

## Deutsche Börse Group Response

to EBA/DP/2021/01

### **“Discussion Paper on a Feasibility Study of an Integrated Reporting System under Article 430c CRR”**

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## A. Introduction

Deutsche Börse Group (“DBG”) welcomes the opportunity to comment on EBA’s Discussion Paper on a “Feasibility Study of an Integrated Reporting System under Article 430c CRR”– EBA/DP/2021/01– issued on 11 March 2021 (in the following referred to as “Discussion Paper”).

DBG is operating in the area of financial markets along the complete chain of trading, clearing, settlement and custody for securities, derivatives and other financial instruments and as such acts as a provider of regulated Financial Market Infrastructures (“FMI”).

Within DBG, according to applicable national law, the following four legal entities are in scope of the European Capital Requirements Regulation (“CRR”): Eurex Clearing AG, located in Germany, classifies as credit institution and is one of the leading European Central Counterparties (“CCP”), Clearstream Holding AG (“CH”), located in Germany and acting as a pure financial holding company for, among others, Clearstream Banking AG, located in Germany, and Clearstream Banking S.A., located in Luxembourg. classifying as credit institutions acting as (I)CSDs Clearstream Group with CH as superordinate company is supervised on a consolidated level as a financial holding group. Moreover, several other entities of DBG classify as investment firm according to point (22) of Article 4 (1) of the Regulation (EU) 2019/2033 (Investment Firm Regulation; “IFR”) and are, together with the aforementioned credit institutions subject to dedicated supervisory reporting and data provision requirement.

The increase in regulatory reporting requirements poses major challenges to institutions in the financial industry, especially due to the heterogenic structure of institutions and different requirements of national supervisory and resolution authorities. DBG welcomes the options presented in the discussion paper and the resulting hoped-for cost savings and efficiency improvements.

Notwithstanding our general strong support of EBA’s intention and the options outlined in the Discussion Paper, we would like to highlight that there should be further assessments on the solutions presented to the EBA regarding the reporting process, especially on infrastructure level, to further reduce the reporting costs. Moreover, we would like to emphasize that the standardization of data is the first step for using RegTech effectively and efficiently.

Following the structure of the Discussion Paper the document at hands outlines our comments and answers to dedicated questions raised in the Discussion Paper.

## B. Response to the questions for consultation

### 10.1 General questions

#### 1) Please explain which institutions you think should be considered by the Feasibility Study.

As described in 1.2.7, the focus of the Discussion Paper lies on credit institutions. Companies in the financial industry often have a large number of subsidiaries, which are, depending on their prudential classification, subject to dedicated supervisory reporting. Due to efficiency and consistency reasons, typically central departments are responsible for preparing and submitting the respective supervisory reports for the differently licensed companies of one group. To avoid potentially jeopardizing the target of streamlining the reporting process and increase efficiencies going forward EBA should broaden the scope of the feasibility study to include, for example, investment firms, financial holding companies,

central counterparties, central securities depositories as well as any other prudentially supervised entities. Moreover, we would like to emphasise, that EBA should particularly consider, that entities, classifying as credit institutions or investment firms, often fall under a set of different prudential requirements, resulting from different European as well as national legislations. We would welcome EBA considering at least the different European legislation simultaneously applicable to companies of the financial industry, e.g. reporting requirements resulting not only from CRR and IFR but also Directive 2014/59/EU (“BRRD”), Directive 2014/65/EU (“MiFiD”), Regulation (EU) No. 600/2014 (“MiFiR”), Regulation (EU) 909/2014 (“CSDR”) and Regulation (EU) 648/2012 (“EMIR”). Otherwise, instead of streamlining the reporting process and increase efficiencies an integrated reporting approach only for a limited scope might increase fragmentation and complexity.

**2) Please explain which data collections you think should be considered by the Feasibility Study.**

All data collections (prudential/resolution/statistical) should be considered to get the best possible overview and reliable feedback. Moreover, a broad scope of European prudential legislations should be covered by the feasibility study (s. our answer to Q1).

**3) Do you consider that the issues identified, the options proposed and the assessment approach taken throughout the discussion paper are relevant and complete? If not, please explain.**

Yes, considered complete and relevant.

We support the open approach of the discussion paper. However, it should be pointed out which relevant regulatory bases are being considered. In addition to being classified as a credit institution, entities can simultaneously also be classified as central counterparty in accordance to Article 14 EMIR institution or CSD in accordance with Article 16 and 54 CSDR.

**4) What do you perceive as the key obstacles and operational challenges to develop an integrated Reporting Framework (for your institution)?**

	Not relevant	Somewhat relevant	Relevant	Highly relevant
Training / additional staff (skills)			x	
IT changes			x	
Changes in processes				x
Changes needed in the context of other counterparties / thirdparty providers			x	
Time required to find new solutions				x
Other (please specify)				

10.2 Section 2. Stocktake

**5) Do you confirm the findings presented in the stocktake? If you have additional information, please provide more specific details about the amount of data collected.**

### 10.3 Section 3. Reporting process

**6) Do you agree on the holistic approach used and the assessment done for the integration assessment (different steps of the reporting process chain and different levels of integration?)**

	Highly agree	Agree	Somewhat agree	Don't agree	Comments	What solutions should the EBA investigate in these areas that could help to reduce reporting costs?
<b>Data Dictionary</b>						
Semantic level	x					
Syntactic level	x					
Infrastructure level		x				Correlation between semantic/syntactic level and Infrastructure level – Integrated implementation of all 3 levels for more efficient spending
<b>Data collection</b>						
Semantic level	x					
Syntactic level	x					
Infrastructure level			x			Under estimation of efforts with regard to adjustments in source systems and interfaces -> more flexibility regarding the use of different infrastructure systems considering heterogeneous IT environments
<b>Data transformation</b>						
Semantic level	x					
Syntactic level	x					

Infrastructure level	x					
<b>Data exploration</b>						
Semantic level	x					
Syntactic level	x					
Infrastructure level	x					Integration of internal systems to reduce sunk costs

7) Please specify any further costs or benefits you envisage related to the different stages of the reporting process chain:

Reporting process stages	Comments on the costs and benefits already identified	Agree	Additional costs identified	Additional benefits identified
Data definition	Accurate	Yes	/	/
Data collection	Accurate	Yes	/	/
Data transformation	Accurate	Yes	/	/
Data exploration	Accurate	Yes	/	/

#### 10.4 Section 4. Data dictionary

8) Do you use one or more data dictionaries in your compliance and reporting processes?

Within DBG, multiple data dictionaries are used.

9) What are the characteristics you think a data dictionary should have? Do you agree with the one referred to in this document? Do you think any characteristic is missing or should not be included?

DBG agrees on the proposed characteristics of the data dictionary. It should be emphasized that the specified data is initially covered at a high level and that updates are provided in a timely manner in the event of extensions. Furthermore, understandable language, simple vocabulary and a central place for data would be preferable.

10) What is the role you think the data dictionary can have in regulatory compliance and reporting?

It creates a common understanding and ensures a high-quality standard.

11) How would a standard data dictionary help institution to improve the processes of:

	Significantly	Moderately	Low	Please explain how:
Understanding reporting regulation	x			Easily accessible; Using simple and clear language and vocabulary to avoid content misunderstandings or misinterpretations
Extracting data from internal system		x		Reduced internal effort due to consolidated IT system
Processing data (including data reconciliation before reporting)	x			Increases comparability of data due to reconciliation
Exchanging data and monitoring regulators' feedback		x		One central environment for the exchange execution
Exploring regulatory data	x			Standardised rules and regulations
Preparing regulatory disclosure compliance.	x			Key controls and quality checks
Other processes of institutions		x		Content of data dictionary might be used for other processes -> further standardization within groups

**12) How important is it for institutions to have a unique and standard data dictionary for all regulatory data with the aim of ensuring consistent use across the supervisory, resolution and statistical reporting?**

b) important

Especially with regard to the increasing regulation (and reporting requirements), it is very important for institutions to have a standardised data dictionary available.

**13) How much would it cost to move to a unique regulatory data dictionary?**

b) Moderately costly

**14) How much cost reduction is expected by integrating the national regulatory reporting together with the harmonised reporting regulation into a unique data dictionary?**

b) Moderate cost reductions

**15) How much cost reduction is expected by integrating ad hoc regulatory reporting with harmonised regulation into a unique data dictionary?**

b) Moderate cost reductions

**16) Do you agree with the costs and benefits highlighted in the chapter? Do you see other costs and benefits when implementing a standard data dictionary?**

DBG agrees with cost-benefits analysis for the data dictionary.

## 10.5 Section 4.6 Data granularity

**17) What would be the implication of granular data reporting on the institutions' compliance with BCBS 239 (also in the context of the options presented)?**

NA

**18) For which reporting areas (prudential, statistical and resolution or modules/parts of these areas) may the use of granular data present a solution? (multiple choices)**

a) statistical

It is reasonable to continue the approach to use more granular data for statistical purposes as already being discussed<sup>1</sup>. With regard to granularity for prudential and resolution data, increased granularity is to be advocated under the premise that a clear responsibility between competent authorities and supervised entities for the aggregation of data is defined.

**19) Which of the options regarding the granularity of the possible future integrated reporting do you think is feasible (given the challenges and constraints highlighted in the discussion paper and possibly others) and preferable for you? What are the main challenges and possible solutions to consider? Please rank potential challenges in ascending order (i.e. starting with the most challenging item in your view).**

	Significantly	Moderately	Low	Please explain how:
Option 1		x		Challenge: Potential data duplications, creation of common data dictionary. Possible solution: Clear and complete data dictionary to avoid duplications
Option 2	x			Challenge: Human resources. Potential solution: Specific training sessions to staff
Option 3			x	Challenge: More complex processes, which could become more time-consuming
Others, please specify				

<sup>1</sup> <https://www.ecb.europa.eu/pub/pdf/other/ecb.escbirefoverview202011~ebb404b7b6.en.pdf>

**20) In case of Option 2, please specify how should the granular collection layer be designed to your best advantage (and benefit of reporting more granularly)?**

A central data warehouse, where the collection layer is stored would be on our best advantage.

**21) What are the main benefits and costs of implementing the option considered feasible and preferable by you from Question 19?**

<b>Costs</b>	Highly (1)	Medium (2)	Low (3)	No costs (4)
Collection/compilation of the granular data		x		
Additional aggregate calculations due to feedback loops and anchor values			x	
Costs of setting up a common set of transformations		x		
Costs of executing the common set of transformations			x	
Costs of maintaining a common set of transformations		x		
IT resources	x			
Human resources	x			
complexity of the regulatory reporting requirements		x		
Data duplication			x	
<b>Other:</b> please specify				

<b>Benefits</b>	Highly (1)	Medium (2)	Low (3)	No costs (4)
Reducing the number of resubmissions	x			
Less additional national reporting requests		x		
Further crosscountry harmonisation and standardisation	x			
Level playing field in the application of the requirements		x		
Simplification of the internal reporting process		x		
Reduce data duplications		x		
Complexity of the reporting requirements		x		



**22) What possible aspects related to the design of the option (Question 19) would make the costs for this option higher than the benefits and therefore not worth implementing?**

Increased Human Resources and IT costs could negate the potential benefits.

**23) If transformations are to be defined (as depicted in Option 2 or Option 3), who should be responsible for their definition (e.g. who takes responsibility for their correctness) and their execution?**

c) Authorities and reporting institutions jointly

Authorities and reporting institutions jointly should be responsible for taking responsibility and correctness. It would be welcome if the NCA's could agree on the proposed options "feedback loop" and "anchor values" in order to avoid different process structures for institutions operating across Europe.

**24) If transformations are defined under different scenarios with respect to responsibilities, what are the major implications to the possibility of defining a more granular collection layer from a cost and benefit perspective also considering some of the challenges depicted in the paper (technical and legal, e.g. institutions need to remain responsible for all the data).**

Responsibility for defining transformations	Costs	Benefits	Challenges	Design options/solutions
Authorities		No room for variations and too much input from companies, increased comparability	Increased requests, complexity	
Reporting institutions	Additional staff costs			
Jointly authorities and reporting institutions			Clear definition of responsibilities	
Transformations are not binding				

**25) How should the transformations be in terms of formalisation and readiness for digital processes?**

a) Harmonised and standardised, ready to be implemented by digital processes (fixed)

**26) How could some of the challenges highlighted for defining transformations be overcome?**

Manual adjustments	Increased level of automation
Consolidated/individual figures	Define scope of manual adjustments in a manner that enables to get back to the granular data used
Different valuations	Set rules how to value

Principle-based rules	Apply specific concepts in a way that different valuations do not have to be done for every contract
Legal aspects	Check scope for changing framework and see what can be done
Other	

**27) What kind of data should be part of the feedback loops?**

As a first step, all data after the collection process step should be considered as relevant for the feedback loops. In a second step, in collaboration with the NCA's the data should be defined and readjusted in case of changing demands from the NCA's.

**28) What other areas should the feasibility study investigate in terms of granularity and transformation rules?**

NA

10.6 Section 5. Central data collection point

**29) Is your institution reporting to different authorities in your home country?**

a) Yes

**30) Is your institution reporting to other authorities in host countries?**

a) Yes

Please comment: What problems arise from reporting to different authorities?

We receive similar requests from the NCA's, but different templates. A lack of harmonization can be observed in similar requests, which leads to inefficiencies.

**31) Are you using one or more data dictionaries for reporting? How?**

b) Multiple dictionaries

Please comment: how are you making use of them?

The dictionaries are grouped by supervisory/financial reporting and statistical reporting

**32) Are you using the same or different formats for prudential/resolution reporting and for statistical reporting?**

a) The same format

**33) How important would it be, for your institution, to have access to a CDCP for all prudential, resolution and statistical reports? Why?**

a) Very important, as there is only one central database accessible for everyone. It makes reconciliations easier and faster

**34) What should be, in your view, the main characteristics of a CDCP?**

- Create consistency
- Comprehensive
- Supportive

**35) What would you think could be the challenges, costs and benefits of changing to a CDCP?**

System Design	Costs	Benefits	Challenges
<b>Sequential integration</b>	Reconciliation and maintenance	Independent set up	Limited information exchange between authorities
<b>Point-to-point integration</b>	Integration costs	Shareable data	High number of parties involved
<b>Service-bus integration</b>		Central access	Inefficient data usage across different data points
<b>Hub-and-spoke integration</b>	Implementation costs	No duplication, central data register	Different solutions (no standardisation)
<b>Centralised system</b>	Less flexible for new requirements	Harmonisation	Removing local systems
<b>Distributed system</b>	Implementation costs	Harmonisation	Transition local to distributed system

**36) What solutions could the EBA investigate that would reduce costs?**

Aspect	Proposed solutions for the EBA to investigate to reduce costs
Architectures	Stages process for implementation

10.7 Section 6. Private-public collaboration/cost-sharing

**37) Would the industry be prepared to bear the costs of integrated reporting?**

b) Yes, to a limited extent.

In order to bear the costs of the introduction of integrated reporting, a certain preparatory phase of the financial industry is required. A too fast roll-out could lead to significant costs on the side of the institutions.

**38) Where (within the different elements discussed in the paper) do institutions and CAs see institutions' involvement and cost contribution as most valuable in the development of an integrated reporting framework? (0= not valuable at all, 1= valuable to a degree, 2= valuable, 3= highly valuable)**

(Please number according to the perceived value)

Aspect	Involvement	Cost contribution	Please provide details on how and why
Data definition	1	0	CA should provide clear definitions to avoid potential misinterpretation or diverging understanding by institutions
Data collection	1	2	Institutions might need to adapt their systems
Data transformation	2	2	Benefit for institutions to have harmonized data
Data exploration	2	1	Creates consistency
Data dictionary	3	3	Consistency, and comprehension for all institutions
Granularity	2	2	Define common understanding for data reported
Architectures	3	3	Shows to what extent institutions are able and want to contribute, costs are limited to what institutions are able to provide
Governance	0	0	CA need to ensure
Other			

39) On a best effort basis, please include any monetary cost estimate you may be able to provide (% of operational costs) related to the implementation of an integrated reporting system for your institution.

1-2% of DBG budget

### 10.8 Section 7. Push vs Pull approach

40) Would you prefer the future integrated reporting system to be based on:

c) A mixed (pull and push) approach

41) What would be the main advantages and disadvantages to consider or/and what would be the main challenges to consider and what would be the possible design options (from both a technical and process perspective)?

Approach	Costs	Benefits	Design options/solutions
Pull	Accesses to internal repository, reorganisation of internal data household	Data available all time	
Push	Increased data integrity, more difficult identification of errors	Comparability of values, detection of changes	Technology to detect errors

Mixed	More complex due to split responsibilities	Suitable approach for certain data, splits responsibility	Clear definition for responsibilities
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## 10.9 Section 8. Governance

**42) Could you please specify any legal obstacles you would see related to the following?**

	<b>Obstacles/challenges</b>	<b>Possible solutions</b>
Feasibility of the central data collection point	Outsourcing of some tasks	Adaption to requirements
Collection and access to granular data by authorities	Different laws	
The responsibility of the reporting institutions for the reported data, if the transformation of granular data is conducted by authorities (i.e. not the reporting institution)	Ensuring compliance	Creation and definition of master data
Other. Please specify:		

**43) Do you agree with the suggested coordination mechanism for data requests? Do you see any benefits or disadvantages in this approach?**

Yes.

Benefits: Ad hoc requests only have to be completed if data is not accessible in CDPC; clear definitions what is needed from the reporting institutions

**44) Please specify how the agile coordination mechanism for coordination of data requests could be further simplified and how your proposed measures could enhance coordination and avoid data duplication?**

NA

**45) According to the reporting classification proposal included in Annex I: are there further reporting criteria to be taken into account under Category 3 reporting?**

No

**46) According to the reporting classification proposal included in Annex I: Do you agree with the proposed approach for non-recurring type of data Category 4?**

Yes

**47) What solutions could the EBA investigate that would reduce costs?**

<b>Aspect</b>	<b>Proposed solutions for the EBA to investigate to reduce costs</b>
Governance	Cost-Benefit analysis of needed and/or wanted components

## 10.10 Section 9. Technology

### 48) Are you making use of RegTech for reporting purposes?

a. Data definition	b. Data collection	c. Data transformation	d. Data exploration
No	No	No	No

If no, please explain:

- a. Not fully developed or useful for our needs
- b. Costly to implement

### 49) Which of the reporting process steps would benefit more from RegTech development?

- c) Data transformation

### 50) Do you agree with the main obstacles highlighted in the discussion paper? Do you see any further challenges?

Agree with main obstacles mentioned in the paper. At the moment, no further challenges can be thought of.

### 51) Would you be keen to invest in RegTech for integration of different types of data? How would you develop such a technology?

- b) via a service provider

### 52) How do you think RegTech can help in data integration?

Increased automation, less Human Resources to be spent, harmonization of data.

### 53) Do you agree that data standardisation is the first necessary step for using RegTech?

- a) Yes

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We are at your disposal to discuss the issues raised and proposals made if deemed useful.