



EUROPEAN CENTRAL BANK

BANKING SUPERVISION

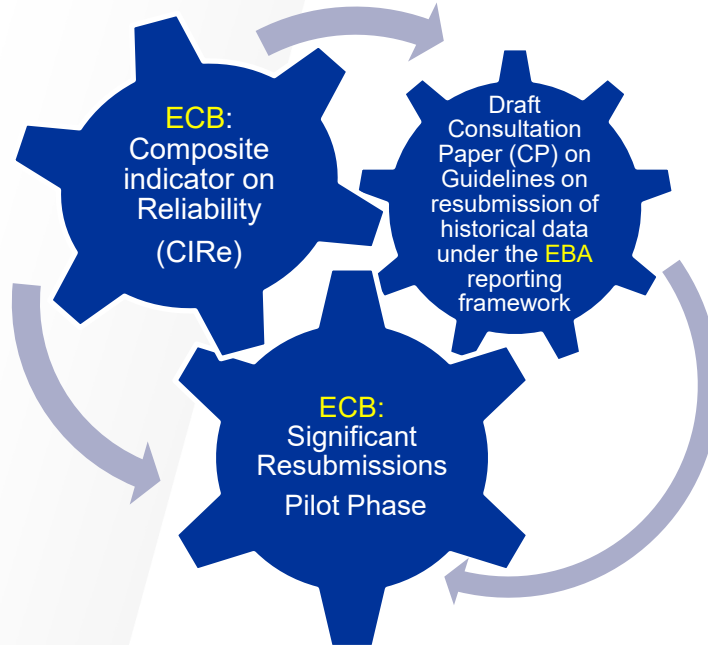
Updates on the resubmission framework



Patrick Hogan

Supervisory Reporting Conference

Resubmission Framework: 3 distinct yet complementary initiatives



A (1): Draft CP on Guidelines on resubmission of historical data under the EBA reporting framework

Background

- Previous work by the EBA sub-structures on resubmission of historical reported data –from 2018
- June 2021 EBA Report on the cost of compliance with supervisory reporting requirements - recommendation 25

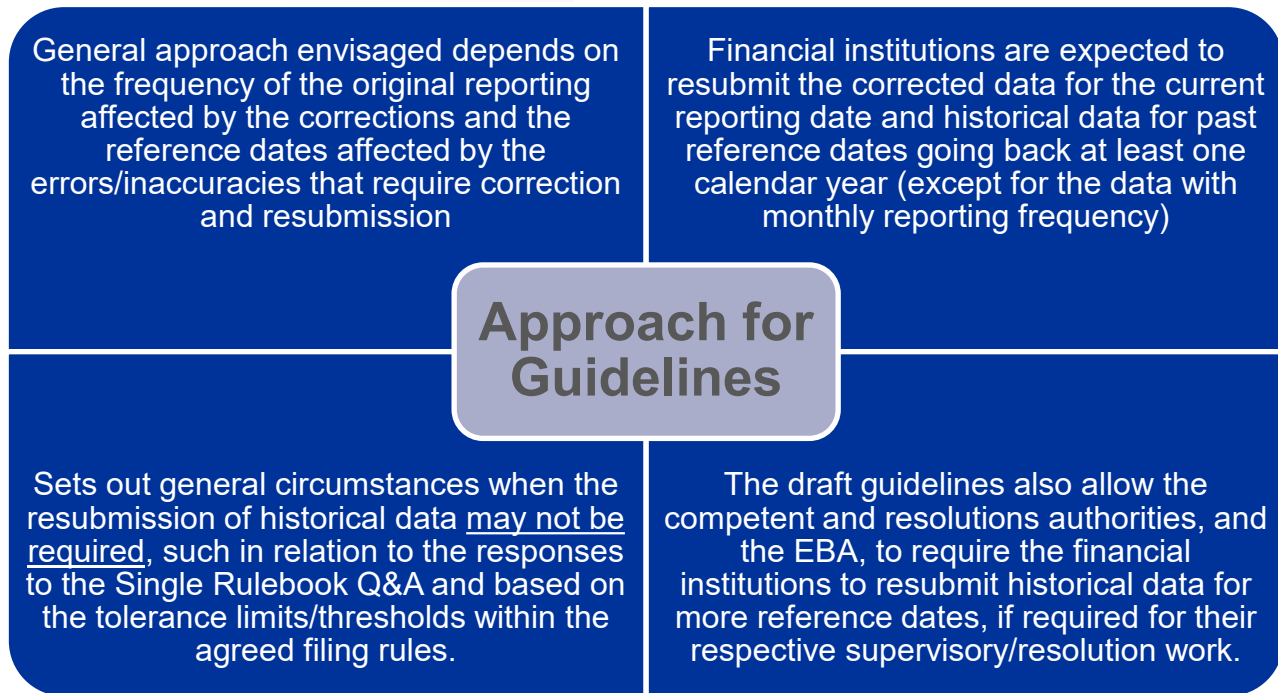
Draft guidelines

- Sets out a common approach to the resubmissions by the financial institutions of historical data to the competent and resolution authorities in case there are errors, inaccuracies or other changes
- Developed by the EBA via technical standards, guidelines or other means. Comply or explain procedure for NCAs

Timeline

- *Coverage*: financial institutions under the remit of the EBA.
- WP within EBA sub-structures recently completed
- [EBA consultation](#) announced on 18/04/23; runs until 31 July 2023
- Public consultation to seek views on the application of proportionality

A (2): Draft CP on Guidelines on resubmission of historical data under the EBA reporting framework



B (1): Significant Resubmissions

Background

- As per Article 5 (2) of ECB Decision 2014/029 national competent authorities shall communicate to the ECB the reasons for any significant revisions submitted.
- Internal Audit Committee recommendation to Supervisory Board
- Output from Workstream 7 of the Task Force on the Harmonization of the Sequential Approach

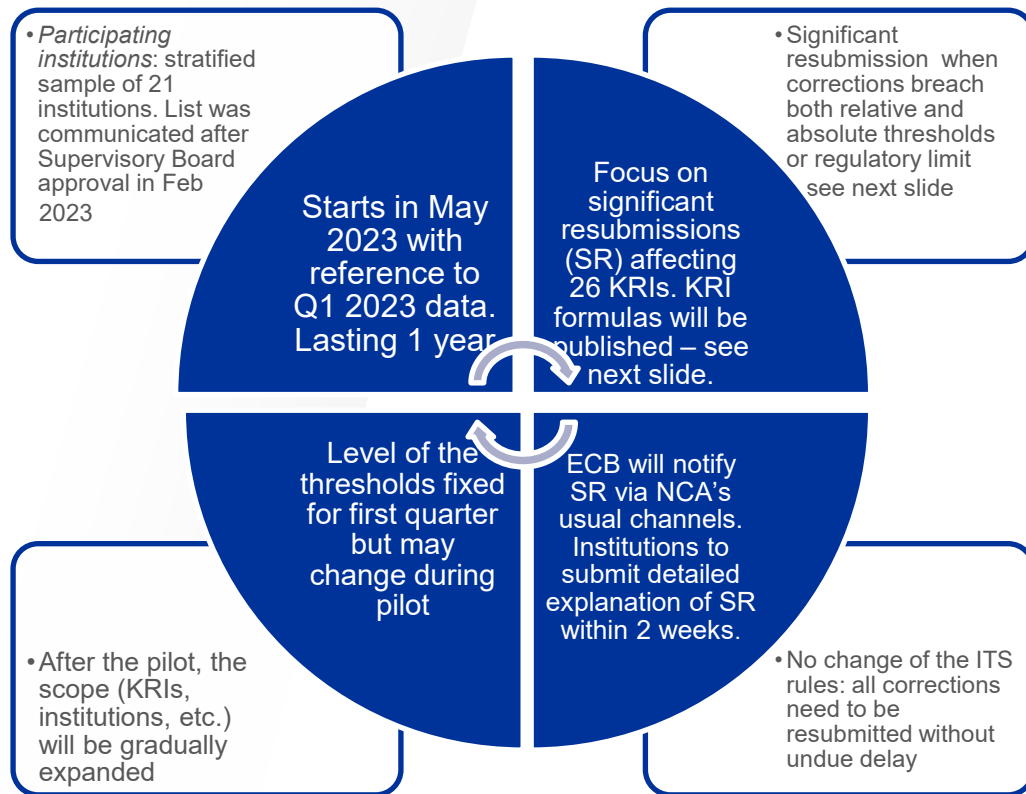
Definitions

- *Definition of significance resubmission:* a revision of one or several data points, both in terms of absolute figures reported and percentage of variations, to significantly impact prudential and/or financial analysis made using these data points at entity level
- Supervisory Board agreed to run a pilot phase to further calibrate thresholds and adjust, if needed

Pilot phase

- Relative thresholds set as an initial benchmark – see slide 7
- Absolute thresholds initially set at one percentage point for all KRIs in scope, except for LCR and NSFR set at 5 percentage points.
- ECB to monitor breaches of thresholds; banks will be notified via NCAs when their resubmissions are deemed significant and require detailed explanations

B (2): Significant Resubmissions: Pilot-main features



B (3): List of KRIs and applicable thresholds

Name	Class
Total capital ratio	*
Tier 1 capital ratio	*
CET1 capital ratio	*
Leverage ratio	*
Liquidity coverage ratio	*
Net stable funding ratio	*
Non-performing loans ratio	*
Share of encumbered assets	
Credit risk exposure amounts of total risk exposure amounts	
Market risk exposure amounts of total risk exposure amounts	
Operational risk exposure amounts of total risk exposure amounts	
Total large exposures	
Coverage ratio of non-performing loans and advances	
Forbearance ratio - Loans and advances	
Funding from TOP 10 counterparties to Total liabilities	
Return on equity	
Return on assets	
Cost to income ratio	
Net interest income to total operating income	
Net trading income to total net operating income	
Net fee and commission income to total operating income	
Loans and advances-to-deposits ratio for households and non-financial corporations	
Non-performing debt securities to total gross debt securities	
Derivatives to total assets	
Off-balance sheet activities to total assets	
Custody assets to total assets	

- Classes **Red (2% relative threshold)**, **amber (5%)**, **green (10%)** represent indicator importance
- Also subject to an **absolute threshold** of **1 p.p.**, except **LCR** and **NSFR (5 p.p.)**
- * denotes indicator subject to **regulatory limits**

B (4): Significant Resubmissions: Implementation - key points of interest

- Banks in the sample for the pilot have been selected based on several criteria: size, business model, country, past data quality performance
- Thresholds are used in combination. Banks will receive guidance on how to structure the reasons into categories
- NCAs will be the contact points, while the assessment of the detailed explanations will be made by either the JST (if business knowledge is required) or ECB data quality experts (in case of technical explanations).
- During the pilot, the objective for participating is to familiarize with the requirements. ITS requires banks to resubmit data corrections without undue delay. Given the small scale of the pilot, the 2-week deadline for providing explanations is seen as appropriate. No IT requirements for banks at this stage .
- After the pilot, sample of KRIs may be expanded or switch to data point approach. Gradual transition, also for IT requirements; After the experience gained in the pilot phase, the thresholds will be re-discussed with users and may be revised.

C (1): Composite indicator on Reliability (CIRe)

Objective

- To measure from a number of perspectives, the reliability of the reporting institutions' ITS submissions.
- As per ECB reporting manual, reliability refers to how close the revised values of a specific data point are to the initial value reported
- And if revisions are such that they have the potential to change the assessment of the supervised entity made by the supervisor

CIRe

- Computation based on a set of metrics measuring the number of resubmissions and their impact on the data points included in the Key Risk Indicators (KRIs) disseminated on a regular basis to supervisors.
- See how it could be incorporated into overall DQ score with DQI when process for reasons for resubmissions is in place.

Weighting system\ Ratings

- Weightings based on a calibration exercise that produces a balanced distribution of the scores, giving more relevance to the resubmissions affecting the KRIs as they could lead to a change in the assessment of the supervised entity made by the supervisor
- Metrics receive ratings from 1 to 4, where 1 is associated with "Strong" reliability while 4 is associated with "Inadequate" reliability

Institution

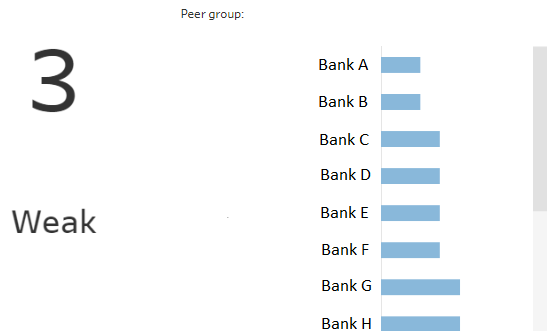
Reported Period 2022 Q3

Cut-off date: 2023-02-28 23:59:59

Composite Indicator on Reliability (CIRe)



CIRe breakdown

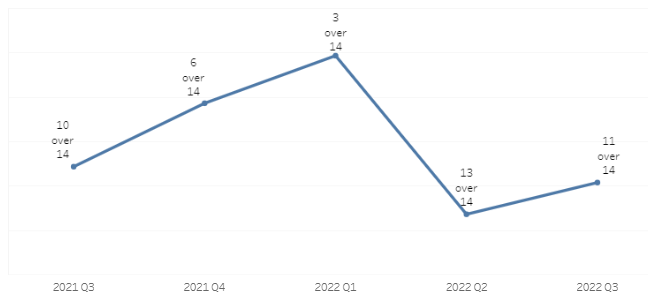
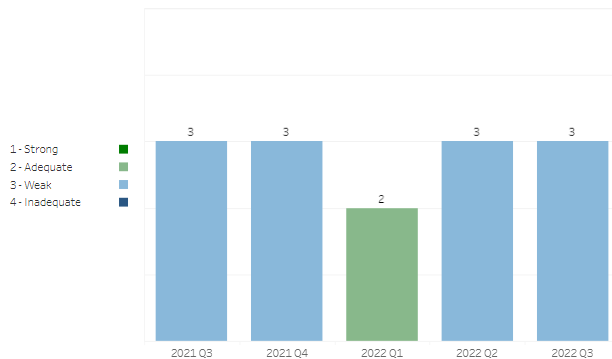


	AE	ALM	COREP LR	COREP OF	FINREP	LCR	LE	NSFR	Scores
CIRe	4	2	4	4	1	1	4	4	3
Impact of resubmissions on KRIs DPs	4	1	4	4	1	1	4	4	3
Number of resubmissions	4	2	4	4	1	1	3	4	3
• of which: modules	2	2	2	3	1	1	3	2	
• of which: templates	4	3	3	3	1	1	4	4	
• of which: DPs	4	2	4	4	1	1	3	4	
Peer group average	2.1	1.6	1.5	2.4	2.0	1.5	3.0	2.2	

CIRe score over time



CIRe ranking over time

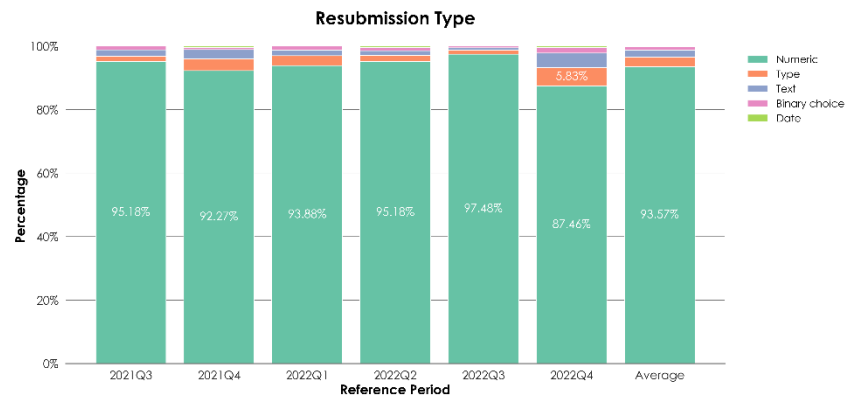


Focus on the CRe breakdown

CRe breakdown									
	AE	ALM	COREP LR	COREP OF	FINREP	LCR	LE	NSFR	Scores
CRe	4	2	4	4	1	1	4	4	3
Impact of resubmissions on KRIs DPs	4	1	4	4	1	1	4	4	3
Number of resubmissions	4	2	4	4	1	1	3	4	3
• of which: modules	2	2	2	3	1	1	3	2	
• of which: templates	4	3	3	3	1	1	4	4	
• of which: DPs	4	2	4	4	1	1	3	4	
Peer group average	2.1	1.6	1.5	2.4	2.0	1.5	3.0	2.2	

C (3): CRe: Preliminary analysis on resubmissions for Q4 2022

Number of Resubmissions		2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4
	No. reporting institutions	116	111	112	111	111	112
	No. expected modules per institution	8	8	8	8	8	8
	No. resubmitted modules	1,016	1,423	807	730	524	524
	No. resubmitted templates	2,704	5,596	2,207	2,138	1,674	2,048
	No. submitted templates	21,945	45,190	18,434	19,296	11,481	15,486
	% resubmitted templates	12.3%	12.4%	12.0%	11.1%	14.6%	13.2%
	No. resubmitted DPs	604,002	837,152	246,484	213,836	184,370	224,777
	No. submitted DPs	11,214,935	23,877,341	9,756,499	11,510,330	5,850,867	7,131,455
	% resubmitted DPs	5.4%	3.5%	2.5%	1.9%	3.2%	3.2%
Impact of Resubmissions	No. resubmitted KRIs DPs	14,347	30,093	12,945	12,879	9,638	12,359
	No. submitted KRI DPs	369,831	977,676	316,683	484,580	239,562	316,590
	% resubmitted KRIs DPs	3.9%	3.1%	4.1%	2.7%	4.0%	3.9%



- Q4 2022 has less module resubmissions compared to 2021 Q4.
- More than half of the data point revisions are from 2 banks. Mostly concentrated in Large Exposures templates.
- Relatively few resubmissions received before the remittance date compared to previous quarters.
- Large exposures remains the most prominent area of resubmissions.
- Relatively more non-numerical data point revisions compared to previous quarters.

C (4): CRe: Preliminary analysis on resubmissions for Q4 2022

	2021 Q3	2021 Q4	2022 Q1	2022 Q2	2022 Q3	2022 Q4*	Average
1 - Strong	11	2	9	11	23	18	12
2 - Adequate	51	35	65	75	65	74	61
3 - Weak	49	52	35	22	22	18	33
4 - Inadequate	5	22	3	3	1	2	6
	116	111	112	111	111	112	

*2022 Q4 will be included in the CRe dashboard from 1 May 2023

Conclusion and next steps

- Significant resubmissions' pilot phase will start in May 2023 with reference to Q1 2023 ITS data and will last one year
- Supervised entities in the scope of this pilot will be informed via the NCA in case a significant resubmission has been spotted by the ECB
- The **C**omposite Indicator on **R**eliability (CIRe) assesses the reliability of the ITS data provided by supervised entities based on the number of resubmissions and the impact of resubmissions on a list of KRIs
- The CIRe is expected to be incorporated into the overall **D**ata **Q**uality Indicator (DQI) once the reasons for resubmissions will be collected by the ECB

Thank you
Questions or observations

Contact Point: patrick.hogan@ecb.europa.eu