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BANKING AND FINANCE

Public consultation on fitness check on supervisory reporting

Fields marked with * are mandatory.

Introduction

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

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

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

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

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

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

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

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

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

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

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

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

More information:

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

1. Information about you

*Are you replying as:

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

*Name of your organisation:

German Insurance Association

Contact email address:

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

a.crasselt@gdv.de

*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:

6437280268-55

*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?

Germany

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

Please elaborate and provide examples to justify your answer to question 1.1.a):

- With the introduction of Solvency II a new and very sophisticated reporting framework entered into force. This provides supervisory authorities with comprehensive information which are relevant for monitoring financial stability, e.g. information about the asset structure. The information required by Solvency II is enhanced by data requirements for statistical purposes according to the Regulation of the European Central Bank on statistical reporting requirements for insurance corporations (ECB/2014/50) which aims at contributing to the stability of the financial system and data requirements as set out in EIOPA guidelines on reporting for financial stability purposes (EIOPA-BoS-15/107). Thereby, supervisory reporting requirements can contribute to improving financial stability.

- However, many data requirements are superfluous as they are duplicated, e.g. according to the EIOPA guidelines on financial stability reporting, groups have to report data, which also are part of regular Solvency II reporting. Another aspect is that currently, more information is reported than needed for supervision. For example, reporting about the asset structure in an aggregated form could be more efficient than the currently required reporting item-by-item basis which is mentioned above. Consequently, we believe the regulatory burden could be alleviated without reducing its contribution to financial stability.

- Furthermore the additional, substantial cost caused in recent years by increased regulatory reporting efforts had a negative influence on policyholder earnings as well as the financial position of insurance companies.

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):

Many insurance companies especially in Germany are not publicly held, so policy holders are the main focus of regulation, investors to a much lesser degree.

1.2 Are all of the existing supervisory reporting requirements relevant for maintaining financial stability and upholding market integrity and investor protection?

- ○ Yes, they are all relevant
- ○ Most of them are relevant
- ● Some of them are relevant
- ○ Very few are relevant
- ○ Don't know / not applicable

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:

- Under Solvency II, yearly reporting of information given within the solvency and financial condition report (SFCR) on business matters that are stable over time is superfluous, for instance on the governance system:
  - Art. 294 Abs. 1 (a), (c)
  - Art. 294 Abs. 2 (a), (b)
  - Art. 294 Abs. 3 (a), (b)

- The side by side of different but similar supervisory reporting formats is unnecessary (especially regular supervisory report, RSR, and own risk and solvency assessment supervisory report, ORSA report), for example with regard to required information on the planning horizon.

- Another aspect is that the German supervisory authority demands more detailed information than required by Delegated Regulation 2015/35/EU. For instance, undertakings have to describe the contribution of each subsidiary to the achievement of the group's strategic objectives in their RSR. This information needs to be given both quantitatively and qualitatively, which exceeds the European requirements.

- For some information requested in the quantitative reporting templates (QRT) it is questionable if they are used for supervisory purposes and if they deliver added value for supervision, e. g. the specification of the nominated ECAI using a closed list of entities as published on ESMA's website. In many cases undertakings do not know which subsidiary of a rating group issued a rating.

- Another example for information, which is not relevant, is the look-through requirement for collective investment undertakings (S.06.03) with regard to funds, where the risk is borne solely by the policyholder (e. g. unit-linked products). Even though the insurer bears no financial risk for such funds, the related assets have to be considered when applying the look through. The application of look-through in S.06.03 in this regard is extremely burdensome to implement and to comply with. At the same time the impact of the exclusion of that piece of information would be insignificant for a risk reporting under Solvency II rules. The regulatory burden resulting from the look-through requirement could be significantly alleviated if unit-linked products were excluded or if a threshold for annual reporting was introduced, by analogy with the existing threshold for quarterly reporting.

- Further, item-by-item reporting of assets in S.06.02 is not necessary as aggregated data would be much more useful for regulatory purposes; cf. our answer on question 1.1.i second bullet point.

- The QRTs S.05.01 (Line-of-business-reporting) and S.05.02 (country reporting) do not bring additional insights compared to already existing annual reports as the recognition and valuation basis as for the published financial statements has to be used.

- Solvency II requires separate reports, quantitative and narrative, on groups. Group reports often provide only limited added value, especially if a group is dominated by one large entity.

- Quantitative reporting regarding the fourth quarter in addition to yearly reporting seems superfluous as both reports share the same reporting reference date. Further, reporting on the fourth quarter can cause misinterpretations as it has to be done on preliminary figures due to tight reporting deadlines. As supervisory authorities receive annual reports the reporting regarding the fourth quarter does not create added value for supervision.

- In the SFCR, information on the underwriting performance as shown in the financial statements should be reported but allocated to Solvency II lines of business. This does not provide relevant information. As national accounting rules differ, the data are not suitable for comparing insurers from different member states, even though the Solvency II Lines of business are uniform.

1.3 Is there information that should be reported but which currently is not (i.e. there are reporting requirements that should be added)?

- ○ Yes
- ● No
- ○ Don’t know / not applicable

1.4 To what extent are supervisory reporting requirements across different EU level reporting frameworks coherent (e.g. in terms of scope, content, methodology, timing /frequency of submission, etc.)?

- ○ Fully coherent
- ○ Mostly coherent (a few or minor inconsistencies)
- ● Somewhat coherent (numerous inconsistencies)
- ○ Not coherent (mostly or totally inconsistent)
- ○ Don’t know / not applicable

Please provide specific examples of reporting requirements which in your view are inconsistent and explain why you believe they are inconsistent:

- Validations are inconsistent as some authorities require additional validations which are not foreseen in the Solvency II taxonomy. This leads to additional burdens, e. g. for international groups as a uniform internal validation process is impeded.

- Specific pieces of information are often requested repeatedly. For example, QRT S.06.02.04 (list of assets) has to be reported by insurance group quarterly under Solvency II and for financial stability purposes. However, the reporting deadline for financial stability reporting is much shorter than under Solvency II (7 weeks instead of 11 weeks as of 2019). Hence, undertakings either have to provide the accurate data 4 weeks earlier than under the already challenging Solvency II regime or undertakings use the opportunity to provide estimates for financial stability reporting which results in additional effort as the accurate data need to be reported under Solvency II and possible differences between the two reports might have to be explained towards the supervisor.

- Often information needs to be reported repeatedly but using different allocation which leads to inconsistent reporting obligations. One example for this is that under Solvency II, information on the underwriting performance as shown in the financial statements should be reported but allocated to Solvency II lines of business. Equally, information on income and expenses arising from investment as shown in the financial statements shall be reported by Solvency II asset class according to the German supervisor. This allocation of accounting data to Solvency II lines of business respectively Solvency II asset classes creates a severe obstacle for undertakings and prevents the efficient use of existing data as new structures and systems need to be implemented although the accounting information is already reported in the financial statements.

- The requirements for narrative reporting under Solvency II are not coherent. While it is possible to apply for a single SFCR or a single ORSA report, i.e. one report is filed for the whole group, this possibility is not provided for the RSR. Therefore, groups have to report RSRs for each individual undertaking within the group and a separate report for the group. It is incomprehensible why the Delegated Regulation (EU) 2015/35 does not allow a single RSR for insurance groups as it does allow a single SFCR as well as a single ORSA report. Therefore, we propose to adjust the Delegated Regulation (EU) 2015/35 and to allow a single RSR for insurance groups.

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:

- Supervisory reporting in its current form lacks efficiency mainly due to the amount of required data and different reports and overlapping reporting requirements.

- The amount of required information is too high – for the quarterly Solvency II QRT alone, some undertakings are required to report more than 120.000 data fields. Currently, it is not transparent if and how all these data are used for supervisory purposes. In our view, regular reporting should focus on data which are essential for supervision. If further data are required in certain cases, these should be required individually.

- Creating narrative reports, i.e. Solvency and Financial Condition Report (SFCR), Regular Supervisory Report (RSR) and the report on the own risk and solvency assessment (ORSA report), and internal approval of these reports is highly time-consuming as many different data providers and departments are part of this process. Therefore, those reporting requirements do not allow for efficient supervisory reporting.

- Efficiency is further diminished by additional, stricter requirements by the German supervisor which go beyond Delegated Regulation (EU) 2015/35. In the past, these additional requirements have been published shortly before submission date (publication on March 29 2017, submission date May 22nd 2017) respectively reporting reference date (publication on December 14th 2017, reporting reference date December 31st 2017).This made it very challenging to implement those additional requirements on time.

Therefore, additional national requirements hinder efficiency in two respects: additional requirements themselves need to be analysed and implemented and due to late publication, very high efforts are necessary to implement them on time.

- Currently, the same or similar information often have to be included in different reports, cf. our answers to questions 1.2 and 1.4. This adds cost and complexity for undertakings as the data delivered need to be consistent and often, they cannot simply be transferred from one report to another but have to be adapted to the specific report, for example reporting of underwriting performance by Solvency II lines of business. This creates significant effort as the Solvency II lines of business differ from those under national accounting standards. It is not apparent how this duplicative reporting generates added value for supervision.

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:

- We welcome that supervisory reports required under Solvency II in the form of QRT have to be submitted in an electronic format instead of submission in paper documents.

- It is sufficient to publish the SFCR on the undertaking’s website, where everybody has access instead of printing the reports and distributing them in a costly process. We welcome this provision. But simultaneously, the undertakings have to provide the whole SFCR as printed version on request. This does not coincide with the developments in fields of modern information and communication technologies (ICT) and digital processes.

- However, feedback regarding submitted reports, e. g. SFCR or RSR is often received by post and / or without precise reference to the data concerned which causes delay and additional effort in responding to feedback or requests.

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:

- Although Supervisory Reporting under Solvency II requires a vast amount of data to be reported, national authorities in Germany still require additional data, for example regarding the development of investments. Those have to be submitted in specific formats which differ from the QRTs to be submitted under Solvency II. This creates additional complexity as different reporting systems have to be used and maintained. It remains unclear whether those national data requirements are necessary besides Solvency II reporting.

- European Supervisory Reporting Requirements as laid down in the Solvency II Directive, Delegated Regulation 2015/35/EU and Commission Implementing Regulations are further specified and extended by EIOPA guidelines, EIOPA Q&As and further national publications which use different terms and definitions. This creates a very complex, multi-layered set of rules. It is very challenging for undertakings to implement and to adhere to all these provisions.

- Another aspect which adds complexity are the aforementioned publications by national authorities. For example, the German supervisor published additional guidance on the Solvency II reporting requirements which is not legally binding. However, they have to be obeyed by undertakings, even if they exceed the information established in the Delegated Regulation 2015/35/EU. This fact increases the complexity of the reporting requirements and may lead to competitive distortion between undertakings of different countries.

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?

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

If you think divergent Member State implementation has increased the compliance cost, please provide specific examples of reporting frameworks or requirements where you believe this to be the case and explain your suggestions:

- An example are possibilities of interpretation regarding the Delegated Regulation (EU) 2015/35. The German supervisor recently published additional guidance on the Solvency II reporting requirements. Parts thereof clearly exceed the requirements of the Delegated Regulation (EU) 2015/35, for instance the requirements for projections of the undertaking’s underwriting performance (article 307 para. 2 (d)). The Delegated Regulation (EU) 2015/35 only demands “information on significant factors that might affect such underwriting performance” and thereby leaves room for interpretation. This is necessary as it allows undertakings to report according to their specific business model. The German supervisor on the contrary requires exact figures of each separate factor as well as detailed information on the assumptions for the projection. Moreover, it is necessary to quantify the possible impact of the significant factors. In addition, life insurance undertakings have to describe the expected development of the additional interest reserve. This goes far beyond the requirements of the Delegated Regulation (EU) 2015/35 and thus increases the regulatory burden and compliance cost for undertakings.

- Possible exceptions (for the smallest 20% of companies) from quarterly and item-by-item-reporting are not fully used by national supervisory authorities; hence proportionality is not sufficiently reflected. In consequence, smaller undertakings have to fulfil highly demanding reporting requirements which results in excessive compliance cost. Therefore, national supervisory authorities should be obliged to grant exceptions if the conditions for exemptions are met.

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:

- The Solvency II reporting deadlines are highly demanding, especially quarterly solo reporting within 5 weeks from 2019 onwards. It is very challenging for undertakings to meet this requirement as data for quarterly reporting need to be gathered from different partners and have to be approved internally. Further, the Solvency II deadline for yearly reporting including RSR and SFCR will be 14 weeks in a steady state which is very challenging as well. It is not feasible for data processing of cash flows of insurance contracts. In addition there are new reporting requirements (variation analysis), which have to be implemented and additional information requests by NSAs (e.g. results of stress tests, quantification of level of uncertainty in valuation of technical provisions).

- An example for challenges of timely data gathering are consortium agreements. In this case, several undertakings participate in one insurance agreement, for example if major risks cannot be covered by a single insurance undertaking. Undertakings participating in a consortium receive relevant data from the undertaking acting as lead manager. Due to the very short reporting timelines under Solvency II, data on the consortium participation often cannot be delivered on time to be included in the reports of participating undertakings.

- Timely data gathering is also critical in view of the required look through for collective investments undertakings. Even if undertakings receive the necessary data from the fund manager, undertakings often have to use outdated data for supervisory reporting, due to tight reporting deadlines. This often leads to inconsistencies as the data used differ between various reports. This causes difficulties, for example when reports are validated by receiving authorities.

- Another example for challenges in terms of data processing is the filing of the Variation Analysis Templates (S.29.01 – S.29.04) under Solvency II. In these templates, the variation of the excess of assets over liabilities is explained by reconciling the different sources of movements, e.g. variations related to technical provisions or variations related to investments and financial liabilities. Although the objective of this variation analysis is reasonable, it is very challenging for non-life undertakings using national GAAP to meet this reporting requirement. These undertakings do not have financial statements based on market values which are necessary for the purposes of the variation analysis. Therefore, undertakings have to determine the data especially for the variation analysis which gives rise to disproportionate effort.

- However, often undertakings do not have access to the required data at all, for example on the look through for collective investments undertakings or on the nominated ECAI as published on ESMA's website. Those data need to be requested by external service providers and those requests often are not reported fully and on time. Subsequent to submission of data, challenges arise in view of questions or resubmission requests by the supervisory authority. For example, if a resubmission of a report is requested after a new version of the XBRL taxonomy is implemented but the report has been submitted using the previous version, the undertaking has to restore the older version or has to maintain both versions in order to comply with the request. Both alternatives are cumbersome and create additional complexity and effort.

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

Supervisory reporting requirements imposed by EU Regulations and/or Directives:
- The new reporting system under Solvency II as imposed by Solvency II Directive and Delegated Regulation 2015/35/EU causes significant compliance cost. On the one hand it causes cost due to the requirements themselves which needed to be implemented and have to be fulfilled regularly. On the other hand due to being the basis for extensive additional national reporting requirements, e.g. additional guidance on the Solvency II reporting requirements by the German supervisor. This guidance includes extensive requirements regarding the RSR which go beyond the provisions of Delegated Regulation (EU) 2015/35.

- Additionally other EU regulations like the European Market Infrastructure Regulation (EMIR), the Securities Financing Transaction Regulation (SFTR), the Markets in Financial Instruments Directive II (MiFID II) and the Markets in Financial Instruments Regulation (MiFIR) contain a large number of reporting requirements, which caused significant implementation cost and ongoing cost as well.

Different Member State implementation of EU financial legislation, resulting in diverse national supervisory

reporting requirements for the same financial entity/product:
An example are additional reporting requirements concerning security assets ("Nachweisung 674") in Germany.

National supervisory reporting requirements in addition to those in EU legislation for a specific financial entity /product:
- See answer on questions 1.7, the first example of question 1.8 and on question 2.3.i.

- Another example is an additional national reporting requirement in Germany which requires a breakdown of all assets, directly and indirectly held ("Nachweisung 675") although similar information is reported in the Solvency II QRTs on assets.

- Further examples for national reporting requirements which are a source of excessive compliance cost are national enhancements to the XBRL taxonomy. In Germany the national central bank established additional validation rules to validate data for ECB insurance statistics. Those additional validations needed to be implemented and tested by undertakings, which added to implementation cost. They also increase the running cost as it has to be ensured that they are observed and if nonetheless validation errors occur, corrections become necessary.

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

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

[2] (i.e. (i) the exact way in which the individual data elements are to be encoded or (ii) the file format in which the information to be reported is exchanged/submitted).

- (x) Increases the compliance cost
- ( ) Decreases the compliance cost
- ( ) Does not impact the compliance cost
- ( ) Don't know / not applicable

Please provide specific examples to substantiate your answer to question 2.4:

- The use of different reporting formats and systems significantly increases the compliance cost. Against this background, it seems reasonable to standardize different reporting requirements and to use already existing reporting formats and systems when new reporting requirements are introduced. A positive example is that when the SFTR reporting system was adopted, it was based on and used the already existing EMIR reporting system.

- The requirement to submit Solvency II and Financial Stability reports using the XBRL taxonomy has increased compliance cost, especially as the Tool 4 Undertakings (T4U) has been decommissioned. The T4U was a software tool developed by EIOPA to enable small and medium sized insurance undertakings to create and validate XBRL instances. As the T4U has been shut down, undertakings either have to develop and implement software solutions themselves, which is very costly and time consuming, or buy software from an external provider which can be very expensive. The same holds true for undertakings which did not use the T4U. Those undertakings as well had to decide whether they develop and implement a software solution themselves or whether they buy software from a specialised provider.

- Another factor that increased compliance cost is the use of new definitions or closed lists. Undertakings firstly had to understand which data are requested and had to find solutions, how specific products have to be sorted into those closed lists. An example is the Complementary Identification Code (CIC) where assets have to be allocated to a specific CIC. Another example is the reporting of the nominated ECAI under Solvency II (template S.06.02) as proposed by EIOPA in its Draft amendment to Commission Implementing Regulation (EU) 2015/2450 of 2 December 2015. In this case, the nominated ECAI has to be selected from a closed list which contains ECAIs with LEI as published by ESMA. However, often undertakings do not know which specific ECAI of a rating group issued a certain rating as this information is not available. Therefore, undertakings cannot fully comply with this requirement.

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):

Solvency II

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

Please explain why you cannot estimate the average initial implementation cost:

We would like to propose to the European Commission to conduct a detailed impact assessment to collect comparable data from undertakings across different member states. This would require that the data to be delivered are precisely defined. We ourselves conducted a cost assessment on Solvency II in 2016. The result was that the costs of implementing Solvency II, i.e. including all pillars, for the German insurance industry were approx. EUR 1.8 billion at this time. We assume that a large part of these costs were generated by pillar III requirements and corresponding data requirements. As the implementation was not fully completed by then and the costs are determined differently, due to diverging project structures and differing definitions, the data cannot be compared at European level.

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
- (x) Not possible to estimate

Please elaborate on why you cannot estimate the average initial implementation cost as a percentage of total assets/turnover/other:

Cf. our answer on question 2.5.1 a i) above.

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
- (x) 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
- (x) Not possible to estimate

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

Cf. our answer on question 2.5.1 a i) above.

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
- (x) Not possible to estimate

Please elaborate on why you cannot estimate the annual running cost in 2016 as a percentage of operating cost:

Cf. our answer on question 2.5.1 a i) above.

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

Please elaborate on why you cannot estimate the average annual running cost over the last 5 years in euro:

Cf. our answer on question 2.5.1 a i) above.

Please elaborate on why you cannot estimate the average annual running cost over the last 5 years as a percentage of operating cost:

Cf. our answer on question 2.5.1 a i) above.

d) Average annual running cost (i.e. recurrent cost) over the last 10 years:

d i) please estimate average annual running cost over the last 10 years in euro:

- ○ I am able to provide an estimate
- ● Not possible to estimate

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

Cf. our answer on question 2.5.1 a i) above.

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

Please elaborate on why you cannot estimate the average annual running cost over the last 10 years as a percentage of operating cost:

Cf. our answer on question 2.5.1 a i) above

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.).:

Not applicable as no figures were reported.

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.

Solvency II:

- Solvency II includes a new supervisory reporting framework and entered into force two years ago. To comply with it, insurance undertakings had to implement new technical systems, create reporting processes and enhance their data warehouse. This led to immense initial implementation cost. One also has to bear in mind that the initial implementation period is not over yet as some reporting requirements have to be complied with in the annual submission for 2017 for the first time, e. g. QRT S.29.01 to S.29.04 (Variation Analysis).

- Due to the high frequency and high granularity of reported data the running cost of Solvency II is an important factor for compliance cost as well.

- Due to the extensive reporting requirements regarding SFCR, RSR and ORSA, the implementation costs for each reporting requirement were very high. Moreover, the German supervisory authority published further guidance and expectations on each reporting format at the end of 2017, after the initial reports were submitted. This has to be included in future reports. Consequently, costs will rise further and the implementation process has not yet been finished. Simultaneously, the running costs of the whole reporting system will remain an important factor for compliance costs even after the implementation process.

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:

Undertakings use different approaches. Further, it is not clear whether the wording “external provider” includes companies within the same group.

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

Please elaborate on why you cannot estimate the size of your entity’s department dealing with supervisory reporting in full-time equivalents (FTE) for 2016:

Cf. our answer on question 2.5.i.i above.

2.8.1 b) in 2009:

- ○ I am able to provide an estimate
- ● Not possible to estimate

Please elaborate on why you cannot estimate the size of your entity’s department dealing with supervisory reporting in full-time equivalents (FTE) for 2009:

Cf. our answer on question 2.5.i.i above.

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

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting as a percentage of the compliance work force for 2016:

Cf. our answer on question 2.5.i.i above.

2.8.2 b) in 2009:

- I am able to provide an estimate
- (x) Not possible to estimate

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting as a percentage of the compliance work force for 2009:

Cf. our answer on question 2.5.i.i above.

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
- (x) Not possible to estimate

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting as a percentage of the total work force for 2016:

Cf. our answer on question 2.5.i.i above.

2.8.3 b) in 2009:

- I am able to provide an estimate
- (x) Not possible to estimate

Please elaborate on why you cannot estimate the size of your entity's department dealing with supervisory reporting as a percentage of the total work force for 2009:

Cf. our answer on question 2.5.i.i above.

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.):

Not applicable as no figures were reported.

2.9 Have any of the EU level reporting frameworks brought (or partially brought) cost-saving benefits (e.g. simplified regulatory reporting, facilitated internal data management processes, improved risk management, increased operational efficiencies, etc.)?

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

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

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

3.1 Please indicate which of the following could reduce the compliance cost while maintaining a sufficient level of supervisory reporting to ensure that the intended objectives are achieved:

Please select all relevant answers that apply.

	Short term	Long term	

	(2 years or less)	(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:

Extension of reporting deadlines:
- The reporting deadlines for Solvency II and financial stability reporting are very challenging, especially in view of their annual reduction until 2019.

- Especially, Solvency II reporting deadlines for quarterly reporting by solo undertakings within 5 weeks from 2019 onwards are very challenging, cf. our answer on question 1.9 first bullet point.

- As many reports have to be filed simultaneously, i. e. annual financial statement, quarterly and annual QRT, RSR and SFCR, tight reporting deadlines cause high cost as the IT systems have to be adapted and enough staff has to be provided to ensure the reporting deadlines are met.

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

Reduction of the number of data elements:
- The number of required data elements and reports is the main cause for existing very high cost of compliance. Hence, a reduction of required data elements and reports would have the biggest impact on the cost of compliance. Temporarily, a vast number of data are collected although it is not transparent, whether all the pieces of information requested are necessary and actually used for supervision. In our view, the intended objectives could be achieved with less data elements to be reported. Therefore, reporting requirements which are not essential, should be omitted, e. g. extensive narrative reporting in the RSR besides SFCR and ORSA report. In the long term it should be analysed whether information needs can be satisfied by data elements which are already reported. This could be achieved if supervisory authorities advanced their analytical tools to obtain necessary information from a compact set of data.

-To reduce the number of reports, the reporting obligation should be transferred to one of several reporting parties. Especially in the case of reporting obligations on contracts and transactions involving two or more parties, the possibility of transferring the notification to one party should be consistently implemented in the supervisory reporting and should be easy and practicable in practice.

- Another example is ECB reporting. There is no need for double supervision of insurance undertakings by EIOPA incl. national supervisory authorities and by the ECB. If the ECB needs data of the insurance sector for statistical purposes, those data shall be delivered by EIOPA or national supervisory authorities.

Clarification of the content of the data elements:
In the past, many difficulties resulted from diverging interpretations of European supervisory reporting requirements by national supervisory authorities and by insurance undertakings. Clarification of the content of the required data element could avoid this and could be achieved in the short term.

Greater alignment of reporting requirements:
A significant amount of compliance cost results from duplicative or inconsistent reporting requirements. These duplications and inconsistencies should be resolved, e. g. QRT S.06.02.04 (list of assets) should only be requested for quarterly group reporting under Solvency II but not for quarterly group reporting for financial stability purposes, cf. our answer on question 1.4 second bullet point. Alignment of reporting requirements should contribute to reducing the amount of reporting requirements.

Greater standardisation/use of international standards:
The use of standardized reporting formats and systems can contribute to reducing the compliance cost of regulatory reporting, cf. our answer on question 2.4 first bullet point.

Development of a common financial language:
As different interpretations and translations often result in difficulties and higher cost it would be helpful to use uniform definitions. In our view, this also includes that it would no longer be necessary to transfer accounting data into Solvency II lines of business, as it is currently the case according to Art. 293 para. 2 Delegated Regulation (EU) 2015/35. However, it has to be taken into account that different financial sectors and products have very specific characteristics which makes it necessary to obtain specific information about them. Therefore, a common financial language should be very precise.

Ensuring interoperability between reporting frameworks and/or receiving/processing entities or supervisory authorities:
- To ensure smooth functioning of supervisory reporting processes it is very important that reporting frameworks are fully accepted and implemented by receiving and processing entities. This includes that all supervisory authorities accept the validations which are included in the XBRL taxonomy as adequate and sufficient and hence, no additional validations are established.

- The data submitted need to be analysed automatically by supervisory authorities to ensure timely feedback for undertakings. If explanations or resubmission are requested from the undertaking much later than the report in question was submitted, it is very burdensome for undertakings to provide the requested information as the reproduction of the data is complicated and involves high effort. In addition undertakings are usually already occupied with the following report

Greater use of ICT:
Greater use of ICT would be helpful in view of the feedback or resubmission requests regarding submitted reports. Currently, feedback on the narrative reports is often received by post and questions on the QRT are received by email. This can be burdensome as the feedback or question is not directly linked to the data

concerned.

Greater automation of the reporting process:
Cf. our comments on ensuring interoperability between reporting frameworks and/or receiving/processing entities or supervisory authorities.

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:

- Cf. our answer on question 3.1.regarding the development of a common financial language.

- A common financial language would increase clarity to undertakings about the requirements in different member states and thereby, comparability of national implementation of European requirements and of additional national requirements was strengthened.

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:

It would foster the failure-free filing and submission of reports as misinterpretations of required data would be avoided. When the first Solvency II reports were filed lots of questions were raised by undertakings as reporting requirements were ambiguous.

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:

- One prerequisite is that although a common financial language is used, the specific features of different financial sectors and products are covered sufficiently, i. e. this common financial language needs to be very precise.

- Another prerequisite is that this common financial language is used in all member states in the same way; i. e. national authorities must not establish diverging interpretations. This also applies to translations. Often, authorities of different member states use translations which deviate in their meaning. This makes it very burdensome for undertakings to understand reporting requirements and identify the requested information.

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
- [ ] No
- [x] 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?

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

Please elaborate on your answer to question 3.6:

- Cf. our answer on question 3.1. on insuring interoperability between reporting frameworks and/or receiving entities or supervisory authorities.

- In our view, interoperability includes that the required content and validations of a reporting framework are deemed correct and sufficient by all entities involved. This means that additional validations or information currently required by supervisory authorities or other recipients would be abolished which would significantly reduce compliance cost.

- Advanced interoperability could also allow undertakings to submit information only once which are centrally validated and afterwards distributed to different recipients. This would ease the process of submitting reports and thereby alleviate the regulatory burden.

- Simultaneously, the compliance costs could be reduced by ensuring that already reported data does not have to be reported again for other supervisory reporting regimes using different allocations, cf. our answer on question 1.4 third bullet point.

- Another aspect to be considered is the possibility of automatic analysis of data received. Enhanced interoperability should facilitate automatic analysis which would enable recipients to give timely feedback on reports received.

3.7 To what extent would ensuring interoperability between reporting frameworks and/or receiving entities help improve the management (i.e. reporting or processing) of supervisory data required to be reported?

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

Please elaborate on your answer to question 3.7:

- Cf. our answer on question 3.6 above.
- If enhanced interoperability would ensure that data have to be submitted only once and feedback concerning the reports would be given timely, it would improve the management of reporting as the risk of inconsistencies would be minimised and questions and resubmission requests could be dealt with before the next report is being prepared.

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

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

If you answered yes to question 3.8, please elaborate and provide specific examples:

- The implementation of the current frameworks, especially Solvency II, is and was a major challenge for insurance undertakings, with regard to the effort as well as with regard to costs. Therefore, an important prerequisite for introducing greater interoperability is that further changes should focus on reducing the complexity and cost of reporting requirements. To achieve this, reporting requirements should focus on material data. To this end, firstly it needs to be identified which data are essential for effective supervision. Secondly, reporting of this data should be limited to material amounts, e.g. by reporting thresholds. Enhancing interoperability should then consequently build upon existing structures and processes.

- Moreover, another important prerequisite is that the introduction of a greater interoperability should not only consist of additional legal requirements. But, already existing requirements should be reviewed and repealed or replaced if they do not contribute to greater interoperability between reporting frameworks.

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)?

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

If you answered yes to question 3.9, please elaborate and provide specific examples:

In our view, a detailed review process of existing reporting requirements in their entirety is indispensable before greater interoperability between reporting frameworks can be achieved, cf. our answer on question 3.8 second bullet point. With regard to the framework of Solvency II this would require a review of pillar III. Otherwise it will be hard to achieve greater interoperability and there is the risk that complexity of reporting frameworks is increased by adding further legal requirements. Therefore a detailed review process should be set up to identify and to revise, repeal or replace existing reporting requirements which hinder greater interoperability between reporting frameworks.

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

Please elaborate on your answer to question 3.10:

- Cf. our answer on question 3.1 regarding greater use of ICT.

- It would be very helpful if feedback or questions by supervisory authorities or other recipients regarding narrative reports or QRT would be given as timely and as precise as possible. For example, if certain validations fail it would be very helpful if the feedback would not only state that the validation failed but the precise error that occurred. It would be particularly helpful if the error was marked in the QRT submitted and sent back to the undertaking using the same platform that was used for the submission of the original QRT.

- If supervisory authorities provided feedback faster it would relieve the reporting process and thereby, would help to reduce cost. Currently, undertakings receive questions or resubmission requests regarding a specific report while they are already preparing the next report. Hence, resources have to be reallocated to deal with those requests and thereby, the on-going process for the next report is disturbed.

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
- ( ) Don't know / not applicable

Please elaborate on your answer to question 3.11:

If use of ICT was enhanced as proposed in our answer on question 3.10, it would improve the management as there would be more time to answer any request if this request was received timely and it would be much easier to understand feedback or questions received as the feedback or question would be linked to the QRT or report concerned.

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

- ( ) Yes
- ( ) No
- (•) 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)?

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

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
- ( ) Don't know / not applicable

Please elaborate on your answer to question 3.14:

- If analysis of received data was done automatically by supervisory authorities and other recipients this would reduce the compliance cost as undertakings would receive timely feedback. Hence, corrections could be done before undertakings start preparing the next report. This would reduce the cost as currently, undertakings receive questions regarding a specific report under Solvency II while they are already preparing the next report. If the next report has to be done with another version of the XBRL taxonomy, it can be costly to restore the previous version and to allocate resources to answer the requests.

- Another cost advantage would be if data which have to be submitted to different recipients only needed to be uploaded once and were then centrally validated and subsequently distributed to the recipients.

- This also applies in cases where the same information has to be reported by several undertakings. For example, the data for look-through of investment funds, which have to be reported in S.06.03, could be centrally provided by the fund managers instead of being reported separately by each insurance company which invests in the funds. Especially for mutual funds which are open to the public the current procedure is highly inefficient.

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

Please elaborate on your answer to question 3.11:

Management of the reporting process could be improved in two ways:
- Timely feedback or requests concerning submitted reports could be responded before the next reports have to be prepared. This would relieve reporting processes and responsible resources as it could be avoided that different reports are handled in parallel. To enhance this effect, a deadline for feedback /requests by supervisory authorities and other recipients should be established. This would give undertakings clarity that after this deadline no questions or requests will be made to a specific report and this report can be considered as closed.

- It would improve the management of reporting if data only have to be submitted once and were centrally validated and subsequently distributed to different recipients as this would avoid duplicative submission of reports and thereby the danger of inconsistencies.

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

- ( ) Yes
- ( ) No
- (x) 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

- [x] Don’t know / not applicable

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

- [x] Crucial role
- [ ] Important role
- [ ] Moderate role
- [ ] Limited role
- [ ] No role
- [ ] Don’t know / not applicable

Please elaborate on your answer to question 3.18 and provide specific examples of where and how you believe EU regulators could help:

EIOPA as the competent authority for insurance undertakings should encourage supervisory authorities and other recipients to advance their use of ICT when giving feedback or requests to undertakings (cf. our answer on questions 3.14 and 3.15) and establish guidance on how and until when authorities and other recipients should send feedback or requests concerning specific reports to undertakings (cf. our answer on question 3.15).

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

- [x] 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:

- EIOPA as the competent authority for insurance undertakings should foster greater automation of the reporting process in developing a platform for central submission of data. This platform should allow central validation and distribution of data to recipients.

- As written in our response on question 3.18 EIOPA should publish guidance on how and until when authorities and other recipients should send feedback or requests concerning specific reports to undertakings. In our view, this should provide a clear mandate to supervisory authorities and other recipients to advance automatic analysis of received reports as well.

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

- It needs to be borne in mind that undertakings are able to fulfil supervisory reporting requirements only if they are sufficiently clear, reasonable and applied uniformly across the EU. Currently, reporting requirements under Solvency II are not unambiguous, interpreted differently across member states and partly are not necessary or even inadequate to provide insights about the risk management or solvency condition of insurance undertakings. As a first step, these flaws should be solved to simplify supervisory reporting before as a second step, a fundamental review of reporting requirements and processes is carried out.

- Another chance to simplify supervisory reporting would be to revise reporting deadlines. Currently, on the one hand reporting deadlines are very tight, especially for Solvency II quarterly reporting by solo undertakings and for financial stability reporting. Those deadlines should be extended. On the other hand, many reports have to be filed simultaneously, cf. our answer on question 3.1.regarding extension of reporting deadlines. This should be avoided. If similar data are requested, multiple reports should be compressed to one report. In other cases, deadlines should be revised to resolve existing overlaps.

- Additionally, as already mentioned earlier, it is necessary that binding requirements at EU-level are deemed sufficient. This means, supervisory authorities should neither establish or maintain further national requirements nor should they widen the scope of the European requirements by publishing further guidance on it which exceeds the provisions of the Delegated Regulation 2015/35/EU. Even if this guidance is not legally binding, however it is de facto compulsory as the German national supervisor expects undertakings to adhere to this guidance. Additional national requirements currently are a significant cause for complexity. Especially for internationally active groups, different and sometimes diverging national requirements are highly problematic as they render uniform reporting processes across the group impossible.

3.21 Can you provide any practical example of improvements to data management processes that could be applied to supervisory reporting with a view to reducing the compliance cost and/or improving the management of supervisory reporting?

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

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

- In Germany, our supervisory authority BaFin and the national central bank, Deutsche Bundesbank, agreed on a uniform reporting channel for data to be provided under Solvency II and for the ECB statistics on insurance undertakings. In doing so, a single point of entry is provided for entities. Thereby, cost of compliance can be reduced as no additional submission to the Deutsche Bundesbank for statistical purposes is necessary. Such a centralised submission could be extended to cover other reporting requirements.

- However the existing procedure in Germany has a number of shortcomings which are inter alia due to additional validation rules, manual analysis of reported data and delayed or too generic feedback. Those weaknesses should be resolved before further developments are initiated.

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)]

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