



xBRL EUROPE

xBRL FR

23rd XBRL EUROPE DAY
in Paris

28-29th MAY 2019

Hosted by  ACPR
BANQUE DE FRANCE

Reporting 3.0 in Luxembourg Setting up of Financial Reporting Hub

- Marc HEMMERLING
General Counsel Digital Banking,
FinTech and Payments
- ABBL – The Luxembourg Bankers’
Association

Preliminary remarks

- Lessons of the past
 - Standardization, optimization and cost reduction
 - Bottom-up approach via a technical standard : XBRL
 - Limited success (COREP/FINREP/Solvency II)
 - No broad up-taking by regulators, public agencies and reporting entities (*Centrale des bilans*, LBR, funds, etc.)
 - XBRL Luxembourg drafted in 2017 a paper on the set up of a Luxembourg financial reporting hub
 - No support from the government and regulators.and abandon of the “bottom-up”, end of XBRL Luxembourg
- However the basic reporting problems persist
 - Monitoring, understanding, implementing, production, anticipating forthcoming changes(e.g. IReF), value-added services

Preliminary remarks

- New approach
 - Lessons learned from other countries
 - DBFI driven project (ABBL and 6 parties)
 - Top-down approach
 - Two Phases approach:
 - Phase 1 :
 - Test and foster the interest of credit institutions towards the creation of a shared Reporting Hub
 - Elaborate a first Reporting Hub value proposition
 - Feasibility study by external consultant Grant Thornton and paid by ABBL and 6 promoters
 - Phase 2 :
 - Allow to take an informed Go / No GO decision on the Reporting Hub setup

The Vision

- Rethink the whole financial reporting value chain to:
 - Achieve data quality
 - Allow for transparency and trust on data
 - Increase reusability of reporting data
- Create value out of compliance burden:
 - Improve balance sheet e.g.
 - Improve capital allocation
 - Monetise data
 - Reduce running costs in the mid-long term
 - Mutualise resources and efforts required for regulatory evolutions monitoring / understanding / implementing, production, enquiring by Authorities / EA
 - Offer opportunities to credit institutions with regards to:
 - Market information / trends / benchmarking

The Vision

- Have solid foundation for more opportunities
 - Open up to:
 - Professionals of the Financial Sector (Investment Firms)
 - Management Companies
 - Insurance
 - Extend reporting scope to:
 - MIFID II – EMIR
 - CRS – FATCA – QI
 - AIFM

The Vision

- Integrate all actors of the value chain:
 - Reporting requirements issuers: CSSF – BCL – (EBA – BCE)
 - Reporting standards / data models setters:
 - BIRD
 - ESCB's Integrated Reporting Framework (IReF)
 - XBRL Europe
 - Providers of:
 - Software: Reporting – Core banking – Communication channels
 - Information: STATEC – LBR – Market data providers
 - Reporting producers: Credit institutions
 - Finance / Accounting – Risk Management – IT – Organisation / PMO – Compliance – Internal controls
 - Reporting consumers: CSSF – BCL – External Auditors

Phase 1 - Objectives, scope, approach

1. **Objective** of the feasibility study:
 - a. Test and foster the interest of credit institutions towards the creation of a shared Reporting Hub
 - b. Elaborate a first Reporting Hub value proposition
2. **Scope:**
 - a. Prudential and regulatory reporting for credit institutions
3. **Approach:**
 - a. Define a questionnaire based on a preliminary elicitation of current reporting challenges, in order to test / improve the Reporting Hub value proposition
 - b. Collect completed questionnaires through face-to-face interviews and online survey
 - c. Exchange with AuRep (Austrian shared reporting hub)
 - d. Involve CSSF / BCL from the early stages of the study

Phase 1 - Timeline and next steps

Beginning of June:

1. Grant Thornton finalises face-to-face interviews and collection of completed online surveys
2. Grant Thornton provides the first draft of the feasibility study
3. ABBL and Partners review the feasibility study
4. ABBL shares (i) the Feasibility study with CSSF and BCL, (ii) its Executive Summary with contributing banks

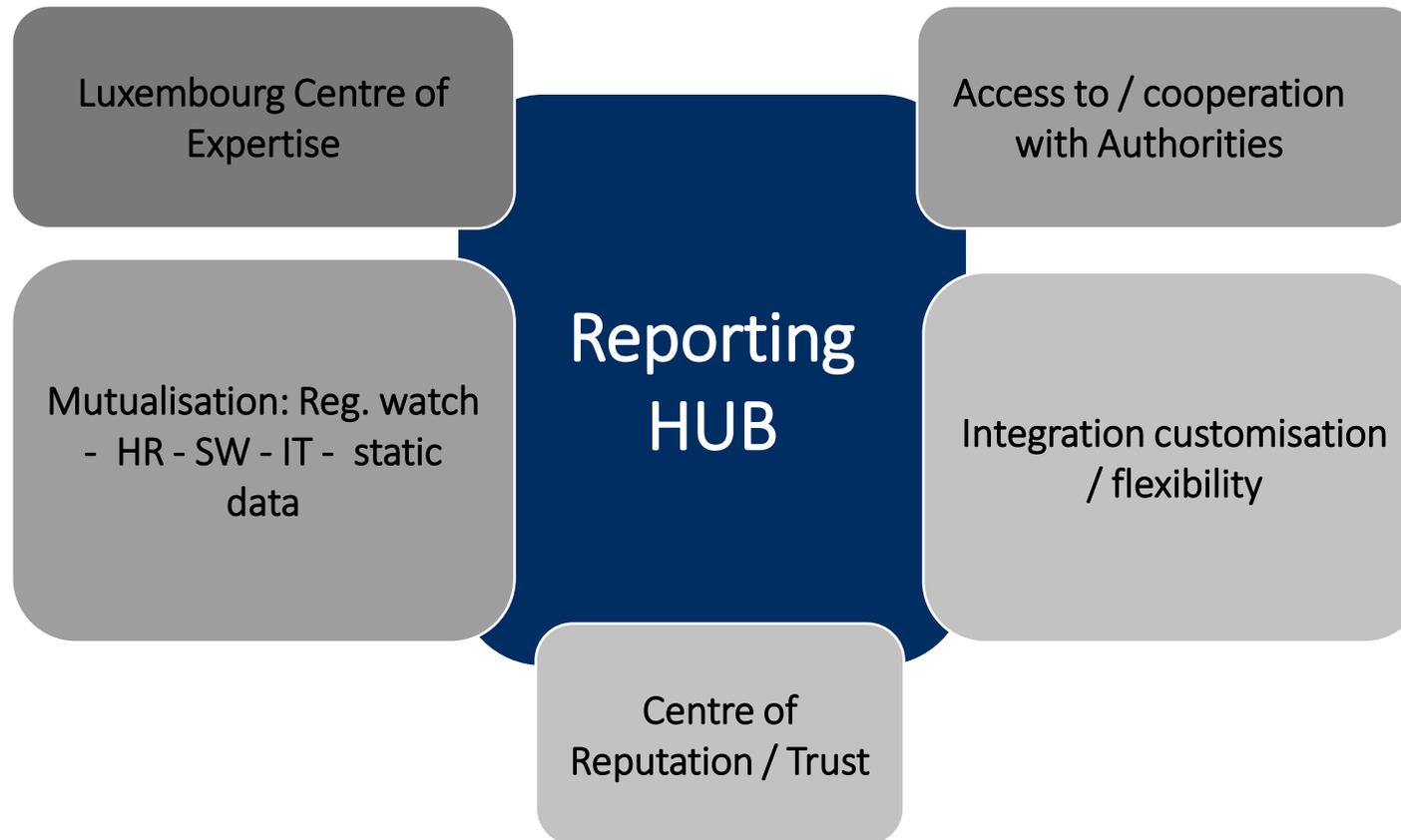
Mid / end of June:

5. Grant Thornton presents results to ABBL and Partners (private meeting)
6. ABBL hold a public event on June 26th, 2019 to provide an overview of the results and foster discussions on Reporting Hub vision and value proposition
7. ABBL and Partners decide GO / No GO on Phase 2

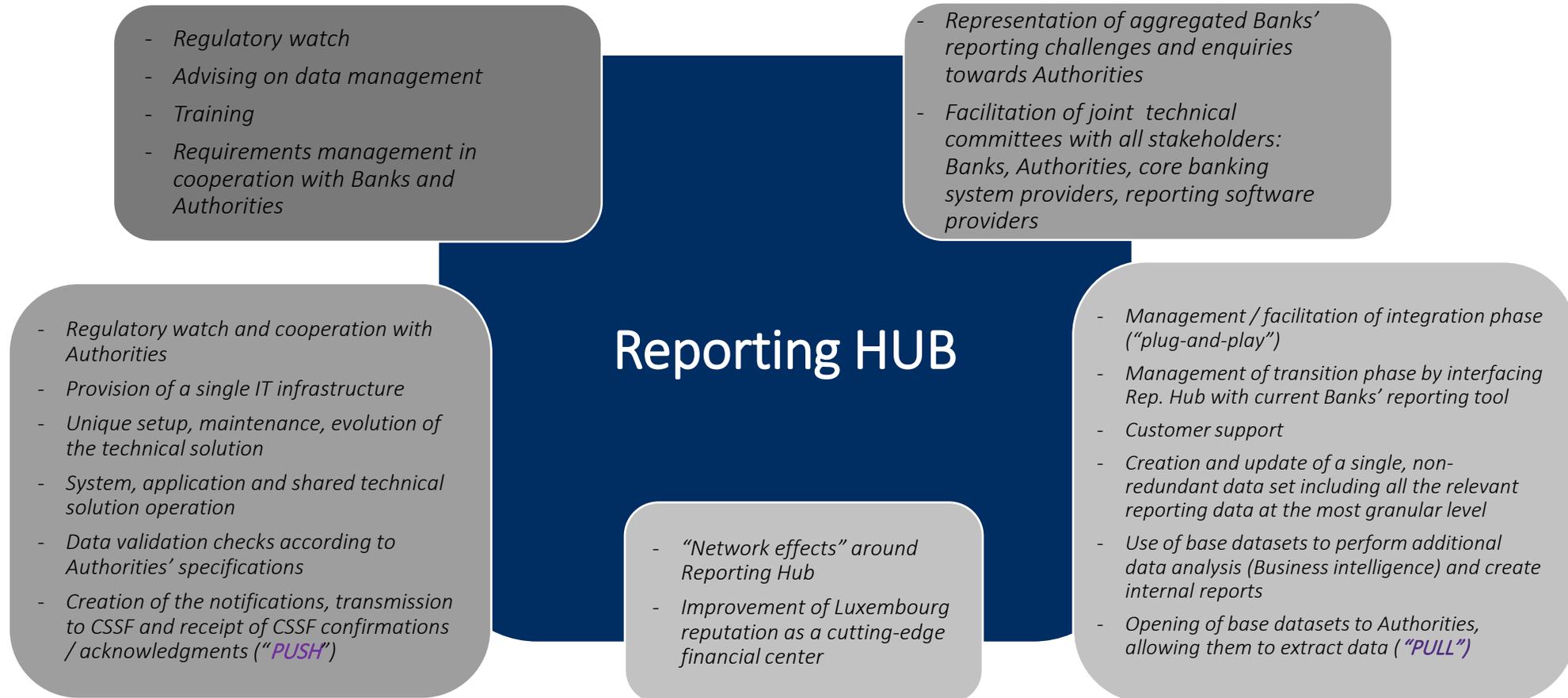
Phase 1 - Traction and visibility

1. Actions are being taken to increase banks contribution to the feasibility study (face-to-face interviews or participation to online survey)
2. CSSF and BCL confirmed their interests in the Reporting Hub initiative
3. ABBL has been invited to present the feasibility study to EU financial authorities, Eurofiling Group, XBRL Europe
4. Interest of several potential service and technology providers
5. Belgium-based innovation Fintech platform [B-Hive](#) has expressed their interest in connecting with ABBL Reporting Hub initiative
6. ABBL will present the initiative to STATEC as well

Phase 1 – Validation of Value Proposition



Phase 1 – Validation of Value Proposition



Phase 1 - Overview on first outcomes

Credit institutions – trends emerging so far	Reporting Hub service offer	Targeted benefits
<p>1. A significant effort is necessary to follow, understand and implement regulatory reporting evolutions</p> <p>2. Awareness and participation to external initiatives on regulatory reporting (e.g. BIRD, ESCB's IReF) is not systematic</p>	<p><i>i. Regulatory watch</i></p> <p><i>ii. Advising on data management</i></p> <p><i>iii. Training</i></p> <p><i>iv. Requirements management in cooperation with Banks and Authorities</i></p>	<p><i>a. Increased reporting quality</i></p> <p><i>b. Decreased number of errors / needs for enquiries</i></p> <p><i>c. One counterparty with Authorities for first level support</i></p>
	<p><i>v. Representation of aggregated Banks' reporting challenges and enquiries towards Authorities</i></p> <p><i>vi. Facilitation of joint technical committees with all stakeholders: Banks, Authorities, core banking system providers, reporting software providers</i></p>	<p><i>d. Efficient, non-redundant data collection</i></p> <p><i>e. Identical compilation process</i></p> <p><i>f. Common precise, simple, and unambiguous data definition</i></p>

Phase 1 - Overview on first outcomes

Credit institutions – trends emerging so far	Reporting Hub service offer	Targeted benefits
<p>1. Current regulatory reporting production process requires a (semi-automatic) consolidation of different data sources</p> <p>2. Regulatory reporting data are not systematically re-used for internal reporting</p> <p>3. Clarification with Authorities are managed through ad-hoc communication</p>	<p>vii. Management / facilitation of integration phase (“plug-and-play”)</p> <p>viii. Management of transition phase by interfacing Rep. Hub with current Banks’ reporting tool</p> <p>ix. Customer support</p> <p>x. Creation and update of a single, non-redundant data set including all the relevant reporting data at the most granular level</p> <p>xi. Use of base datasets to perform additional data analysis (Business intelligence) and create internal reports</p> <p>xii. Opening of base datasets to Authorities, allowing them to extract data (“PULL”)</p>	<p>f. A common framework increases the analytical value added as it enables data users to drill down within the respective secondary statistics</p> <p>g. With data defined at a granular level, changes in the level of aggregation may be implemented with greater ease</p> <p>h. Following requests from different banks, an aggregated / anonymised market database could be created</p>

Phase 1 - Overview on first outcomes

Credit institutions – trends emerging so far	Reporting Hub service offer	Targeted benefits
<p>1. Every credit institution invest a significant effort in collecting publicly available data (static data on securities, data on corporates – NACE / LEI codes, number of employees,..)</p> <p>2. Credit institutions struggle to manage the peak of effort generated by overlapping regulatory reporting deadlines, particularly when new regulatory requirements need to be implemented</p> <p>3. Credit institutions invest a significant effort for (semi-automatic) data control and reconciliations, in order to ensure data quality and consistency</p>	<p>xv. <i>Regulatory watch and cooperation with Authorities</i></p> <p>xvi. <i>Provision of a single IT infrastructure</i></p> <p>xvii. <i>Unique setup, maintenance, evolution of the technical solution</i></p> <p>xviii. <i>System, application and shared technical solution operation</i></p> <p>xix. <i>Data validation checks according to Authorities' specifications</i></p> <p>xx. <i>Creation of the notifications, transmission to CSSF and receipt of CSSF confirmations / acknowledgments ("PUSH")</i></p>	<p>j. <i>Reduced effort for ex-post reconciliation and comparisons</i></p> <p>k. <i>A common framework eliminates the need to cross-check individual reports published by the same reporting institution.</i></p>
	<p>xiii. <i>"Network effects" around Reporting Hub</i></p> <p>xiv. <i>Improvement of Luxembourg reputation as a cutting-edge financial center</i></p>	<p>h. <i>Data quality will improve through the use of harmonised concepts, business-friendly definitions and collection methods</i></p> <p>i. <i>Improvement of transparency towards Authorities</i></p>

Analysis of first outcomes in view of Phase 2

Positive trends – Banks' validated needs

1. Support on knowledge, interpretation of regulations, formalisation of requirements
2. Improvement of data quality
3. Improvement of current data processing (semi-automatic, consolidation of different sources, manual reconciliations)
4. Reduce current pressure on resources to deliver within deadlines (→ increase efficiency of reporting production process)
5. Availability of large, anonymized dataset for market analysis / benchmarking
6. Collection and mutualisation of data on corporates for Anacredit

Negative trends – Barriers to adoption

1. Transparency and rules governing the functioning of Reporting Hub (i.e. fairness of treatment among banks of different size)
2. Pricing of Reporting Hub services (banks' willingness to pay)
3. Internal projects of reporting outsourcing towards the Mother Company
4. Need to keep internal solutions for reports not covered by Reporting Hub
5. Need to invest effort to provide additional specifications to core banking SW providers
6. Initiative perceived as coming 2-3 years late as opposed to regulatory reporting schedule

Phase 2 - overview

- **Objective:** Allow to take an informed Go / No GO decision on the Reporting Hub setup
- **Scope:** Business case + implementation roadmap
- **Approach:** Define the following building blocks:

Governance	Company legal form and shareholders	Draft of shareholders agreement	Compliance with competition law	Compliance with CSSF requirements
Business development	Business development (offers, pricing, letters of intents)		Business plan	Business model (activities, use cases)
Technical (IT)	Choice of core reporting platform	IT infrastructure (hosting, workplace)		Security and data governance
Company organisation	Organisational chart and staffing	Governance of technical committees (Authorities / customers)		Internal policies and procedures

Phase 2 - Next steps

The following steps will be required to launch Phase 2:

1. Recommendation by the study promoters of a Go based on outcomes of Phase 1
2. Set-up of an implementation group
 - Seek commitment from phase 1 participants
 - Seek new budget - consider the possibility to increase the number of partner banks
 - Seek commitment of additional banks interested in shaping the target solution and becoming a customer of the Reporting Hub
 - Open up partnership to technology and service providers
3. Confirm service provider to perform Phase 2

Next Steps

1. Finalize interviews with banks
2. Finalize exchanges with regulators
3. Synthesize the answers and other feedback
4. Deduct a recommendation : Go / no Go
5. Present the results to the promoters
6. Promoters to decide on Go / no Go, ideally before 26/06/2019
7. Promoters to define the next actions
8. Organise an ABL meet's members meeting on 26/06/2019 and communicate about the next actions