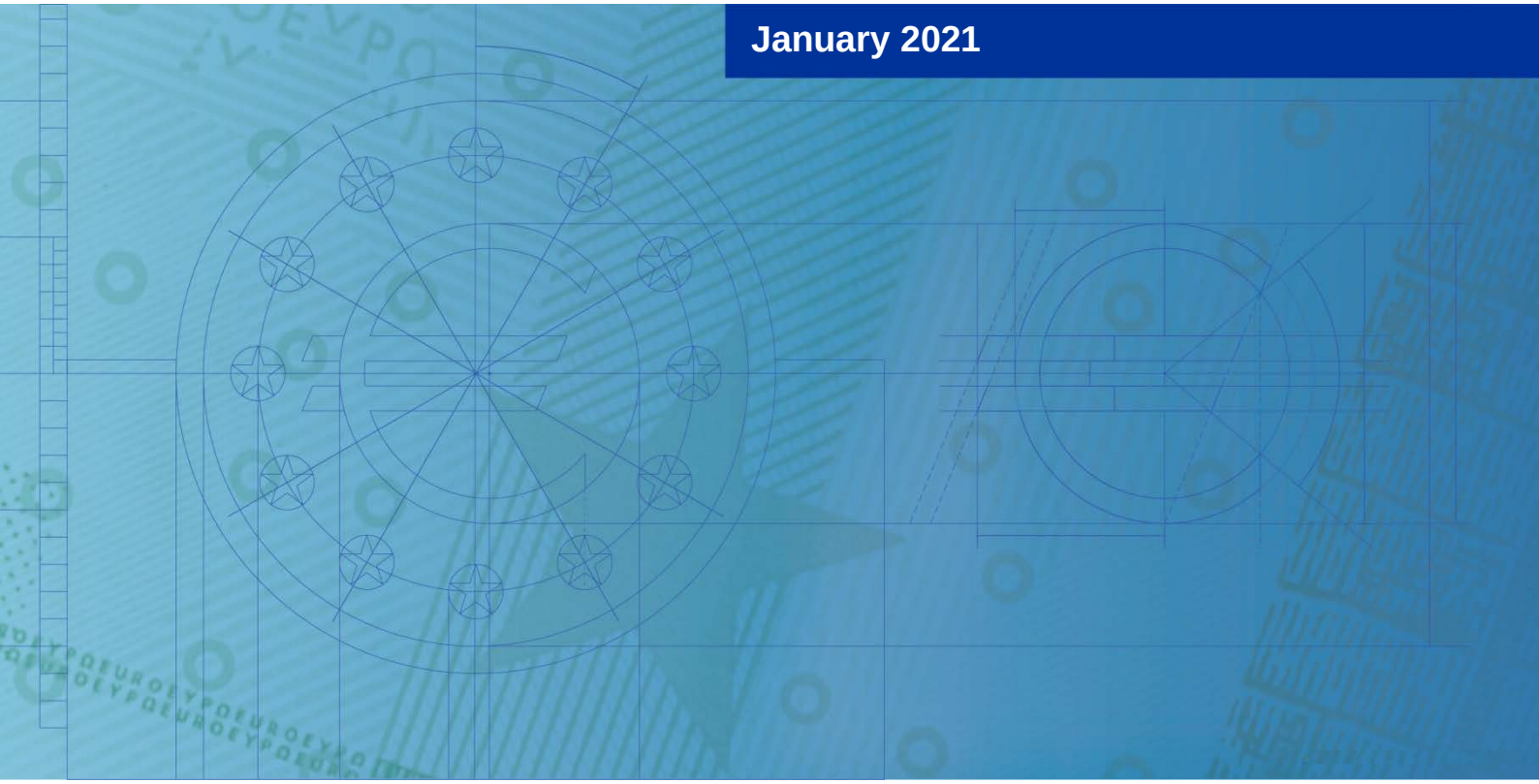
EUROPEAN CENTRAL BANK

EUROSYSTEM

Feedback statement

Responses to the public consultation on amendments to the ECB Regulation on monetary financial institution balance sheet statistics

January 2021



1 Executive summary

On 10 February 2020 the European Central Bank (ECB) launched a public consultation on a draft ECB Regulation amending Regulation (EU) No 1071/2013 of the ECB of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (recast) (ECB/2013/33) (the "draft amending Regulation"). The draft amending Regulation proposed new reporting requirements to enhance analysis of monetary and credit developments, as well as modifications to some existing requirements, definitions and reporting derogations where this would support better integration with other statistical datasets.

The ECB has been collecting statistics on the balance sheets of monetary financial institutions (MFIs) since 1999. These statistics – covering euro area credit institutions, other financial institutions carrying out "bank-like" business, and money market funds – provide the main input to the compilation of euro area monetary aggregates. They also allow policymakers to analyse banks' lending activities, in particular lending to households and non-financial corporations. Data are currently collected on the basis of ECB Regulation ECB/2013/33[1] which first applied to the December 2014 reference period. In line with the normal practice of periodically reviewing statistical reporting requirements laid down in ECB regulations, the ECB undertook an assessment of the existing requirements through a comprehensive merits and costs procedure[2] that was initiated in the autumn of 2018.

The public consultation on the amending Regulation was launched, following the approval of the Governing Council of the ECB, on 10 February 2020 and lasted until 13 March. The ECB received five written responses, all with relevant input. Following the public consultation and the response from the European Commission, the ECB analysed and gave due consideration to all comments received and incorporated the feedback into the Regulation. These changes include:

1. a postponement of the first reporting deadlines until early 2022;
2. the removal of requirements on the reporting of revaluation adjustments of financial derivatives;
3. a clarification to the guidance for the reporting of revaluation adjustments of instruments other than loans and debt securities.

This feedback statement presents the ECB's assessment of the comments received.

Following the assessment, and in the context of the disruption caused by the coronavirus (COVID-19) pandemic, the ECB decided to postpone the implementation of the new reporting requirements until the reference period January 2022 (for monthly

1 Regulation (EU) No 1071/2013 of the ECB of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (ECB/2013/33).

2 See: "The ECB's merits and costs procedure in the field of European statistics".

reporting requirements) and the first quarter of 2022 (for quarterly reporting requirements).

In order to accommodate changes to related legal acts which will apply as from mid-2021 and which are closely linked with Regulation ECB/2013/33, while at the same time allowing for the postponement of the new reporting requirements until the beginning of 2022, it was necessary to convert the draft amending Regulation into a new recast Regulation (the “new Regulation”). The redrafting as a recast of Regulation ECB/2013/33 led to additional redrafting and restructuring of the new Regulation, as compared with the draft amending Regulation, although this did not affect the reporting requirements presented in the public consultation.

The new Regulation was forwarded to the Governing Council of the ECB and adopted as the ECB Regulation on the balance sheet items of credit institutions and of the monetary financial institutions sector (ECB/2021/2) on 22 January 2021. The new Regulation was published on the ECB’s website on 27 January 2021, together with this feedback statement.

2 Overview and analysis of responses

The ECB launched the public consultation on the draft amending Regulation on 10 February 2020. The period for submitting comments on the draft ran until 13 March 2020. A total of 19 comments from five respondents were received. Submissions were made by national and European banking associations, as well as one bank. Table 1 shows the breakdown of responses by type of institution and the specific part of the draft amending Regulation on which comments were provided.

Respondents welcomed the opportunity to comment on the draft amending Regulation and the new statistical reporting requirements. The comments referred to a number of the statistical requirements, in some cases requesting clarifications on their purpose. Respondents also highlighted other initiatives affecting the reporting burden on the banking sector, such as the implementation of changes to supervisory reporting requirements in mid-2021, the recent implementation of new requirements for granular credit and credit risk data from credit institutions (AnaCredit)[3], and the changes to the reporting requirements for payments statistics[4].

Following the public consultation, the ECB analysed and gave due consideration to all the comments received. This feedback statement presents the ECB's assessment of those comments.

Having concluded its assessment, and in the context of the disruption caused by the coronavirus (COVID-19) pandemic, the ECB decided to postpone the implementation of the new reporting requirements. The new monthly requirements will apply as from the reference period January 2022 (to be first reported in February 2022), and the new quarterly reporting requirements will apply as from the first quarter of 2022 (to be first reported in May 2022).

It has been necessary to take into account other developments relevant to these statistics in the meantime, in particular the parallel drafting of a recast of Regulation (EC) No 1745/2003 on the application of minimum reserve requirements (ECB/2003/9)[5] (the "Minimum Reserve Requirements Regulation"). The Minimum Reserve Requirements Regulation is closely linked to Regulation ECB/2013/33, as the latter provides the necessary statistical data for the calculation of the reserve bases of credit institutions subject to minimum reserve requirements. Both Regulations must take into account the extension of the definition of "credit institution" in Article 4(1)(1) in amendments to the Capital Requirements Regulation[6] to include systemic investment firms from 26 June 2021. To the extent that systemic investment

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3 Regulation (EU) 2016/867 of the European Central Bank of 18 May 2016 on the collection of granular credit and credit risk data (ECB/2016/13) (OJ L 144, 1.6.2016, p. 44).

4 Regulation (EU) No 1409/2013 of 28 November 2013 on payments statistics (ECB/2013/43) (OJ L 352, 24.12.2013, p. 18).

5 Regulation (EC) No 1745/2003 of the ECB of 12 September 2003 on the application of minimum reserves (ECB/2003/9) (OJ L 250, 2.10.2003, p. 10).

6 Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (OJ L 314, 5.12.2019, p. 1).

firms authorised as credit institutions are not authorised to take deposits or other repayable funds from the public and to grant credits for their own account, they should not be classified in the MFI sector. Consequently, it is necessary to make a distinction for credit institutions that are not MFIs ("non-MFI credit institutions") within the reporting population from 26 June 2021 onwards.

In order to accommodate these changes, while postponing new reporting requirements until 2022, it has been necessary to convert the draft amending Regulation into the new Regulation, which is a recast of Regulation ECB/2013/33. The new Regulation will apply as from 26 June 2021. However the reporting requirements under Regulation ECB/2013/33 will continue to apply until the above-mentioned first reporting dates for the new requirements in 2022.

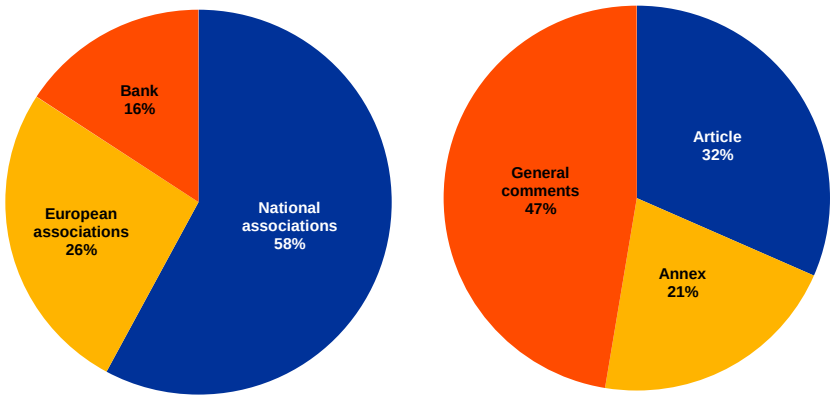
The new Regulation was substantially redrafted and restructured as compared with Regulation ECB/2013/33 and the draft amending Regulation presented in the public consultation, although this did not affect the new reporting requirements covered by the public consultation. A table summarising the amendments made following the public consultation is included in Section 7.

The new Regulation was forwarded to the Governing Council of the ECB and adopted as the ECB Regulation on the balance sheet items of credit institutions and of the monetary financial institutions sector (ECB/2021/2) on 22 January 2021. The new Regulation was published on the ECB's website on 27 January 2021, together with this feedback statement.

Table 1

Breakdown of responses by type of respondent and specific part of the draft Regulation commented on

	National associations	European associations	Bank	Total
Recitals	0	0	0	0
Article	4	2	0	6
Annex	3	1	0	4
General comments	4	2	3	9
Total	11	5	3	19



3 Rationale for and scope of the new Regulation

3.1 Rationale for the new Regulation

Statistics on MFI balance sheets are among the core statistics used by the ECB for conducting monetary policy. They provide crucial information on monetary developments in the euro area (i.e. monetary aggregates), on credit (e.g. lending to households and non-financial corporations), and on banking business in general. In addition to supporting monetary policy decision-making, these statistics also contribute to financial stability analysis and prudential supervision. Each month, the European System of Central Banks (ESCB) compiles and disseminates a wide range of indicators based on these statistics, covering the euro area and individual Member States, thus providing an overview of the latest monetary and credit developments to the wider research community and the general public.

MFI balance sheet data are also used: (i) to support other statistics, such as MFI interest rate statistics (MIR) on deposits from and loans to euro area households and non-financial corporations; (ii) as an input into the quarterly integrated economic and financial accounts for the euro area compiled by the ECB and Eurostat; and (iii) in combination with monthly balance of payments statistics, to enable monetary and balance of payments developments to be analysed together in a monetary presentation of the balance of payments.

This review has had a less significant impact on the reporting requirements in comparison with previous updates, as it has taken place against the backdrop of other significant statistical initiatives by the ESCB. These include the recent implementation of new requirements for granular credit and credit risk data from credit institutions (AnaCredit), and the ongoing Integrated Reporting Framework project[7] to standardise and integrate banks' existing statistical data requirements. The latter is scheduled for implementation in 2024-27, subject to the outcome of the cost-benefit analysis. Consequently, there was a focus on the high priority needs of data users and other changes which supported the goal of better integration with other statistical datasets.

The new Regulation includes new requirements for analysing monetary and credit developments. This includes, for example, requirements on loan transfers and cash management services, which may have an impact on MFI balance sheets and hinder the analysis of MFIs' interaction with the non-financial sectors. Other new requirements relate to less detailed parts of banks' balance sheets (for example capital and reserves, non-financial assets and remaining assets/liabilities) and aim to allow a more comprehensive interpretation of their activities from a monetary and financial stability perspective.

[7] Further information on the ESCB Integrated Reporting Framework (IReF) project can be found on the ECB's website.

Many of the new features included in the new Regulation are already included in Guideline ECB/2014/15[8] under which national central banks (NCBs) transmit to the ECB some supplementary items on MFI balance sheets, where data are available. Moving those items to the new Regulation contributes to enhancing both the coverage of the data and the harmonisation of concepts, and in some cases helps to streamline the legal instruments. Often, the proposed features are already included in national reporting frameworks, and as such they may not always be "new" requirements from the perspective of reporting agents. The new Regulation also removes some existing requirements, for example on loans backed by real estate collateral.

3.2 Scope of the new Regulation

The scope of the new Regulation is unchanged as compared with the existing Regulation ECB/2013/33. It imposes reporting obligations on:

- credit institutions (including branches of credit institutions resident in the euro area that are headquartered outside the euro area);
- deposit-taking corporations other than credit institutions, which are financial intermediaries whose business is to receive (not only from other MFIs) deposits and/or close substitutes for deposits, and, for their own account, to grant loans and/or make investments in securities;
- electronic money institutions that are principally engaged in financial intermediation in the form of issuing electronic money;
- money market funds (MMFs).

With regard to credit institutions, the new Regulation continues to apply the definition of Article 4(1)(1) of the Capital Requirements Regulation. However, as from 26 June 2021, an amendment of the Capital Requirements Regulation expands the definition of a credit institution to include systemic investment firms. To the extent that those firms are not authorised to take deposits or other repayable funds from the public and to grant credits for their own account, they are not included in the MFI sector. Consequently, as from 26 June 2021 it will be necessary to distinguish those credit institutions within the reporting population that are not MFIs ("non-MFI credit institutions"). In addition, the definition of MMFs for statistical purposes is amended in order to bring the scope of coverage in MFI balance sheet statistics into closer alignment with the scope.[9]

As with the current Regulation, the new Regulation is only binding on those Member States whose currency is the euro (euro area Member States). Nevertheless, non-euro area Member States are to implement all measures that they consider

[8] Guideline of the European Central Bank of 4 April 2014 on monetary and financial statistics (ECB/2014/15) (OJ L 340, 26.11.2014, p.1).

[9] Regulation (EU) 2017/1131 of the European Parliament and of the Council of 14 June 2017 on money market funds (OJ L 169, 30.6.2017, p.8).

appropriate for collecting the statistical information needed to fulfil the ESCB's statistical requirements, and for making timely preparations for joining the euro area.

4 Analysis of merits and costs

4.1 The ECB's merits and costs procedure

The preparations for the drafting of the amending Regulation followed the principles and procedures set out in Council Regulation (EC) No 2533/98[10]. In designing and issuing its statistical regulations, the ECB follows the statistical principles underlying European statistics produced by the ESCB as set out in the "Public commitment on European Statistics by the ESCB", particularly as regards the need to minimise the reporting burden.

Bearing in mind the ESCB's aim to perform its statistical function effectively – and in order to use resources efficiently when collecting, compiling and disseminating statistics – all requirements necessary to address new challenges and meet ever-changing information needs are subject to a "merits and costs procedure". This is an in-depth investigation of the embedded costs and benefits for all stakeholders involved, including the financial institutions potentially affected.

Since its first application in 2000, the merits and costs procedure has been applied in the drafting of around 15 ECB regulations on statistics in the context of the Treaty on the Functioning of the European Union (TFEU, Article 5 of the Statute of the ESCB and of the ECB) and of Council Regulation (EC) No 2533/98. As far as the new Regulation is concerned, the procedure involved the following steps:

- a **consultation** of relevant ESCB committees in order to collect their needs as users of statistics;
- a **cost assessment**, via a questionnaire addressed to data and information compilers (the ECB and NCBs) and reporting agents, to estimate in qualitative terms the costs of collecting the information identified in the previous step, and to enable a more in-depth view of the costlier features, differentiating between set-up and running costs for reporting agents;
- a **merits assessment**, via a questionnaire circulated to ESCB user committees, to assess the expected benefits and uses of the statistical information that would be provided by the proposed new reporting features;
- an **matching of merits and costs**, in which the ESCB – assisted by its relevant committees and their sub-structures – weighed the benefits of the various options for users against the costs for compilers and reporting agents and, based on the findings, produced a draft regulation to be submitted to the Governing Council of the ECB.

[10] Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank (OJ L 318, 27.11.1998, p. 8).

4.2 The merits and costs procedure as applied to the new Regulation

The approach to designing the requirements for collecting MFI balance sheets data under the new Regulation was fully aligned with the merits and costs procedure, which ran from late 2018 until late 2019[11].

The cost assessment was carried out by the NCBs in liaison with the reporting population. It confirmed that many of the proposed features had, on average, limited costs in terms of implementation and regular increase in workload, in particular where they were already reported to NCBs under national reporting frameworks. Other features were found to have somewhat higher costs, in particular the proposed new features relating to notional cash pooling and commercial real estate investment.

The merits assessment for the proposed new reporting requirements was carried out by the same user committees that had expressed data needs in the user consultation. The features designed in response to high priority requests in the user consultation were confirmed to have high merits, and overall the users welcomed how these had been addressed in the draft reporting scheme. In addition, some of the lower-cost items relating to data already transmitted to the ECB under Guideline ECB/2014/15 were also assessed as having higher than average merits, which helped in the prioritisation of proposed new requirements. The consultation identified the following high priorities:

- securitisations and other loan transfers, in particular with respect to loans to households broken down by purpose of the loan (i.e. loans for house purchase, consumer credit, and other lending);
- notional cash pool positions;
- positions vis-à-vis non-bank financial corporations, in particular those in the European System of Accounts (ESA 2010) statistical subsectors: other financial intermediaries (S.125), financial auxiliaries (S.126), and captive financial institutions and money lenders (S.127);
- commercial real estate investment.

The matching of merits and costs was the last step before drafting the amending Regulation for the public consultation. On the basis of the outcome of the cost assessment and the associated merits assessment, a proposal for the final form of the reporting scheme was drawn up.

The matching of merits and costs was approved by the ECB in September 2019.

[11] See: "European Central Bank (ECB) update of the Regulation on monetary financial institution balance sheet statistics: summary of merits and costs".

5 Legal basis

Article 5 of the TFEU's Protocol (No 4) on the Statute of the ESCB and of the ECB requires the ECB to collect the statistical information necessary to carry out the tasks entrusted to the ESCB. The relevant EU legislation providing the framework for the ECB's statistical activities is Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank.

To perform its functions, the ECB may, subject to constraints imposed by EU legislation, adopt legal instruments that have a direct effect on certain entities resident in the euro area. These entities comprise the reference reporting population for ECB statistics, which includes, inter alia, euro area resident financial corporations. These legal instruments are ECB regulations which set out the ECB's statistical requirements for MFIs and other financial corporations in the euro area. They are binding on the entities to which they are addressed and are directly applicable, meaning that they do not need to be transposed into national law. These regulations instruct reporting entities on, for example, statistical reporting requirements in terms of definitions, classifications, frequency and timeliness.

As provided for by Article 5 of the Statute of the ESCB and of the ECB, and Council Regulation (EC) No 2533/98, it is the Governing Council of the ECB that determines which statistics should actually be collected, compiled and disseminated by the ESCB.

As a new feature in the legislative process, on 4 October 2016 the Governing Council of the ECB decided to increase the transparency in developing ECB Regulations on European Statistics[12]. Accordingly, the ECB conducted this public consultation on a draft Regulation amending Regulation (EU) No 1071/2013 of the ECB of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (recast) (ECB/2013/33), which is the basis for the new Regulation. This public consultation, which started on 10 February 2020 and ran until 13 March 2020, gave interested parties the opportunity to comment on the proposed new statistical reporting requirements. Key documents – the draft amending Regulation, a summary of the related merits and costs procedure, and frequently asked questions – were made available on the ECB's website as background information. The ECB also formally consulted the European Commission, as required under Council Regulation (EC) No 2533/98, and informed the European Parliament.

12 See: "Transparency in developing new ECB regulations on European statistics".

6 Comments on specific parts of the new Regulation

6.1 Request for postponement of the first reporting deadline

Comment: Four respondents requested a postponement of the date for the first round of reporting under the new requirements, by explaining that some of the requirements will be costly and time-consuming to implement. Furthermore, the changes in banks' reporting tools would be required almost simultaneously with the implementation in mid-2021 of changes to supervisory reporting under the Capital Requirements Regulation (CRR 2).

Assessment: The first reporting under the new reporting requirements has been postponed to 2022 in the light of both the comments from the public consultation and, in particular, the disruption caused by the COVID-19 pandemic. Reporting under the new requirements will now commence with monthly data for January 2022 (to be reported in February 2022) and quarterly data for the first quarter of 2022 (to be reported by May 2022).

6.2 Request to remove requirements on the reporting of revaluation adjustments of financial derivatives

Comment: Two respondents requested the deletion of monthly requirements to report revaluation adjustments of financial derivatives, due to a lack of clear guidance on compiling those adjustments and because these revaluation adjustments would not be comparable across Member States given the different national accounting and valuation rules.

Assessment: The aim of the proposed requirement was not to collect "harmonised" revaluations as such, but to compile transactions for which it is needed to disentangle adjustments affecting the outstanding amounts reported. However, with the aim of mitigating the burden of reporting, the mandatory collection of monthly revaluation adjustments of financial derivatives has been dropped from the Regulation.

In addition, the text has been revised in order to clarify the reporting of revaluation adjustments of instruments other than loans and debt securities.

6.3 Request to remove requirements on the reporting of own holdings of securities

Comment: Two respondents requested the deletion of reporting requirements on own holdings of securities – i.e. securities which are issued and held by the same reporting agent. The respondents pointed out that the definition of "own holdings of securities" in

this Regulation is broad and differs from what is regarded as own holdings for prudential and accounting purposes. Furthermore, the necessity of reporting these off-balance sheet items was questioned, as the amounts would neither show the ability of reporting agents to access capital markets, nor reflect the fact that holdings are rarely placed on the market at a later stage.

Assessment: The reporting requirement has been kept in the new Regulation.

The broad definition of "own holdings of securities" is to ensure that such holdings are reported as off-balance sheet holdings, rather than on the statistical balance sheet of MFIs. This is not harmonised across all jurisdictions currently. Furthermore, the purpose of the collection is to interpret how developments in MFIs' actual issuance into the market may relate to, or be substituted by, the retention of own securities (e.g. for use as collateral in refinancing operations).

It is not necessarily relevant whether or not the own holdings of securities reported will, at a later stage, be issued into the market (at which point the securities would be reported on-balance-sheet).

6.4 Request to remove requirements on the reporting of additional maturity breakdowns of loans denominated in euro

Comment: One respondent requested the removal of the requirements for maturity breakdowns of euro-denominated loans granted to non-domestic euro area non-financial corporations. Specifically this concerns the breakdown into "up to 1 year", "over 1 year and up to 2 years", "over 2 years and up to 5 years" and "over 5 years" for "euro area other than domestic" non-financial corporations. The respondent suggested sourcing the necessary information from AnaCredit data instead.

Assessment: These reporting requirements are necessary for the compilation of MFI interest rate (MIR) statistics and have been kept in the Regulation. It is also worth noting that the reporting requirements in the Regulation are symmetric for "domestic" and "euro area other than domestic" residents.

In order to avoid duplication of reporting requirements, alternative data sources were carefully considered when making proposals for new reporting requirements. This resulted in several proposals being dropped in the merits and costs procedure. However, with respect to these requirements, the collection of AnaCredit data covers only loans to non-financial corporations, and not households. In addition, the transmission of AnaCredit data would be too late to allow the timely publication of MIR statistics.

Finally, the merits and costs procedure found that these additional maturity breakdowns are already collected in most euro area countries, so adding them to the Regulation will enhance the quality and harmonisation of data.

6.5 Request for clarification on the purpose of reporting notional cash pool positions

Comment: Two respondents requested clarifications regarding the purpose of the collection of information on notional cash pool positions. They also requested a postponement of the implementation of the requirements due to the complexity of extracting the data.

Assessment: The first reporting deadline under the new Regulation, also for requirements on notional cash pool positions, has been postponed to the beginning of 2022 (see Section 5.1).

As regards the purpose of those requirements, the data on notional cash pool positions are essential in order to provide policymakers with a consistent and harmonised picture of monetary and lending developments in the euro area, while avoiding any distortion which may arise from notional cash pooling activities. Under notional cash pooling agreements[13], banks may provide some entities of the group with liquidity by means of overdrafts to the extent that they are backed by the deposits of other entities participating in the pooling agreement. The interest to be paid or received is then calculated by the bank on the basis of a "notional" net position for all accounts in the pool. From an economic point of view, these loans do not constitute a genuine provision of additional financing to the economy provided by the MFI sector. Since July 2016 the published headline figures on euro area lending developments have been "adjusted" for the impact of notional cash pooling activities of MFIs resident in the Netherlands (the most relevant country in terms of volumes). However, a consistent and harmonised picture of notional cash pooling in the euro area, which can only be achieved through collection under the Regulation, is deemed by data users to be crucial to their analysis.

6.6 Request to avoid unnecessary duplication of reporting requirements

Comment: Two respondents requested that duplications across different statistical requirements be avoided and suggested integrating parts of the requirements. For example, data on holdings of equities and debt securities are collected within existing ESCB statistics, such as the Securities Holdings Statistics (SHS), and data on own funds are collected in supervisory reporting. It was also suggested that there should be greater integration with available granular data, and agreement on aggregation rules.

Assessment: The assessment of alternative data sources is part of the merits and costs procedure and careful consideration was given to avoiding duplications with other reporting requirements. Data sources which will become available in the future through other statistical initiatives were also taken into account, including plans by the

[13] For an overview of the different types of cash pooling and the implications for statistics, see "The statistical classification of cash pooling activities", Statistics Paper Series, No 16, European Central Bank, July 2016.

ESCB to standardise and integrate existing statistical data requirements for banks through the Integrated Reporting Framework (IReF) project, which is scheduled for implementation in 2024-27, subject to the outcome of a separate cost-benefit analysis. The new requirements resulting from the merits and costs assessment for this new Regulation therefore focussed on the high priority needs for additional data for analysing monetary and credit developments and on amendments to requirements and definitions that would support the goal of enhancing data integration.

Regarding own funds (in connection with the balance sheet item “capital and reserves”), the proposed breakdowns provide further information on the composition of, and developments in, the longer-term financial liabilities of the MFI sector. These data are required in order to enhance the harmonisation of the content of capital and reserves (and remaining liabilities). They also aid the analysis of capital and reserves as the counterbalance to transactions and/or revaluations in other balance sheet items. While the components of capital and reserves can be linked to the financial reporting or “FINREP”[14] those data are not a substitute for balance sheet item data on the components of capital and reserves.

Regard