New Ways in Reporting for Austrian Banks

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The Austrian banking system

Top banks
(> 50% of balance sheet total (bst))

~ 720 Banks
in Austria
Thereof ~650 CRR CIs

~ 80 foreign subsidiaries

Other medium sector banks
(~20% of bst)

Small and
decentralised banks
(~20% of bst)

~ 680 institutions

Radius ~ unkons. BBS
Facing the challenge
Benefit from synergy effects of an harmonised reporting process
Why new ways in data reporting?

- In the field of central banks’ statistics and supervision user and hence data reporting requirements have grown significantly.
- They are getting more granular and complex.

- Traditionally, each institution used its own approach to data collection.
- Leads to redundant data collection schemes and a lack of data consistency.
- Internal and external reporting often diverge.

- Need for high-quality, comparable and timely data on the one hand (BCBS 239) and cost efficiency on the other-hand motivate for.
- New ways in data reporting.
The two pillars of the Austrian way

- **Precondition:** Commitment of banks’ top management to support the new ways of reporting
- **Objective:** medium term cost savings for the whole market with better data quality

*SCom … Standing Committee between banks and OeNB
*AuRep … Austrian Resporting Services GmbH
Key factor cooperation with banks

Banks

AuRep* and other service providers

OeNB

SCom

Joint development

Basic Cube

- Selection
- Transformation
- Aggregation

Enrichment

Smart Cubes

- Securities Cube
- Loan Cube
- Deposits Cube
- Other Smart Cubes

*SCom … Standing Committee between banks and OeNB
*AuRep … Austrian Resporting Services GmbH
Austrian Reporting Services GmbH Tasks

- Founded in 2014 by 7 banks as **central reporting platform**
- AuRep covers now about **90%** of the Austrian banking sector
- Banks are still responsible for correctness of the reports and their content
- **Main tasks**
  - **Production** of Smart Cubes (multidimensional reporting forms)
  - **Pre-testing** the joint reporting software
  - **Interface to software developer**
  - **Interface to banks** regarding sourcing of the joint reporting data warehouse (Basic Cube)
  - **Central contact** for OeNB in case of **technical issues**
  - Cooperation with OeNB regarding **mapping rules** from Basic Cube to final templates
  - Strategic partner of OeNB concerning the further development of the reporting data model
Advantages/Challenges

- Consistent **implementation** of integrated data model → avoiding **double efforts** for the implementation
- Unique **software** and **hardware**
- Central **enrichment, aggregation, quality assessment- and correction** procedures
- Central discussion **platform**
- Central **interface** (i.e. intermediary) to OeNB

- Higher **project risk** for banks due to initial costs, new interfaces, processes & responsibilities, performance
- **Acceptance** of the new roles and using **synergy potentials**
The Role of BDD, ERF and SDD

Primary data (Operational system)

- Transformations by banks

Transformations defined by banks

Basic Cube

Input layer

Transformations defined by banks

Output layer

NCBs/NSAs requirements

Transformations defined by banks and authorities in close collaboration

ERF

BIRD

Transformations defined by NCBs/NCAs and ECB in close collaboration

Secondary statistics and templates (BSI, FINREP...)

Transformations defined by NCBs/NCAs and ECB in close collaboration

Transformations defined by banks

Smart Cubes
Components of the Austrian integrated data model

- **„BasicCube“** (input layer)
  - Transmission release through credit institutions
  - Interfaces operational systems
  - Physically implemented
  - Basic Cube is mainly based on single business cases
    - Loans
    - Derivatives
    - Off-balance sheet
    - Securities

- **„SmartCubes“** (primary reporting)
  - SmartCubes (primary reporting)
  - Selection, Aggregation
  - Aggregation
  - Reference data
  - ISIN, Loan Cube (micro data) & aggregated cubes

- **Secondary statistics and templates**
  - Supervisory (EBA-ITS)
  - Statistics
  - National Needs
  - Reference data

*Meldewesen Wiki: Joint data model documentation*
Evolution of data collection in the OeNB

Using the example of unconsolidated securities assets of banks

Banks‘ source systems

Till 2015

OeNB

Isin-by-Isin (multi use)

b-by-b (credit register)

Monetary statistics

Remaining maturity statistics

Balance sheet

Securitisation (s-b-s)

Basic Cube

Selection, Aggregation

Securities-Cube
(Isin-by-Isin)

Drill Down

Today

Balance sheet

FinRep solo

Supervision

Statistics
Reporting of AnaCredit

- Loan data are collected only once and used for different purposes
- Stepwise approach: CCR und AnaCredit will be integrated in a first step, other requirements like BSI/MIR in a second step
Basic Cube (~ Input Layer)

- ... Provides an exact, **standardised**, unique and hence unambiguous definition of individual business transactions and their attributes
- ... Establishes a **harmonised** database model at a very **granular** level
- **Consistency**, the **absence of redundancy** and ease of **expandability** are key features of the Basic Cube
- ... Has been **developed jointly** by banks and the OeNB, but OeNB staff will not be allowed to access the Basic Cube
- ... Will be the **basis for** (almost) all **reporting obligations** and it is the harmonised basis for additional data requests
- ... Is **not a legally binding** but banks committed to its implementation in a cooperation agreement
Expectations on the new data model

- Multi-dimensional cubes allow the re-use of data for different needs
- More flexibility in reporting and analysis
- Consistency of input- and output data (internal, external reporting)
- More clarity regarding definitions and “automatically” higher quality through Basic Cube
- Reduction of costs for the whole market (i) to apply new requirements and (ii) for quality assurance
- Passive data – less burdensome for both sides and better response times in case of ad hoc requests

• It’s too early to judge whether all expectations can be fulfilled
• However, first cube reporting and AnaCredit modelling meetings give evidence that we are on the right way
Advantages/Challenges for banks

- Precise, consistent specifications → easier implementation
- Less redundancies → less comparisons and inquiries from OeNB
- No burdensome ex-post corrections of aggregated reporting templates
- Higher flexibility in case of new requirements
- Higher efficiency regarding the implementation of ad hoc requests
- Consistency between internal and external (management) reporting

- Rethinking in organisation and processes of reporting
- Not the aggregated final reporting template (e.g.: FinRep, BSI) but the single business case is in focus
- Less degrees of freedom in implementation
Components of a successful paradigm change

- Integration of all organisational units with standardised data collection tasks as a first step
- Top management support
- Integration of contents and detailed definition of requirements
- Transparent communication
- Inclusion of banks concerning the development
- Stepwise approach and a well planned transition period with a parallel testing phase
Conclusions

- Integrative data model of OeNB represents a paradigm shift in bank supervision and statistical data remittance
- It requires on both sides (OeNB, reporting banks) a rethinking with regard to existing reporting processes and …
- … jointly developed innovative solutions in the areas of data processing and quality assurance
- It fosters two-way understanding and transparency of the reporting process
- Finally, it will lead to
  - higher data quality
  - less redundant data deliveries, and to
  - higher flexibility in case of new requirements
  - expected lower costs
Stepwise implementation of regulatory reporting requirements using the example of FinRep solo

- **short term** (June 16 – Dec. 17)
  - Banks (operational data bases)
  - e.g. AuRep
  - OeNB
  - „Statistics“ Cubes (Isin, loans, deposits)
  - EZB

- **medium term**
  - Basic Cube
  - Drill-Down
  - FinRep Template
  - Statistics Cubes
  - EZB

- **long term** (European Integration)
  - Basic Cube
  - Drill-Down
  - Aggregation
  - EZB
  - ERF
Data quality

- Medium- to long term improvement of data quality with less costs/efforts for the whole market is expected, because …

- the use of reporting data for internal purposes will increase banks’ own interest in high quality reporting data

- precise definitions and clear specifications lead to less inquiries from banks and to better results

- a central implementation concentrates efforts and leads to unique solutions → simplifies the communication between banks and OeNB

- the data model requires better quality at the level of a single business case, whereby quality problems are solved at the root

- redundancy-free collections minimise the efforts of burdensome ex post comparisons
Specific challenges - OeNB

- Higher compilation efforts in the OeNB
- Dependencies between processes due to integration
- Increasing data volume
- Higher complexity of processes, acknowledgement messages, analysis
- Maintenance of the data model documentation
- Higher responsibility due to precise data model and mapping rules
- New quality assurance methods
- Higher Know How needs with regard to the banking business
- Legal boundaries with regard to integration of different requirements
- Initial costs