EUROPEAN CENTRAL BANK

EUROSYSTEM

Feedback statement

Responses to the public consultation on the draft European Central Bank Regulation on statistical reporting requirements for pension funds

February 2018

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Executive summary

On 26 July 2017 the European Central Bank (ECB) launched a public consultation on the draft ECB Regulation on statistical reporting requirements for pension funds ("the draft Regulation"), which lays down requirements for the collection and reporting of pension funds statistics.

Euro area pension funds have around 50 million members. Pension funds are among the largest and fastest-growing investors in global capital markets; in spite of the financial crisis, euro area pension funds have almost doubled in size since 2008. Currently their total assets amount to around €2.5 trillion. In order to increase the transparency of pension funds for the benefit of their members, the general public and the economy as a whole, the ECB is introducing a new ECB regulation on the collection of pension fund statistics.

The proposed draft Regulation will remedy shortcomings of the current un-harmonised and incomplete quarterly statistics on pension funds published since June 2011, in particular the limited dissemination of transaction data due to insufficient data quality. The enhanced statistics will thus better support the European System of Central Banks (ESCB) in its monetary and financial analyses and its contribution to the stability of the financial system.

From the outset of the project the ECB has carefully assessed the potential impact of the proposed draft Regulation, with a view to containing the costs incurred in compliance. Through sustained cooperation with national central banks (NCBs) and, via them, with reporting agents and their industry associations, the ECB applied its "merits and costs procedure" in accordance with the principles and procedures set out in Council Regulation (EC) No 2533/98[1] to ensure that the reporting burden on pension funds is contained and that the data are collected and compiled in a cost-effective way.

To this end, and taking into account the proportionality principle in particular, the reporting requirements as set out in the initial proposal have been significantly streamlined, especially for smaller pension funds.

Pension funds will also report to the European Insurance and Occupational Pensions Authority (EIOPA). With a view to minimising the reporting burden for the industry, the relevant EIOPA and ECB bodies have cooperated closely to set up the definitions, the methodological framework and the preparation of the transmission format for both ESCB statistics and supervisory reporting. A very high level of convergence between these reporting requirements and the data content and other features of the draft Regulation, such as timeliness and coverage, has been achieved. This will allow a single data flow for reporting by the industry, should this

1 Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank (OJ L 318, 27.11.1998).

be decided at the national level by the respective NCBs and national competent authorities (NCAs).

The ECB attaches the utmost importance to stakeholders' understanding of this innovative statistical project. This is why it has, inter alia, published the draft Regulation on its website, along with informative web pages on the project's rationale and design. This was done following an "in principle" agreement by the Governing Council of the ECB and provided the general public with the opportunity to make observations by 29 September 2017. As part of the consultation a public hearing by teleconference was also held, on 21 September 2017. The ECB received 13 written responses, all with relevant input.

Following the public consultation and the response from the European Commission, the ECB analysed and gave due consideration to all comments received and subsequently amended the draft Regulation. The most fundamental changes are:

1. a postponement of the first reporting deadline;
2. an increase of the reporting threshold from €10 million to €25 million (in respect of total assets), coupled with a transitional approach to reach the 80% coverage of total assets by 2022, but coverage at the level of at least 75% of total assets must be reached during this period;
3. a phasing-in period for alignment with EIOPA's supervisory reporting requirements;
4. a clarification of the term "pensions fund managers".

This feedback statement presents the ECB's assessment of the comments received.

Following the assessment, an amended draft of the Regulation was forwarded to the Governing Council of the ECB and adopted as the ECB Regulation on statistical reporting requirements for pension funds on 26 January 2018. The Regulation was published on the ECB's website on 19 February 2018, together with this feedback statement.

1 Overview and analysis of responses

The ECB published the draft ECB Regulation on statistical reporting requirements for pension funds on 26 July 2017. The period for submission of comments on the draft ran until 29 September 2017. A total of 93 comments from 13 respondents were received, mostly in English. Submissions were made by national and European associations representing the interests of the pension funds sector, as well as by individual pension funds, one asset manager, one consultant and one regulator. Table 1 on the following page shows the breakdown of responses by type of respondent and the specific part of the draft Regulation commented on.

Respondents welcomed the publication of the draft ECB Regulation, generally recognising the need to enhance the quality of data on pension funds across the euro area. Several highlighted their agreement with the ECB's aim for better, comparable and relevant information on the financial activities of pension funds. Most respondents indicated their understanding that the collection of statistical information on pension funds is necessary to satisfy regular and ad hoc analytical requirements for the purposes of supporting the ECB in carrying out monetary and financial analysis, as well as the ESCB in its work contributing to the stability of the financial system.

Nevertheless, a few respondents also voiced a number of concerns and made suggestions aimed at improving the project's cost-effectiveness. In particular, some industry respondents mentioned that new reporting requirements for pension funds could be costly and stressed that the ECB Regulation should focus as far as possible on data which is already available at the level of the national supervisory authorities in exactly the same structure, so as to create maximum synergy and help reduce unnecessary cost and effort.

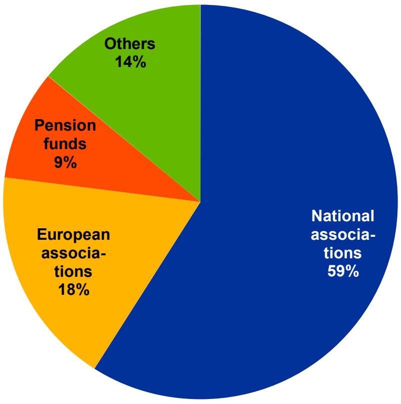
Following the public consultation the ECB analysed and gave due consideration to all comments received. This feedback statement presents the ECB's assessment of those comments. For ease of understanding, references to specific provisions of the Regulation are to the draft published for public consultation on 26 July 2017. A table summarising amendments made following the public consultation is included in Section 6.

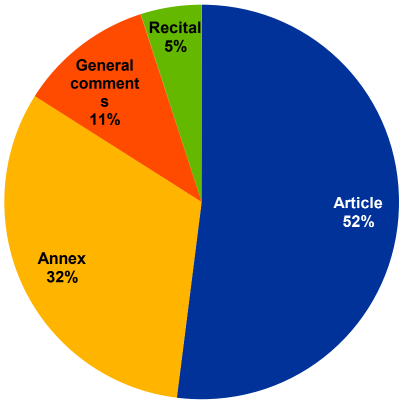
The revised draft Regulation was forwarded for approval to the Governing Council of the ECB, and was adopted by it on 26 January 2018, as the ECB Regulation on statistical reporting requirements for pension funds. The Regulation was published on the ECB's website on 19 February 2018, together with this feedback statement.

Table 1

Breakdown of responses by type of respondent and specific part of the draft Regulation commented on

	National associations	European associations	Pension funds	Others	Total
Recital	4	0	1	0	5
Article	25	11	6	6	48
Annex	20	4	0	6	30
General comments	6	2	1	1	10
Total	**55**	**17**	**8**	**13**	**93**





Note: The category “Others” comprises one asset manager, one consultant and one regulator.

2 Rationale for and scope of the new Regulation

2.1 Rationale for the new Regulation

Pension funds play a dual role: they help individuals save for old age; and allocate long-term capital efficiently across firms and sectors, thereby assisting in ensuring innovation and growth. The financial crisis, the low interest rate environment and Europe's ageing population all highlight the need for higher quality, more granular and comparable data on the European pension funds sector. Harmonised and comparable data on the sector are difficult to collect; this is because of the many different types of pension funds and the variations across countries in their characteristics. The current gaps in the available data make it difficult to obtain a comprehensive understanding of the cash flows and risks associated with pension obligations.

The European Insurance and Occupational Pensions Authority (EIOPA) – the supervisory authority for the European pension fund sector – has also recently launched a public consultation addressing the issue of regular reporting of occupational pensions information by national supervisory authorities to EIOPA. This initiative seeks to streamline all quantitative reporting requirements into one comprehensive package. With a view to minimising the reporting burden on the sector, EIOPA and the ECB have worked closely together in establishing the definitions and methodological frameworks of their respective initiatives in the area of pension funds data and reporting.

This will ultimately provide a better understanding of the situation in this financial sector, benefiting not only policymakers and supervisors, but also the public at large.

Furthermore, an enhanced set of data and information will create greater transparency regarding the industry and help towards an understanding of the sector's role in the mechanism for transmission of monetary policy.

2.2 Scope of the new Regulation

The new Regulation is addressed to autonomous pension funds, as defined by the European System of National and Regional Accounts (ESA 2010). Only those pension funds that are institutional units separate from the units that create them are included. Non-autonomous pension funds set up, for example, by credit institutions or non-financial corporations are not covered, since they are not separate institutional units. Individual pension plans offered by insurance corporations or other institutions are also excluded from the scope of the new Regulation, as are social security schemes.

The new Regulation is only binding on those countries whose currency is the euro (euro area countries). Nevertheless, non-euro area Member States are to implement all measures that they consider appropriate for collecting the statistical information needed to fulfil the ECB's statistical requirements, and, where relevant, for making timely preparations for joining the euro area.

3 Analysis of merits and costs

3.1 The ECB's merits and costs procedure

The preparations for the drafting of the ECB Regulation on statistical reporting requirements for pension funds followed the process outlined in Council Regulation (EC) No 2533/98.

In designing and issuing its statistical regulations, the ECB also follows the principles set out by the European Parliament and the European Council, particularly as regards the need to limit the reporting burden.

Bearing in mind the ESCB's aims to perform its statistical function effectively and to use resources efficiently when collecting, compiling and disseminating statistics, all requirements necessary to address new challenges and meet ever-changing information needs are subject to a "merits and costs procedure". This is an in-depth investigation of the embedded costs and benefits for all stakeholders involved, including the financial institutions potentially affected.

Since its first application in 2000, the merits and costs procedure has been applied in the drafting of around 15 ECB regulations on statistics in the context of the Treaty on the Functioning of the European Union (Article 5 of the Statute of the ESCB and of the ECB) and of Council Regulation (EC) No 2533/98. As far as the draft Regulation is concerned, the procedure was based on the emergence and recognition, in principle, of new user needs for aggregated or more granular data, and involved the following steps:

- fact-finding, via a detailed questionnaire addressed to representatives of the potential reporting population, which enabled the scope and concepts to be better defined and alternative data sources to be explored, and entailed an initial feasibility assessment leading to the exclusion of the most demanding or costly features;
- a costs assessment, via a questionnaire addressed to data and information compilers (the ECB and NCBs) and reporting agents, to estimate in qualitative terms the costs of collecting the information identified in the previous step, and to enable a more in-depth view of the costly features, differentiating between set-up and running costs for reporting agents;
- a merits assessment, via a questionnaire circulated to data users, to assess the expected benefits in the light of the potential costs incurred;
- an assessment of the balance between merits and costs, in which the ESCB – assisted by its relevant committees and sub-structures – weighed the benefits of the various options for users against the costs for compilers and reporting agents and, based on the findings, produced a draft regulation to be submitted to the Governing Council of the ECB.

3.2 The merits and costs procedure as applied to the new Regulation

In drafting of the ECB Regulation on statistical reporting requirements for pension funds, the approach followed in designing the requirements for collection of pension funds data was fully aligned with the merits and costs procedure, which ran from 2015 until mid-2017.

The costs assessment found that the main cost drivers across countries were similar, despite the very heterogeneous situation within the euro area pension funds sector overall. The aspects identified by the reporting agents as the most expensive were:

- costs of reporting for small pension funds;
- quarterly reporting of liabilities;
- security-by-security reporting for many small- and medium-sized pension funds in several countries;
- transactions/revaluations;
- market valuation of liabilities.

Regarding the merits assessment, users welcomed the improvements in availability, quality and consistency of the data on pension funds balance sheets that the new ECB Regulation would bring. The user committees and the European Commission all welcomed the prospect of minimising the reporting burden for the industry by allowing certain quarterly estimates, especially on the reporting of data on liabilities (for example, pension entitlements). The following were considered crucial for the users:

- data on transactions;
- granularity and security-by-security reporting;
- individual country counterparty data;
- investment fund data broken down by investment asset classes;
- data on pension fund entitlements (broken down into defined contribution, defined benefit and hybrid schemes);
- alignment of the new requirements with international statistical standards (ESA 2010 and the IMF's BPM6)[2].

The matching of merits and costs was the final step before drafting the Regulation. On the basis of the costs assessment carried out by the NCBs – in liaison with the potential reporting population – and the merits assessment provided, a proposal for

2 Sixth Edition of the IMF's Balance of Payments and International Investment Position Manual (BPM6).

the final form of the reporting scheme was drawn up. The matching of merits and costs was approved by the ECB in March 2017.

4 Legal basis

Article 5 of Protocol (No 4) on the Statute of the ESCB and of the ECB requires the ECB to collect the statistical information necessary to carry out the tasks entrusted to the ESCB. The relevant EU legislation which provides the framework for the ECB's statistical work is Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank.

To perform the functions of the Eurosystem, the ECB may, subject to constraints imposed by EU legislation, adopt legal instruments that have a direct effect on certain entities resident in the euro area. These entities comprise the reference reporting population for ECB statistics, which includes all monetary financial institutions (MFIs) and other financial corporations, such as pension funds. These legal instruments are ECB Regulations which set out the ECB's statistical requirements for MFIs and other financial corporations in the euro area. They are binding on the entities to which they are addressed and are directly applicable, meaning that they do not need to be transposed into national law. They instruct reporting entities on, for example, statistical reporting requirements in terms of definitions, classifications, frequency and timeliness.

As provided for by Article 5 of the Statute of the ESCB and of the ECB, and Council Regulation (EC) No 2533/98, it is the Governing Council of the ECB that determines which statistics should actually be collected, compiled and disseminated by the ESCB.

As a new feature in the legislative process, on 4 October 2016 the Governing Council of the ECB decided to increase the transparency in developing ECB Regulations on European Statistics. Hence, for the first time in the context of a statistical Regulation, the ECB conducted a public consultation on the ECB draft Regulation on statistical reporting requirements for pension funds. The public consultation, which started on 26 July 2017 and ran until 29 September 2017, gave interested parties the opportunity to comment on the draft Regulation. As part of this consultation, a public hearing by teleconference was held on 21 September 2017. Key documents – the draft Regulation, a summary of the related merits and costs procedure run in 2016, and frequently asked questions – were made available on the ECB's website as background information. The ECB also formally consulted the European Commission, as required under Council Regulation (EC) No 2533/98, and informed the European Parliament.

5 Comments on specific parts of the new Regulation

5.1 Request for postponement of the first reporting deadline

Comment: Five respondents requested a postponement of the deadline for the first reporting of pension funds data in order to have more time to implement the new Regulation and to align supervisory and statistical reporting requirements.

Assessment: The first reporting deadline under the new Regulation has been postponed. It will now begin with quarterly data for the third quarter of 2019 which is to be reported by end-2019, and annual data for 2019 which is to be reported by mid-2020. In addition, with a view to minimising the reporting burden for the industry, the relevant EIOPA and ECB bodies have cooperated closely to set up the definitions, the methodological framework and the preparation of transmission format for both ESCB statistics and supervisory reporting. A very high level of convergence in the data content and other features of the new Regulation, such as timeliness and coverage, has been achieved. This will allow a single data flow for reporting by the industry, should this be decided at the national level by the respective NCBs and NCAs.

5.2 Request for a phasing-in period to align with EIOPA reporting requirements

Comment: Seven respondents requested a single reporting process to cover both the EIOPA and ECB reporting requirements, in order to avoid burdensome double-reporting.

Assessment: A phasing-in period for reporting quarterly assets is included in the new Regulation, to allow for a single data flow when complying with EIOPA and ECB reporting requirements.

5.3 Request for an increase of the reporting threshold

Comment: Four respondents requested an increase of the reporting threshold because of the presence of many small-sized pension funds in countries subject to reporting requirements.

Assessment: The level below which the derogation for reporting by small-sized pension funds applies has been raised from €10 million to €25 million in respect of quarterly assets, provided that the pension funds that contribute to the quarterly aggregated balance sheet account for at least 80% of the total assets of pension funds resident in the relevant euro area Member State. A transitional clause has also been included to allow a period until 2022 for this level of coverage to be reached (but coverage at the level of at least 75% of total assets must be reached during this period).

5.4 Request for clarification of the term "pension fund manager"

Comment: Two respondents requested clarifications regarding the term "pension fund manager".

Assessment: References to "pension fund manager" have been changed to "pension manager", for consistency with the definition provided in ESA 2010.

5.5 Request for clarification on security-by-security reporting

Comment: Three respondents stated that the security-by-security breakdown of reporting adjustments and financial transactions data would be burdensome and costly, especially for small pension funds. Therefore they suggested that each national central bank should derive approximations of the values of individual securities.

Assessment: The ECB is aware that the level of detail required will increase the burden imposed on reporting agents, especially in those countries where the reporting of granular information is a new concept.

For this reason the ECB completed a comprehensive "merits and costs" exercise, with a view to minimising the reporting burden on pension funds. Thanks to this procedure, the new Regulation includes only data requirements for which the confirmed policy relevance or operational usefulness is high enough to justify the set-up and regular costs. In addition, all efforts have been made to limit this burden as much as possible, especially for smaller institutions, and the statistical reporting requirements are aligned as far as possible with EIOPA's supervisory reporting requirements (so that, for example, security-by-security reporting is also included).

To ensure proportionality, smaller institutions can be granted derogations according to various thresholds defined in the Regulation.

Furthermore, the new Regulation anticipates the possibility that data on transactions are not reported. NCBs may continue to collect data on transactions to account for national specificity (e.g. in cases where deriving transaction details from positions would lead to implausible results due to high price volatility).

5.6 Other comments

One comment on Article 4 of the new Regulation suggested the inclusion of definitions of the terms “stock data" and "stocks and revaluation adjustments” but was not taken into account because in this regard the new Regulation reflects the ECB Regulation on statistical reporting requirements for insurance corporations.

Several comments on the presentation of the tables and the deletion of some fields in the annexes were disregarded due to their lack of significance in the merits and costs procedure.

Some comments received suggested the use of a different method for classifying pension fund members, as well as the addition of clear definitions of “active”, “deferred” and “retired” members. Definitions and instructions on how to report the data will be provided.

Certain comments were forwarded to the relevant national central bank(s) for their assessment and analysis.

Many comments received asked for clarifications which were provided to the individual respondents concerned on a bilateral basis.

6 Amendments made to the draft Regulation following consultation

Following the ECB's assessment of the outcome of the public consultation and the response from the European Commission (which was also formally consulted), amendments were incorporated into the draft ECB Regulation on statistical reporting requirements for pension funds, before its adoption by the Governing Council of the ECB on 26 January 2018. Table 2 explains those amendments. Purely editorial changes are not listed.

Table 2

Amendments to the draft ECB Regulation on statistical reporting requirements for pension funds following consultation

Articles	Heading	Amendment
Recital 9	Sanctions on reporting agents	Recital 9 is amended in accordance with Article 2 of the Regulation in order to reflect that the exemption of pension managers from the reporting population is the guiding principle.
Article 2	Definition of the reporting agent	Paragraph 3 of Article 2 is amended, so that the pension fund is in all cases the reporting agent, unless the NCB informs the pension fund and pension manager that the pension manager should report in place of the pension fund.
Article 4	Definition of the reporting agent	Paragraph 5 is inserted in Article 4, for the purpose of imposing a clear obligation on pension managers to provide the required data to reporting agents in good time. Failure to comply with this obligation requires NCBs to classify pension managers as reporting agents, to ensure the sanction regime applies.
Article 7	Increase of the reporting threshold	In Article 7(1)(b), the derogation for reporting by the smallest pension funds has been raised to EUR 25 million for quarterly assets, while pension funds that contribute to the total aggregated balance sheet account for at least 80% of the total assets of pension funds resident in the relevant euro area Member State. A transitional clause has also been included in Article 13 to allow this coverage to be phased in by 2022.
Article 7	Derogations	Article 7(1)(e) is amended in order to give reporting agents enough time to set up their IT systems for granular reporting.
Article 8	Phasing-in for reporting quarterly assets	In order to minimise the risk of duplicating the reporting burden (reporting to both the ECB and EIOPA), a phasing-in period for reporting quarterly assets is introduced. Paragraph 1 of Article 8 is amended (and a typo corrected).
Article 12	First reporting	The first reporting under the Regulation will begin with quarterly data for the third quarter of 2019 to be reported by end-2019 and annual data for 2019 to be reported by mid-2020.
Article 13	Transitional approach	A new article is added in order to set up a transitional approach to reach 80% coverage of total assets by 2022 (but coverage at the level of at least 75% of total assets must be reached during this period).
Annex 1	Clarification	Two footnotes are added to Table 2.2 of Annex I, to provide clarification of the terms "split date" and "split factor".
Annex 2	Clarification	A description in Part 1, Table A, item 5 (investment fund shares/units) is amended.