



# Redundancy-Free IReF

## Simplification Benefits For Both The Regulator And The Regulated

After years of discussion, the European Central Bank (ECB) has settled on a concept, a design, and a timeline for an integrated reporting framework (IReF) that reduces the burden on banks, eliminates the redundancy of submitted information, and simplifies the regulatory requirements it monitors.

Post the financial crisis, the scope of regulatory reporting grew exponentially with new requirements like COREP, FINREP, and AnaCredit, among others. And for a while it appeared that the dust had settled. It now seems that might just have been a respite given the European Banking Association's (EBA) announcement about a consolidated reporting system for financial, statistical, resolution, and prudential requirements, for which it has sought input from submitting firms. In concert, the ECB has stated its intent to lead the way via IReF.

The idea of a singular IReF submission for multiple requirements has obvious appeal. *But what are the trade-offs? And what kind of solution gets banks through this revolutionary transformation?*

**More granularity  
for transparency.**

***But what about banks'  
privacy and ability to  
defend audits?***

### Regulation Cost-Benefit Analysis

The IReF initiative's aim was to balance the costs of complying and the material benefits to market stability and security. To that end, the EBA distributed a [questionnaire](#) to euro-area banks to understand the impact of regulations on institutions in terms of the cost of complying with, as well as any benefits of said regulations. Many banks responded. Feedback showed that they found reporting complex, had too much redundancy, short timelines, and unclear rules – all with an associated cost as detailed below.

Factor	Issue
Frequent change	▶ High cost of complying on an ongoing basis to ever-changing regulations – not only for the regulated but also the regulators.
Multiple regulators	▶ High redundancy between reporting frameworks: The Banks' Integrated Reporting Dictionary (BIRD), ECB, EBA, and the Single Resolution Board (SRB). This overlapping of reporting requires banks to reconcile the information they provide.  The issue is that there is a cost to each of those data points/numbers – that needs to be produced, validated, signed-off on, and submitted – appearing in multiple places/reports.
Unclear regulation	▶ Too much time going back and forth to the regulator to confirm that they have accurately interpreted the regulation so that they can correctly comply.
Ambiguous reporting	▶ If one bank interprets a regulation using method A and another with method B, how can the regulator directly compare the numbers? If they cannot be sure, the data point loses its value.
Short timelines	▶ Not enough lead time – three months vs. a year – for banks to do their “day jobs” AND comply.

## What does IReF mean for banks?

The conceptual EBA IRS and developing ECB IReF frameworks are considered responses to this feedback. The ECB divined a way to simplify euro-area banks reporting obligations, so that instead of submitting individual regulatory requirements, banks would submit the foundation data used to populate the multiple reporting requirements it reviews. The regulator then collates and interrogates the information to provide both micro and macro views of the banking environment's health.

To ease this colossal undertaking, the ECB essentially retracted its requirements and instead created IReF, a single submission for AnaCredit, balance sheet items (BSI), interest rate of monetary financial institutions (MIR), and securities holdings statistics (SHS-S/G). This framework addresses the dimensionality of a single dataset and multiple tables to generate statistics for these four mandates.

While revolutionary, IReF is just the first step in the ambitions overall European objective to transform regulatory reporting into a harmonized reportable-data framework. And yet, this revolution will have a big impact on data granularity and operating models within banks.

## Are banks ready for the upheaval?

Despite its objective to simplify and reduce the burden of reporting against multiple regulatory requirements, IReF requires banks to implement new processes, governance steps, and perhaps even new systems to be compliant. However, the biggest impact will likely be in sourcing, reviewing, and submitting higher volumes of data, necessitating significant improvements within banks' data architectures.

*How much do you trust the data behind your current reporting?*

*Are you prepared to step away from the protection of abstract adjustments?*



## Helpful Regulator Activities

The path to IReF is phased, beginning with a public consultation (2024), then adoption by the governing council (2025), and finally implementation (from 2025 to 2027).

Furthermore, banks might have inadvertently gotten a head start with some aspects of the requirements from regulators already moving to implement significant changes including:

- ▶ **Taxonomy-based submission approaches that incorporate a common data dictionary**
  - Bank of England (BoE), Banque de France (BdF), Banca d'Italia, Central Bank of Ireland (CBI), and Australian Prudential Reporting Authority (APRA)
- ▶ **Expanded granular data reporting (GDR) requirements for balance sheets and interest rates**
  - AnaCredit (EU), BSI, Hong Kong's HKMA GDR, and MIR
- ▶ **Data collection transformation strategies**
  - APRA's comprehensive data collection ([APRA Comprehensive Data Collection - Granular Data Arrives - Adenza](#)) and BoE's Transforming Data Collection plan

## Many unknowns. Some unease.

Such taxonomy-based approaches make it easier for regulators to identify, reconcile, and validate overlapping data points across reports, unlocking more information from submitted data. However, at this point there are still many open questions and some unease for banks, including around:

- ▶ **Privacy** Combine this unlocking with the expansion of granular reporting requirements and banks might be revealing much more than they should. This transparency is now a grave concern as they have no control over what happens to their data after it is submitted: who sees it, how it is used, etc.
- ▶ **Local central bank requirements** There is also an open question for non-G-SIB institutions that do not typically submit data directly to the ECB. Local central banks have yet to confirm their adoption of the ECB's prescription; and if so, how they would accept the submission or how the onward submission to the ECB would happen.

## What's next on the road to simplification?

Banks must first navigate the phases of the IReF rollout.

The good news is that covered institutions are already producing the information that needs to be reported. The bad, that the current granularity of that data is much less than IReF requires for balance-sheet statistics, etc. To compound the matter, with more granular data, data quality becomes an issue. Historically, banks have been able to hide quality issues behind aggregated and sometimes adjusted data points; however, as seen recently with AnaCredit, what should have been a relatively simple reporting requirement opened Pandora's box - revealing missing and/or inaccurate upstream data sources. Identifying and correcting anomalies in granular datasets opens up a world of pain for the reporting teams, which is sometimes trivialized when evaluated as a high-level requirement.

## Regulators require banks to substantiate and defend every detail of the information they report. *But are they ready?*

This new solution must address data quality and granularity, and resulting volume issues, as well as the effects of this upheaval on their operating models. And then they must get ready for the next round. As mentioned previously, IReF is just the first step on the ECB and EBA journey to a more complete integrated reporting system. In fact, it is expected to pave the way for a more robust way to manage reports granularity and harmonize the data points shared across financial and statistical reporting.

**Contact Adenza** to discuss how we can help you prepare for and defend your reporting.

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