting capabilities, in accordance with BCBS 239 principles.<sup>15</sup> This point is quite important because it underlines the dual nature of the supervisory data: firstly, its analysis supports the supervisory assessment of the financial, economic and capital situation of the supervised banks and the risks they face; secondly, the quality of the risk data used by banks management and reported to authorities is key to determine the robustness of the internal governance, decision making and risk management of the banks.

Furthermore, the ECB banking supervision publishes on a quarterly frequency aggregated supervisory banking statistics and dashboards on banks designated as significant institutions (SIs) and less significant institutions (LSIs).<sup>16</sup> The publication is accompanied by a press release which helps the public interpreting the main trends. Moreover, the SSM publishes on an annual frequency selected SIs' Pillar 3 disclosure in its website, 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

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<sup>13</sup> Similar considerations apply for other EU competent authorities outside the SSM jurisdictions.

<sup>14</sup> Exceptions to the sequential approach apply for some resolution data which are routed via the SRB and to some SSM data collections which are reported directly by banks to the ECB, thus bypassing the NCAs.

<sup>15</sup> Bank for International Settlements (2013).

<sup>16</sup> See [www.bankingsupervision.europa.eu/banking/statistics/html/index.en.html](http://www.bankingsupervision.europa.eu/banking/statistics/html/index.en.html)

correct the information. Interestingly, several banks corrected and republished their Pillar 3 reports following thorough quality assurance.

### **2.3. The role of the ECB**

The ECB in its central banking function has a limited role in banking supervision. However, it does have a macro-prudential role to safeguard financial stability. The traditional central banking data needs (regarding the banking sector and beyond) are satisfied by the ESCB statistical framework, which is locational based and on a solo entity level. However, central bank users do need also supervisory data, that are consolidated at banking group level and follow the home residency approach. For instance, supervisory data can be a reliable source for official statistics such as financial accounts and represent reference benchmarks for loan-level data. Access to these supervisory data is granted on a need-to-know basis, in accordance with the separation principle. Similarly, macroeconomic statistics are also of interest for banking supervision, in particular when data collections are available at granular level (typically, Anacredit data). The ECB, therefore, has a vested interest in making sure that the statistical and supervisory reporting “silos” are integrated as much as possible.

The ECB strategy for improving, simplifying, and eventually integrating statistical and supervisory reporting is outlined in the above-mentioned ESCB input into the EBA feasibility study on an integrated reporting system. This strategy is built on three pillars:

1. cooperating with other European and national authorities to integrate statistical and prudential reporting under the recently established JBRC;
2. incorporating existing statistical reporting into the IReF as a first step towards broader integration; and
3. cooperating 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 way so they can meet their reporting requirements more efficiently.

### **2.4. Current shortcomings of the institutional settings**

As explained in the previous sections, the path towards the integration of the statistical, supervisory and resolution reporting and disclosure for the banking sector has been lengthy and is not completed. While the main stakeholders have a well-defined role, several shortcomings in the institutional settings can be identified. If overcome, the overall efficiency of the system would be improved, and the reporting burden would be limited. The following is a non-exhaustive list of shortcomings, some of which are being addressed by recent initiatives, as explained in section 3.

- A. Ad-hoc reporting is sticky. When supervisory data requests become recurrent and stable, it takes time to incorporate them in the EBA reporting framework, because the EBA lacks a dedicated mandate in the Level 1 legislation and because SSM users find more convenient to control the data requests managed internally.

- B. Data sharing between central banking and SSM business areas is cumbersome. The separation principle in place between the ECB supervisory function and its central banking function implies that sharing supervisory data is subject to a lengthy process of assessing the central banking business areas need to access the supervisory data. This need is rather obvious for certain business areas, such as the financial stability function, and represents a clear case for simplifying the access process.
- C. Anacredit usage for supervisory purposes is limited.<sup>17</sup> Anacredit is considered as a statistical database for legacy reasons. Since the main purpose of the database is to support the compilation of residency-based macroeconomic statistics, the data are collected only at legal entity (solo) level. Although banking supervisors are important users of this granular dataset, the SSM demand for Anacredit data at banking group consolidated level, with the same level of granularity, is not satisfied. If Anacredit did not exist and would be developed from scratch today, the data would certainly need to be collected both on a solo and at a banking group consolidated level.
- D. Banks' Pillar 3 disclosures are difficult to extract and to compare, because they are published in the website of each bank, rather than in a central location. Moreover, the disclosure is made through pdf files, rather than in machine readable formats. These factors hinder the data comparison for the final user.
- E. Banks' Pillar 3 disclosure may not match with data reported to authorities. There is no mechanism or obligation in place to ensure that public disclosure is 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, nothing ensures that e.g., when a bank submits a correction to its supervisory data, this is reflected also in the public disclosure. In other words, there is no resubmission policy in place for public disclosure. If a bank omits or delays the correction of key Pillar 3 figures, the market discipline is impaired. The ECB reconciliation exercise aims at ensuring this alignment but covers only a small fraction of the overall disclosure.
- F. Frontloading Pillar 3 disclosure triggers unnecessary ad-hoc data requests. Frontloading Pillar 3 disclosures before equivalent supervisory reporting recently occurred in two cases: ESG and IRRBB reporting. For instance, the frontloading of ESG disclosure originated from a CRR2 mandate to the EBA, to inform the public about how banks face climate risk. However, the mandate was not explicit on the need to collect the same data also for supervisory purposes, resulting in a misalignment between public disclosure and supervisory reporting. The absence of ESG data for supervisors triggered an ad-hoc EBA data collection to bridge the time until supervisory ESG reporting is in place, and another ad-hoc SSM data collection as the EBA collection was too limited in scope and details. These data collections are very costly for banks and are not aligned between themselves which causes difficulties in the analysis.
- G. Lack of a 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. Indeed, two data dictionaries, one for statistical purposes and another for

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<sup>17</sup> 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. See website: [www.ecb.europa.eu/stats/ecb\\_statistics/anacredit/html/index.en.html](http://www.ecb.europa.eu/stats/ecb_statistics/anacredit/html/index.en.html)

supervisory/resolution purposes, currently exist with definitions that partially overlap. There is no mechanism in place for converging similar data definitions.

- H. Limited cooperation among authorities. The slow and modest progress to integrate statistical, supervisory and resolution reporting is due to lack of proper institutional incentives. Separate mandates provided by the Treaty (in the case of the ESCB) and by the Level 1 text (in the case of the EBA) have led to a “silo” approach between statistical and supervisory/resolution reporting, resulting in inefficient separate data collections, different data dictionaries and data models, and difficulties in data sharing and re-usage.

### **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 Capital Requirements Regulation (CRR) mandated the EBA a report on feasibility regarding the development of a consistent and integrated system for collecting statistical data, resolution data and prudential data and report its findings to the Commission by 28 June 2020, with the aim of taking possible legislative initiatives. The CRR also invited the EBA to involve competent authorities, and to consider the previous work of the ESCB regarding integrated data collections. The ESCB 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, 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.
2. The possibility to increase the level of granularity for the reporting requirements should be explored, where feasible.
3. There is mild support to further assess the possibility to create a Central Data Collection Point (CDCP) in the medium-term.
4. 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.



### 3.2 European Commission’s strategy on supervisory data in EU financial services

Article 430c of the CRR stated that, by one year after 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 feasibility report on integrated reporting. Instead of taking such a legislative initiative, the Commission has decided to take a different, possibly more cautious, approach by publishing a strategy on supervisory data in EU financial services.<sup>18</sup> The strategy originates from a comprehensive fitness check of EU supervisory reporting requirements<sup>19</sup> and focuses on four key areas: 1) data standardization and consistency, including a common data dictionary; 2) data sharing and reuse; 3) improved design of reporting requirements; and 4) joint governance.

The scope of the strategy is different from the EBA feasibility report because it does not cover statistical reporting. Moreover, it comprises not only the banking sector but also the entities under the supervision of EIOPA (namely, insurance companies and pension funds) and ESMA (namely, listed companies).

Table 1: Main differences between the EBA feasibility report and the EC strategy

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

The decision to set up a CDCP jointly managed by the ECB (for central banking data needs) and the EBA (for supervisory and resolution purposes) was kept on hold for three main reasons: firstly, because the ESCB expressed some concerns on the CDCP due to the potential impact on the independence of the ECB in its statistical function<sup>20</sup>; secondly, the time was premature to launch the CDCP because the ESCB was engaged into a major project of consolidating its statistical reporting under the so-called Integrated Reporting Framework (IReF) which requires some years to be implemented; lastly, a common data dictionary and a joint governance were considered as pre-conditions before the establishment of a CDCP. The second reason is arguably weak because, instead of investing resources into a temporary solution covering only statistical data needs (IReF), the efforts could have focused immediately on the CDCP.

<sup>18</sup> European Commission (2021).

<sup>19</sup> European Commission (2019).

<sup>20</sup> ECB (2020).

The main pre-conditions required to set up the CDCP are the following.

1. It requires a legally sound joint governance where both the ECB and the EBA should be set free to develop own reporting requirements, while the data collection occurs via a single portal and a single transmission format.
2. It requires a common data dictionary. Initially only as 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 pre-conditions. The ECB and the EBA have established in March 2024 a Joint Bank Reporting Committee (JBRC), which 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 a Memorandum of Understanding.<sup>21</sup> The ECB, the EBA, the European Commission, the SRB and relevant national authorities will all be part of the JBRC. The banking industry will participate through a consultative body, the Reporting Contact Group. One key tangible deliverable of the JBRC 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 currently is being finalized. A first deliverable, expected by Q2 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. Thereafter, it will be up to the JBRC to decide how to develop a common data dictionary using the outcome of semantic integration.

### **3.3 The “better data sharing” legislative initiative**

In October 2023, the European Commission (EC) has put forward a proposal amending the Regulations of the ESAs, ESRB, and AML authority aimed at facilitating the exchange of information among authorities (so called “better data sharing” initiative).<sup>22</sup> In February 2024, the European Parliament (EP) proposed several amendments proposed to explicitly cover the ECB, strengthen obligations on information exchanges, and require competent authorities, including the ECB, to jointly create a Single Integrated Reporting System (SIRS) to centralise banks’ reporting and public disclosure by three years from the date of entry into force of the amending Regulation.<sup>23</sup> The EC proposal and EP amendments will be used for the interinstitutional negotiations in the Trialogues.

Under the EP proposal, the SIRS would consist of:

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<sup>21</sup> ECB (2024).

<sup>22</sup> See EC proposal: [https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=comnat%3ACOM\\_2023\\_0593\\_FIN](https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=comnat%3ACOM_2023_0593_FIN)

<sup>23</sup> See EP proposal: [https://www.europarl.europa.eu/doceo/document/A-9-2024-0026\\_EN.html](https://www.europarl.europa.eu/doceo/document/A-9-2024-0026_EN.html)

- A. A common data dictionary to ensure consistency and clarity of reporting requirements and data standardisation;
- B. A joint repository of reporting and disclosure requirements, of the descriptions of the collected data and of the authorities that hold it;
- C. A central data space including the technical design for collecting and exchanging information; and
- 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 of the SIRS are not completely clear, it appears to share some common features with the idea of CDCP envisaged by the EBA feasibility study. An important difference is that the scope of the SIRS is limited to supervisory and resolution reporting, while the CDCP envisaged also statistical reporting. Moreover, while the CDCP was considered a target for the medium-term, the EP has the ambition to setup the SIRS in only three years.

#### **4. Policy principles to inspire the evolution of supervisory reporting and public disclosure**

In the aftermath of the EBA feasibility study on integrated reporting, the EC supervisory data strategy and the ESCB launch of IReF, stakeholders are wondering for the next steps and demand a clear vision. Therefore, it is important to introduce some principles to steer further progress in integrating the reporting framework covering statistical, prudential and resolution reporting requirements.

##### **4.1 Pre-requisites for integrated reporting**

As described in the previous sections, some important steps towards an integrated framework have been recently taken and will be tested in the next couple of years. These are a joint governance under the JBRC, preparations for the development of a common data dictionary (and an associated data model), the Pillar 3 data hub, and enhanced data sharing among authorities. These are important pre-requisites for further integration, while a holistic view of the direction to take is needed, also in the interest of banks as they need clarity to make the necessary contribution and investments.

In particular, there is wide consensus that the common data dictionary is a key enabler for further data integration and re-usability. The first step will be to process and document a semantical integration of statistical, supervisory and resolution data concepts. In turn, the semantic integration is expected to identify opportunities for the alignment of similar definitions, as this would increase the analytical value and decrease the associated reporting burden. A typical example is the definition of “credit institution” applied for statistical and supervisory purposes. In one case, the definition includes multinational development banks, while in the other case these banks are excluded. 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 that. The implementation of the common data dictionary should also foresee such mechanism.

## **4.2 Consistency and simplicity of legal acts**

The EC supervisory data strategy has envisaged 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 for an effective and efficient reporting system. For instance, the EC strategy does not cover Pillar 3 disclosure requirements and does not address the complex articulation of 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 mandates the relevant authorities 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 the remits of the authorities. Within each segment, the existing legal acts should be consolidated in one (rather than articulated in several pieces, as is currently the case), to provide reporting agents with a clear overview, and to ensure internal consistency and simplicity.

This consolidation is currently taking place within the ESCB where all current statistical regulations affecting the banking sector will be merged into one (IReF). Instead, there is no visible plan to consolidate the numerous and stratified legal acts of the EBA 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 top SSM supervisory priorities since 2017. This is because high data quality is an essential precondition for accurate risk information and, hence, 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 BCBS 239 principles in supervisory reporting has been recently confirmed in the new version of the Basel Core Principle 10.

Moreover, in line with the provisions of the national transposition of Articles 74 and 76 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 be applicable also to supervisory reporting processes. An additional regulatory reference has been provided by the European Systemic Risk Board (ESRB), which has repeatedly highlighted the importance of receiving high-quality data to monitor and address financial stability risks and made concrete proposals to improve supervisory reporting and called for increased supervisory attention to be paid to data quality.<sup>24</sup>

The ECB has published a guide to specify its minimum supervisory expectations on a set of priority topics that have been identified as necessary preconditions for effective data

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<sup>24</sup> European Systemic Risk Board (2022).

aggregation and reporting.<sup>25</sup> The guide has a targeted focus on the areas that are critical to delivering progress. The work program includes, amongst others, an enhanced focus on the data quality of institutions' supervisory reporting. This applies to the data quality of FINREP/COREP templates. For this, the ECB uses data quality indicators that represent the minimum quality standards expected from the banks in terms of accuracy, punctuality, and completeness. In addition, the ECB publishes additional data quality checks two times per year, which are aimed at enhancing the quality of supervisory reporting data. Furthermore, institutions are expected to always ensure consistency between their supervisory reporting and Pillar 3 disclosures (see section 4.7).

In this context, the SSM has consolidated 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 the answers to further foster management body accountability.

Although these initiatives request banks to consistently apply BCBS 239 principles in supervisory reporting and public disclosure, some ambiguity and inconsistent behaviours among stakeholders remain. For instance, three examples can be made.

1. To attract clients, some vendors of supervisory reporting software tend to implicitly promise to their client banks that the application of automatic transformation rules to derive supervisory aggregates reporting to authorities allow discharging management accountability on the data quality, because such transformation rules are allegedly endorsed by the authorities. However, while this idea can work for statistical reporting purposes, it is based on the wrong assumption that the transformation rules for supervisory data are fixed and identical for all banks and the raw data are internally consistent. Actually, since banks need to exercise expert judgement, they must always retain the right to override the pre-defined transformation rules.
2. Another example, which is a classic principal-agent conflict, is the call to decommission Finrep solo if it can be derived by authorities from statistical granular reporting, thus shifting the data aggregation burden to them. As elaborated in section 4.4, such decommissioning is not possible due to the need to comply to BCBS 239 principles.<sup>26</sup>
3. Furthermore, as discussed in section 4.7, banks' reluctance to accept an automatic extraction of Pillar 3 disclosure from supervisory reporting is a sign that banks want to retain control of the data disclosed to the public and to amend them if necessary. Supervisory data reported to authorities and those disclosed to the public should be aligned and subject to the same quality assurance processes, but the above-mentioned reluctance casts some doubts.

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<sup>25</sup> ECB (2024) (3).

<sup>26</sup> This point has been acknowledged in the ECB "Complementary cost-benefit assessment on the Integrated Reporting Framework. Closer alignment with FINREP solo". ECB (2024) (2).

#### 4.4 Data responsibility

According to the Capital Requirements Directive (CRD, i.e. Directive 2013/36/EU), Art. 88(1): *“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”*. This article confirms the banks’ responsibility to submit supervisory information on time and to ensure high data quality. Acknowledging that this is a regulatory requirement, no compromise can be given on this basic principle: banks should submit correct accurate reports on time, in the prescribed formats, to all stakeholders: internal management, supervisory authorities, and the public. And it is the role of supervisors to ensure that this principle is respected. This implies that data reported by banks cannot be modified by the ECB, but only controlled and assessed.

Since banks are responsible for the data they report and disclose, supervisory data cannot be compiled by authorities on behalf of banks, based on granular data. Such a possibility has been advocated by the banking industry and other commentators on some occasions, with the aim to potentially reduce the reporting burden. However, delegating the compilation of supervisory data to third parties is not possible, because of the dual nature of the supervisory data reported to authorities: it is 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. Indeed, the quality of supervisory reporting represents an important input for the assessment and scoring within Element 2 (internal governance and risk management) of the Supervisory Review and Evaluation Process (SREP).

Furthermore, the compilation of supervisory data cannot be automatized mechanically through the application of standard transformation rules, as there are too many managerial discretions and accounting options that can only be chosen by banks.

#### 4.5 Flows data and further alignment with BCBS Core Principles

The Basel Committee on Banking Supervision (BCBS) is the international standard setter for banking supervision. The BCBS has published and recently updated a set of Core Principles (CP) on banking supervision, including one (CP 10) devoted to supervisory reporting.<sup>27</sup> The CP aim at incentivizing 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 already comply with these principles. As such, the principles represent a benchmark for the supervisory systems.

The EBA reporting framework is generally aligned with the CP 10, with one notable exception. Paragraph EC5 of CP10 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).”*

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<sup>27</sup> Basel Committee on Banking Supervision (2024).

Contrary to monetary and other macroeconomic statistics, the EBA supervisory reporting framework focuses mostly on stock data, with very few flows data. This is because the EU regulator has chosen to focus on the current situation of the supervised entities, rather than on their evolution over time. The lack of flows data for most supervisory variables implies that it is not possible to disentangle the 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 flows data can only be estimated, and supervisors cannot rely on accurate data. Therefore, the EU jurisdictions under the EBA reporting framework are not fully compliant with this part of the CP10. This is an area where the EBA could invest by requiring banks to report flows 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 so-called maximum harmonization. However, as 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 possibility is granted to the SSM by article 10 of the SSM Regulation.

Since ad hoc reporting is intended to remain temporary, the SSM has on some occasions promoted the shift of some ad-hoc data requests into the EBA framework, focusing on those that became sufficiently stable and mature. However, there is no automatic mechanism in place for this shift. This issue has been acknowledged by the IMF 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 harmonization” 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 harmonized supervisory reporting based on the ITS is lengthy and cumbersome and should be streamlined and expedited*”.<sup>28</sup>

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. But the SSM and other competent authorities find convenient to manage ad-hoc data collections with the flexibility that the EBA cannot offer.

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 the Level 1 legislation, by introducing a time limit. For instance, ad-hoc reporting requirements by competent authorities affecting at least a given number of banks should not be maintained for more than two years. Thereafter, they should be moved into the EBA framework. To implement this principle, a monitoring mechanism of such ad-hoc data collections should be put in place.

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<sup>28</sup> IMF (2018).

## 4.7 Alignment with Pillar 3 disclosure

Pillar 3 of the Basel framework aims to promote market discipline through disclosure requirements for banks, which must disclose certain qualitative and quantitative information publicly 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). 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. Still, market discipline remains complimentary and not a substitute for the supervision carried out by competent authorities. This is reflected in the amount of Pillar 3 information disclosed to the public, which is a sub-set of the supervisory data reported to the authorities.

### 4.7.1 Common resubmission policy

Under the Basel framework and its EU implementation through the CRR, the ECB is responsible for assessing banks' compliance with the Pillar 3 disclosure requirements. To do so the ECB performs inter alia an annual reconciliation exercise where it compares banks' published Pillar 3 information and data that is 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 annually depending on changes in regulation, in the risk environment for banks and in the supervisory priorities of European banking supervision.

The EBA contributes to market discipline in the EU financial market with its annual Transparency Exercise (TE), which complements banks' own Pillar 3 disclosures. The latest (2023) TE will disclose capital positions, financial assets, risk exposure amounts, sovereign exposures and asset quality information of the EU banking sector in the second half of 2022 and in the first half of 2023. This exercise is going to be exclusively based on supervisory reporting data, therefore it will not require any additional reporting burden for banks.

The alignment between supervisory reporting and Pillar 3 disclosure, however, has rather weak legal grounds, as it is based on recommendations and moral suasion by the competent authorities. For instance, the ECB 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."*<sup>29</sup> Despite this guidance, the annual ECB reconciliation exercise shows that banks do not always align supervisory reporting with Pillar 3 disclosure. 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 disclosure, while the article 434a of the CRR has recently mandated the EBA to develop such a policy only for public disclosure. Hence, a gap in the existing regulation still exists.

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<sup>29</sup> ECB (2023).



## **4.7.2 Automatic Pillar 3 extraction**

The EBA is mandated by the CRR3 to publish on its website all the prudential disclosures for all institutions subject to Pillar 3 disclosure requirements, making it readily available in a centralised manner to all the relevant stakeholders through a single electronic access point on its website. To comply with this mandate, the EBA is building a data hub putting together all the required disclosures. 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 represents us a duplication of supervisory data already reported to the authorities.

Article 434c of the CRR3 includes the mandate for the EBA to prepare a report on the feasibility of applying the SNCI approach also to the other banks, to avoid this double reporting. The report should be submitted within three years after the entry into force of the 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 industry feedback provided to the EBA indicates that banks are sceptical about extending the SNCI approach to other banks, as they are concerned about the potential lack of control of the data disclosed to the public. Despite this feedback, it can be argued that the automatic extraction of Pillar 3 disclosure from supervisory reporting for all banks would ensure a perfect alignment between the two, avoid duplicated reporting and reconciliation exercises, including the EBA Transparency exercise.

## **4.7.3 No misalignment of Pillar 3 with supervisory reporting**

As described in section 2.4 as one of the shortcomings of the current institutional settings, frontloading Pillar 3 disclosure requirements before equivalent data are reported to authorities should be avoided, because this triggers burdensome ad-hoc data requests which otherwise could be avoided. Such frontloading could be justified for political reasons, e.g. the need to inform the public about how banks face 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 conclusions**

This paper has examined the role of (quality-assured) supervisory data as public good and the 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. Steps towards data integration started in 2008 but progress has been very slow, although some recent developments have accelerated the path.

While the main stakeholders have a well-defined role, the paper has identified several shortcomings in the institutional settings: ad-hoc reporting does not keep its temporary function and tends to stay detached from the EBA harmonised supervisory reporting framework; data sharing between central banking and supervisory business areas is cumbersome; for legacy reasons, access to the main loan-level database in the euro area (Anacredit) and its usage is

limited for supervisory purposes; banks' Pillar 3 disclosures are difficult to extract and to compare, and may not match with data reported to authorities; misalignment between supervisory reporting and Pillar 3 disclosure triggers unnecessary ad-hoc data requests; a common data dictionary covering statistical and supervisory data is lacking; cooperation among authorities needs improvement.

Recent developments such as the EBA feasibility on integrated reporting, the European Commission's strategy on supervisory data and the so called "better data sharing" legislative initiative have addressed some of these shortcomings. New measures, such as a 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 in the next couple of years to fix some shortcomings, while others remain open. Against this background, the paper elaborates on several principles that should inspire the evolution of the supervisory reporting system, to address the open issues.

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. Secondly, the application of BCBS 239 principles in supervisory reporting and public disclosure should be communicated without any ambiguity to avoid inconsistent behaviours. Linked to this point is the acknowledgment of the dual nature of the supervisory data: it is used not only for analytical purposes, but also to assess banks' risk data aggregation and reporting capabilities. Therefore, the compilation of supervisory data cannot be delegated to third parties, since banks must remain accountable.

The EU supervisory reporting framework should also be fully aligned with the Basel Core Principle 10. In particular, the EBA could require banks to report flows data at least for the key supervisory aggregates. It is also important to shift 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 disclosure with supervisory reporting available to authorities.

To conclude, design choices at institutional and legal level may have significant (cascade) implementation cost for banks, authorities and regulators, as well as implications for the quality of supervisory data as a public good.

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