

MEMO# 30988

December 20, 2017

EU Commission Call for Evidence Report and Supervisory Reporting Consultation

[30988]

December 20, 2017 TO: ICI Global EU Capital Markets Union Task Force
ICI Global Regulated Funds Committee
ICI Global Trading & Markets Committee
International Operations Advisory Committee
International Operations Working Group RE: EU Commission Call for Evidence Report and Supervisory Reporting Consultation

On 1 December 2017, the European Commission (“the Commission”) published: (i) a follow-up report (“the report”) to its Call for Evidence on the EU regulatory framework for Financial Services;[\[1\]](#) and (ii) a public consultation on supervisory reporting requirements. The consultation seeks input on concrete measures that can be taken to reduce reporting burdens. ICI Global intends to respond to the public consultation by the 28 February deadline.

Summary of the Report

The Report summarises the feedback and follow-up actions arising from the Call for Evidence on the EU regulatory framework for financial services launched on 30 September 2015,[\[2\]](#) to which ICI Global responded.[\[3\]](#)

Section 1 of the Report provides an overview of the Call for Evidence exercise. Section 2 discusses the progress achieved by the Commission so far. Section 3 provides further detail on the Commission’s commitment to perform a comprehensive assessment of the overall supervisory reporting framework. Section 4 concludes by confirming the Commission’s continued commitment to evidence-based policy-making.

Section 1 - Introduction

In its Communication[\[4\]](#) of November 2016, the Commission concluded that whilst the financial services framework in the EU was generally working well, targeted follow-up measures were justified in following four areas:

- reducing unnecessary regulatory constraints on financing the economy;
- enhancing the proportionality of rules while preserving prudential objectives;
- reducing undue regulatory burdens; and
- making the regulatory framework more consistent and forward-looking.

The Report summarises the follow-up measures that have already been taken, including in the context of the European Market Infrastructure Regulation (EMIR) review,[\[5\]](#) the European Supervisory Authorities (ESA) review[\[6\]](#) and the mid-term review of the Capital Markets Union (CMU) Action Plan.[\[7\]](#) The Commission also emphasises the following two messages in the Report:

- the Commission has been active in tackling the issues identified by stakeholders in the Call for Evidence process and continues to do so to ensure that EU legislation remains fit for purpose;
- the Commission is working to ensure that the regulatory compliance framework is fit for the digital age, where possible through automation and standardisation. This should ultimately lead to reducing the burden for industry and result in better financial supervision

Section 2 - Follow-up Actions

Section 2 of the Report summarises the follow-up measures that have been delivered so far. Altogether, the Commission believes that the measures contribute to a regulatory framework that:

- is more conducive to lending and investment;
- acknowledges the unique characteristics of smaller and less risky firms; and
- aims to keep the compliance burden to a necessary minimum.

The annex to this memo contains a summary of the measures that the Commission has taken, or that are ongoing, which are of greatest relevance to regulated funds and their managers.

Section 3 - Focus on reporting

In Section 3 of the report, the Commission notes the following three concerns in respect of reporting requirements in EU legislation, that were expressed by respondents to the Call for Evidence:

- Supervisory reporting requirements are perceived as too numerous and too complex. The complexity is to a large extent due to duplications and overlap across different reporting frameworks, but also to insufficient standardisation and the lack of clarity on what needs to be reported (e.g. lack of harmonised financial data definitions, lack of references to existing international standards);
- Major changes to EU legislation on supervisory reporting often result in substantial one-off costs, in particular where IT systems or internal procedures need to be adapted. Stakeholders therefore stressed the importance of reducing the frequency of changes to supervisory reporting requirements, and of allowing sufficient time to implement any such changes; and
- Ad hoc requirements, e.g. requests by supervisors that go beyond the regular reporting requirements, were perceived as particularly disruptive and costly.

ICI Global raised similar concerns in its response to the Call for Evidence[\[8\]](#) and its response to the ESA review[\[9\]](#) where we made the following high-level recommendations:

- (Remove) regulatory reporting obligations on funds and their managers, that are duplicative or without clear added value, would reduce costs for fund investors and likely improve the quality of reported data. Reporting obligations stem from existing EU level Directives, Regulations and Decisions, including imposed by institutions such as the ECB and ESRB;

- Regulators should consider, on a holistic basis, the data collected for supervisory purposes. The content and frequency of reports should be examined and streamlined, and each element of reporting carefully considered to determine whether it is necessary to fulfil the purpose of the data collection. Duplicative and divergent approaches (e.g. different IT standards and reporting channels) to collecting similar, or the same data, from regulated funds and their managers should be eliminated to reduce the burden on reporting entities; and
- ESMA should promote more harmonisation and consistency in regulatory reporting obligations to limit the burden of duplicative regulatory reporting obligations for regulated funds and their managers thereby reducing costs for fund investors and likely improving the quality of reported data.

The Commission intends to undertake a review of its approach to supervisory reporting, with the following two objectives:

- To identify specific areas where action is required, i.e. EU legislation where supervisory reporting requirements appear to overlap or create duplication and where there is insufficient clarity on what needs to be reported, insufficient standardisation and gaps or inconsistencies.
- To devise concrete measures that can help reducing compliance costs for firms, while improving the quality of information provided to supervisors. This implies streamlining and simplifying supervisory reporting requirements, but also considering a completely new and innovative approach to supervisory reporting. One of the key parts of this is the 'report once' principle. The idea is that entities would report their information only once, with any relevant authority subsequently being able to access this data on an 'as-needed' basis

The Commission intends to simultaneously pursue two workstreams: (i) a "Fitness check" of supervisory reporting requirements (for which it has published a consultation, discussed in greater detail below); and (ii) a financial data standardisation project. The Commission is also looking at how technology can be used to support reporting, including automation.

Consultation on Supervisory Reporting Requirements

Alongside the Call for Evidence Report, the Commission has published a consultation ("the Consultation") under the auspices of the "Fitness check" of supervisory reporting requirements it is pursuing.^[10] ICI Global intends to respond to the public consultation via the online questionnaire^[11] by the 28 February deadline.

The Consultation is structured into the following three sections, reflecting the main issues and challenges that have been identified by the Commission:

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

The annex to this memo contains the 40 questions that the Commission asks in the Consultation.

ICI Global may hold a member call to discuss the Consultation. Members whom have feedback that they wish to incorporate into ICI Global's response should contact Giles Swan on +44 207 961 0832 or at giles.swan@iciglobal.org

Next Steps

The deadline for responses to the Consultation is 28 February 2018. The European Commission will consider responses, including feedback obtained through a planned workshop on 26 March 2018, and intends to publish a report on the results by summer 2019.

Giles Swan
Director of Global Funds Policy, ICI Global

[Attachment No. 1](#)

[Attachment No. 2](#)

endnotes

[1] Follow up to the Call for Evidence – EU regulatory framework for financial services, EU Commission, 1 December 2017, available from https://ec.europa.eu/info/sites/info/files/171201-report-call-for-evidence_en.pdf

[2] See Memo 29441, RE: Member Call: EU Commission Call for Evidence: EU Regulatory Framework for Financial Services, dated 22 October 2015, available from <https://www.iciglobal.org/iciglobal/pubs/memos/memo29441>

[3] See Memo 29677, RE: Response to European Commission Call for Evidence on the EU Regulatory Framework for Financial Services, dated 29 January 2016, available from <https://www.iciglobal.org/iciglobal/pubs/memos/memo29677>

[4] Communication from the European Commission – EU Regulatory Framework for Financial Services, 23 November 2016, available from <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1481281099294&uri=CELEX:52016DC0855>

[5] Proposal for a Regulation – EMIR Amendment, available from https://ec.europa.eu/info/law/better-regulation/initiatives/com-2017-208_en and see also, Memo 30783, RE: ICI Global Submits Comment Letter in Response to European Commission's Proposal to Amend Its Derivatives Rules, 18 July 2017, available from <https://www.iciglobal.org/iciglobal/pubs/memos/memo30783>

[6] See Memo 30901, RE: EU Commission Proposed Regulation to Reform the European System of Financial Supervision, dated 6 October 2017, available from <https://www.iciglobal.org/iciglobal/pubs/memos/memo30901>

[7] Mid-Term Review of the Capital Markets Union Action Plan, 8 June 2017, available from https://ec.europa.eu/info/publications/mid-term-review-capital-markets-union-action-plan_en and see also, Memo 30643, RE: ICI Global response to the European Commission's consultation on the CMU Mid-Term Review, available from <https://www.iciglobal.org/iciglobal/pubs/memos/memo30643>

[8] See p31 and p32, response to Issue 6, ICI Global response to EU Commission Call for

Evidence on the EU regulatory framework for financial services, available from <https://www.iciglobal.org/pdf/29677.pdf>

[9] See response to Question 12, ICI Global response to European Commission consultation on the Operation of the European Supervisory Authorities, available from <https://www.iciglobal.org/iciglobal/pubs/memos/memo30759>

[10] Consultation – Fitness Check on Supervisory Reporting, 1 December 2017, available from https://ec.europa.eu/info/sites/info/files/2017-supervisory-reporting-requirements-consultation-document_en.pdf

[11] <https://ec.europa.eu/eusurvey/runner/supervisory-reporting-requirements-2017>

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