

22 July 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) CRR*¹ and focuses on one out of four methodological elements used to collect information for the purposes of the study – call for the fact-finding case studies.
2. The objectives of the cost of compliance study mandated to the EBA by Article 430(8) 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 discussions various industry trade bodies, individual institutions, competent authorities and other interested parties whilst developing the methodological approach to the cost of compliance study, and also considering the experience from the earlier similar analyses conducted by other bodies, the EBA acknowledge the challenge of retrieving quantitative data

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

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 limited number of structured interviews with selected institutions and industry associations, the EBA would like to offer all interested stakeholders a possibility to contribute to the cost of compliance study with more detailed evidence-based information and practical experience or specific insights 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 targeted 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 trade bodies, consultant, software or technology providers, academics and other interested parties to develop and present 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 that help to understand costs and costs drivers and 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 EBA ITS on Supervisory Reporting.

11. These case studies do not replace the quantitative data to be collected as part of the questionnaire for the 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 stakeholders 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.

13. In particular, you can use Example 1 by analogy and build the case studies focusing on other reporting areas, such as:

- a. the implementation of the EBA reporting framework version 2.9, 2.10 or 3.0 in a specific institutions;
- b. the comparison of the implementation of COREP version 2.9 with the implementation of version 3.0 in a specific institution; or
- c. the implementation of COVID-19 reporting³, focusing on the implementation costs versus on-going reporting costs starting with manual filling and then moving to automatised filling.

Example 1: Focus on asset encumbrance reporting

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?)

³ See EBA Guidelines on reporting and disclosure of exposures subject to measures applied in response to the COVID-19 crisis (EBA/GL/2020/07)

- 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?
- Do 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 many 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

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

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)?
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- 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?

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
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Addressees	Reporting institutions using central software/service providers or shared services providers for their supervisory reporting
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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?
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Example 4: Potential for cost savings through use of FinTech or replacement of ‘legacy’ systems by designed-for-purpose IT solutions

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

14. The case studies should be provided in English unless agreed otherwise with the EBA.
15. The case studies should be relatively concise (maximum four pages) and supported by quantitative evidence.
16. The case studies should be sent to cost.of.compliance@eba.europa.eu at the latest **by 31 October 2020**.
17. 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.
18. 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.

Specific Privacy Notice – Study of costs of compliance with supervisory reporting requirements

We process your personal data based on Regulation (EU) 2018/1725 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data by the Union institutions and bodies, offices and agencies and on the free movement of such data, and repealing Regulation (EC) No 45/2001 and Decision No 1247/2002/EC (hereinafter “the EUDPR”). We provide you with the information that follows based on Articles 15 and 16 of the EUDPR.

Who is the controller and processor?

The controller responsible for processing your data is the European Banking Authority, represented by its Executive Director, or acting Executive Director, who may delegate the function of the controller. You may contact the controller using the following e-mail address: cost.fo.compliance@eba.europa.eu or RLMT@eba.europa.eu.

What personal data do we process and who can access it?

Personal data we process

For the purpose of study of the cost of compliance with supervisory reporting requirements in accordance with the mandate of Article 430(8) of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876 (CRR) (hereinafter: cost of compliance study) the EBA staff (or through a processor) processes the following personal data:

- Contact details (name, position, telephone number, email address) of the persons identified as contact persons in the responses to the EBA questionnaire.

Who can access it?

Dedicated EBA staff members working on the cost of compliance project and analysing the responses to the questionnaires. Members of staff of the competent authorities responsible for the prudential supervision in the EEA jurisdictions participating in the work on the cost of compliance study.

For what purpose do we process your personal data?

The purpose of processing of your personal data is to identify employees of credit institutions or other entities responding to the EBA questionnaire for the purposes of possible follow up contacts

to clarify the responses and/or organisation of interviews with the limited sample of credit institutions as envisaged by the methodology for the cost of compliance study.

What is the legal basis for processing your personal data?

Processing of your personal data is necessary for the performance of a task carried out in the public interest and in the exercise of official authority vested with the EBA. Those tasks are stipulated in Article 1(3) and point (c) of Article 29(1) of the Regulation (EU) No 1093/2010 and Article 430(8) of Regulation (EU) No 575/2013 as amended by Regulation (EU) 2019/876.

Personal data of contact persons in the credit intuitions or other entities is obtained from their responses to the EBA questionnaire. Participation in the data gathering exercise via the questionnaire is voluntary. Failure to provide personal data in the responses to the questionnaire would limit the EBA ability to contact the respondents for any possible follow up on the answers to the questionnaire.

Where did we get your personal data?

Personal data of contact persons in the credit intuitions or other entities is obtained from their responses to the EBA questionnaire.

How long do we keep your personal data?

Your personal data will be kept for as long as needed for the purpose of ensuring the ability of the EBA to contact institutions providing responses to the cost of compliance questionnaire and ensure proper follow up on the answers provided, where necessary. The personal data will be deleted after two years from completing and submitting to the Commission the report stipulated in Article 430(8) of Regulation (EU) No 575/2013 as amended by the Regulation (EU) 2019/876. The responses to the questionnaire will be maintained.

What are your rights regarding your personal data?

You have the right of access to your personal data and to relevant information concerning how we use it. You have the right to rectify your personal data. Under certain conditions, you have the right to ask that we delete your personal data or restrict its use. You have the right to object to our processing of your personal data, on grounds relating to your particular situation, at any time. We will consider your request, take a decision and communicate it to you.

You can send your request by post in a sealed envelope or via email (see section on contact details below).

You have the right to lodge a complaint.

If you have any remarks or complaints regarding the way we process your personal data, we invite you to contact the DPO of the EBA (see section on contact details below).

You have, in any case, the right to lodge a complaint with the EDPS as a supervisory authority:

https://edps.europa.eu/data-protection/our-role-supervisor/complaints_en.

Contact details for enquiries regarding your personal data

Should you wish to contact the EBA, we encourage you to do so by email: (provide functional email of the unit that is in charge of the processing of the personal data) by stating in the subject “**Data Protection Enquiry**”.

If you wish to contact the DPO of the EBA personally, you can send an e-mail to dpo@eba.europa.eu or a letter to the postal address of the EBA marked for the attention of the DPO of the EBA.

The postal address of the EBA is:

DEFENSE 4 – EUROPLAZA
20 Avenue André Prothin
CS 30154
92927 Paris La Défense CEDEX

You can also find contact information on the EBA’s website: <https://eba.europa.eu/contacts>