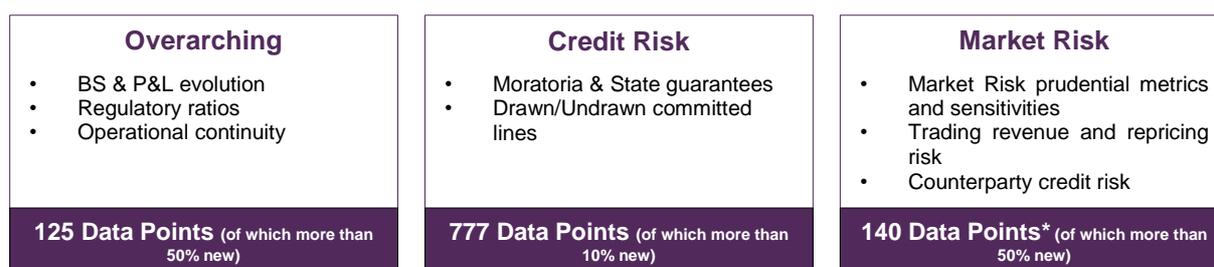


ECB COVID-19 REPORTING

The ECB has mandated a new reporting exercise in the light of the COVID-19 crisis in an effort to ensure the timely and consistent monitoring of the risks sparked by the outbreak and to widen the scope beyond the SREP STEs, FINREP and COREP, through the inclusion of credit moratoria and state guarantees figures. The reporting shall be submitted to NCAs on a monthly basis until at least December 2020, and is expected to raise several implementation challenges for SIs on the organizational and operational levels (including capacity and data aggregation issues).

The monthly¹ exercise is expected to be submitted by all SIs at the highest level of consolidation and encompasses three main components: the Overarching, Credit Risk and Market Risk blocks. From a credit perspective, emphasis is placed on the non-financial corporate and household loans and deposits and their migration from fair-valuation models to amortised cost. In addition to that, the usage of capital and liquidity relief programs along with the impact of EBA-compliant economic support measures will be assessed via the input from this exercise. Regarding the market risk impact, additional information for fair-value measures of the performance volatility related to trading and banking books is included and extra emphasis is put on collateralised transactions to monitor liquidity impact for trade settlements.



*for the core sample, 100 (40%>) data points on the reduced template.

Figure 1 - Overview of Reporting Areas and Information Collected

This reporting requirement adds up to the previously existing ITS/STE exercises and reinforces and expands upon the EBA additional FINREP and Pillar 3 Disclosure templates on moratoria and state guarantees under the Credit Risk block, as shown in Table 1 below. Overall, it encompasses 1042 data points (assuming core risk factors for the market risk block), of which more than 20% are not already reported under COREP, FINREP or STE.

An increase of the reporting workload in a relatively tight timeframe should therefore be foreseen by banks. Although quarter-end submissions for this exercise should not include data points already covered under ITS/STE, the **increased reporting complexity** still needs to be addressed through the leveraging of the resources and infrastructures developed since the COVID19 outbreak. The fulfilment of the complex reporting framework requires the switch from a quarterly to a monthly view for IFRS9 (stage allocation and provisioning policies), FINREP/COREP and operational cost accounting. This includes significant impact on financial institutions which were, in the best case, still jostling with the overall reporting processes. Moreover, the new template scope includes the monitoring of forecast projection on monthly basis in order to tackle balance sheet and P&L dynamics to represent the evolution of COVID19 crisis. Therefore, financial institutions are required to adapt their forecast models to achieve consistency in the monthly elaboration and to ensure the remittance of certified and validated data.

Bank's risk aggregation and reporting capabilities are under the spotlight once again. As new information sources must be tapped in this context, also data flows and processes' efficiency and agility need to be addressed to answer the contingency requirements and, in some cases, governmental pronouncements. For example, the sourcing of legal

¹ A full template should be remitted in July, September and December, while a light format should be sent every other month. For June, only the Moratoria & State guarantees template is required under the credit risk block.



data in the context of governmental economic relief programs and the reconciliation with [EBA GL](#) on payment moratoria also requires prompt intervention on lending application systems to properly represent the classification of different type of relief measures (e.g. EBA compliant moratoria vs other forbearance measures COVID19 related). On the other side, an extra **reconciliation** duty should also be anticipated in cross-checking data across all templates (including ITS/STE) at different reference dates and ensuring its **quality and consistency** (as well as period-to-period variance) throughout distinct submission requirements, given the **heightened volumes** demanded.

	ECB COVID-19 Reporting	EBA GL on COVID-19 Measures
First Reporting Ref Date <i>Remittance Date</i>	31 March & 31 May 2020 <i>26 June 2020</i>	30 June 2020 <i>11 August 2020</i>
Duration	Until December 2020	18 Months
Frequency of Supervisory reporting <i>Public Disclosure (Pillar 3)</i>	Monthly <i>N.A.</i>	Quarterly <i>Semi-annual</i>
Applicable to	Significant Institutions	All Banks (with proportionality)
Scope	Conso	Conso & Solo

Table 1 - Overview & Differences of COVID-19 EBA GL & ECB Reporting

Moreover, the wider scope of the reporting is likely to raise **organizational challenges**, as it would entail the involvement of cross-sectional teams across Financial Institutions given the **degree of granularity required**. It is projected that different interdependent departments within the organization fully coordinate their efforts in collecting, processing and communicating data points, as reporting needs range from operational continuity aspects to credit market and liquidity measures. This coordination challenge might, for example, materialize in **informational gaps** between risk, accounting and control units from one side and operations from the other. While reinforcements might be assigned to reporting teams, this **new wave of reporting requirements burdens** on an as-needed basis will require institutions to consider the transformation of their IT and control processes on a longer-term perspective.

HOW CAN AVANTAGE REPLY HELP?

Reply is unique in that we combine our understanding of regulatory requirements and supervisory expectations with our technological and data capabilities. We have a proved track record in developing and implementing robust, flexible and cost-efficient regulatory reporting systems aligned with high data governance, architecture and sourcing standards. More specifically, we assist our clients with a wide array of regulatory reporting services, including but not limited to:

Service Offering	Brief Service Description	Typical Stakeholders
Regulatory Change Support	Support in implementing new regulatory (reporting) requirements within the end-to end regulatory reporting processes.	<ul style="list-style-type: none"> • CFO/CRO • Regulatory reporting function • IT
Operating Model Review	Review of operating model, design and implementation of target operating model to ensure compliance with regulatory reporting requirements and cost efficiency.	<ul style="list-style-type: none"> • CFO or CRO • Regulatory reporting function
Data and Systems Build	Design data architecture and build/implement new regulatory reporting systems (drawing on an existing ecosystem of partnerships with established vendors as well as 'RegTechs').	<ul style="list-style-type: none"> • Regulatory reporting function • IT
Managed Services	Support financial institutions with their ongoing regulatory reporting processes (e.g. resource augmentation on an as-needed basis).	<ul style="list-style-type: none"> • Regulatory reporting function



CONTACTS



Louis de Meester
Senior Manager – Belgium
Email: l.demeester@reply.com
PHONE: +32 (0) 497 351 128



Ryan Davis
Associate Partner –
Luxembourg
Email: ry.davis@reply.com
PHONE: +352 661 88 3136



Sergio Gianni
Partner – Italy
Email: s.gianni@reply.it
PHONE: +39 02 535761



Nathanaël Sebbag
Associate Partner – France
Email: n.sebbag@reply.com
PHONE: +33 (0)6 29 47 16 10



Hadrien van der Vaeren
Senior Manager – UK
Email: h.vandervaeren@reply.com
PHONE: +44 7869 182 064



Nicolas Pavlovitch
Partner – The Netherlands
Email: n.pavlovitch@reply.com
PHONE: +31 (0)20 301 2123