

# EFAMA'S RESPONSE TO THE EUROPEAN COMMISSION'S PUBLIC CONSULTATION ON FITNESS CHECK ON SUPERVISORY REPORTING

## Section 1: Assessing whether the supervisory reporting requirements are fit-for-purpose

**1.1 Taken together, to what extent have EU level supervisory reporting requirements contributed to improving the following:**

**a) financial stability (i.e. monitoring systemic risk)**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**Please elaborate and provide examples to justify your answer to question 1.1.a):**

We believe regulators are best-placed to comment on this question.  
However, we would have some recommendation to share with the European Commission.

FSB perspective.

As recommended by the FSB in its policy recommendations to address structural vulnerabilities from asset management activities in January 2017 (available under: <http://www.fsb.org/wp-content/uploads/FSB-Policy-Recommendations-on-Asset-Management-Structural-Vulnerabilities.pdf>), it is the task of the authorities to analyse the level of systemic relevance to better understand collective behaviour dynamics as well as the impact on financial markets and on the financial system more generally.

Enhancing consistency of regulatory reporting in terms of content is therefore needed to enable the largest number of regulators to use the stored data for the purpose of detecting systemic risk and to keep the administrative burden for market participants at a reasonable level.

Cost and use of data collected.

Additionally, from the viewpoint of the supervised entity as a data provider, the intended purpose

of the reporting is not always clear and often appears expensive. The cost of reporting is also exacerbated when reporting requirements are duplicated. From the industry perspective, this has led to concerns about whether the data that is produced is being fully utilised by supervisory agencies, either due to the sheer volume of data that is reported or concerns about data quality. We consider that the introduction of the EMIR reporting obligation in 2014 is a good example that central banks and national regulators face difficulties to analyse, aggregate and monitor systemic risk in the derivative market.

#### Integration of ICT.

There is also a need for stronger integration through the use of common reporting channels and standardised identifier, data, messaging formats as well as IT processes. These elements constitute another example of the urgent need for a Consolidated Tape for all instruments in Europe.

We consider that these are crucial factors to enable supervisory bodies and regulators to better utilise the resources required to adequately handle the information provided to them (especially for the prompt detection of systemic risk).

The European Post Trade Forum (EPTF) recommended to this end that:

- An harmonised and simplified reporting 'package' should be developed (cf. EPTF Report, Barrier 6 - Complexity of post-trade reporting structure);
- An increased digitalisation on the industry side (in order to improve STP), harmonisation (or interoperability when full harmonisation is not possible) and standardisation (common identifiers should be a common basis) should be the guiding principles;
- The EU authorities could create a compelling event that would accelerate the migration to ISO 20022 message standards (similar to the change in settlement period from T+3 to T+2) or to future globally accepted standards for cash markets (cf. EPTF Report Barrier 2 - Lack of convergence and harmonisation in information messaging standards); and
- Finally, the EPTF recommended that in the medium term an international agreement should be achieved where all reference data identifiers that are necessary to ensure efficiency should be available to users for free or at cost, for internal and external use, and not restricted by commercial interest such as licence contracts or consumption reporting requirements (cf. EPTF Barrier 7 - Unresolved issues regarding reference data and standardised identifiers).

#### Readiness at national regulators' level.

There have been various recent examples of where different National Competent Authorities did not have the time or capabilities to change their national laws to meet EU requirements (e.g. implementation of T2S in Spain or the limited number of EU countries that published implementing laws for MiFID II) or have the relevant infrastructure in place for the entry into force of the law. We consider that the different level of readiness between national regulators might lead to sub-optimal situations.

Examples in legislations.

AIFMD:

Reporting: So far, we have not seen evidence how these reports have been aggregated, compiled and used from a supervisory standpoint. Therefore, we have the following observation:

We would have questions on the data field such as leverage, AUM, risk data leading us to fear that the aggregation of data computed could not be an easy or possible exercise and could lead to incorrect results

EMIR:

The introduction of detailed reporting requirements at trade level regarding the financial instruments (EMIR and more recently MIFIR, SFTR) has allowed the competent authorities to better monitor counterparty risk.

Indeed, based on trade data, authorities can build-up queries to assess the risk linked to an individual or a group of counterparties, and detect concentration issues by type of financial instrument.

However, the degree of usage of the provided reporting varies from one country to another, reducing the overall effectiveness of the reporting itself.

**b) market integrity (i.e. surveillance of market abuse and orderly functioning of the markets)**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**Please elaborate and provide examples to justify your answer to question 1.1.b):**

We believe regulators are best-placed to comment on this question, especially as we are only one part of the non-market making of the financial markets.

We would however recommend that ESMA's IT capacity is extended to engage in systematic analysis of the full data set as the EMIR data collected.

**c) investor protection (i.e. ensuring proper conduct by firms to ensure that investors are not disadvantaged/negatively impacted)**

- Very significantly  
 Significantly  
 Moderately  
 Marginally  
 Not at all  
 Don't know / not applicable

**Please elaborate and provide examples to justify your answer to question 1.1.c):**

From our standpoint, we see a need to better distinguish between reporting requirements to investors and to competent authorities. It is important to emphasize that disclosure requirements to investors should only comprise of information of the concrete product, aiming at fostering the understanding of the financial instruments and how they operate as well as the inherent risks. The information provided to investors should then be based on a broader approach that only requires aggregated data and information.

**1.2 Are all of the existing supervisory reporting requirements relevant for maintaining financial stability and upholding market integrity and investor protection?**

- Yes, they are all relevant  
 Most of them are relevant  
 Some of them are relevant  
 Very few are relevant  
 Don't know / not applicable

**If you do not think that all of the requirements are relevant, please provide specific examples of any requirements which in your view are superfluous and explain why you believe they are not necessary:**

We wish to insist on the need to align reporting fields and formats across every legal initiative.

Here are some examples:

- The applicable and pending requirements for transaction-level reporting under EMIR, MiFID II/MiFIR and SFT Regulation display considerable differences in terms of reporting details, reporting channels, data repositories and applicable IT standards (cf. - inter alia - EPTF report (Barrier 6) at page 60 et seq. and EPTF report Annex 3, Table P, at section 7.2.3.); and
- Lessons should be learned from the practical experience with EMIR reporting obligations where the lack of sufficient implementation time combined with legal and operational uncertainty due to undefined ESMA standards have significantly hampered the ability of the market to timely implement the relevant technical specifications.

Double sided reporting under EMIR has increased the reconciliation process of the reporting parties and has led to a high number of unpaired and unmatched reporting transactions to a trade repository. In the context of the willingness to simplify reporting we strongly support the EU Commission proposal to introduce a single- sided reporting for ETDs. We would also strongly suggest to extend this proposal to centrally-cleared derivatives.

Indeed both the venues and exchanges as well CCPs hold the trade information for the CCP - clearing member leg of the cleared transaction. Therefore, they have immediately at disposal all information required with limited risk of reporting errors.

**1.3 Is there information that should be reported but which currently is not (i.e. there are reporting requirements that should be added)?**

- Yes
- No
- Don't know / not applicable

**1.4 To what extent are supervisory reporting requirements across different EU level reporting frameworks coherent (e.g. in terms of scope, content, methodology, timing /frequency of submission, etc.)?**

- Fully coherent
- Mostly coherent (a few or minor inconsistencies)
- Somewhat coherent (numerous inconsistencies)
- Not coherent (mostly or totally inconsistent)
- Don't know / not applicable

**Please provide specific examples of reporting requirements which in your view are inconsistent and explain why you believe they are inconsistent:**

Although we appreciate that the consultation is focused on the reporting regimes in force at the end of 2016, it would be fair to say that the implementation of MiFID II/MiFIR from January 2018 and the revision of the EMIR reporting obligations has provided relief from some of the past inconsistencies with which reporting institutions had to contend.

However, even within MiFIR, we see differences between what must be reported as the quantity and price for a transaction under Articles 20/21 (post-trade transparency) and Article 26 (transaction reporting) that require to report the same transactions differently, depending on the related RTS.

To avoid possible inconsistencies, we also want to recommend to ESMA to address with great care in its drafting exercise some missing pieces of legislations (e.g. the implementing acts of SFTR) or need further details which could create important market disruptions (especially fragmenting liquidity for a certain amount of time).

Examples in different legislations:

(i) UCITS:

With respect to regulatory reporting, UCITS asset management companies are required to report to their NCA selected information at the fund portfolio/individual compartment level on either a quarterly or even monthly basis. In part, the reason is for NCAs to comply with ECB reporting requirements as per ECB Regulations 1071/2013 (including MMFs) and 1073/2013 (including non-MMFs), to which NCAs have often added additional information/data field items out of their own discretion for own statistical or informational purposes.

(ii) AIFMD:

a. Differences between level 1 and level 3.

Until 2013, the reporting requirements for alternative investment funds (AIF) and their managers (AIFM) were harmonised within the European Union. However, ESMA published in October 2013 an opinion with additional reporting requirements (opinion on collection of information for the effective monitoring of systemic risk under Article 24(5), first sub-paragraph, of the AIFMD, ESMA/2013/1340) that provides details on a set of additional information authorising NCAs to require AIFMs to report on a periodic basis. This resulted in the situation that some NCAs required AIFMs to report these additional data and others not. With regard to cross border activities of AIFMs, this leads to different standards and the need for internal control systems and check lists in which country such additional reports are required or not.

b. Different national interpretations make reporting obligations even more burdensome. Our members noted a number of inconsistencies in national interpretations by regulators. Here are a few examples:

- i. Inconsistencies regarding the structure's name in the zip file;
- ii. Finland accepts several AIFs per zip file;
- iii. Turnovers data are mandatory in France;
- iv. In France, "Filing type" = AMND after 1st report submission (even if the 1st submission generated an error);
- v. In Belgium and France, for AIFMD report: ID34 and ID 35 must be filled in even if the base currency is EUR;
- vi. In Belgium, fields 77 (Hedging % for short position), 62 and 63 (related to HFT) are mandatory;
- vii. In the UK, the total of TOP 5 or 10 cannot be higher than the total AuM
- viii. Different IDs per NCA for the same AIF and AIFM.

(iii) ECB reporting:

The reporting under common AIFMD standards and different national UCITS standards needs to be done parallel to ECB statistic for investment funds. There is no alignment in frequency and content of data.

- (iv) EMIR:
  - a. Inconsistencies in reporting: Double-sided reporting has (i) increased the reconciliation process; (ii) delayed the time of the reporting parties; and (iii) led to a high number of unpaired and unmatched reporting transactions to a trade repository. This complicates supervisory authorities' supervision, analysis and aggregation of these data in order to identify systemic risk in the OTC derivative market.
  - b. Report of collateral positions for OTC derivatives: Asset managers have to report collateral positions for OTC derivatives under both EMIR and AIFMD in different pre-defined formats and on different aggregation levels.
  
- (v) Supervised investors in investment funds: The Solvency II Directive and the CRR requires banks and insurance undertakings which invest in investment funds to look through into the risks and assets of the investment funds for the purposes of their own capital requirements and internal risk-bearing capacity assessments. These Directives require, in practice, delivery of data and further support services by asset managers about risks assessments and asset data of investment funds in completely different ways and which are also not consistent with the reports which must be provided by the assets managers to their own authorities.

### 1.5 To what extent is supervisory reporting in its current form efficient?

- Very efficient
- Quite efficient
- Rather inefficient
- Very inefficient
- Don't know / not applicable

**If you think that supervisory reporting is not fully efficient, please provide specific examples and explain why you believe it is not efficient:**

Overall, the supervisory reporting in its current form is not efficient as the goal or objective of the supervisory reporting is often not clear or exactly described; and, it is not transparent to the public what the supervisory authority intends to do with all the data collected. We see several situations where efficiency in reporting could be improved:

- (i) Multiple reporting of a transaction.

A single transaction may be reportable multiple times and to different places under the various regimes, and with both overlapping and non-overlapping information, and to different places. This is both inefficient and costly for reporting institutions, who must maintain relationships and technical interfaces with multiple bodies. Therefore and in that perspective, we would recommend to foster the use of unique identifiers, starting with LEIs, UTIs, UPIs and ISINs for all instrument types (including derivatives).

In the same perspective, we consider that the rapid development of a consolidated tape (as

global as possible) would be an important catharsis for unification of reporting formats. This would (i) offer clear benefits of transparency and price formation to market participants; (ii) facilitate supervision; and (iii) better control development costs.

(ii) Reporting differences

AIFMD

As noted in our response to question 1.4 some data items (eg. price and quantity) are reported differently, which adds unnecessary complexity to firms' reporting solutions. Example in legislation.

An example of inefficiency within a single reporting framework arises under AIFMD Annex IV, which requires firms to report multiple identifiers where they exist (e.g. national regulator codes and LEIs for entities and, ISIN, SEDOL, CUSIP, etc. funds as instruments). This adds unnecessary complication to the reporting and in most cases it should be necessary only to provide a single universal identifier, e.g. LEI, ISIN etc.

MMFR

The reporting template for Money Market Funds (MMF) should be finalized on the basis of what is specifically asked for in the MMFR. From this perspective, we consider that the reporting template proposed by ESMA is too much based on the AIFMD Annex IV reporting template, which has been developed to capture a very broad universe of funds.

This approach would impose new onerous obligations to most MMFs because the vast majority of MMFs are UCITS. Furthermore, as noted by ESMA, the list of information to be provided by managers that is explicitly mentioned in the MMFR differs, to a large extent, from the one in AIFMD.

More generally, fund managers should ideally be allowed to report information on their funds on the basis of a single template. The fact that, in addition to the data already provided to NCAs, the ECB and ESMA, they will be obliged to report information on their MMFs using a different reporting template will add costs, without evidence that the vast amount of data collected can be processed in a way that would contribute to enhance investor protection.

**1.6 How well are the supervisory reporting requirements adapted to developments in the fields of modern information and communication technologies (ICT) and digital processes?**

- Very well
- Fairly well
- Not very well
- Not at all
- Don't know / not applicable

**Please elaborate and provide examples to justify your answer to question 1.6:**

To the extent that most firms are able to extract data and submit reports in an automated way, once the relevant application is implemented, it might be said that the requirements are fairly well adapted



to technology.

However, as distributed ledger technology becomes established, it could bring considerable benefits - for example, the data could be placed in a distributed ledger, to which the relevant authorities were permitted to access it as desired in real time.

To achieve this result, we would suggest to impose the use of LEI, UTI, UPIs and ISINs to all market participants and for all types of instruments.

**1.7 To what extent has the adoption of supervisory reporting requirements at EU level facilitated supervisory reporting in areas where previously only national requirements existed?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- It has made supervisory reporting more complicated
- Don't know / not applicable

**1.8 To what extent have options left to Member States in terms of implementing EU level supervisory reporting requirements (e.g. due to their adoption as Directives rather than Regulations) increased the compliance cost?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**If you think divergent Member State implementation has increased the compliance cost, please provide specific examples of reporting frameworks or requirements where you believe this to be the case and explain your suggestions:**

When AIFMD was implemented, some regulators used the older version of ESMA's schema, XML version 1.1, instead of the later version, XML version 1.2, which impacted on the development of multi-jurisdictional reporting solutions.

**1.9 Are there any challenges in terms of processing the data, either prior to (i.e. within the reporting entity) or subsequent to (i.e. within the receiving/processing entity) it being reported?**

- Yes  
 No  
 Don't know / not applicable

**If you answered yes to question 1.9, please elaborate and provide specific examples:**

(i) General issue

The number of fields requested in the reporting frameworks has increased very significantly and the business notions represented are not yet fully understood or digested:

- In MIFID I, 23 fields were requested, now it is 65 fields for MIFID II.
- For EMIR, the new RTS have made the frame grow from 85 to 129 fields.
- In SFTR, the framework requires 153 very detailed notions depending on the type of transaction.

In addition, we see multiple situations in various legislations where our members are dependent on other actors.

(ii) MiFID II / MiFIR

With MiFIR reporting in particular, buy-side institutions are dependent on certain data that is received from their sell-side counterparties (eg. venue of execution), which is often not provided consistently and therefore requires the recipient to maintain bespoke or assumed mappings for data received from different counterparties.

(iii) EMIR

With EMIR, there are many mismatches in the reports submitted to trade repositories, not because the counterparties disagree on what was executed, but because of the different ways in which the trade is captured by each party in their own data and different views on how that should be reported.

From a trade reporting perspective, 4 types of complex attributes are requested with specific typologies to be respected:

- Counterparty ID with LEI
- Instrument with UTI, UPI codes,
- Dates (trade date, value date, confirmation, maturity).
- Valuation (MTM, nominal, collateral).
- Higher volumes of data –at trade level- have to be captured and reported.

(iv) AIFMD

Currently the AIFMD reporting requirements are not applied in a consistent way across all EU jurisdictions, which can be an important barrier to cross border distribution of fund and cause significant regulatory burden and costs.

Many operational challenges are being faced such as, for instance:

- The multi-jurisdictional aspects of the reporting,
- The timing (30-45 days deadline) that is not in line with the pricing/valuation timeline of less liquid assets,
- Feedback from regulators is sporadic. Once received, those feedbacks are IT-driven and not very detailed.

(v) Trade identifiers.

Daily process for UTI input is complex and time consuming. Handling of NACK responses from GTR often cannot be processed in daily business. Additional processes need to be implemented and maintained, ie Pairing/Matching Communication among trade parties needs to be improved. In addition we like to emphasize that systems and processes are typically not built to facilitate reporting but are developed for the management of investment funds. Hence these systems have to be adjusted to produce the special data needed to fulfil reporting requirement. Since the systems are quite sophisticated, those adjustments are time consuming (integrated systems, release dates). If those requirements have to be fulfilled in a very short amount of time the asset managers have to implement workaround to fulfil requirements shortly. This leads to double costs. Overly hasty adjustments may also cause avoidable mistakes. Hence enough time to adjust to requirements is necessary.

**1.10 Are there any negative environmental and/or social impacts related to supervisory reporting stemming from EU legislation?**

- Yes, both environmental and social
- Yes, environmental only
- Yes, social only
- No
- Don't know / not applicable

## Section 2: Quantifying the cost of compliance with supervisory reporting requirements

**2.1 Is supervisory reporting in its current form unnecessarily costly for its intended purposes (i.e. ensuring financial stability, market integrity, and investor protection)?**

- Yes
- No, it is at an appropriate level
- Don't know / not applicable

General remark:

One of the powers attributed to ESMA is to receive market data, whose analysis would allow ESMA to establish whether some market participants/ industries pose a systemic risk (art. 32 of Regulation 1095/2010). Article 24(5) of the AIFMD requires the NCAs to collect the data and provides ESMA with the power to request further data, a power which ESMA has already used[1]. After more than six years

and the delivery of a multitude of data, we do not know how these data are used nor does the asset management industry receive any feedback on such figures. EFAMA would advocate that ESMA should provide feedback on the basis of the aggregated data that it receives to improve transparency. This would benefit all stakeholders and investors alike.

In absence of regulator feedback on the assessment made for the reports, it is difficult to assess the real return on the investment made by the reporting entities to provide reliable information and the actions taken by the regulators.

## 2.2 To what extent have the following factors contributed to the excessive cost of supervisory reporting?

Please indicate the relevance of the following factors by giving each a rating from 0 (not contributed at all) to 4 (contributed greatly).

	0 (not contributed at all)	1	2	3	4 (contributed greatly)	Don't know/not applicable
Too many requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Need to report under several different reporting frameworks	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Need to report to too many different entities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Lack of interoperability between reporting frameworks and/or between receiving/processing entities or supervisory authorities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Need to report too frequently	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Overlapping requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Redundant requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Inconsistent requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Unclear/vague requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Insufficient use of (international) standards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Need to introduce/update IT systems	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Need for additional human resources	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Too many/too frequent amendments in the relevant legislation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of a common financial language	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Insufficient use of ICT Note: use of ICT is understood as presenting data in an electronic format rather than on paper and /or submitting it using electronic means (e.g. by email, via an online	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

template) rather than by post or in person.						
Insufficient level of automation of the reporting process Note: automation is understood as reducing or even fully eliminating human intervention from the supervisory reporting process.	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of (adequate) technical guidance/specifications	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

**Please specify what other factors, if any, contributed to the excessive cost of supervisory reporting:**

Please indicate the relevance of the listed factors by giving each a rating from 0 (not contributed at all) to 4 (contributed greatly).

	Factors	Rate from 0 to 4
Factor 1	AIFMD Reporting: Different types of AIF (RE, PE, HF) have been defined under the scope of Annex IV reporting. This "catch-all" intention did not suit the initial design of the report which was more targeting HF. As a result, this has led to a lack of simple requirements with adequate examples and, instead, the creation of specific rules, exemptions and interpretations which go against the harmonization of such reports.	4
Factor 2	EMIR: The imposed new Information typology has been requested with EMIR. The application of these typologies (UTI, UPI, LEI,...) have created an important initial cost  The compulsory used of reported frameworks has been completed by obligations regarding clearing and exchange of collateral.  However and in all fairness, we also welcome the use of the same typology in more recent legislations that helped amortise implementation-related costs.  We would however insist on the fact a change in a existing reporting obligation might have identical costs than a new development, depending on the magnitude of the required changes.	2
Factor 3	The timing for the development of reporting should be appropriate. This should start since the legislation is published in the GUUE and all the technical details would be available.	
Factor 4	The recovery of information not already available or the transformation of existing information	
Factor 5		

**2.3 To what extent have the following types of legislative/regulatory requirements been a source of excessive compliance costs in terms of supervisory reporting?**

Please indicate the relevance of the following types of legislative/regulatory requirements by giving each a rating from 0 (not at all a source of costs) to 4 (very significant source of costs).

	0 (not contributed at all)	1	2	3	4 (contributed greatly)	Don't know/not applicable
Supervisory reporting requirements imposed by EU Regulations and/or Directives	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Different Member State implementation of EU financial legislation, resulting in diverse national supervisory reporting requirements for the same financial entity/product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
National supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please specify what other supervisory reporting requirements in addition to those in EU legislation for a specific financial entity/product have been a source of excessive compliance costs:**

Financial institutions are impacted by the different reporting frameworks that exist across the EU and other jurisdictions in which they do business and service clients. Each new report requires a new or an adjusted design of the process to produce this report, given that the respective data is stored in different systems and has to be combined via new or enhanced interfaces.

A reasonably streamlined approach to reporting should foster cost savings for market participants

**Please elaborate and provide examples to justify your answers to question 2.3:**

As noted in our response to Q1.5, a single transaction may be reportable multiple times and to different places under the various regimes.

This is both inefficient and costly for reporting institutions, who must maintain relationships and technical interfaces with multiple bodies.

**2.4 Does the obligation to use structured reporting<sup>1</sup> and/or predetermined data and file formats<sup>2</sup> for supervisory reporting increase or decrease the compliance cost of supervisory reporting?**

<sup>1</sup> (i.e. templates or forms in which specific data elements to be reported are listed).

<sup>2</sup> (i.e. (i) the exact way in which the individual data elements are to be encoded or (ii) the file format in which the information to be reported is exchanged/submitted).

- Increases the compliance cost
- Decreases the compliance cost
- Does not impact the compliance cost
- Don't know / not applicable

**Please provide specific examples to substantiate your answer to question 2.4:**

The principle of structured reporting has the potential to reduce compliance costs, but for this to happen it is essential that the information to be provided conforms to a common data dictionary across all regimes.

Better still, where possible (e.g. across all regimes that require reporting of transactions), the data should be reported once to a repository where regulators can access it for whatever need.

In that perspective, the development of a unique and global consolidated tape could serve this purpose.

**2.5 Please specify the supervisory reporting frameworks to which you are subject (or, in the case of entities receiving and/or processing the data or supervisory authorities, which you deal with or make use of):**

This response concerns the following reporting frameworks, which impact our members currently:

- Article 24 of AIFMD (Directive 2011/61/EU)
- Article 9 of EMIR (Regulation (EU) No 648/2012)
- Article 20 and 21 of MiFIR (Regulation (EU) No 600/2014)
- Article 26 of MiFIR (Regulation (EU) No 600/2014); but also with future reporting under Article 4 of SFTR (Regulation (EU) No 2015/2365) and Article 37 of MMFR (Regulation (EU) 2017/1131).

The applicable and pending requirements for transaction-level reporting under EMIR, MiFID II/ MiFIR and SFT Regulation display considerable differences in terms of reporting details, reporting channels, data repositories and applicable IT standards.

**2.5.1 Please estimate the cost (in monetary terms and as a percentage of operating cost) for your entity of meeting supervisory reporting requirements (or, in the case of entities receiving and processing the data or supervisory authorities, of processing the data).**

**a) Average initial implementation cost (i.e. one-off cost):**

**a i) please estimate its average initial implementation cost (i.e. one-off cost) in euro for your supervisory reporting frameworks:**

- I am able to provide an estimate
- Not possible to estimate

**Please explain why you cannot estimate the average initial implementation cost:**

We are not able to estimate the actual costs.

In particular, the implementation of reporting requirements is often part of the global IT budget and product running cost.

In these cases, our members do not account for individual reports and reporting projects.

**a ii) please estimate the average initial implementation cost (i.e. one-off cost) as a percentage of total assets/turnover/other:**

- I am able to provide an estimate as a percentage of total assets
- I am able to provide an estimate as a percentage of turnover
- I am able to provide an estimate as a percentage of another basis
- Not possible to estimate

**Please elaborate on why you cannot estimate the average initial implementation cost as a percentage of total assets/turnover/other:**

As a membership organisation, we are not able to estimate the actual costs, which will vary considerably across our members.

**b) Annual running cost (i.e. recurrent cost) in 2016:**

**b i) please estimate annual running cost in 2016 in euro:**

- I am able to provide an estimate
- Not possible to estimate

**b ii) please estimate the annual running cost in 2016 (i.e. recurrent cost) as a percentage of operating cost:**

- I am able to provide an estimate
- Not possible to estimate



**c) Average annual running cost (i.e. recurrent cost) over the last 5 years:**

**c i) please estimate average annual running cost over the last 5 years in euro:**

- I am able to provide an estimate
- Not possible to estimate

**c ii) please estimate the average annual running cost over the last 5 years (i.e. recurrent cost) as a percentage of operating cost:**

- I am able to provide an estimate
- Not possible to estimate

**d) Average annual running cost (i.e. recurrent cost) over the last 10 years:**

**d i) please estimate average annual running cost over the last 10 years in euro:**

- I am able to provide an estimate
- Not possible to estimate

**d ii) please estimate the average annual running cost over the last 10 years (i.e. recurrent cost) as a percentage of operating cost:**

- I am able to provide an estimate
- Not possible to estimate

**2.6 Which reporting frameworks contribute the most to the cost of compliance with supervisory reporting requirements? Please indicate as many frameworks as necessary and explain your answer.**

EMIR reporting:

The requirement to have a daily reporting of all positions contributes the most of the cost of compliance with supervisory reporting requirements. Upcoming SFTR Reporting obligation is also expected to become a burden.

UCITS & AIFMD range of reporting:

This widespread range makes it necessary to implement several validity checks. Since not all data is technical available it is also necessary to collect and record some of them manually.

**2.7 Does your entity deal with supervisory reporting directly in-house or has this task been outsourced to an external provider?**

- Fully in-house
- Partially outsourced
- Fully outsourced
- Don't know / not applicable

**Please elaborate on your answer to question 2.7 and, if possible, explain the reasons for your business choice:**

Our members have different strategies:

Some firms have internalised reporting.

Some other fund management companies have outsourced the reporting obligation to third parties or are doing it in-house depending on the regulatory reporting obligation.

However, we consider that outsourcing might require almost the same budget and effort and the responsibilities remain on each counterparties without possibility of transfer.

**2.8.1 Please indicate the size of your entity's department dealing with supervisory reporting in full-time equivalents (FTE):**

**2.8.1 a) at the end of 2016:**

- I am able to provide an estimate
- Not possible to estimate

**2.8.1 b) in 2009:**

- I am able to provide an estimate
- Not possible to estimate

**2.8.2 Please indicate the size of your entity's department dealing with supervisory reporting as a percentage of the compliance work force:**

**2.8.2 a) at the end of 2016:**

- I am able to provide an estimate
- Not possible to estimate

**2.8.2 b) in 2009:**

- I am able to provide an estimate
- Not possible to estimate

**2.8.3 Please indicate the size of your entity's department dealing with supervisory reporting as a percentage of the total work force:**

**2.8.3 a) at the end of 2016:**

- I am able to provide an estimate
- Not possible to estimate

**2.8.3 b) in 2009:**

- I am able to provide an estimate
- Not possible to estimate

**2.9 Have any of the EU level reporting frameworks brought (or partially brought) cost- saving benefits (e.g. simplified regulatory reporting, facilitated internal data management processes, improved risk management, increased operational efficiencies, etc.)?**

- Yes
- No
- Don't know / not applicable

**Section 3: Identifying possible ways to simplify and streamline supervisory reporting**

**3.1 Please indicate which of the following could reduce the compliance cost while maintaining a sufficient level of supervisory reporting to ensure that the intended objectives are achieved:**

Please select all relevant answers that apply.

	Short term (2 years or less)	Long term (more than 2 years)	Don't know/not applicable
Reduction of the number of data elements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarification of the content of the data elements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greater alignment of reporting requirements	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Greater standardisation/use of international standards	<input type="checkbox"/>	<input type="checkbox"/>	
Development of a common financial language	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Ensuring interoperability between reporting frameworks and/or receiving/processing entities or supervisory authorities	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Greater use of ICT	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Greater automation of the reporting process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Please specify what other elements could reduce the compliance cost while maintaining a sufficient level of supervisory reporting to ensure that the intended objectives are achieved:**

We would suggest the following elements:

- Avoid double sided reporting (e.g. only one counterparty should report trades, e.g. EMIR)

reporting should move to single sided reporting); Avoid overlaps between regulations; Report only source data (e.g. positions/trades and basic risk numbers). All aggregations should be done by the recipient/user of the reported data

- change the reporting approach, through the disclosure of a single batch of data requirements rather than a set of templates

**Please elaborate, in particular explaining how you believe the answer(s) you selected for question 3.1 could be achieved in practice:**

Fundamentally, the key concern is that several of the current reporting frameworks overlap in terms of the data format and multiplicity of reporting “locations”. Firms are required to report, but the actual content reported may differ because the field definitions are interpreted differently according to their context.

This could be addressed by collecting a single set of clearly defined data for a particular aspect (e.g. transactions executed, positions held, collateralisation), from which regulators could extract what they need for a specific purpose.

The international standards should ensure level playing field, in particular in terms of clearing and collateral exchange obligations.

The financial language should include shared definitions of :

- dates (in particular for cut-off and confirmation aspects); and
- currency rates, for benefiting from a single reference for conversion purposes (e.g. use of ECB reference).

Given the global nature of the financial sector, international regulatory forums such as the FSB and IOSCO should be leveraged more effectively, with more consistent implementation by individual regulators of the recommendations these bodies deliver and greater respect for the consensus view. Many financial institutions are impacted by the different reporting frameworks that exist across the EU and other jurisdictions in which they do business and service clients - it is hugely problematic and costly for these firms to implement multiple solutions to meet what should be broadly similar needs of different regulators.

Examples by legislation:

- (i) AIFMD Reporting:

For the most part cost associated with AIFMD reporting have already been incurred.

The clarification of data points, introduction of common international standards and a simplified and harmonized submission process would bring greater cost savings than making changes to the form at this time. However, the AIFMD existing data can be leveraged for future data requirements rather than adding additional reporting. This would be beneficial from a cost perspective.

Alignment of reporting requirements and standardization, especially throughout countries, would significantly reduce compliance costs, as only one framework within common financial language would be required. A common understanding through all countries would significantly reduce workload (with respect to reduced requirements to comply with specific country requirements) as all countries within reporting framework use same processing entity, same language and interpretation of data fields.

(ii) EMIR:

Regarding trade reporting, the number of data elements can be an important issue, despite the fact that there are trade attributes available in the transactional systems or can be deduced via determination rules.

Indeed, the changes in EMIR reporting imposed by SFTR or changes possibly imposed in the review are increasing the number of fields to report.

In addition, new regulations are sometimes using similar but not identical reporting fields, increasing the number of fields to report for a same transaction.

**Concerning the development of a common financial language (i.e. a set of harmonised definitions of the terms used in supervisory reporting):**

**3.2 To what extent would the development of a common financial language help reduce the compliance cost of supervisory reporting?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**Please elaborate on your answer to question 3.2:**

A key issue is that different terminology has been used for certain requirements across reporting frameworks.

Although there have been attempts recently to improve the alignment between EMIR and MiFID II, there should be a single data dictionary against which any potential new items should be checked in order to avoid a proliferation of terms that are essentially synonymous, which creates ambiguity and causes confusion.

**3.3 To what extent would the development of a common financial language help improve the management (i.e. reporting or processing) of supervisory data required to be reported?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**Please elaborate on your answer to question 3.3:**

We believe that transactions, for example, could be reported once only with all the data necessary to meet regulators needs.

Use of a common financial language would be essential for regulators to map to the data received to their particular requirements and avoid misinterpretation.

A common financial language would reduce manual intervention to align data points to local NCA interpretations as well as facilitating automation as the data would be more likely to be stored in systems for other purposes outside of regulatory reporting (assuming the common standards applied are in line with accounting and financial reporting requirements)

It would also be beneficial to ESMA and NCAs when comparing across e.g. AIFMs and could make the data more meaningful.

**3.4 Are there any prerequisites for the development of a common financial language?**

- Yes
- No
- Don't know / not applicable

**If you answered yes to question 3.4, please elaborate and provide specific examples:**

Any common financial language should be developed with the industry and leverage the work already invested in the data dictionaries established under standards such as ISO 20022 and FpML.

The Common Financial Language should consider International Standards as well as Europe, Middle East and Africa standards across all reporting both to regulators and investors.

**3.5 Are there any obstacles to the development of a common financial language in the short term (i.e. 2 years or less)?**

- Yes

- No
- Don't know / not applicable

**If you answered yes to question 3.5, please elaborate and provide specific examples:**

As noted in our response to Question 3.1, regulators themselves need to reach consensus on their needs on a global basis and then respect that consensus in their own implementation of the various frameworks.

However, the current major modifications in the jurisdictional landscape (such as the review of EMIR or the upcoming AIFMD review) does not favour consistency initiatives.

Therefore, there would need to be significant industry consultations and discussions to agree to common standards and interpretations.

**Concerning interoperability between reporting frameworks (i.e. alignment /harmonisation of the reporting requirements) and/or receiving entities (i.e. the ability of entities receiving supervisory data to share it amongst themselves in such a way that it remains legible):**

**3.6 To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help reduce the compliance cost of supervisory reporting?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**Please elaborate on your answer to question 3.6:**

As explained in our response to question 3.1, the key concern is that several of the current reporting frameworks overlap in terms of the data firms are required to report, while the actual content reported may differ because the field definitions are interpreted differently according to their context. This could be addressed by collecting a single set of clearly defined data for a particular aspect (e.g. transactions executed, positions held, collateralisation), from which regulators could extract what they need for a specific purpose.

As an example, large parts of the AIFMD report would become obsolete if the regulators could use data already reported under EMIR/MIFID/SFTR and aggregate the data on their side.

Harmonisation of data between reporting frameworks would simplify the data maintenance cost, especially when common understanding of specific data fields might be incorporated and would

make the production processes more lean, (e.g. reconciliation).

**3.7 To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help improve the management (i.e. reporting or processing) of supervisory data required to be reported?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**Please elaborate on your answer to question 3.7:**

Interoperable frameworks, to the extent that data could be reported only once, would reduce the range of reports that firms were required to collate, potentially in different formats, and submit.

As an example, large parts of the AIFMD report would become obsolete if the regulators could use data already reported under EMIR/MIFID/SFTR and aggregate the data on their side.

**3.8 Are there any prerequisites for introducing greater interoperability between reporting frameworks and/or receiving entities?**

- Yes
- No
- Don't know / not applicable

**If you answered yes to question 3.8, please elaborate and provide specific examples:**

The use of commonly agreed standards like ISO 20022 appears to be a prerequisite. Please see the answer to 3.6 and 3.7

**3.9 Are there any obstacles to introducing greater interoperability between reporting frameworks and/or receiving entities in the short term (i.e. 2 years or less)?**

- Yes
- No
- Don't know / not applicable

**If you answered yes to question 3.9, please elaborate and provide specific examples:**

As noted in previous responses, regulators themselves need to reach consensus on their needs on a global basis and then respect that consensus in their own implementation of the various frameworks.



We note that local receiving entities and reporting frameworks highly differ between countries (e.g. Luxembourg based on Fundsquare, where Ireland based on CBI online reporting solution).

There are several local reports which are also rooted through the country specific reporting process where an alignment might not be possible.

In addition and as mentioned above, the current major modifications in the jurisdictional landscape does not favour consistency initiatives.

### Concerning greater use of ICT in supervisory reporting:

#### **3.10 To what extent would greater use of ICT help reduce the compliance cost of supervisory reporting?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

#### **Please elaborate on your answer to question 3.10:**

As noted in our response to Question 3.1, instead of having to build and maintain interfaces to different recipients, a global consolidated tape would provide a solution to several issues raised in the current consultation.

Alternatively and on a medium term perspective, the use of distributed ledger technology could allow firms to deliver the data once via a single interface (ie. their node on the ledger)

Most of our reporting requirements are already in electronic form. It would be helpful if the formats and data requirements could be aligned.

#### **3.11 To what extent would greater use of ICT help improve the management (i.e. reporting or processing) of supervisory data required to be reported?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**Please elaborate on your answer to question 3.11:**

The management of data would be simplified more by interoperability of the different frameworks than by the technical delivery mechanism.

AIFMD Reporting: Greater use of IT solution with clear requirements and possible cross checks would allow to improve data quality and management of data.

**3.12 Are there any prerequisites for the greater use of ICT in supervisory reporting?**

- Yes
- No
- Don't know / not applicable

**If you answered yes to question 3.12, please elaborate and provide specific examples:**

In our previous responses, we have supported the need for a common financial language.

This would be essential if supervisory reporting were to be made as efficient as possible for reporting institutions and holistically valuable to regulators.

**3.13 Are there any obstacles to the greater use of ICT in supervisory reporting in the short term (i.e. 2 years or less)?**

- Yes
- No
- Don't know / not applicable

**If you answered yes to question 3.13, please elaborate and provide specific examples:**

A key element is the need for regulators to determine their requirements internationally, not locally; and in a way that embraces all uses of the data, rather than looking at specific objectives in isolation.

**Concerning greater automation of the reporting process:**

**3.14 To what extent would greater automation of the reporting process help reduce the compliance cost supervisory reporting?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**Please elaborate on your answer to question 3.14:**

We believe the reporting process is largely automated today.

The burden and cost lies in the need to interpret different requirements and report to different places, requiring the maintenance of multiple solutions and interfaces.

However, further automation would reduce the continuous effort required to comply with reporting requirements (E.g. for the need to cross check between annual fiscal reports, AIFMD Annex IV reports, UCITS risk reporting etc).

**3.15 To what extent would greater automation of the reporting process help improve the management (i.e. reporting and/or processing) of supervisory data required to be reported?**

- Very significantly
- Significantly
- Moderately
- Marginally
- Not at all
- Don't know / not applicable

**3.16 Are there any prerequisites for a greater automation of supervisory reporting?**

- Yes
- No
- Don't know / not applicable

**If you answered yes to question 3.16, please elaborate and provide specific examples:**

The present automation is made more complex by the need to receive or retrieve data from other sources. For buy-side investment firms, this includes execution information from brokers, which may be received in different ways and in some cases not at all.

For automation to be the most effective, provision of the information should be mandatory with clear encouragement to utilise the specific solutions and recommendations devised by the industry to deliver it. In AIFMD Annex IV reporting, automation has been hindered by the application of overly strict verification criteria, which has led to unnecessary rejections, for example due to small rounding differences where values must also be converted to percentages, which then do not total fully 100%. This forces AIFMs to apply manual workarounds to and re-submit the rejected reports.

**3.17 Are there any obstacles to a greater automation of supervisory reporting in the short term (i.e. 2 years or less)?**

- Yes

- No
- Don't know / not applicable

**3.18 What role can EU regulators play in facilitating or stimulating greater use of ICT in supervisory reporting?**

- Crucial role
- Important role
- Moderate role
- Limited role
- No role
- Don't know / not applicable

**Please elaborate on your answer to question 3.18 and provide specific examples of where and how you believe EU regulators could help:**

A single platform for all NCAs with a single point of entry would allow less country specific dependency on local reporting requirement (e.g. different definition of AUM within AIFMD of Germany and Luxembourg to include/exclude cash within aggregation).

Such an initiative would clearly start with the regulators themselves defining clearly their data and operational requirements and engaging as necessary in the development of the necessary technical standards.

**3.19 What role can EU regulators play in facilitating or stimulating greater automation of the reporting process?**

- Crucial role
- Important role
- Moderate role
- Limited role
- No role
- Don't know / not applicable

**Please elaborate on your answer to question 3.19 and provide specific examples of where and how you believe EU regulators could help:**

As noted in our response to Question 3.16, we believe regulators could assist in streamlining firms' automation of their reporting solutions, by mandating that counterparties must provide the relevant data in a timely and consistent fashion.

For instance, there are market participants that are not respecting the reporting order set in standards, restraining automation capabilities.

We believe that ultimately, this should be done at a global level in order to ensure the obligations are consistent regardless of the jurisdiction(s) to which the different parties may be subject

By aligning data requirements between regulations, EU regulators could play a role in making reports more automatable.

Also, EU Regulators could improve automation on their side (e.g. by abolishing manual entries on web sites, being able to do certain data aggregations so that they do not have to be done at the level of the reporting entities, etc.).

**3.20 What else could be done to simplify supervisory reporting while ensuring that regulated entities continue to fulfil their supervisory reporting requirements?**

From our perspective, we would encourage the EU Commission to take initiatives to:

- Ensure enough time to handle regulatory changes for system updates and test;
- Facilitate further streamlined and consistent application e.g. of the Annex IV rules across the EU;
- Support the NCAs in their obligation to populate data and registers ;

Determine, together with the NCAs and users, areas where data gathering can be further improved could contribute to simplifying and bringing clarity to the fulfilment of the supervisory reporting requirements.

**3.21 Can you provide any practical example of improvements to data management processes that could be applied to supervisory reporting with a view to reducing the compliance cost and/or improving the management of supervisory reporting?**

Yes

No

Don't know / not applicable

**If you answered yes to question 3.21, please specify and explain your suggestions:**

EU regulators should be able to access all relevant source data (trades, positions, static data, and basic risk data) on EU investment funds either from the Management Company or the administrator on a regular basis.

From this data, the regulators should be able to deduce all information they need under various regulations (AIFMD, UCITS, EMIR, and SFTR).

Data reported by different entities under different regulations (e.g. transaction data under MIFID reported by investment firms should be identifiable by common identifiers so that data reported under different regulations can be matched).

Should this be achieved, overlaps and unnecessary double reporting could be avoided and the quality of the data would be improved significantly.

\*\*\*

Brussels, 14 March 2018

[18-4013]