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BANKING AND FINANCE

Public consultation on fitness check on supervisory reporting

Fields marked with * are mandatory.

Introduction

Please note that this consultation is also available in German and in French.

Supervisory reporting requirements provide competent authorities with data on supervised entities (i.e. market participants) and their activities. Access to such data is essential to effectively supervise financial institutions, monitor systemic risks and ensure orderly markets, financial stability, and investor protection. EU law in this area consists of a large number of legislative acts covering a range of financial sector industries (banking, insurance, pension funds, investment services, post-trade services and investment funds, etc.) and products (loans, securities, derivatives, fund units, structured products, etc.). While the need to report to supervisory authorities is broadly acknowledged as being necessary, the financial crisis exposed some of the weaknesses of the supervisory reporting requirements, in that they failed to provide sufficient and/or practically useful information. As a result, legislators developed a significant number of new, and for the most part more granular, reporting requirements, the scale and pace of which may have increased the cost of compliance.

In September 2015, the European Commission launched a Call for Evidence to gather feedback from all interested stakeholders on the benefits, unintended effects, consistency, and coherence of the EU regulatory framework for financial services. Supervisory reporting was one of the key challenges highlighted by the respondents. Among the main concerns of the respondents were some overlaps and inconsistencies between reporting requirements in certain pieces of financial legislation (i.e. 'reporting frameworks'), a reportedly excessive number of requirements, as well as, at times, insufficient clarity as to what needs to be reported and an insufficient use of standards. According to the respondents, this results in excessive compliance costs and complexity. On the other hand, supervisors and regulators suggested that supervisory reporting requirements do not produce data of sufficient quality to allow them to fulfil their mandates.

Moreover, respondents stressed that implementing new reporting requirements is costly, mainly due to the need to implement or adapt IT systems and due to expenditure on training and maintenance. This suggests a need to reduce the frequency of changes to supervisory reporting requirements and to allow sufficient time to implement any changes envisaged in the legislation.

Finally, respondents to the Call for Evidence mentioned that in a number of cases Member States introduced supervisory reporting requirements in addition to those in EU legislation (so-called ’gold-plating’). These issues were subsequently discussed in an Expert Group (EG) composed of all Member States which discussed barriers to capital flows in areas of national competence. The EG identified a number of such barriers and called for further work in this area, among others to address national reporting requirements imposed in addition to those in existing EU legislation, where Member States agreed in principle that double reporting requirements should be avoided.

In order to build on the results of the Call for Evidence and other consultations and reviews, the European Commission has therefore launched a Fitness Check of existing supervisory reporting requirements. As part of this assessment, the Commission is now undertaking this public consultation to seek further and more specific input from stakeholders. The consultation aims to gather evidence on the cost of compliance with existing EU level supervisory reporting requirements (in force by the end of 2016), as well as on the consistency, coherence, effectiveness, efficiency, and added value of those requirements. More specifically, it aims to collect concrete quantitative evidence on, among others, costs incurred to meet the supervisory reporting requirements, and to gather specific examples of inconsistent, redundant or duplicative supervisory reporting requirements (e.g. reporting the same information under different frameworks or to different supervisory and/or regulatory entities). The consultation seeks feedback on ways in which supervisory reporting could be simplified and streamlined in the future. Bearing this in mind, the consultation aims at improving the usability and overall consistency of the EU supervisory reporting framework in order to help authorities achieve their objectives in a more effective and efficient way.

The feedback to this consultation will support the Commission’s objective of ensuring that EU reporting requirements provide supervisors and regulators with the relevant high quality and timely information to help them to fulfil their mandates, while at the same time keeping the administrative and compliance costs and burden for firms to a minimum.

The consultation is structured along three sections reflecting the main issues and challenges that have been identified with respect to the EU supervisory reporting framework:

1. Assessing the effectiveness, efficiency, relevance, coherence, and EU added value of supervisory reporting requirements in place by the end of 2016
2. Quantifying the cost of compliance with supervisory reporting requirements
3. Identifying possible ways to simplify and streamline supervisory reporting

Respondents should provide their answers on the basis of the reporting frameworks which are relevant for them, and should take into consideration the costs incurred until the end of December 2016, and only for those frameworks in force at that date. Unless otherwise indicated, respondents should select only one answer per question. The consultation aims to go into greater detail into what has already been raised by stakeholders in various consultations. The objective is to gather specific evidence rather than general statements. A possibility to elaborate on a response has therefore been provided for each question. When doing so, respondents should aim to be as specific as possible and support their answers with examples as well as quantitative information. In Section 2 of the consultation, respondents are requested to be as specific as possible when quantifying their answers.

While the consultation is open to all interested parties, it is aimed primarily at stakeholders directly or indirectly involved in supervisory reporting, either on the reporting side or on the side receiving and/or processing the reported data, such as financial institutions, non-financial institutions undertaking securities or derivative transactions, central counterparties (CCPs), trade repositories, trading venues, national and EU supervisory and regulatory bodies.

Please note: In order to ensure a fair and transparent consultation process **only responses received through our online questionnaire will be taken into account** and included in the report summarising the responses. Should you have a problem completing this questionnaire or if you require particular assistance, please contact fisma-supervisory-reporting-requirements@ec.europa.eu.

More information:

- on this consultation
- on the protection of personal data regime for this consultation

1. Information about you

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*Are you replying as:
- ○ a private individual
- ● an organisation or a company
- ○ a public authority or an international organisation

*Name of your organisation:

ALFI - Association of the Luxembourg Investment Fund Industry

Contact email address:

The information you provide here is for administrative purposes only and will not be published

david.zackenfels@alfi.lu

*Is your organisation included in the Transparency Register?
(If your organisation is not registered, we invite you to register here, although it is not compulsory to be registered to reply to this consultation. Why a transparency register?)
- ● Yes
- ○ No

*If so, please indicate your Register ID number:

6182372280-83

*Type of organisation:

- ○ Academic institution
- ○ Company, SME, micro-enterprise, sole trader
- ○ Consultancy, law firm
- ○ Consumer organisation
- ● Industry association
- ○ Media
- ○ Non-governmental organisation
- ○ Think tank
- ○ Trade union
- ○ Other

*Where are you based and/or where do you carry out your activity?

Luxembourg

*Field of activity or sector (*if applicable*):

at least 1 choice(s)

- [ ] Accounting
- [ ] Auditing
- [ ] Banking
- [ ] Consumer protection
- [ ] Credit rating agencies
- [ ] Insurance
- [ ] Pensions
- [ ] Investment management (e.g. ucits, hedge funds, private equity funds, venture capital funds, money market funds)
- [ ] Market infrastructure / operators (e.g. CCPs, CSDs, Stock exchanges)
- [ ] Non-Financial / Corporate enterprise
- [ ] Law firm / Consultancy
- [x] Trade Association
- [ ] Other
- [ ] Not applicable

Important notice on the publication of responses

*Contributions received are intended for publication on the Commission's website. Do you agree to your contribution being published?
(see specific privacy statement)

- ● Yes, I agree to my response being published under the name I indicate (*name of your organisation /company/public authority or your name if your reply as an individual*)
- ○ No, I do not want my response to be published

2. Your opinion

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

The consultation is structured along three sections reflecting the main issues and challenges that have been identified with respect to the EU supervisory reporting framework:

The primary objective of supervisory reporting requirements is to provide supervisory authorities with the necessary data for them to monitor systemic risk in the markets, with the aim of safeguarding the stability of the financial system and ensure investor protection. In order to be effective, this data needs to be provided rapidly and be of sufficiently high quality. Section 1 of the consultation therefore aims to assess whether existing supervisory reporting requirements – in particular in light of the fairly recent move to more granular reporting frameworks – are working as intended. In order to do so, it is necessary to assess their effectiveness, relevance, efficiency, coherence, and EU added value.

For the purposes of this section, the above criteria are understood as follows:

1. **Effectiveness** – whether the supervisory reporting requirements have produced relevant and high quality data;
2. **Relevance** – whether all of the supervisory reporting requirements are necessary and appropriate for their intended objectives;
3. **Efficiency** – whether the set-up of the supervisory reporting requirements is proportionate in terms of costs/burden in view of its objectives (or, for supervisors, compared to the benefit it brings);
4. **Coherence** – whether the supervisory reporting requirements are consistent across the different reporting frameworks;
5. **EU added value** – whether supervisory reporting requirements at EU level have contributed to the achievement of the intended objectives in a better way than would have been the case if the reporting requirements were only introduced at the national level.

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):

From a general investment fund perspective, ALFI believes that it is difficult to assess financial stability purely from EU level supervisory reporting alone, given the interaction of global financial markets. Whether the introduction of supervisory reporting over the past decade has improved financial stability is thus difficult to ascertain.

AIFMD Reporting: We do not know whether the AIFMD reporting has contributed to improving financial stability as we have, so far, not seen evidence how these reports have been aggregated, compiled and used from a supervisory standpoint.

We nevertheless have some questions as to whether these reports have reached their main objectives, based on the following observations:
- We do not know what were the supervisory objectives and processes (and hence the data points required in order to compile supervisory reporting) initially set before the list of data was enumerated in the appendix to the regulation
- As mentioned in our previous submissions, the scope of the reporting was designed with a focus on a very specific subset of funds (hedge funds)
- Timing of submission (30-45 days) is not compatible with the valuation process of real assets and private equity, hence the information received is usually stale for certain sub-sectors
- We have some questions on the data field (or the calculation methods) such as leverage, AUM, risk data leading us to fear that the aggregation of data computed based on different formulas could lead to incorrect results
- We assume that compilation of data is a very challenging exercise as we have noted that NCA's have divergent reporting mechanisms, naming convention.

EMIR: The introduction of detailed reporting requirement 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.
Regarding EMIR, the daily update of the trades, in particular in terms of valuations, ensures the appropriateness of the data for frequent assessments.
This development relates to financial instruments only, and thus does not cover the full scope of counterparties' exposures (e.g. treasury, loans and issuances).

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):

From an AIFMD reporting point of view, it is difficult to assess. Same remarks as for question 1.1. iii) below.
From an EMIR point of view, our experts suggested that market integrity was significantly improved.

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):

In the context of AIFMD reporting, investor protection was not the main direct objective. This reporting could improve investor protection if used in the appropriate manner.

In the context of EMIR, from a buy-side perspective, trade reporting like EMIR is not particularly aimed at ensuring investor protection.
This question should be responded again once a post-mortem on MIFIR reporting will be available, with transaction execution details.

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

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:

AIFMD Reporting: Whilst the content has been harmonised at EU level through ESMA guidelines and Q&A, we have noted many discrepancies in the way NCA's have implemented it in practice, both in terms of content and filing protocols.
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:

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

These discrepancies not only increase the operational challenges of asset managers but are also likely to lead to a consolidation challenge at ESMA level.

EMIR: The implementation of trade reporting has necessited a high amount of information to be provided through Q&As in order to explicit the requirements.

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:

AIFMD Reporting: See answer to 1.4.

EMIR: There is not enough feedback from the authorities to the industry on the currently reported data, meanwhile new requirements are issued (see recent ESMA consultation on position calculation under EMIR, for which ALFI is not in favor).

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

- (selected) Not very well
- Not at all
- Don’t know / not applicable

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

AIFMD Reporting: Each NCA platform requires unique access maintenance of permissions and licenses and each has different file upload mechanisms. Some of these systems are quite old legacy systems with heavy constraints and requiring significant manual work.
For example, in Sweden one needs a physical certificate (TAN card) assigned to an individual. In Belgium, one needs a personal digital certificate, which needs to be regularly renewed and where there is a limit in the number of users per corporation. In Ireland, one needs to file each AIF individually. Some other NCAs are still accepting email submissions.
EMIR: Trade reporting is submitted through Trade repositories, adding an administrative layer between the eligible counterparty and its competent authority. This set-up has not proven its added value and has generated complexity in the disclosure process.

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
- (selected) Not at all
- It has made supervisory reporting more complicated
- Don’t know / not applicable

Please elaborate and provide examples to justify your answer to question 1.7:

The AIFMD reporting has come on top of existing ones, but did not replace them.
EMIR: As explained in the previous questions, on the one hand, trade reporting has created opportunities for a better regulation, but on the other hand, very few feed-back is received by the industry.
Moreover, quality of reported data is inconsistent. Authorities should proceed to a data quality enforcement rather than issuing new demands.

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
- (selected) 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:

AIFMD Reporting: See our comments above in particular on the filing protocol.
EMIR: We do not have opinion from trade reporting perspective.

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?

- (x) Yes
- ( ) No
- ( ) Don’t know / not applicable

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

In term of AIFM reporting, 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,
- Interpretation of various fields, in particular when different calculation methods are being used depending on the regulation (AUM, leverage…).

Feedback from regulators is sporadic and once received quite IT rules related
rather than quantitative.

EMIR: From a trade reporting perspective, 4 types of complex attributes are requested with specific typologies to be respected:
1. Counterparty ID with LEI, the provision of relevant LEI necessitates important efforts from the industry.
2. Instrument with UTI, UPI codes,
3. Dates (trade date, value date, confirmation, maturity).
4. Valuation (MTM, nominal, collateral).

Higher volumes of data –at trade level- have to be captured and reported.
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.
-Regarding SFTR, the framework requires 153 very detailed notions depending on the type of transaction.
Costly interfaces had to be designed and implemented to generate the basic data.
Use of specific reporting channels is required: Trade repository, mutualized between different reporting requirements (EMIR, SFTR) or reporting services to format the data with regard to the reporting framework.
Reporting services now are also used to deduct certain complex fields based on basic ones.

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

The feedback received from stakeholders suggests that, over the past few years, the cost of implementation and compliance with supervisory reporting requirements has increased in a couple of ways. Firstly, the introduction of new reporting frameworks and the more granular approach to reporting have increased the number and frequency of reports, necessitating additional investments into IT systems and related areas such as hiring, training, updating work processes or services delivered by external contractors. Secondly, the increasing complexity of reporting has increased operational risk, including the cost of correcting errors and financial penalties or fines for not reporting in the required formats or within required deadlines. Section 2 of the consultation aims to gather concrete quantitative data concerning this compliance cost incurred by the end of 2016 for reporting frameworks in force by this date*.

* Note: some of the costs incurred until the end of 2016 may have been incurred in anticipation of supervisory reporting requirements to be implemented only as of January 2017. Section 2 is not intended to cover these compliance costs. All replies should be provided on the basis of the situation at the end of December 2016 for frameworks in force at that date.

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

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	We kindly ask you to see our uploaded response, which outlines more clearly the rationale to the response.	
Factor 2		
Factor 3		
Factor 4		
Factor 5		

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

[1] (i.e. templates or forms in which specific data elements to be reported are listed).

[2] (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).

- (x) 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:

AIFMD Reporting: (a) Increases the compliance cost.
The main driver of the cost is the need to have (i) a system that deliver the reports at the expected format (that you would be able to deliver without a system – typically XML whereas XLS would be more universal) and (ii) the resources trained to understand the conventions, format, calculation methods, way to input the data, etc. On the resources, we do not see any alternative.

EMIR: (b) Decreases the compliance cost
From a trade reporting perspective, common reporting referential of data with the use of ISO20022 should be considered as a facilitator.

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):

General remark:
ESMA took up office in 2011. One of the powers attributed to ESMA was to receive market data (mainly under the AIFMD), 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. ALFI 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".

AIFMD Reporting: 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.

EMIR: It is not only monetary costs that have to be considered, but also the complexity generated by the new requirements: much more granular (see Section 1.) completed by the mandatory use of trade repositories (for EMIR and MIFIR) and authorized reporting mechanism (for MIFIR).

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

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 specify on which other basis you are able to estimate the proportion of the average initial implementation:

Not less than 20 days per staff member to get familiar with new legislation.

One large asset manager estimated the time to implement a new system to 23'000 hours (including analysis of the data requirements, industry meetings, etc.).

Average initial implementation cost as a percentage of the above-mentioned basis:

%

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

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

Please elaborate on why you cannot estimate the annual running cost in 2016:

We estimate 10 hours per AIF report for each reporting period, depending on the size and scale of the organization. For example, for 50 AIFs and quarterly filings, this means 50 x 10 x 4 = 2'000

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

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

Please elaborate on why you cannot estimate the average annual running cost over the last 10 years in euro:

N/A from an AIFMD perspective

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

2.5.2 Please indicate whether the above figures concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.).:

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.

As a professional association, we cannot respond to this question.

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:

As a professional association, we cannot respond to this question.

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

2.8.4 Please indicate whether the figures you provided in your answers to questions 2.8.1, 2.8.2 and 2.8.3 concern your entity as a whole or only a part thereof (i.e. a department, a subsidiary, a branch, a regional division, etc.):

As a professional association, we cannot respond to this question.

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
- [x] No
- Don't know / not applicable

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

In response to the Call for Evidence, some stakeholders expressed strong support for targeted standardisation measures to allow a more effective use of technology to streamline and – to the extent possible – automate compliance and reporting functions. This is related to the framework of "RegTech" ("regulatory technology"), a recent initiative to address issues of regulatory compliance in the financial services sector through the use of innovative technology. However, detailed evidence on how exactly the use of ICT can help with supervisory reporting, and whether it is facilitated or hindered by the present set up of supervisory reporting requirements – is scarce. Section 3 of the consultation is therefore more forward-looking, and seeks stakeholders' views on possible future developments in supervisory reporting, in particular with regards to greater use of ICT and greater automation.

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	○	◉	○
Clarification of the content of the data elements	◉	○	○
Greater alignment of reporting requirements	◉	○	○
Greater standardisation/use of international standards	◉	○	○
Development of a common financial language	○	◉	○
Ensuring interoperability between reporting frameworks and /or receiving/processing entities or supervisory authorities	○	◉	○
Greater use of ICT	○	◉	○
Greater automation of the reporting process	○	◉	○
Other	○	◉	○

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:

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.

EMIR: Regarding trade reporting, the number of data element is not the main issue, as they are trade attributes available in the transactional systems or can be deducted via determination rules.

Clarification of the content of data elements at an early stage of the regulation definition would avoid heavy Q&A processes.
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
-currency rates, for benefiting from a single reference for conversion purposes (e.g. use of ECB reference).
Automation would reduce the operational risk in data manipulation and allow to benefit from an audit trail.

At last, the initiative recently launched by the Central Bank of Austria should be considered more closely. For a given reporting counterparty, it consists in providing a single data cluster (“data cube”) aimed at being exploited by the Authorities under any available criteria. This streamlining approach allows to avoid templates filling, reporting duplication and provides more flexibility to the Authorities. On the long run, this “bottom-up” approach it should decrease the compliance costs.

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

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.

EMIR: Regarding trade reporting, the number of data element is not the main issue, as they are trade attributes available in the transactional systems or can be deducted via determination rules.
Clarification of the content of data elements at an early stage of the regulation definition would avoid heavy Q&A processes.
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
-currency rates, for benefiting from a single reference for conversion purposes (e.g. use of ECB reference).
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At last, the initiative recently launched by the Central Bank of Austria should be considered more closely. For a given reporting counterparty, it consists in providing a single data cluster (“data cube”) aimed at being exploited by the Authorities under any available criteria. This streamlining approach allows to avoid templates filling, reporting duplication and provides more flexibility to the Authorities. On the long run, this “bottom-up” approach it should decrease the compliance costs.

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:

Within AIFMD Annex IV reporting, only some fields (e.g. Stress Test results) might currently not be reported in English, as most NCA`s have committed themselves to use English as reporting language. Nevertheless, a common language throughout all regulatory reports would reduce compliance costs, as there would be no need anymore to translate to specific local regulator reporting requirements.

EMIR: The area of trade reporting, is already benefiting from a quite well shared reference language.

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:

AIFMD Reporting: 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)

A common financial language would be beneficial to ESMA and NCAs when comparing across 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:

The Common Financial Language should consider International Standards as well as EMEA across all reporting both to regulators and investors.

EMIR: In the trade reporting field, the use of ISO 20022 is a step big towards the use of a common financial language.

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

- (x) Yes
- ( ) No
- ( ) Don’t know / not applicable

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

AIFMD Reporting: Yes, as systems will already be coded based on initial interpretations and would need to be updated. Whilst this in itself should be achievable within two years, it is likely that there would need to be significant industry consultations and discussions to agree to common standards and interpretations.

EMIR: The current major modifications in the jurisdictional landscape does not favor consistency initiatives.

Concerning interoperability between reporting frameworks (i.e. alignment /harmonisation of the reporting equirements) 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
- (x) Significantly
- ( ) Moderately
- ( ) Marginally
- ( ) Not at all
- ( ) Don’t know / not applicable

Please elaborate on your answer to question 3.6:

AIFMD Reporting: Harmonisaton of data between reporting frameworks would simplify the data maintenance cost, especially when common understanding of specific data fields might be incorporated.

EMIR: Harmonisaton of data between reporting frameworks 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:

AIFMD Reporting: Harmonisaton of data between reporting frameworks would simplify the data maintenance cost, especially when common understanding of specific data fields might be incorporated.

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:

AIFMD Reporting: Don't know
EMIR: Answered Yes
The use of common an agreed standards like ISO 20022 appears to be a prerequisite.

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:

AIFMD reporting: 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.

EMIR: The current major modifications in the jurisdictional landscape does not favor 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
- (x) Significantly
- ( ) Moderately
- ( ) Marginally
- ( ) Not at all
- ( ) Don't know / not applicable

Please elaborate on your answer to question 3.10:

AIFMD Reporting: A standardized IT solution for all NCAs with a centralized submission mechanism would significantly reduce the cost compared to complying with local regulator specific requirements.

EMIR: Don't know.
The area of trade reporting already benefits from a great use of ICT.

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
- (x) Moderately
- ( ) Marginally
- ( ) Not at all
- ( ) Don't know / not applicable

Please elaborate on your answer to question 3.11:

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

EMIR: Don't know. See 3.10

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

- [x] Yes
- [ ] No
- [ ] Don't know / not applicable

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

AIFMD Reporting: Global predefined reporting requirements
EMIR: Yes. See 3.8

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)?

- [x] Yes
- [ ] No
- [ ] Don't know / not applicable

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

AIFMD Reporting: Processes to be harmonized across jurisdictions and common financial language for reporting to be agreed and applied.

EMIR: Yes.
Service costs and service level agreements relating to providers like trade repositories.

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?

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

Please elaborate on your answer to question 3.14:

AIFMD Reporting: Greater automation would reduce the continuous effort required to comply with reporting requirements. E.g. cross check between annual fiscal reports, AIFMD Annex IV reports, UCITS risk reporting etc. would ensure consistency between reports.

Simplification and automation of file submissions would reduce time and cost required for compliance.
EMIR: Don't know.

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

Please elaborate on your answer to question 3.11:

AIFMD Reporting: Significantly
EMIR: Don’t know.

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:

AIFMD Reporting: Clear definitions on reporting requirements
EMIR: Don’t know.

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

If you answered yes to question 3.17, please elaborate and provide specific examples:

AIFMD Reporting: Regular changes in the regulatory framework does not allow for higher automation since new / updated standards need to be implemented causing costs.
EMIR: Regular changes in the regulatory framework is a barrier to higher automation (e.g. changes in EMIR RTS)

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

- (x) 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:

AIFMD Reporting: 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). See our answer to question 3.11.

EMIR: Ensure stability of the requirements over time.

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

- ( ) Crucial role
- (x) 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:

AIFMD Reporting: See above
EMIR: See above

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

AIFMD Reporting: Clear definition on field level to ensure a common understanding is in place within all NCAs.
EMIR: Clear and common definition on the fields of the reporting frameworks, across the different jurisdictions would be an improvement.

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?

- [x] Yes
- [ ] No
- [ ] Don't know / not applicable

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

AIFMD Reporting: Local Regulators have room to apply their supervision of UCITS Funds within the regulatory framework. Alignment and clear requirements across all EU countries would improve the data management process (CSSF UCITS Reporting, CBI Reporting, etc.)
Reference:
CSSF Regulation 10-4
Article 50 Reports on derivative instruments
Management companies shall deliver to the CSSF, at least on an annual basis, reports containing information which reflects a true and fair view of the types of derivative instruments used for each managed UCITS, the underlying risks, the quantitative limits and the methods which are chosen to estimate the risks associated with the derivative transactions.
EMIR: No.

3. Additional information

Should you wish to provide additional information (e.g. a position paper, report) or raise specific points not covered by the questionnaire, you can upload your additional document(s) here:

5a6142db-7d04-473e-9575-370dbc1d9c7d/ALFI-Fitness-Check-on-supervisory-reporting-requirements-consultation_2018_consolidated_response_14_March_2018.pdf

Contact

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