eurelectric powering people

EC consultation on fitness check on supervisory reporting

A eurelectric response paper

March 2018

eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:

- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

WG Financial Regulation & Market Integrity

Contact:
Blandine MALVAULT, Advisor Wholesale Markets, Gas to Power,
Financial Regulation & Market Integrity– bmalvault@eurelectric.org

Contribution ID: 399de8ae-47de-45a4-a26e-590b509f8999
Date: 14/03/2018 17:13:18

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

*Are you replying as:

- ○ a private individual
- ◉ an organisation or a company
- ○ a public authority or an international organisation

*Name of your organisation:

eurelectric

Contact email address:

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

bmalvault@eurelectric.org

*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:

4271427696-87

*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?

Belgium

*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
- [ ] Trade Association
- [ ] Other
- [x] 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):

Some margins of improvement could be envisaged both in terms of scope and efficiency – at least for non-financial counterparties, for a better contribution of supervisory reporting to the overall improvement of financial stability and for an effective monitoring of systemic risk in Europe.

With respect to the scope, the current set of reporting requirements are not adequately calibrated – at least for non-financial counter-parties, as they also cover counter-parties and transactions with no relevance nor influence on financial stability and systemic risk. This is the case in particular for non-financial counter-parties and for intragroup transactions.

It is crucial to improve the quality of the information flows, as to reduce errors and reconciliation activities. The quality and accuracy of information provided to the monitoring authorities remains highly important.

The simplification of current reporting requirements into a single, fully interoperable stream across receiving /processing entities at European level, with standardized data and the adoption of common, standardized financial information could improve the significance level of data provided, and better contribute to the aim of ensuring financial stability. Moreover, the possibility to resort, where non-financial counter-parties, to single-sided reporting system (with clear legal responsibilities placed on the financial counter-parties) would be beneficial for the system.

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):

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):

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
- (x) 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:

As previously said, current supervisory requirement could be revised in order to address only relevant financial counter-parties and transactions that may actually affect systemic risk.

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
- (x) 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)
- (x) 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:

Derivatives are reportable under EMIR as well as MiFIR and REMIT. The reporting requirement under EMIR encompasses all derivatives contracts, OTC and exchange-traded alike, while REMIT Implementing Regulation No 1348/2014 stipulates the reporting of the derivatives contracts related to electricity or natural gas (unless already reported under EMIR or MiFIR). Key distinctions appear to lay in whether the product is financially or physically-settled and whether the delivery in the European Union.

The additional cause of confusion is stuck in the meaning of entering into transaction in EMIR - different from the meaning of entering into transaction in REMIT, where the latter refers to entering into transaction in "wholesale energy markets" and not to be counter-party to a contract (distinction meaningful for example with respect to CCPs or clearing members).

Another significant specificity of the EMIR derivatives' reporting scheme against the background of the REMIT reporting rules is the former does not prescribe the submitting of data on orders to trade. Accordingly, orders to trade in derivatives must be reported under REMIT and not EMIR.

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:

The current supervisory reporting on financial derivatives could be revised as to ensure simplification and greater efficiency, remove overlapping requirements, improve and optimize information flows and harmonize different streams of reporting.

Under EMIR and REMIT reporting requirement, for instance, the same bilateral commodity derivative cleared on a Trading Venue has to be reported by the broker, the trading venue and the clearing member with three different UTI codes.

Also, as an example of the burden stemming from reporting requirements for non-financial counterparty (NFC- under EMIR) which are not MiFID entities, the following streams of reporting apply:
- under EMIR, for entering into derivatives related to financial instruments;
- under MiFID II, for position reporting related to position limits purposes for all commodity derivatives as well as emission allowances and derivatives thereof;
- under MAR, for reporting suspicious orders and transactions on financial instruments;
- under REMIT, for reporting of wholesale energy derivatives.
- under SFTR (not yet applicable), for reporting of Securities Financing Transactions

Finally, though not directly subject to MiFIR reporting obligations, non-financial counterparties have to provide Trading Venues with some details of their trades.

Such effort implies the implementation and management of different parallel streams of reporting with different receiving entities, data and systems. Moreover, the same derivative may be internally processed for reporting purposes several times by the non-financial counterparties in order to comply with the different reporting requirements.

The current EMIR review should therefore also be conducted under the criteria of simplifying reporting obligations and avoiding inefficient duplications. From the proposals we have seen so far, this seem to be taken on board. The Council General Approach in fact suggests that “the Commission shall assess whether the obligation to report transactions under Article 26 of Regulation (EU) No 600/2014 creates unnecessary duplication of transaction reporting for non-OTC derivatives and whether the requirement to report non-OTC transactions under Article 9(1a) could be reduced […] in particular for non-financial counterparties not subject to the clearing obligation.

As regards SFTR, there is a clause excluding reporting of transactions if already reported according to EMIR. Unfortunately, the clause is not also excluding transactions already reported according to REMIT. That would have made sense and avoided inefficient double reporting.

As a general remark, supervisory reporting should to a wider extend – at least for non-financial companies – be reduced to 'only on request'. The general reporting already taking place should, thus, only cover the need for information providing a basis for e.g. identifying risk of misconduct. Information for further investigation should generally then only be requested to the extend needed. Today, much information required is based on scatter-shot approach where data is collected just in case it might be needed.

Finally, supervisory reporting should – at least for non-financial companies – have less strict requirements with regard to real time reporting (or within a very short period of time, e.g. two days). Often, a more well-adjusted approach (e.g. within 7 or 30 days) would have been more appropriate. For non-financial companies many transactions are only made rarely. Thus, reporting within a short period of time requires automation that is not balanced with the potential impact on the financial markets.

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:

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

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

In several cases the introduction of supervisory reporting requirements at European level has contributed to the simplification of the process, thus avoiding that the same obligations are required several times at national level across Europe. Nevertheless, there are still various reporting requirements set and / or maintained by National Competent Authorities (this is still the case for REMIT) and Trading Venues which could be removed by allowing them to access data already reported at EU level. This is true in particular for reporting related to energy derivatives.

Supervisory reporting at European level has tendency of been based on a scatter-shot approach where data is collected just in case it might be needed. While, national reporting is often less comprehensive although, typically, supplemented by the power to ask for further information. eurelectric would like to have similar – less burdensome – approach to be considered at European level.

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
- [x] 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:

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:

Supervisory reporting should – at least for non-financial companies – have less strict requirements with regard to real time reporting. In many cases, better adjusted approach would have been more appropriate.

For non-financial companies many transactions are only made rarely. Thus, reporting within a short period of time requires automation that is not balanced with the potential impact on the financial markets. As an example, REMIT recognizes a longer time-limit for reporting of non-standard agreements/transactions up to 30 days, while standard contracts have a time-limit of two days. Unfortunately, some financial regulations do not make such considerations.
Furthermore, the content of what needs to be reported is not always clear and requires bilateral discussions. As a general rule, double reporting between various financial regulations should be avoided.

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

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					X	
Need to report under several different reporting frameworks					X	
Need to report to too many different entities				X		
Lack of interoperability between reporting frameworks and/or between receiving/processing entities or supervisory authorities					X	
Need to report too frequently			X			
Overlapping requirements				X		
Redundant requirements				X		
Inconsistent requirements					X	
Unclear/vague requirements				X		
Insufficient use of (international) standards			X			
Need to introduce/update IT systems					X	
Need for additional human resources				X		
Too many/too frequent amendments in the relevant legislation		X				
Lack of a common financial language				X		
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 template) rather than by post or in person.	X					

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.	●	○	○	○	○	○
Lack of (adequate) technical guidance/specifications	○	●	○	○	○	○

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	Lack of adequate legal guidance: For non-financial companies, some definitions and requirements have not fitted well with the reality (products/transactions) they meet and, thus, have been a challenge.	3
Factor 2		
Factor 3		
Factor 4		
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 at all a source of costs)	1	2	3	4 (very significant source of costs)	Don't know / not applicable
Supervisory reporting requirements imposed by EU Regulations and/or Directives	○	○	○	○	●	○
Different Member State implementation of EU financial legislation, resulting in diverse national supervisory reporting requirements for the same financial entity/product	○	○	●	○	○	○
National supervisory reporting requirements in addition to those in EU legislation for a specific financial entity /product	●	○	○	○	○	○
Other supervisory reporting requirements in addition to those in EU legislation for a specific financial entity /product	●	○	○	○	○	○

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:

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

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).

- ○ 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:

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):

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

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

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

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.

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:

eurelectric's members have different sizes and business approach and, thus, all three outcomes have been the case.

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 European association we represent many different companies, in size, and sophistication, and these figures depend very much on both aspects. In general terms there has been a significant increase in all the three indicators as a consequence of new requirements.

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.)?

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

If you answered yes to question 2.9, please indicate which frameworks, explain in what way they have contributed to cost-savings, and if possible quantify the savings (with respect to previous or other similar reporting frameworks):

Particularly REMIT has increased market integrity by introducing disclosure of internal information with an impact on market price.

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:

Centralization of the reporting in a single European platform, to which all eligible parties would access. Once in place, this would lower the costs for all parties and increase the reliability of data.

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

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:

Given all terms equal to current regulatory requirements, the adoption of a common financial language could reduce compliance costs and contribute to make operational activities smoother.

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:

The existence of different streams of reporting with different languages represents an obstacle to operational smoothness and certainty.

The adoption of a common language across different standards is desirable. Ideally the implementation of reporting standards by receiving entities (particularly Trade Repositories) should be done consistently with the framework provided at EU level, without imposing additional data fields (as it occurs in some cases). Additions to the standard framework indicated at EU level make reporting even more costly for counter-parties, and represent an incentive to stick with the same TR in order to avoid additional costs related to update internal systems to the new TR framework, closing of the open positions with the old TR and re-opening them with new TR.

Moreover, the adoption of a single algorithm for the generation of UTI, CFI and ISIN codes required under EMIR and MiFID II reporting could be beneficial. Without common and standard rules on these formats, the risk is to produce different codes for the same transaction or financial instrument.
Finally, harmonization of definitions could also be beneficial. This is true especially for the definitions of financial instruments and trading venue which sometimes do not perfectly match valid across reporting obligations.

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

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

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

There is a potential risk that specific industry terms and definitions – e.g. within the energy sector – that might be challenged. As an example, the term delivery has a certain meaning which does not fully fit with the one settled in the financial regulation (e.g. using nomination in a transmission operator network that does not fit with some cases of delivery of Liquefied Natural Gas (LNG)).

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
- (x) No
- ( ) Don't know / not applicable

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?

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

Please elaborate on your answer to question 3.6:

Interoperability and standardization of data format is desirable especially between EMIR and REMIT reporting on energy financial derivatives. To give an example, EMIR and REMIT reporting formats contain the same fields e.g. those describing delivery profiles with different valuation rules, causing a duplication of IT requirements for counter-parties.

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?

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

Please elaborate on your answer to question 3.7:

Interoperability between reporting frameworks and receiving entities would streamline reporting, avoid duplications and inconsistencies, leading to an overall reduction in compliance costs.

Just to give an example of a measure that can be easily put in place and that goes in the right direction of simplifying reporting obligations avoiding inefficient duplications, as also indicated in Section 1, we can mention a provision from the Council General Approach on the ongoing EMIR Review, which states that “the Commission shall assess whether the obligation to report transactions under Article 26 of Regulation (EU) No 600/2014 creates unnecessary duplication of transaction reporting for non-OTC derivatives and whether the requirement to report non-OTC transactions under Article 9(1a) could be reduced […]in particular for non-financial counter-parties not subject to the clearing obligation.

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

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

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

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
- (x) Don’t know / not applicable

Please elaborate on your answer to question 3.10:

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
- (x) Don’t know / not applicable

Please elaborate on your answer to question 3.11:

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

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

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:

Any ICT improvements should be implemented taking into account timing feasibility/constraints and costs for counterparties.

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
- (x) Don't know / not applicable

Please elaborate on your answer to question 3.14:

Impact depends on the particular company. Thus, eurelectric is not in a position to give a clear answer.

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
- (x) Don't know / not applicable

Please elaborate on your answer to question 3.11:

Impact depends on the particular company. Thus, eurelectric is not in a position to give a clear answer.

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

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

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:

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:

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

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:

Useful links

More on the Transparency register (http://ec.europa.eu/transparencyregister/public/homePage.do?locale=en)

Consultation details (http://ec.europa.eu/info/consultations/finance-2017-supervisory-reporting-requirements_en)

Specific privacy statement (http://ec.europa.eu/info/files/2017-supervisory-reporting-requirements-specific-privacy statement_en)

Contact

fisma-supervisory-reporting-requirements@ec.europa.eu

eurelectric

Union of the Electricity Industry - eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: 4271427696-87