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Finance for Europe

Consultation Response

Transforming Data Collection from the UK Financial Sector

20 May 2020

The Association for Financial Markets in Europe (AFME) welcomes the opportunity to comment on **TRANSFORMING DATA COLLECTION FROM THE UK FINANCIAL SECTOR**. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. We advocate stable, competitive, sustainable European financial markets that support economic growth and benefit society.

AFME is the European member of the Global Financial Markets Association (GFMA) a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association (ASIFMA) in Asia.

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We summarise below our high-level response to the consultation, which is followed by answers to the individual questions raised.

Executive Summary

On behalf of the Association for Financial Markets in Europe ("AFME") we welcome the opportunity to respond to the Bank of England ("BoE") Discussion Paper ("DP"): Transforming data collection from the UK financial sector, issued on 7 January 2020. AFME is supportive of this review to explore how data collection and reporting can be improved to deliver gains in efficiency, accuracy, and use, whilst addressing the costs incurred by industry participants today.

We congratulate the BoE in opening a collaborative dialogue on this important topic and taking an ambitious, innovative, and forward-looking approach for the UK financial sector. Thinking beyond traditional planning and investment cycles, for both firms and authorities, will act as a catalyst for the transformation and benefits intended for the industry.

Finally, we would like to thank the BoE for accommodating an extension to the original deadline, in light of the current circumstances.

In consideration of this initiative we propose the following high-level recommendations:

- We suggest that this initiative would be a welcome opportunity to review the complex reporting landscape that currently exists and for the BoE to remove/amend any obligations that are obsolete, duplicative or conflicting.

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- We believe that the BoE should prioritise early and more iterative engagement, the development of common data inputs and modernised reporting instructions over any changes to reporting architecture and governance at this time (such as the development of a 'pull' model). These focus areas will bring the greatest benefit in the shortest timeframe.
- On common data inputs, we emphasise the importance of their development at a global level, by close consultation (and regular review) with the industry to ensure that the resulting global data dictionary is targeted to meet regulators' needs but also precise enough to be commonly understood across the industry.
- On modernising reporting instructions, we suggest that beginning with a new reporting requirement may be the easiest opportunity to develop this. Where existing requirements are to be amended, translation into Natural Language (NL) may be a suitable interim step.

AFME would welcome the opportunity to discuss with the BoE our response to this DP and to identify opportunities where we can further support this important initiative.

Questions

A. Which of the solutions identified (or combination of solutions) do you see as most attractive to explore further as a long-term goal, and why?

Some variation of each solution proposed may provide long-term benefits for the sector. No one solution is mutually exclusive, and benefits will come from a combination of the solutions over time. However, we believe that, irrespective of whether a 'push' or 'pull' solution can be reassessed for feasibility in the long-term, reducing current duplicative and/or overlapping reports or requirements in the short/medium-term will be of most significant benefit to the industry. These solutions should therefore be prioritised, rather than any changes to reporting architecture or governance. In general, the greatest benefits could be achieved if regulators adopted a form of single collection – perhaps a few collections by areas of focus – that gather data once at a granular level based on agreed definitions.

We believe that any of the solutions proposed will need to have a common data layer, or attributes, to realise the intended benefits of the proposed transformation. This common data layer should be based, to the extent possible, on global data standards that already exist today and other global industry work (such as the Common Domain Model or "CDM" that has been developed by ISDA).

We also support the use of existing tools available to the bank, which could be of real benefit to the industry, without the implementation of ambitious changes to the existing reporting framework. In this respect, we welcome the proposal for earlier, and more collaborative, engagement on developing reporting instructions. This may remove some of the inefficiencies that already exist today (such as more clearly identifying what the policy questions are being asked) and bring immediate benefits. This would also assist in ensuring that data requirements are designed to reflect the data that is held by firms. In addition, provided that firms are given appropriate time to implement, we also value the use of tools that provide answers to practical questions regarding data reporting issues.[1] Lastly, we also see value in the use of phased implementation of reporting requirements. To the extent that large scale (both in specificity and scope) reporting requirements are implemented on Day 1, the industry may experience difficulties in meeting the scope of the request which can ultimately lead to periods of correction and a reduction in the quality of data submitted. Where reporting requirements are phased in with simple products and simple fields, as a firm's expertise grows, the addition of more complex requirements on a phased basis would remedy this use.

[1] For example, ESMA Q&A on practical questions regarding data reporting issues, stemming from the European Markets Infrastructure Regulation (EMIR). https://www.esma.europa.eu/press-news/esma-news/esma-updates-emir-qa-1

Each of the solutions proposed should not be constrained to one given set of technology solutions or platforms, but instead developed on open technical standards, and promote competition between third-party providers, where applicable.

Finally, each solution should promote interoperability across all relevant platforms and participants and be able to achieve scale across the industry in the long-term. To the extent possible, this interoperability should be cross-border.

Are there other promising options we have not considered?

We suggest that the BoE considers further how Cloud technology can make datasets available/entitled via native technologies. This could help to remove the need for bespoke APIs, which could be queried or filtered incorrectly, leading to misleading data.

B. What do you see as the most useful actions to take as interim steps towards such a goal?

First, the BoE should convene an industry group to perform a detailed mapping of the current data and reporting landscape. As this is one of the first initiatives of its kind, looking at reporting from a holistic perspective, it is likely that there are many inefficiencies, overlapping/obsolete reporting obligations, or existing global reporting standards (e.g. ISO, FIBO[2] etc.) that could provide quick wins, or priority focus areas for the project. We welcome the BoE in announcing that industry working groups, by sector, will be established to support this DP ongoing.

Second, a detailed assessment phase, in collaboration with the industry, should be performed as the next interim step to explore the suitability of each, or a combination, of the solutions proposed. We note that the need for further assessment was highlighted in the recently successful FCA, and BoE, Digital Regulatory Reporting (DRR[3]) initiative.

This assessment should quantify the business case (such as scope, benefits and costs) of one or more of the proposed solutions and develop a roadmap and preferred sequencing of activities to achieve long-term benefits. This could be split between the different types of data that are generally gathered by regulators, e.g. financial, structural, risk and capital, to ensure that pilots are sufficiently targeted. Identifying a clear scope of reports and accompanying data will be critical at this stage. For example, whether to focus on an existing or proposed regulatory reporting requirements, and/or a single report or a common data taxonomy.

Part of this assessment should include the study of other initiatives where strategic change was made to the way data is collected by authorities. As an example, the Australian government adopted common data standards, known as Standard Business Reporting, and reportedly saved more than a billion Australian dollars in 2015.[4]

Ongoing, we recommend that an initiative of this nature should be delivered in small, incremental steps, which can prove value each time to the largest possible number of stakeholders. The proposed industry working groups will be useful to ensure specific issues in each sector can be addressed. This will allow the BoE to move quickly towards the execution phase in some projects where feasible.

Any new solutions have to be adopted by both firms and regulators in order to avoid either party continuing to run alternative systems in parallel. We welcome the BoE in announcing that industry working groups, by sector, will be established to support this assessment that is required.

We also recommend that the BoE consider the establishment of an interagency task force with foreign regulators seeking to accomplish similar goals. For example, requests from the Federal Reserve (U.S.), Federal Financial Supervisory Authority (Germany), and Financial Services Agency (Japan), collecting similar data elements, should be aligned to the greatest extent possible (See Question D. below).

[2] https://edmcouncil.org/page/aboutfiboreview
[3] https://www.fca.org.uk/innovation/regtech/digital-regulatory-reporting
[4] PwC & The Data Foundation: Standard Business Reporting: Open Data to Cut Compliance Costs (March, 2017)

C. Which sectors / reports should be prioritised, or excluded, in relation to the long-term goal and the interim steps?

Sectors/reports for the next stages of this initiative should be determined in the detailed assessment phase proposed in Question B by each sector working group. AFME believe that sectors/reports with the broadest reach across the wholesale capital markets industry would be of most benefit.

Suitable reports to be prioritised should be chosen from the different types of report noted in Question B (financial, structural, risk and capital). They should be split between retail and wholesale, given the significant differences between the two sectors, and should be considered in light of (i) feasibility and (ii) value. The pilots should include reports of varying complexity and maturity, in order to balance the need for early progress with thorough assessment of the principles.

Such reports could include:

- Reports that are being developed for new regulations and therefore have no legacy build to contend with, such as ESG reporting.
- Reports that include purely statistical data, or simple transaction data, as a starting point to determine the practicalities of the solutions proposed. For instance, financial reporting that includes globally recognised accounting standards (IAS, IFRS) which may be more readily applied to solutions such as codification or machine-readable reporting. Reports made using structured reporting language, such as XBRL[5], could also be useful to consider here.
- Reports that are less frequent, such as industry benchmarking exercises or Stress Testing, that take place on an annual basis[6]. These types of reports are potentially less likely to disrupt crucial business as usual processes and systems during any development and testing of a future solution.
- Reports that are relatively 'small' in size (e.g. a limited number of fields) and relevant to the largest number of participants within one or more sectors, but not deemed 'critical' to the immediate functioning of firms and the sector overall.
- Reports that contain granular data (e.g. transaction or facility level) and move toward less granular (e.g. portfolio or product level), in order to define more detailed data points to be further aggregated. There are also industry segments which are about to move to more granular data environments which could be considered here, e.g. payments, as where the CHAPS payment system in the UK moves to ISO 20022 in 2021-2022.

Reports that do not have one or more of these characteristics listed above may be too complex, critical, or narrow in scope to be useful for this initiative.

A phased approach to implementation will also allow firms and service providers to continue to develop and learn from the experiences of the early adopters. The piloting of a single report or group of reports with a limited group of firms could also be beneficial and help to quickly identify implementation hurdles and implement solutions before a broader roll-out.

D. In what respects do you consider it most important that the Bank coordinates reforms to data collection with other UK or international authorities?

We believe it will be essential long-term as part of this initiative to coordinate with other national, regional and global authorities, wherever practicable. AFME's members, and the wholesale capital

[5] https://www.xbrl.org/

[6] For example, the European Banking Authority (EBA) has an annual requirement for institutions that use model approaches to submit information to allow them to compare the consistency of RWAs calculated by different institutions using internal models. The EBA provides standard benchmark portfolios which each institution will book in their systems and run through the IMA calculations.

markets industry, are cross-border in nature and this is inherent in many of the requirements, and obligations, in reporting development and submissions today.

Much work has already been undertaken at global and regional levels to understand and alleviate reporting challenges, for example, the BCBS Principles for Effective Risk Data Aggregation and Risk Reporting (BCBS 239)[7] or the Banks' Integrated Reporting Dictionary (BIRD)[8]. Leveraging existing work, such as this, will reduce duplicative effort by the BoE.

Coordination with other authorities will also be needed where consistency in any solutions will be required or beneficial to be understood globally (such as common data definitions, technical requirements, use of existing international standards or taxonomies for reporting). In this respect, we strongly support the findings of the Huw Van Steenis' 'Future of Finance' Report, which explicitly states that there is a need harmonise data standards and improve the quality of financial information so as to prevent new sources of fragmentation and arbitrage.[9] The BoE's participation in the FSB's fragmentation work stream that includes promoting the 'greater use of common elements in supervisory data' can be leveraged as a useful forum to facilitate these cross border discussions.[10]

As part of an assessment phase proposed as a next step (Question B), the ability to engage global forums such as the Global Financial Innovation Network (GFIN), or IOSCO Fintech Network, should be considered as a method for engaging other national and regional authorities at this early stage.

We recommend that this coordination with other national, regional and global authorities is put in place at the start of the process where possible. This will help to solicit and incorporate feedback before any unilateral implementation of any new data collection standards are introduced. The development of fragmented architecture models across jurisdictions can lead to operational difficulties, and ultimately introduce risk, for firms who operate in multiple jurisdictions. Furthermore, the siloed development of UK specific data standards will be of limited value for firms with a global footprint, and may limit appetite of firms to take an active role in the BoE's initiative.

However, we also note that authorities, as well as the industry, are subject to competing pressures for resources. Therefore, we recognise that it may not be possible to get global agreement to progress and we suggest that this should not hold up all the BoE's initiatives. Rather, if the BoE project is able to show early value for the industry and for authorities, for example the assessment of the current reporting landscape, or testing of a new technology on certain, small scope reports. This is likely to increase the levels of interest and support from around the world in joining for future phases.

E. What do you see as the most significant wider benefits to firms or to the financial system from improvements to data collection, *beyond cost reduction*?

We see the following benefits for firms and the financial system, beyond cost reduction:

- Improved risk management of the financial system for both firms and authorities;
- Improved data collection and standardization to provide greater clarity in the identification of counterparties, exposures, risks, and cash flows;
- Increased standardisation of definitions and descriptions of data to help firms improve the efficiency of existing reporting processes; and

[7] https://www.bis.org/publ/bcbs239.htm

[8] https://www.ecb.europa.eu/stats/ecb_statistics/co-operation_and_standards/reporting/html/bird_dedicated.en.html

[9] https://www.bankofengland.co.uk/-/media/boe/files/report/2019/future-of-finance-report.pdf?la=en&hash=59CEFAEF01C71AA551E7182262E933A699E952FC Page 74.

[10] https://www.fsb.org/wp-content/uploads/P141019.pdf; The FSB's Report on Market Fragmentation in June 2019 also noted that 'Significant differences in data reporting requirements and obstacles to information sharing across jurisdictions can increase the compliance cost associated with financial institutions' cross-border operations': https://www.fsb.org/wp-content/uploads/P040619-2.pdf.

- Simplification of reporting stacks, with reduced foot prints and complexities.

F. What are the most significant areas of avoidable cost and challenge associated with the current reporting process?

Firstly, a significant area of cost and challenge for firms is typically in the implementation of a report (such as embedding the report into existing operations, platforms and processes, including the management and assurance requirements internal to the firm). Costs are largely dependent on each specific report performed by a firm. Most reports require an upfront cost that is then reduced overtime as the report is automated on an ongoing basis. However, more complex reports, such as prudential reports (for example, considering capital or liquidity requirements), require ongoing human judgement and therefore a higher cost over time which may not be avoidable long-term.

Secondly, firms incur significant costs from duplicative and overlapping reporting, especially when different data definitions are used for the same or similar elements. Separate processes are needed to collect, clean, and consolidate data to produce useable information for each report. These reports must then be reconciled to each other, especially when aggregations for seemingly the same thing produce different results, e.g. exposure to a given country. Further, since firms often measure risk and exposure differently internally than for regulatory reporting, further reconciliation and explanations to senior management and regulators is often required.

Two further challenges, which result in avoidable cost to firms in relation to new data or reporting, are:

1. That new reports may not be designed to align to or leverage the definition of key data elements in the existing reporting process; and
2. That changes to existing reporting (instructions and forms) may not be done in a manner to allow firms to easily change the current reporting process, taking into consideration of implication to other reports.

What is the relative burden associated with different steps and types of report, as set out in the discussion paper?

A set of instructions for developing a report can often be distributed across many different regulations with specific linkages, and the wording of existing regulation can lack clarity and be difficult for firms to understand and translate into a required report. Further, firms often need to make judgements regarding reports which makes it is difficult to create prescriptive requirements.

Standardisation on the data formats, whilst an important initiative, will have a large upfront cost for analysis and delivery. The understanding of such requirements and how that links back to banks' systems will be highly complex. Any delivery to address this could be an additional burden unless it permeates into the core systems.

There is also no central global repository of regulations or standardised communication to the industry indicating the status of current regulations. Communication methods and timing differ by report, region and agency making uniform implementation difficult.

Firms with obligations for reporting in multiple jurisdictions must often meet a range of requirements. This can lead to duplicate reports based off a similar set of data. And often, jurisdictions make different interpretations of the rules, leading to further complications and processes to produce specialised reports for the same activity to various regulators, e.g. capital reports.

Where possible, firms embed reporting instructions in their reporting systems, which reduces the ongoing cost of providing regulatory reports. However, critical and/or ad-hoc regulatory reports often require significant manual processes for them to be developed (particularly where the content or format of the report means that it has no internal use within the firm, but must be created specifically due to a regulatory obligation, meaning that it also cannot be validated as easily). These may therefore not easily be embedded into business as usual operations to increase efficiency.

G. What non-regulatory developments might have a significant effect on reporting costs and challenges over the next decade (e.g. systems redesigns, use of cloud, AI, market developments)?

In our 2018 AFME report, *Technology and Innovation in Europe's Capital Markets*[11], we identified four technologies with the potential to transform banks and the industry; Data & Analytics, Cloud Computing, Artificial Intelligence (AI) and Distributed Ledger Technology (DLT). We believe that advances in technology, such as the four examples provided above, will be important for reducing the cost and improving the efficiency of many activities, including regulatory reporting.

Cloud Computing will provide firms with infrastructure to manage and exchange large volumes of reporting data. For example, in the US, the US Consolidated Audit Trail (CAT)[12] regime requires firms to report extensive volumes of equity and options data. Using Cloud Computing can enable firms to have access to cost efficient data management tools that have not previously been available.

Blockchain technology and the availability of a "distributed ledger (DLT)" may also have a significant effect. A DLT can allow no participant to change or tamper with a transaction once it has been recorded in a shared ledger. This technology would allow a secure record of firms' data with regulators that firms could be confident would not be compromised. In the examples provided for new technologies (such as Cloud and DLT), having common data standards and clear definitions will be fundamental to their success.

New business rationales, such as Environmental, Social and Governance (ESG), may also require new measurement and capture of data, which may be a challenge in terms of sourcing reliable data.

New actors in the business, such as non-bank payment service providers, may bring additional granularity to underlying data which other sectors such as banking may not have.

Finally, new ways of transporting data (e.g. API data exchange, structured data formats) may impact the way institutions hold data at an additional cost.

H. What are your views on the benefits and challenges from seeking to define a common set of data points as the basis for reporting?

We believe that a global common input layer of data points will be an important requirement for all solutions put forward in this initiative. A common set of data points for many existing reporting requirements would provide significant value to the industry today. Ideally, authorities would all use global data standards that exist today (such as, LEI, UPI, UTI, ISIN, CFI, and Common Data Elements).

However, defining a global common set of data points for a given reporting scope will require a significant amount of time to develop. Definitions for data points must be precise to be understood by both firms and authorities, and individual data points may require specific labels and/or definitions. This increases in complexity when one or more data points for a given report is connected to other reports (or data).

On this basis, AFME supports a phased approach that looks to implement a global common data dictionary that incorporates existing global standards wherever possible and is based on the sectors or reports that are prioritized as part of the initiative. It will also be important for firms to have insight into how regulators are using the data that will be include in the common input layer. A lack of that transparency could create issues in relation to how firms are reporting the data under such definitions

[11] https://www.afme.eu/portals/0/globalassets/downloads/publications/afme-pwc-tech-and-innovation-in-europes-capital-markets.pdf
[12] https://www.sec.gov/divisions/marketreg/rule613-info.htm

Each sector, as part of this initiative, will need to identify the participants and their roles, and the required investment, for creation, ownership and maintenance of the common data layer. This industry involvement will be crucial given that complex nature of the task and the specialised input that will be required from the industry which currently produce and primarily use the relevant granular data points. Too small a number of participants in the development of the data layer may make the outcome too customised and unable to scale across the industry. Appropriate governance will be required, with authorities such as the BoE playing a key coordinating role, and a commitment to use the agreed upon standards in reporting (no altering of definitions to a specific regime). A periodic process to assess and update this common set of data points will also be needed for it to maintain relevance with changing industry products and services.

However, we note that a common data layer, or set of data points, will not guarantee the interpretation of reporting requirements or instructions to become clearer (especially where any common data points are developed agnostic to a specific existing reporting requirement).

Each sector and firm have unique products, and continuously develops unique products, on a timeline determined as most advantageous to each firm. With the development of a common set of data points comes the necessity of fitting new data points to established standards. The ability of regulators to respond to institutions in real-time to address issues as they arise will be necessary in order to maintain data quality.

I. What additional benefits and challenges would arise from seeking to use industry data standards as the basis for defining reporting requirements?

The financial industry has an incentive to become more efficient in order to better serve clients and as such it is in the interest of the industry to decide and adopt common standards. Standards should be grouped into 'data standards' and 'data transport standards'. Data standards would include common identifiers (LEI, UTI, UPI as a start) as well as various definitions (e.g. currency, terms), whilst data transport standards would typically be XBRL for financial business reporting and ISO 20022 for consistent structured messaging.

Existing industry standards could provide a common baseline for the development of further reporting requirements. However, the use of existing industry standards may not accelerate or simplify the solutions proposed in this initiative (such as codifying reporting requirements). Any use of industry standards should therefore be considered in the assessment phase outlined in Question B.

Finally, once agreed, these industry data standards should require mandatory adoption to ensure their use and intended benefit.

What should the role of regulators be in the development and adoption of such standards?

Regulators must be full partners in the development and adoption of standards. Regulators will also need to designate resources to help firms understand the new requirements, and to answer common questions that will be inevitable during the implementation and post-implementation cycles.

The development of industry standards is a resource and time intensive exercise, due to the wide range of requirements and variations that exist across firms and the need for involvement from multiple parties. Standards also require implementation across the industry at scale for long-term efficiency benefits to be achieved.

Therefore, partnership must be on-going to realise the long-term benefits and investment required. Were partnership to be reduced after initial implementation, the wide range of variations that exist across firms would lead to inconsistency in reporting; just as the new standards were developed.

AFME also recognizes the need for industry commitment; industry is best placed to understand the data they own and to provide the expertise in the creation and maintenance of the global common data layer. As the industry will play an important role in guiding authorities on achieving the long-term aim of these initiatives, it should be an early aim for the BoE to work to convene a forum for industry engagement and input.

Finally, incentives to firms and/or sectors should be considered as a mechanism for increasing the collaboration and investment required for the long-term benefits of the proposed solutions to be achieved.

J. What are your views on the benefits and challenges of the possible improvements to reporting instructions set out in the paper?

As noted in Question B, further assessment is needed to ensure the suitability of the solutions proposed in this initiative, including to reporting instructions.

Many existing instructions from authorities apply to many different firms and sectors and are often abstract or legalistic; requiring firms to 'translate' the instructions through judgement and assumptions. Equally, instructions may be referencing many different definitions or terms unique to a given authority or jurisdiction, or reference other documents specific to implementing the reporting instructions.

Many existing instructions for regulatory reports are embedded across multiple regulatory and legal documents. Existing instructions have not been developed over time to lend themselves towards codification (even when considering more simple, single instruction, reports). This means that most, if not all, regulatory reports will be difficult to turn into code and accurately reflect the multiple instructions that are required as input to develop the report. This is further complicated long-term where specific instructions change overtime, and/or may be produced in various formats and requirements across jurisdictions.

A possible approach would be for the industry (including legal representation) to take an existing regulation, or reporting instructions, and translate to Natural Language (NL). The NL versions could then be more easily developed in a machine readable (code) version. Developing NL first will not make the development of all reports as code possible without ongoing human input or assumptions, however, moving directly to code will not remove the inconsistencies that currently exist between firms, and authorities, for the vast majority of reports.

We agree with the CP that NL will always be the primary and legal reference for a given regulation or report. However, the liability of applying reporting as code will need to be considered, where a firm or a sector has implemented an agreed code which then creates errors in submission. Due to the importance of regulatory report submissions, liability and risks of this nature in a new solution may limit uptake across a sector.

Another possible approach would be to start with a new regulation (and instructions) from authorities that is developed with the intent to be codified in the long-term. The industry could then collaborate on this from the beginning, rather than trying to change a report (or data layer) that is already embedded.

Any move towards reporting as code should consider the technical standards and languages that will be used, including security standards. This will be important for achieving a solution that can be 'future proofed' and can be scaled across the industry long-term (and potentially globally).

K. What are your views on the benefits and challenges of the possible changes to architecture and governance set out in the paper – in particular moving to a "pull" model for certain types of data, or moving some functions to a central service provider?

As noted in Question B, further assessment is needed to ensure the suitability of the solutions proposed in this initiative, including to possible changes to architecture and governance.

<u>Central Service Providers</u>

Many reporting steps are duplicated across firms and the industry today. A 'central service provider' could in many cases remove this duplicated effort and introduce greater consistency and efficiency for regulatory reporting. However, AFME notes that for this to be achieved, firms underlying data layers may need to be modified to become more flexible to accommodate future data requirements prior to delegating the reporting to a third party.

Ensuring that all regulatory reporting is performed correctly has significant financial and legal implications for firms, and broader implications for financial stability. Therefore, this must be carefully considered for any proposal to introduce 'central service providers', where functions or processes performed by individual firms today are outsourced to one or more third parties.

Key considerations for the use of central service providers needs to include, as a minimum: cost; security; performance; assurance; ownership (the platform and code); governance and liability. AFME has developed several papers on the benefits and challenges of industry utilities[13][14] (such as central service providers), and recommendations for improving their success in coming to market.

Finally, we note the need to ensure the consistent use of data by any central service provider to agreed data standards, ideally global standards, where they exist. Equally, the consistent use of any central service provider by relevant authorities and the industry. This consistency will ensure that there are not multiple solutions and providers developed that create further fragmentation in different data definitions and formats.

'Pull' Model

We believe that consideration of a pull model should only be a long-term objective and that it that necessarily can only follow (as it is dependent on) both developing a common data layer and modernising reporting instructions. Whilst a pull model may have potential long-term benefits for the industry, important information security concerns would need to be addressed. As such, embedding this approach would be an extensive and lengthy transformation and should not be a priority at this time.

The following high-level aspects of a pull model, whilst not exhaustive, are examples of the further clarification that would be required for any future assessment:

- What level of granularity of data will be required?;
- How will data be accessed by authorities (individually from firms or via a central service provider)?;
- How will transparency of data extraction and use between firms and authorities be managed?;
- What will be the frequency of data being extracted?;
- What process will exist for data resubmissions?;
- What cyber and information security safeguards will need to be put in place?; and
- What technology interfaces (such as developing APIs for a "publish and subscribe" model) and standards will be needed?.

Further, AFME has identified five considerations to support any further assessment of a pull model:

- There should be full transparency to firms on how data is used by the regulator and how it will feed into the supervisory process. A lack of transparency could create issues in relation to how the firms are reporting the data;
- We believe that to meet internal and regulatory requirements such a model will need to be based on each firm 'publishing' information to authorities, as opposed to access being provided to operational systems or data sets. A solution to this could be that reporting institutions provide raw data to a reporting intermediary that has delegated authority over an agreed model with the

[13] https://www.afme.eu/portals/0/globalassets/downloads/publications/afme-tao-industry-utilities.pdf
[14] https://www.afme.eu/reports/publications/details/recommendations-for-increasing-the-success-of-utilities-projects

institutions. Then the reporting intermediary can either onward report or allow access to certain types of data or analysis results to the regulator.

- Common data definitions must be well defined and granular enough to capture the nuances reflecting differences to firms products. For highly complex areas where interpretation is needed, such a model may not be appropriate. For example, the interpretation of the capital treatment of a firm's products can vary by firm, and it would be inadvisable for a supervisor to perform this activity on raw data 'pulled' from a firm without governance input from that firm. Such interpretation cannot be replaced unless the data collection is at the most granular level, and the definition captures the essence of the product, which can be hard to achieve; and

- There should be sufficient review and quality control by firms with respect to the data submitted under any pull model. For example, to ensure that data is up-to-date, since a regulator does not have all insights into how changes to business activities can influence, or help inform, data changes. Today such review is done prior to the data and/or reports being submitted. The review is also essential to ensure data quality issues are addressed.

- It is anticipated that a pull model will require significant changes to the industry across all aspects of reporting; including impacts on firms' resources. For example, firms may need to develop or invest in coding skills for existing reporting functions. Most existing reporting process are complicated to some degree, and many have dependencies or processes that interact with many operational functions (such as legal, risk, compliance, finance).

Based on the above, we suggest that developing a 'pull' model should not be the focus of the BoE's work at this time. It may be possible to revisit this at a later date once significant advancements in the data layer and reporting instructions workstreams have been made. In any event, other models, such as 'publish and subscribe', should be examined.

Conclusions

AFME thanks the BoE for the opportunity to comment on this DP. As noted above, we see this as a welcome opportunity to reduce inefficiencies in the current reporting landscape. To this end, we have made the following four recommendations:

- We suggest that this initiative would be a welcome opportunity to review the complex reporting landscape that currently exists and for the BoE to remove/amend any obligations that are obsolete, duplicative or conflicting.
- We believe that the BoE should prioritise early and more iterative engagement, the development of common data inputs and modernised reporting instructions over any changes to reporting architecture and governance at this time. These focus areas will bring the greatest benefit in the shortest timeframe.
- On common data inputs, we emphasise the importance of their development at a global level, by close consultation (and regular review) with the industry to ensure that the resulting global data dictionary is targeted to meet regulators' needs but also precise enough to be commonly understood across the industry.
- On modernising reporting instructions, we suggest that beginning with a new reporting requirement may be the easiest opportunity to develop this. Where existing requirements are to be amended, translation into Natural Language (NL) may be a suitable interim step.

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