



**Single
Resolution Board**

1/31/2017

Fifth Industry Dialogue

Liability Data Reporting: Lessons Learned from the 2016 data collection process and changes for the 2017 LDT template and collection process

Dominique Laboureix, Member of the Single Resolution Board
Axel Kunde, Head of Unit Resolution Planning and Execution

Agenda



1. Introduction
2. Lessons Learned from the 2016 LDT process
 - > Data quality
 - > Deadlines
 - > Enhancements to the LDT
 - > Further standardisation
3. Detailed changes to the 2017 Liability Data Reporting
 - > Changes to the LDT itself
 - Changes by reporting tables
 - Tailored approach to reporting entities
 - Differentiated reporting requirements and consolidation perimeters
 - Hypothetical example
 - > Reporting process
 - > Timeline for the 2017 reporting process
 - > Outlook beyond 2017
4. Conclusion

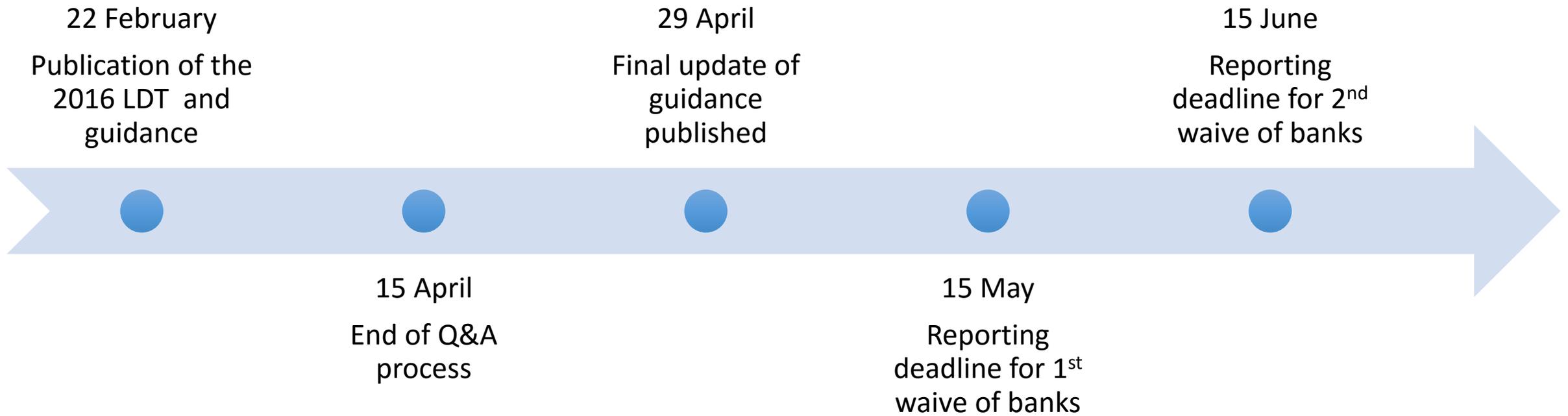
1. Introduction

- Granular information on banks' liabilities is necessary for resolution planning as well as for the decision on a resolution scheme and the implementation of resolution measures in a crisis.
- The need for granular liability data is not limited to the execution of the bail-in tool; it is also critically important in order to enable the separation of liabilities related to critical functions where the preferred resolution strategy is based on the sale of business or bridge bank tool.
- In a crisis, banks need to be able to report liability data on an ad-hoc basis in a standardised format; in order to save time and avoid mistakes, resolution authorities need to be able to consume, process, and analyse the data received in a fully automated fashion.
- To achieve this goal in the medium term, the SRB started to develop a standardised liability data template (LDT) in 2015 and collected the data from all banking groups under its direct remit in 2016 for the first time.
- Based on feedback received from banks and its experience with the 2016 process, the SRB has improved the 2017 LDT and process while keeping the overarching principles and structure implemented in 2016 unchanged.

Agenda

1. Introduction
2. Lessons Learned from the 2016 LDT process
 - > Data quality
 - > Deadlines
 - > Enhancements to the LDT
 - > Further standardisation
3. Detailed changes to the 2017 Liability Data Reporting
 - > Changes to the LDT itself
 - Changes by reporting tables
 - Tailored approach to reporting entities
 - Differentiated reporting requirements and consolidation perimeters
 - Hypothetical example
 - > Reporting process
 - > Timeline for the 2017 reporting process
 - > Outlook beyond 2017
4. Conclusion

Key features of the 2016 LDT process



- The SRM collected information from 143 banking groups under its remit.
- Taking into account the reporting of different entities, at individual and consolidated level, a total of approximately 1 500 Excel files were collected.
- The collected data was used in the development of resolution plans, in particular for assessing banks' loss absorbing capacity; yet also from a policy perspective, analysing the submissions from a horizontal perspective.

Lesson 1: Data quality needs improvement

- When announcing the 2016 data collection the SRB was aware that banks were not producing granular liability information under existing regulatory or financial reporting requirements.
- SRB therefore anticipated that banks would have to identify relevant data sources manually; SRB also acknowledged that the reporting deadlines were relatively tight.
- To provide banks an orientation for prioritisation, a colour code (red/amber/green cells) was provided.
- SRB also conducted an extensive Q&A process in order to assist banks.

- SRB observed large differences in the quality of the data submitted by banks, in terms of both completeness and accuracy. On average, smaller banks outperformed larger banks.
- Overall, the information contained in the LDT proved useful, not only for analysing the overall loss absorbing capacity and its distribution within banking groups.
- Where data quality was insufficient, drafting resolution plans has been more challenging.

Going forward, data quality will be a key point of attention, supported by a technical solution.

Lesson 2: Reporting deadlines must be respected

- In 2016, banks were given between 3 to 4 months for submitting the LDT, depending on whether the group requires the establishment of a resolution college or not.
- This timeline was aligned to the 2016 resolution planning work programme, which prioritised the finalisation of resolution plans for banks with resolution colleges.
- However, in many cases the deadlines were not respected:
 - > For some banks, reporting was only received after the deadlines, or the reports were submitted only partially.
 - > In other cases, the data quality was very poor and required several resubmissions.
 - > Only a minority of banks delivered sufficiently complete and accurate information with the first submission.
- The SRB was aware that banking groups were requested to report granular information on liabilities for the first time; however, the delay in submissions caused undue pressure on the overall timeline:
 - > IRTs had to spend too much time on data validation and had insufficient time for data analysis.

Going forward, the SRB will actively monitor and benchmark banks' ability to provide complete and accurate reports. Since the 2017 LDT was published in December, banks have more time and are encouraged to submit files ahead of the deadline, to ensure they can correct any errors or omissions without breaching the deadline for final submissions.

Lesson 3: Some limited changes to the LDT are required

- When announcing the 2016 LDT, the SRB emphasised that the template was not in its final format and that banks should expect some developments over coming years.
- The main identified shortcomings of the 2016 LDT are as follows:
 - > It proved cumbersome for IRTs to identify and analyse the exposures between entities within the group.
 - > Requesting only a single consolidated report from the EU parent entity proved insufficient; tailored reports for resolution entities on a sub-consolidated basis are needed.
 - > The number of reporting entities could be reduced.
- As a result, changes have been made to the 2017 LDT both in terms of content and legal entity scope. The purpose is twofold:
 - > To reduce the reporting burden on banks, where possible, while
 - > Tailoring the information request towards the needs implied by the resolution strategy (SPE/MPE).

Supposing there is no regulatory change in this area, banks should start the development of an IT solution for reporting liability information on the basis of the 2017 LDT. While further limited changes to the LDT can be expected for 2018, banks need to maintain flexibility, but the core building blocks of the template appear sufficiently stable to start the IT development work.

Lesson 4: Further standardisation of the LDT is necessary in order to enable automated processing and analysis

- When launching the LDT process in 2016, the SRB was aware that data validation and systematic evaluation would need to be performed manually and announced its intention to develop a technology solution.
- In 2016, the IRTs and the banks themselves have spent considerable time and resources on validating submissions:
 - > Foremost on a consolidated basis, as a consequence of the horizontal policy to discuss MREL at this level.
 - > While validation checks that could be performed were limited due to the nature of the report (i.e. priority colour coding, thresholds on granular data, limited external data sources to compare against, etc.).
- In addition, the SRB's ability to conduct horizontal analysis and to benchmark banks was limited:
 - > Some banks changed the layout of the LDT, which made horizontal analysis difficult and often required re-formatting.
 - > Many cells allowed inputs in different formats (e.g. percentages instead of numbers), which resulted in errors that had to be corrected manually.

In 2017 banks will again be requested to submit the LDT in Excel, but SRB is developing the technical infrastructure to support the collection, validation, and analysis of the data. For this, the level of standardisation had to be increased.

Agenda

1. Introduction
2. Lessons Learned from the 2016 LDT process
 - > Data quality
 - > Deadlines
 - > Enhancements to the LDT
 - > Further standardisation
3. Detailed changes to the 2017 Liability Data Reporting
 - > Changes to the LDT itself
 - Changes by reporting tables
 - Tailored approach to reporting entities
 - Differentiated reporting requirements and consolidation perimeters
 - Hypothetical example
 - > Reporting process
 - > Timeline for the 2017 reporting process
 - > Outlook beyond 2017
4. Conclusion

Changes to the LDT itself

- Colour coding:
 - > As highlighted from the start, the colour coding was introduced in light of tight deadlines and as a way of prioritising the first production of granular data.
 - > For the 2017 report, entities are expected to provide the data for all applicable cells.
- Threshold values for the tables for securities, deposits, derivatives, SFT, and other financial liabilities have been removed, to allow reconciliation with aggregate data in the summary table.
- The number of blackened cells has been reduced to allow reporting where possible.
- Free text fields have been replaced wherever possible by predefined lists of values to be reported.
- Format requirements have been more clearly provided in the Excel-file as well as in the guidance.
- These changes were made to remove ambiguities and allow for automated processing of the files.

The SRB will launch a pre-recorded webinar on 1 February.

A functional mailbox for technical questions on the report and guidance has been created as of 18 January.

Changes to individual reporting tables

- T01.00 - Liability Structure
 - > Additional details related to the own funds instruments
 - > Added information on off-balance sheet exposures
 - > Added information on total accounting equity
- T02.00 - Own Funds
 - > Alignment with the refined ECB SREP methodology
- T03.0x - Intragroup Liabilities & Guarantees
 - > Identification of intragroup liabilities in a separate template
 - > Additional details on the intragroup guarantees (received and provided)
- T04.00 to T08.00 - Securities, deposits, financial liabilities, derivatives and secured finance
 - > Changes are limited to simple clarifications

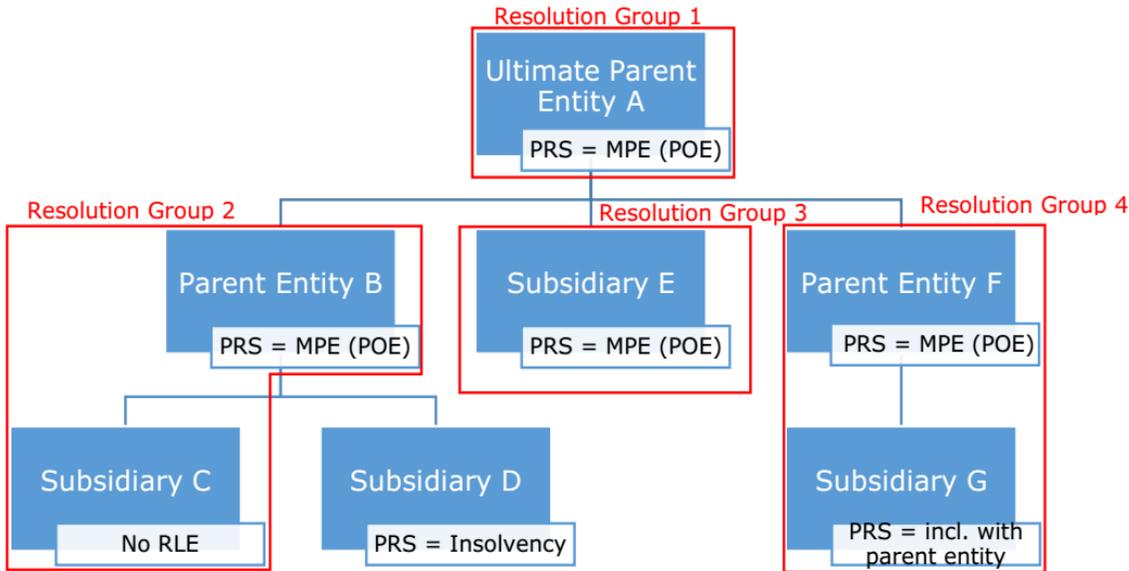
Tailored approach to identifying reporting entities

- In 2016 the SRB wanted to obtain a clear picture of groups' external and internal funding structures for all legal entities that could potentially be relevant for resolution planning, i.e. all group entities incorporated in the European Union and collecting deposits, issuing securities or trading derivatives.
- For 2017, the reporting scope has been aligned to the existing legal framework, but also taken into account some important developments in the recent legislative proposal by the EU Commission for amending the BRRD and implementing the TLAC standard in the EU.
- A first step relates to the legal status of the entity, whether or not it is in scope of the BRRD and SRMR.
- The second step identifies the resolution entities, to which resolution measures are expected to be applied under the preferred resolution strategy (PRS).
- In the final step, the relevant subsidiaries within a resolution group are determined, i.e. whether the entity:
 - > Provides critical functions (CFs); and/or
 - > Represents more than 5% of either RWA, leverage exposure or total operating income of the (resolution) group.
- IRTs have the flexibility to adjust the reporting scope, e.g. where the entities with CFs have not been identified or the PRS has not yet been decided.

Differentiated reporting requirements and consolidation perimeters

- Reporting requirements have been aligned with appropriate levels of consolidation:
 - > Individual reports for all resolution entities and their subsidiaries which are relevant legal entities for the resolution group.
 - > (Sub-)consolidated reports for resolution entities on the basis of all subsidiaries included in the prudential consolidation perimeter.
 - > New resolution group reports, which include all subsidiaries of a resolution entity, unless they belong to a different resolution group or the IRT considers that normal insolvency could be applied under the PRS, if necessary:
 - If insolvency is considered as an option, the submission of an LDT is needed to allow IRTs to assess the impact on the rest of the resolution group
 - These new reports are expected to allow IRTs to gauge the balance sheet perimeter and risk exposures of entities that must be recapitalised in resolution.
- The requirement to report granular information on individual liabilities has also been aligned with the preferred resolution strategy:
 - > Liabilities and guarantees (received and provided) from other group entities need to be provided by all entities and for all levels (individual, sub-consolidation and consolidation).
 - > External liabilities need to be provided by entities identified as a point of entry in the preferred resolution strategy and on an individual basis.
- IRTs have already started to identify the list of reporting entities and reporting requirements.

Example of tailored reporting requirements for a hypothetical MPE group



	T01.00	T02.00	T03.01 T03.02 T03.03	T04.00	T05.00	T06.00	T07.00	T08.00
C = Consolidation								
SC = Sub-Consolidation								
I = Individual								
Ultimate Parent Entity A (Resolution Group 1)	C/I	C/I	C/I	I	I	I	I	I
Parent Entity B (Prudential Consolidation)	SC/I	SC/I	SC/I	I	I	I	I	I
Parent Entity B (Resolution Group 2)	SC	SC	SC	-	-	-	-	-
Subsidiary C	-	-	-	-	-	-	-	-
Subsidiary D	I	I	I	-	-	-	-	-
Subsidiary E (Resolution Group 3)	I	I	I	I	I	I	I	I
Parent Entity F (Prudential Consolidation = Resolution Group 4)	SC/I	SC/I	SC/I	I	I	I	I	I
Subsidiary G	I	I	I	-	-	-	-	-

- The group has four resolution entities (A, B, E, and F), which need to provide granular liability data on an individual basis.
- Entities A, B and F are parent entities and therefore also need to submit a (sub-)consolidated report based on the prudential consolidation scope, which is, however, limited to the liability structure, own funds and intragroup information.
- Entity B also needs to provide a new resolution group report, on a consolidated basis with entity C, but not D, given that the IRT considers entity D could go to insolvency.
- Subsidiary D needs to report an LDT on individual level, even if it is not an RLE, because it is considered a candidate for insolvency.
- Subsidiary G is assumed to be an RLE, therefore required to report on an individual level.
- Entity C is not a relevant legal entity (i.e. small and no critical functions) and hence, no reporting is requested.

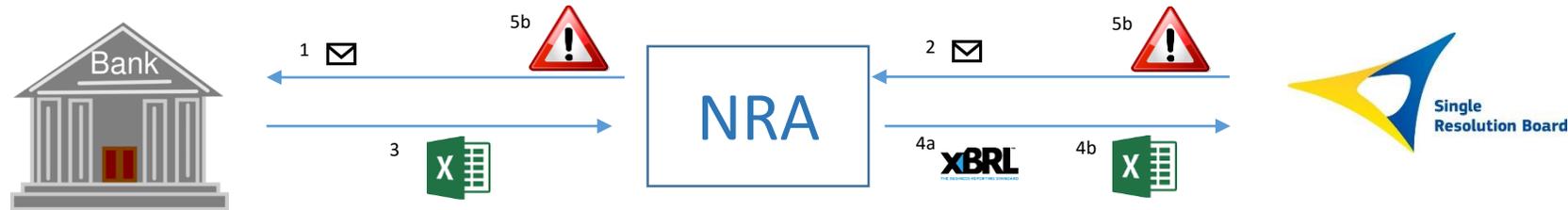
Reporting process (1/2)

SRB will validate liability data submissions through XBRL ...

- Data collection, storage and subsequent analysis will be automated within the SRB.
- To achieve this important goal, the SRB will publish an XBRL (eXtended Business Reporting Language) taxonomy, including validation rules, in line with common practice for FINREP and COREP reports.
- The need to make the report XBRL compatible requires a significant amount of mere technical changes to the format of the previous report (e.g. row and column references).
- Notwithstanding the XBRL implementation at the SRM side, and provided the still short timeframe for the 2017 process, **institutions are required to send the reports in the format of an Excel file.**
- The **Excel files will have to remain in the exact same format as provided by the SRB on its website** to enable a successful submission (XBRL validation)
- SRB plans to publish the XBRL taxonomy and validation rules by 31 March to allow those institutions that have the capacity to implement it, to check that the conversion of their reports to XBRL will be successful. However, this is not mandatory and in any case, all institutions are required to submit Excel files this year.

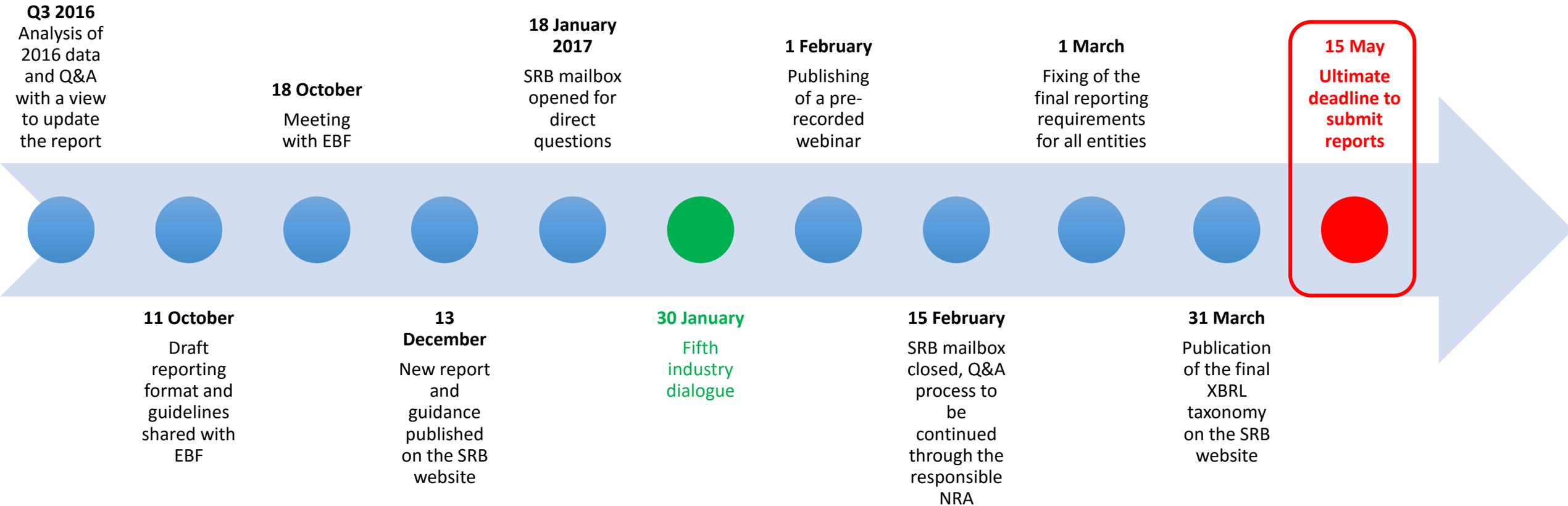
Reporting process (2/2)

... but in 2017 all banks are still requested to submit data in Excel.



1. The NRA informs Institutions that the data collection process has begun and that Excel reports can be sent.
2. The SRB informs the NRA that the Data Collection Portal (the Portal) is open.
3. The Institution creates the report in Excel and sends it to the NRA. Institutions that have the capability to implement the XBRL taxonomy should test that the .xlsx template can be converted successfully in order to mitigate the need for resubmissions.
4. The NRA sends the report to the SRB. Either:
 - a. The NRA converts the Excel file to XBRL locally before submitting to the SRB Portal; or
 - b. The NRA submits the Excel file to the SRB Portal, which converts it into XBRL.
5. Data Validation:
 - a. If the XBRL file is validated, additional checks on accurateness, completeness and consistency will be performed by NRAs/SRB; or
 - b. If the XBRL file is invalidated then the NRA receives an error report and contacts the institution for further details/correction of the report before re-submission (see points 3 to 4b above).

Timeline for the 2017 process



Outlook beyond 2017

- The SRB's medium term goal is to establish a reporting standard for liability data that is equally useful for resolution planning, informing resolution decisions, and implementing resolution measures. A high degree of standardisation is required to allow automated data processing while minimising ambiguities and errors.
- For the next couple of years the SRB will continue to ask for year-end reports from all banking groups, in line with the annual resolution planning cycle of the BRRD, while further refining the template and aligning the reporting deadlines with FINREP and COREP, in a phased approach:
 - > Report on end of 2016 data due by 15 May 2017;
 - > Report on end of 2017 data due by 30 April 2018;
 - > Report on end of 2018 data due by 31 March 2019.
- Known drivers that could require further developments of the LDT:
 - > Operationalisation of resolution tools, including both bail-in and transfer strategies that require the ad hoc separation of liabilities associated with critical functions.
 - > Standardisation of MREL eligibility criteria through the CRR.
 - > MREL reporting and disclosure requirements as per EC legislative proposal and EBA mandate: SRB will continue to engage and will aim to ensure that reporting and disclosure requirements can easily be aggregated from the granular information in the LDT.
 - > SRB cooperation with other EU (resolution) authorities with the aim of avoiding duplication and reducing reporting burden on banks.

**SRB remains committed to create a stable reporting format to the maximum extent possible.
The development of an XBRL taxonomy and internal SRB-systems are key steps towards this goal.**

Agenda



1. Introduction
2. Lessons Learned from the 2016 LDT process
 - > Process
 - > Data quality
 - > Deadlines
 - > Change management
3. Detailed changes to the 2017 Liability Data Reporting
 - > Changes to the LDT itself
 - Changes by reporting tables
 - Tailored approach to reporting entities
 - Differentiated reporting requirements and consolidation perimeters
 - Hypothetical example
 - > Reporting process
 - > Timeline for the 2017 reporting process
 - > Outlook beyond 2017
4. Conclusion

Conclusion – Summary of key messages for 2017

- Despite some shortcomings, the 2016 LDT process was a success and the reporting format has proven to be broadly appropriate. Important feedback from industry participants and experience gained from analysing the data have been used to enhance the template.
- In 2017 the SRB expects banks to demonstrate improvements in data quality and will start to benchmark banks' performance: data completeness and accuracy are critically important to inform sound resolution decisions and a smooth implementation of resolution measures.
- Data formats and deadlines must be respected: by 15 May SRB expects all banks to have delivered LDTs that successfully meet XBRL validation rules.
- In 2017 SRB requests all banks to report LDTs in Excel, but from 2018 onwards SRB generally expects banks to be able to report in XBRL format.
- In the medium term all banks need to demonstrate their resolution readiness by developing the capacity to report the LDT on an ad-hoc basis for any business day of the year.
- To achieve this goal, all banks are expected to start the development of IT solutions in 2017 while retaining sufficient flexibility to support further changes to the LDT in coming years.



**Single
Resolution Board**

30-01-2017

THANK YOU

For more information, please contact:

SRB-INFO@srb.europa.eu

Annex 1

Excerpt from the 2nd Industry Dialogue

Key messages on information needs from banking groups in 2016

Setting the scene

MREL as sum of components

Information needs from banks

Timeline for information requests in 2016

Main messages

1. In the coming months, the SRB will request granular liability information for all entities for which it has to set MREL, based on 2015 year-end balance sheets. The request will go beyond the consolidated group level and cover each licensed subsidiary of the EU parent entity within the Banking Union in order to prepare the MREL decisions for next year.
2. The 2016 data request will not be limited to MREL eligible instruments, but cover excluded and other eligible liabilities as well. For own funds and for MREL eligible liabilities information will be requested at the instrument level; for certain other categories of eligible liabilities, the information will be requested at the netting set, counterparty or customer level.
3. Irrespective of the frequency of the future reporting requirement, the SRB will expect all institutions to be able to produce the information on an ad hoc basis and on short notice as this necessary for implementing the bail-in tool within any resolution scheme.
4. When engaging with banking groups on a bilateral basis for communicating an indicative MREL target, the SRB expects groups to be ready to discuss:
 - Their own perspective on the ex-ante assessment that the SRB is required to conduct, mentioned on p.13
 - Their issuance strategy at a high level covering at a minimum the type of instruments, the target investor base, and their issuance capacity

Annex 2

Legal Framework

- Article 13.1 of the BRRD sets out the requirements for entities to report the information required according to article 11 of the BRRD
- The Commission Implementing Regulation (EU) 2016/1066 of 17 June 2016 provides a minimum set of information that is required for resolution planning purposes
- Taking into account this minimum set of information (i.e. Annex V to the Implementing Regulation), other requirements identified by the SRB, as well as the requirements in article 11.2 of the BRRD, the SRB has developed the Liability Data Report and intends to request it on a periodic basis