

Gabriel Bernardino
Chairman

Mr Olivier Guersent
Director General DG FISMA
European Commission
SPA2 8/20
1049 Brussels
Belgium



EIOPA-18-/072
5 March 2018

Dear Mr. Guersent, *DEAR OLIVIER,*

I am writing you regarding the European Commission's ongoing public consultation on the 'Fitness Check on Supervisory reporting'. I welcome the EU Commission initiative to assess the coherence and efficiency of the reporting systems in place in the financial sector, and to explore possible improvements without compromising the financial stability, market integrity, and consumer protection objectives of these obligations.

With the implementation of Solvency II, the European insurance sector has in place since 2016 a new supervisory reporting framework that allows for a proper risk-based supervisory review process and the adequate fulfilment of supervisor's mandate to protect European policyholders. I would like to highlight the importance of supervisors receiving meaningful data in terms of granularity, coverage, frequency and within proper timelines to identify and early assess the risks the industry face, both at micro and macro levels. Furthermore, the harmonisation of the information to supervisory authorities throughout Europe is an essential instrument to promote supervisory convergence.

During the development of Solvency II, extensive consideration was given by EIOPA and the EU Commission to the relevance, added value and proportionality of the reporting requirements. While I agree that consideration needs to be given to the cost and burden of reporting, I would also like to raise your attention to common misunderstandings regarding the origin of costs, which usually are attributed solely to reporting requirements. In a risk-based regime like Solvency II undertakings have to hold adequate data to properly identify, assess, manage, mitigate and report the risks they face. The need for data availability and data quality is in fact not mainly driven by reporting obligations but by the sound prudential requirements on risk management, technical provisions and capital requirements.

It is also very common to refer to costs related to granularity of reporting requirements while in fact it should be the opposite, considering that granular

information is always available at entities level and its reporting avoids the extra cost of performing different aggregations for supervisory purposes.

Having said this, it is important to underline EIOPA's commitment to contribute to a thorough assessment of the consistency between different reporting frameworks and if cost and burden of the reporting obligations is reasonable and proportionate.

An important aspect that I believe should be explored in the ongoing initiative is the potential benefit of additional efforts in data governance and standardisation throughout the financial sector. This is an area where EIOPA has worked extensively, as further explained in Annex to this letter, and where we witnessed substantive reduction of costs and burden to the industry and the supervisors.

EIOPA is now preparing the planning of the review of the Implementing technical standards on Solvency II supervisory reporting. We see this as an opportunity to properly reflect on all this aspects considering the lessons learned from the first years of implementation.

I would like to reinforce our commitment to the project and our continuous support to this work by participating in the Stakeholder Roundtable on Supervisory Reporting.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'C. Ferrero', with a long horizontal line extending to the right.

ANNEX

In the field of insurance, the coherence of the supervisory reporting requirements is boosted by a unified reporting system, which includes:

- **A common methodology** applied to all regulatory reporting frameworks developed by EIOPA. It is known as the Data Point Model and has been applied by other European regulators like the ECB and the EBA.
- **A single data dictionary for all EIOPA's frameworks and templates.** EIOPA has developed a single dictionary including as well other requirements for insurance undertakings, like the ones defined by the ECB for the insurance sector and the pension funds sector (the latter under development). The dictionary ensures single definition of terms and relation among them (hierarchies), to minimize the duplication of reporting, and it provides as well technical means to help in structuring and analyzing the information.
- **A harmonized structure of business instructions and codification of templates and codes.** EIOPA is presenting all the business templates in a single Excel file (as well as in database and in XBRL formats) which allows to clearly identify all the differences and commonalities of the reporting obligations. In a similar way, all the business instructions are defined with the same structure in order to facilitate the work of the users on all EIOPA regulatory reporting frameworks by having a unique approach.
- **A common standard (DPM/XBRL) for technical means of the data collection.**

On top of the European regulations' texts, EIOPA is also promoting the harmonization of the final technical means for data collection, in order not only to align the business content but also to harmonize the file transmission and validation formats in the insurance and pension funds' sectors.

In this context, EIOPA is providing a number of technical artefacts including a common XBRL taxonomy, which has been voluntarily adopted by 28 from the 30 EU National Competent Authorities. The common taxonomy standards support the files' transmission between the NCAs and the insurance undertakings in their jurisdiction. This initiative has allowed having a common standard for the format of all EIOPA regulatory requirements. This unique formatting brought a number of benefits, e.g. the ones related with economies of scale of having the same standard applied in all countries, which have highly facilitated the reporting of the undertakings operating in multiple European countries. It has also particularly improved and reduced the costs of the services provided by software companies to the undertakings.

- **A common Governance of taxonomies and regulation updates**

EIOPA has developed a common Governance of Taxonomies linked with the business regulations. This Governance defines the common approach of defining and updating the different regulations and the corresponding technical artefacts (taxonomies, dictionaries, validations rules, etc.). In this way EIOPA's framework is scheduled to be updated at the same point of time of the year and, in normal years, by having only one yearly update. This makes the introduction of new taxonomies very predictable for the undertakings in order to be prepared in very structured and repeated way for the changes coming from EIOPA.