



Financial Data Standardisation Project

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Financial Data Standardisation (FDS) Project

- EC Better Regulation Agenda (REFIT)
- DG FISMA Call for Evidence (CfE)
- Vision & Objectives
- Initial FDS Project Tracks:
 - Legislation
 - Standardisation
 - Stakeholder Analysis
- Analysis Data Reporting Requirements

Call for Evidence

- Response to the financial crisis: European Commission (EC) had to pass a whole range of legislation in recent years
- But now it's time to take stock: review EU regulatory framework for financial services
- Purpose of the Call for Evidence (CfE): consult all interested stakeholders on the benefits, unintended effects, consistency, gaps in and coherence of the EU regulatory framework for financial services
- The Financial Data Standardisation (FDS) project will rely on the results of the CfE to set its priorities

REFIT

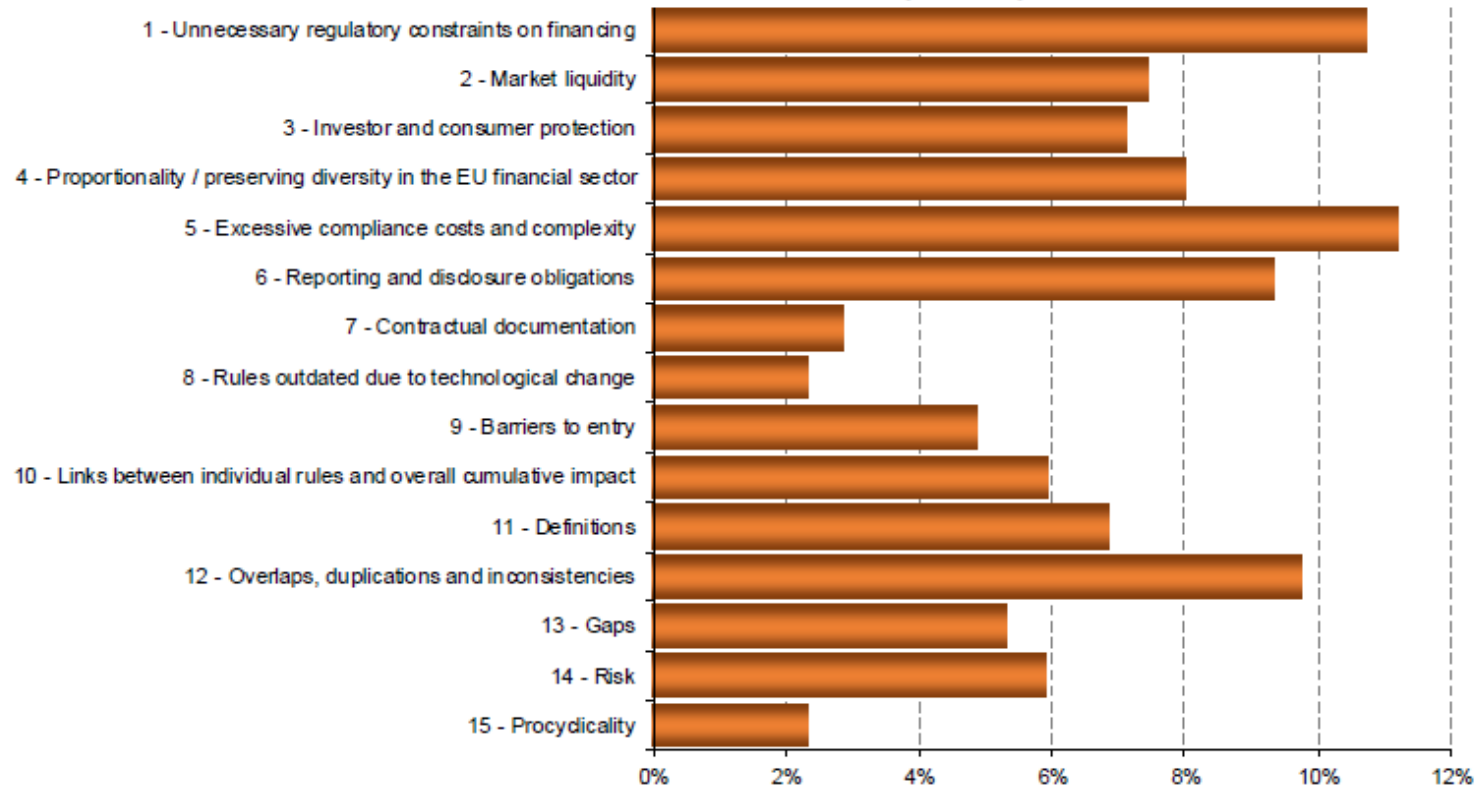
- CfE is part of the much broader Better Regulation agenda (REFIT) from the European Commission to fundamentally reform our working methods
- CfE is a new REFIT initiative to be undertaken in 2016
- Regulatory Fitness and Performance programme (REFIT):
 - make EU law simpler
 - reduce regulatory costs
 - without compromising policy objectives
- REFIT and CfE thus contribute to a clear, stable and predictable regulatory framework supporting growth and jobs

Call for Evidence - Consultation

- Public consultation launched by EC entitled "Call for Evidence" (CfE) from 30 September 2015 till 31 January 2016
- Structured under the following thematic areas:
 1. Rules affecting the ability of the economy to finance itself and to grow
 2. Unnecessary regulatory burden
 3. Interactions, inconsistencies and gaps
 4. Rules giving rise to possible other unintended consequences
- Commission received 288 responses to the consultation
- 15 pre-defined topics for consultation
- Outcome of the exercise in Summer 2016

Call for Evidence - Consultation

Chart 3: Distribution of the number of responses per issue



Source: Call for evidence database.

Call for Evidence - Consultation

Most replies related to topics 1, 5, 6 and 12:

- **Unnecessary regulatory constraints on financing (1)**
- **Excessive compliance costs and complexity (5):**
 - Industry respondents highlighted that the scale and pace of regulatory change in recent years has been a key source of compliance costs
 - Reporting requirements and disclosure rules were perceived as areas with significant potential for cost savings
- **Reporting and disclosure obligations (6)**
 - Reporting requirements overlap in different pieces of legislation and technical details and/or reporting formats insufficiently aligned
 - Information contained in different reports was seen to be identical in many cases, although reported in different formats
 - Non-aligned reporting requirements may impair supervisory risk management as the reporting systems are more prone to errors
 - Call for overall stock-take of data gathered by National Authorities and European Supervisory Authorities (ESAs), a better flow of information between them, streamlining reporting requirements, wider use of templates and standardised reporting formats, and for common IT tools and solutions

Call for Evidence - Consultation

- **Overlaps, duplications and inconsistencies (12)**

- Perceived overlaps, duplications and inconsistencies in the regulatory framework, including concerns related to duplicative or inconsistent reporting and disclosure requirements
- Concerns about inconsistencies between primary and secondary legislation as well as about ESA guidelines
- Inconsistencies stemming from divergent national implementation of EU rules

Also highly relevant for FDS Project:

- **Rules outdated due to technological change (8)**

- Some respondents commented that rules should be better adapted to technological change, in particular the increasing digitalisation of documents
- New technologies becoming available could change how regulated entities comply materially with legal requirements, e.g. distributed storage and blockchain technologies

- **Definitions (11)**

- Respondents highlighted their concerns relating to unclear or inconsistent definitions across multiple pieces of legislation

Call for Evidence - Consultation

- Respondents referred to all the main legislative acts in financial services
- Most replies concerned:
 - Capital Requirements Regulation and Directive (CRR/CRD IV)
 - Markets in Financial Instruments Directive and Regulation (MiFID/R)
 - European Market Infrastructure Regulation (EMIR)
 - Alternative Investment Fund Managers Directive (AIFMD)
 - Directive on Undertakings for Collective Investments in Transferable Securities (UCITS)
 - Solvency II
- Evidence provided: more qualitative than quantitative
- Level of detail and specificity varied depending on the nature of the issue or example provided

FDS Project

- Performed under the ISA² Work Programme : Interoperability Solutions for European Public Administrations, Businesses and Citizens Programme of the European Commission
- FDS Project in "Start-Up" phase :
 - State-of-Play and Business Requirements
 - Stakeholder Analysis
- CfE feedback is very useful for the FDS project
- After completion of the Start-Up Phase: Review initial FDS Project Scope and Objectives

FDS Project – Vision

Framework of Interoperable Standards enabling:

- Efficient reporting of financial data
- Efficient monitoring of the financial system (banks, insurance companies, and financial markets)
- Allow better risk assessment by the supervision authorities
- Contribute to the safeguarding of the stability of the European Union's financial system

FDS Project – Objectives

- Process and share more efficiently financial data by enhancing the interoperability of data standards
- Reduce compliance costs that arise in the context of legal reporting requirements by applying the "once for all" principle in data reporting
- Explore new solutions improving the way data can be used by (and shared between) authorities
- Improve monitoring of the allocation and evolution of risk in the EU/global financial system

FDS Project Tracks

1. Legislative Acts and Level 2 Measures
2. Financial Data Standards & Governance
3. Stakeholder Analysis
4. Technological Innovation Financial Sector
5. Project Management (best practises)

Legislative Acts & Level 2 Measures

- Quantitative Analysis of existing Financial Data Reporting Requirements defined in Legislation
- Initial Scope: EC Financial Legislation
- Legislative Acts in force (Level 1)
- Level 2 Measures (adopted + to be adopted)
- FDS Project Deliverable: Overview of Financial Data Reporting Requirements

Financial Data Reporting Requirements

State-of-Play and Business Requirements :

- *Inventory of Data Reporting Requirements (DRR):*
 - Stock-taking exercise: legal reporting requirements, identification of stakeholders involved, data standards and IT systems
- *Data Dictionaries:*
 - Elements part of legal reporting requirements together with semantic, metadata, structure, formats, business rules and existing standards
- *Visualisation of data to be reported*
- *Identify and quantify overlapping reporting requirements and gaps in terms of available standards and absence of data formats/structures for legislative acts*

Financial Data Standards & Governance

- Main issue: Diverse Data Formats and the absence of Modelling and Reporting Standards to trace Financial Risk
- Financial Data Standards
 - Messaging
 - Semantic: Data Dictionary/Ontology, Classification
 - Identifiers: Entity, Product, Transaction
 - Reporting/Business Domain
 - Contracts
- Frameworks
 - ERF (European Reporting Framework), BIRD (Banks Integrated Reporting Directory)
- Methodologies
 - ISO 20022
- Governance - who can/should set the Standards?
 - European Institutions
 - International Financial Organisations
 - International Standardisation Organisations
 - Financial Sector

Stakeholder Analysis

- Identification of stakeholders that could impact or be impacted by the project and analysis of their expectations
- Internal Stakeholders: European Commission
- External Stakeholders:
 - ESRB, ECB, the ESFS (EBA, EIOPA, ESMA) and the SRB
 - Private Sector: commercial providers of financial data reporting standards and integrated IT solutions for financial data reporting
- Shared vision with internal and external stakeholders

FDS Project – What Next?

- *Start-up Phase: Analysis of all aspects related to current financial data reporting*
- *Possible next steps:*
 - Roadmap?
 - Impact assessment?
 - Proof of Concept?

Let's look at it from a different perspective ...



... and light will shine through the clouds

