

DRAFT FOR DISCUSSION

3 June 2020

The EBA study of the institutions' reporting costs ('cost of compliance study' under Article 430(8) of the CRR) – specification of fact-finding case studies

Background and objectives

1. This note complements *the Introduction to the EBA study of the institutions' reporting costs - 'cost of compliance study' under Article 430(8) of the CRR*¹ and focuses on one out of four methodological elements used to collect information for the purposes of the study.
2. The objectives of the study mandated to the EBA by Article 430(8) of CRR2 is to measure the costs of institutions incur when complying with the reporting requirements set out in the EBA's ITS on Supervisory Reporting, assess whether these reporting costs are proportionate with regard to the benefits delivered for the purposes of prudential supervision and make recommendations on how to reduce the reporting cost at least for small and non-complex institutions.
3. In order to address the mandate as specified in the CRR, the EBA needs to collect and assess detailed information on the cost of compliance with the reporting requirements incurred during the last years. This is necessary to understand which reporting requirements were and are particularly costly in terms of implementation and / or on-going submission, and which other features of the EBA's reporting framework contributed to the cost of compliance. Equally, the EBA needs to collect and assess information from both public authorities and institutions on the benefits of the standardised supervisory reporting, in order to understand if and to which degree the cost incurred may be justified in the light of the public (or other) interest.
4. Based on the first discussions with institutions, competent authorities and other interested parties and also considering the experience from the previous analysis conducted by other

¹ See the note 'The EBA study of the institutions' reporting costs - 'cost of compliance study' under Article 430(8) of the CRR'

² Please see the following link for the full text of the mandate of Article 430 (8) CRR: <https://eur-lex.europa.eu/legal-content/EN/TXT/HTML/?uri=CELEX:32019R0876&qid=1581929680553&from=EN#d1e23788-1-1>

bodies, the EBA acknowledge the challenge of retrieving quantitative data on reporting cost and breaking it down according to the various criteria defined in the CRR mandate.

5. To address this challenge, to complement the outcomes of the questionnaires for institutions and supervisors, and structured interviews with selected institutions and industry associations, the EBA would like to offer interested stakeholders to contribute to the cost of compliance study with more detailed evidence-based information and practical experience or specific insight on reducing reporting costs either through the changes into reporting requirements, or better use of available technology.
6. Whilst the questionnaires and interviews used for the purposes of the study are primarily targets at credit institutions and their supervisors, there are other stakeholders in the reporting process that may have practical or scientific insights into the reporting cost, benefits or unexploited potential for cost savings, without being part of the scope of addressees of the other questionnaires.
7. The EBA also acknowledges that the timeframe for providing the comprehensive set of data needed to address the mandate of Article 430(8) CRR, as included in the institutions' questionnaire, may be tight for those institutions that have the data, but it is not readily available. The EBA also notes that the format of the questionnaire does only provide limited room for the discussion of aspects not directly raised there.
8. Considering these factors, EBA **invites credit institutions, industry associations, software or technology providers, academics and other interested parties to conduct their own 'case studies'** on cost, benefits and cost saving potentials and share them with EBA for the purposes of the cost of compliance study.

What are the case studies?

9. The case studies to be submitted by the interested stakeholders should provide practical insights of how institutions can reduce their reporting costs focusing on those matters or those areas of reporting that the stakeholders perceive as particularly costly or those measures bearing a particular potential for cost reduction. The case studies can also provide proven examples of how institutions can reduce their reporting costs through the use of various technologies and other operational means. All case studies should be:
 - a. specific to an institution, or groups of institutions, and
 - b. supported by the quantitative evidence/estimates in terms of the reduction of reporting costs either in absolute amounts (in EUR) or relative to the overall operational costs of an institution in question.
10. Examples of possible topics or outlines for the case studies are set out below. As it is the case for the main survey, the case studies should refer to the reporting requirements included in the ITS on Supervisory Reporting.

11. These case studies do not replace the quantitative data to be collected as part of the questionnaire for the reporting institutions, as they will not lead to comparable information with a sufficient coverage suitable to identify, for example, cost reduction measures, nor do they replace interviews with the sample of institutions / their associations. The case studies, however, aim at focusing on the detailed questions which aspects of the reporting and reporting framework involved parties may feel most strongly about, or have practical experience with reducing actual reporting costs.

Examples of topics and outlines for case studies

12. The examples below are for illustrative purposes of what topics can be explored, but stakeholder make consider other areas relevant for the exercise. These examples are not complete or comprehensive in terms of questions raised, nor do they necessarily address all parties that could provide insights. Please consider them only a reference source for building actual case studies. In particular, you can use Example 1 by analogy and build the cases studies focusing on other reporting areas, such as (1) the implementation of the EBA reporting framework version 2.9, 2.10 or 3.0 in a specific institutions; or (2) the comparison of the implementation of COREP version 2.9 with the implementation of version 3.0 in a specific institution.

Example 1: Focus on asset encumbrance reporting

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| Core idea | The full cycle: Document and analyse the cost of preparing, submitting and reporting the information on asset encumbrance for June 2020 |
| Addressees | Reporting institutions |
| Questions for consideration | <ul style="list-style-type: none"> ▪ What exactly is the reporting obligation that you cover in the case study (all templates, but F 36? Individual only and / or contributions to group reports?) ▪ Who was involved in preparing and submitting the data (expressed in FTEs), how much time exactly was spent on the different tasks? What does the time spent equal in money? ▪ How much IT resources did you spend on exactly this report? How much time did the calculation and submission programs run, what is 'using the IT application' for one minute worth? ▪ Why did you chose this report for the case study? What makes it particularly challenging (or particularly easy) to comply with this reporting obligation? Are there any recurring issues you encounter that are related to the definition of the reporting requirements or technical solutions? ▪ Does you have to manually intervene very frequently to prepare this report, or is it automatized to a large extent? Why? In case of manual interventions, what prevents a further automation from your point of view? |

- If your asset encumbrance level is low enough for you not to be subject to the obligation to report, for example, the F 36-templates at the moment: How do you monitor the threshold defined in the ITS on Supervisory Reporting? Are there any particular challenges with regard to that monitoring? How much resources do you dedicate to monitoring the threshold and / or to establishing or maintaining the capability to start reporting within, for example, six months, in case your asset encumbrance level increases?

Example 2: A (central) software provider's / shared services providers' view on reporting cost

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| Core idea | Getting better insight particularly into implementation cost and challenges when outsourcing reporting to the central software/service provider or shared service provider from the perspective of service provider, 'success stories' of using such central software/service or shared services providers for reporting |
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| Addressees | Central software/service providers in a group of institutions; shared services providers offering services for supervisory reporting |
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IT / operations costs and other cost

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| Questions for consideration | <ul style="list-style-type: none"> ▪ What do you consider IT / operations cost? ▪ What is the total cost of maintaining and servicing the infrastructure needed for standardised supervisory reporting (average / year)? ▪ What is the percentage of your IT budget you spend on the infrastructure needed for the standardised supervisory reporting for your client institutions (compared to other services offered to them)? ▪ What is the average cost per change cycle (from new requirements to implementation)? ▪ What kind of other cost do you incur in the context of the development and / or implementation of the product or service you are offering (e.g. staff, consultancy, legal cost)? Which share of the development / implementation cost do these other costs account for? |
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Successes and challenges

- Which elements or features of the EBA reporting framework (ITS on Supervisory Reporting) and technical package (DPM, validation rules, XBRL taxonomy) proved particularly beneficial to or challenging for the development or provision of your service / product? Which elements or features helped to contain or significantly increased the cost for developing / implementing a new version of your service / product?

- Since the creation of the ITS on Supervisory Reporting in 2013, has there been any significant change to your approach for the development of the service / product you offer, and if so, for what reason? The change in the approach, if any, has implied an improvement or a worsening of the process?

Customers

- What does the ‘typical’ or ‘average’ credit institution you are providing your service / selling your product to look like? What does such a ‘typical’ credit institution spend on average / per year for your services / product?
- From your perspective, what are the common issues your ‘typical’ customer faces when implementing the EBA’s reporting requirements?

Example 3: Using a (central) software provider’s / shared services provider for supervisory reporting

Core idea Getting better insight particularly into implementation cost and challenges when outsourcing reporting to the central software/service provider from the perspective of reporting institution, ‘success stories’ of using such central software/service or shared services providers for reporting

Addressees Reporting institutions using central software/service providers or shared services providers for their supervisory reporting

IT / operations costs and other cost

- Questions for consideration**
- What is the scope of outsourcing arrangement in relation to supervisory reporting?
 - What do you consider IT / operations cost borne given the existing outsourcing arrangements?
 - What is the total cost of maintaining and servicing the infrastructure needed for standardised supervisory reporting (average / year) given the existing outsourcing arrangements?
 - What is the percentage of your IT budget you spend on the infrastructure needed for the standardised supervisory reporting given the existing outsourcing arrangements?
 - What is the average cost per change cycle (from new requirements to implementation) and how these costs are split between you and your service provider?
 - Since the creation of the ITS on Supervisory Reporting in 2013, has there been any significant change to your approach to your outsourcing

arrangements, and if so, for what reason? The change in the approach, if any, has implied an improvement or a worsening of the process?

Service provider

- What is your outsourcing service provider, is it central software provider (e.g. firm established by a group of institutions with similar characteristics offering software /reporting services only to those institutions, shared service provide within the consolidated group of institutions offering individual and/or consolidate reporting; third-party technology firm etc.)?
- What services in relation to supervisory reporting are being outsourced/offered by your service provider and to what extent (managing core data, mapping of core data to reporting data, producing reports, regulatory surveillance for changes in the reporting requirements, implementation of changes etc.)?
- From your perspective, what are the common issues your outsourcing service provider faces when implementing the EBA’s reporting requirements?

Example 4: Potential for cost savings through use of FinTech or replacement of ‘legacy’ systems by designed-for-purpose IT solutions

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| Core idea | Compare the reporting cost under different reporting solutions through the use of innovative technologies; ‘success stories’ of using innovative solutions and RegTech |
| Addressees | Technology providers; FinTech/RegTech firms offering services in the area of supervisory reporting; reporting institutions using services offered by RegTech firms for (parts of) supervisory reporting |
| Questions for consideration | <ul style="list-style-type: none"> ▪ What is (was) the status quo? What is (was) the setup for complying with one or all of the reporting requirements of the ITS on Reporting? How much does (did) it cost? ▪ What is the solution offered to the customer to lower the reporting costs? How much this solution is off the shelf, or tailored to the specificities of an individual client institution? ▪ What are (were) the alternative solutions available? How much money, time, resources could be saved under that solution? ▪ Are these cost savings one off (considering integration) or will be recurring? Will these cost savings be affected by further changes in the standardised |

supervisory reporting framework (e.g. new integration costs following the changes to the reporting framework)?

Practical aspects

13. The case studies should be provided in English unless agreed otherwise with the EBA.
14. The case studies should be relatively concise (maximum four pages) and supported by quantitative evidence
15. The case studies should be sent to cost.of.compliance@eba.europa.eu at the latest by **XX XXX 2020**.
16. Each case study should have a name and contact details representing a submitter that will act as a contact point for the EBA in case of further questions or need for clarifications.
17. By submitting the case study, the submitter agrees that the information provided can be used for the purposes of the cost of compliance study. This agreement includes that the information can be presented in a shortened and anonymised manner in the final cost of compliance report, where EBA considers this beneficial.

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