

## **BVI's<sup>1</sup> comments on the EU Reporting Reduction Package**

We strongly support the proposed Reporting Reduction Package, which will contribute to a reduction in the reporting burden through both better data sharing and the removal of duplications in reporting requirements. We strongly encourage the Commission and the Co-legislators to ensure that no (new) reporting obligations are introduced in (new) policy initiative or during on-going legislative reviews. We also recommend that the Commission and Co-legislators promote a more systematic form of data exchange between public authorities supervising the financial sector, guaranteeing that fund management companies report regulatory data only once.

Within the financial market, it is accepted on all sides that meaningful and precise regulatory reporting is a precondition for efficient supervision at both the macro- and micro-prudential level. However, the existing jumble of different data standards and formats in regulatory reporting in reality presents a huge burden for both the supervisory bodies and the fund industry in both operational and financial terms. It encumbers and complicates analyses of systemic risk within the financial markets and thus actually impedes efficient supervision.

Funds are among the most strictly regulated and transparent financial products. Asset managers are required to report extensive and complex data packages for each fund or share class to various authorities and central banks at regular intervals. This is the legacy of the financial market crisis when regulators and central banks around the world significantly expanded the reporting requirements for investment funds in order to improve transparency in the global fund market. There is now sustainability reporting under SFDR and CSDR, regulatory fund reporting (e.g. UCITS/AIFM, money market fund reporting as well as, in our case, reporting to the Bundesbank), transaction reporting (e.g. EMIR, SFTR), reporting to institutional investors (e.g. Solvency II, CRR), the annual tax return as well as quite a few special reports and responses to ad hoc queries by regulators on risks.

The crux of the matter is that investment funds are being required to produce what is basically similar data for each of the various competent authorities and central banks but at different intervals and in the different formats wanted by each authority. The reason for these differing requirements is the increased complexity in reporting since the financial market crisis, which has not been coordinated by the supervisory authorities and central banks.

The plethora of different data standards and formats in reporting is an enormous burden for both the fund industry and the responsible authorities, both operationally and financially. It also hinders efficient supervision in analysing systemic risks in financial markets. There is therefore an urgent need to streamline the current reporting requirements and administrative burden on fund companies and so reduce them to a reasonable level.

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<sup>1</sup> BVI represents the interests of the German fund industry at national and international level. The association promotes sensible regulation of the fund business as well as fair competition vis-à-vis policy makers and regulators. Asset managers act as trustees in the sole interest of the investor and are subject to strict regulation. Funds match funding investors and the capital demands of companies and governments, thus fulfilling an important macro-economic function. BVI's 117 members manage assets of some EUR 4 trillion for retail investors, insurance companies, pension and retirement schemes, banks, churches and foundations. With a share of 27%, Germany represents the largest fund market in the EU. BVI's ID number in the EU Transparency Register is 96816064173-47. For more information, please visit [www.bvi.de/en](http://www.bvi.de/en).



In this regard, we would like to submit the following considerations on funds and transaction reporting:

The applicable requirements for **transaction-level reporting under EMIR, MiFID II/MiFIR and SFT Regulation** display considerable differences in terms of reporting details, reporting channels, data repositories and applicable IT standards.

The same pertains to the **regulatory reporting on portfolio positions and risks required under AIFMD and UCITS Directive**. While AIFMD reporting is at least harmonised at EU level, there is no single reporting standard for UCITS funds in the EU (yet). There is a lack of a common European standard such as what kind of portfolio and risk data, in which frequency and in which format should be reported, and there is apparently no regular exchange of the information collected by the national competent authorities (NCAs) and other authorities in the Union, with ESMA and with the ESRB.

We see the need for improvements in information and data sharing between all financial stability bodies such as ESMA, ESRB, ECB, national central banks, and national competent authorities. This requires a **single regulatory reporting mechanism** which will reduce operational effort and burden for asset managers as well as supervisory authorities.

A general overhaul of fund reporting towards mere **raw data delivery** can meet the demands of supervisors for more granular data to monitor systemic risks in the long run. However, this requires a fundamental overhaul of all fund reporting. For a short-term solution, this demand can be ensured through a **new, yet to be defined data exchange between NCAs** that already have granular data (e.g. via central banks or EMIR/MiFIR transaction reporting) and maintaining the aggregated and consolidated data collection approach. We therefore propose only minimal changes in the short run to improve AIFMD reporting.

Lessons should be learned from the practical experience with the **EMIR reporting obligations** where the lack of sufficient implementation time combined with legal and operational uncertainty due to undefined ESMA standards have significantly hampered the ability of the market to timely implement the relevant technical specifications.

In the context of the EMIR reporting obligation, we strongly support the idea to **introduce a single-sided reporting for exchange traded derivatives (ETDs)**. Only CCPs should be responsible and legally liable to report ETDs on behalf of both counterparties and their clients to a trade repository. However, in order to avoid a different reporting system within a regulation we suggest to further extend the single-sided reporting to all cleared derivative contracts. Such a single-sided reporting, provided by a CCP, will ease the reporting obligation both for all market participants and for the regulators when analysing the data.

Double sided reporting has increased the reconciliation process of the reporting parties and has led to a high number of unpaired and unmatched reporting transactions to a Trade Repository (TR). This complicates supervisory authorities' supervision, analysis, and aggregation of these data in order to identify systemic risk in the OTC derivative market.

Furthermore, the EMIR 3.0 proposal, which is still under negotiation, and the newly agreed revisions to MiFIR, are other examples of new reporting obligations which will be duplicative considering the information that management companies and/or broker/dealers already report today.



**In sum, the reporting requirements for German asset managers are very complex, burdensome and expensive. It is therefore of utmost importance to streamline the reporting burden and the data sharing between the NCAs, ECB and national central banks in order to reduce the reporting burden for all reporting entities.**

Therefore, we strongly recommend that the ESAs should regularly review the regulatory reporting obligations that apply to the fund industry. This would allow the ESAs to inform the EU co-legislators and the Commission about potential reporting duplications when new pieces of legislation are considered and to pro-actively recommend to the co-legislators/Commissions ways to reduce the reporting burden that the industry is subject to. In this context the EU should also regularly review the progress made in the regulatory reporting space and especially that all the data should be collected in a single machine-readable form. Such a progress report on machine readable regulatory reporting is e.g. required in the US: Please see the regular SEC report on the subject which specifies cost and benefits and also talks about usage of such data in the investment management division supervision of funds: <https://www.sec.gov/files/fdta-report-12-2023.pdf>.

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