

Response to DP1/26 Future banking data

About the Building Societies Association

The Building Societies Association (BSA) represents all 42 UK building societies, including both mutual-owned banks, as well as 7 of the largest credit unions. Building societies and mutual-owned banks have total assets of almost £680 billion. They hold residential mortgages of over £495 billion, 29% of the total outstanding in the UK. They are also helping 23 million people build their financial resilience, holding over £495 billion of retail deposits, accounting for 23% of all such deposits in the UK. Building societies and mutual-owned banks account for 46% of all cash ISA balances. With all their headquarters outside London, building societies employ around 52,300 full and part-time staff. In addition to digital services, they operate through approximately 1,300 branches, holding a 35% share of branches across the UK.

Executive summary

The BSA strongly welcomes that the regulators are conducting a comprehensive review of how they collect data. Given the government's focus on growth, and regulation being supportive of the growth agenda, this is an obvious area for improvement. The current arrangements – and associated costs to firms - do not represent value for money and could arguably breach the FSMA regulatory principle of proportionality.¹

We believe that **the current approach to gathering data is broken**. The approach of leaving firms to make their own policy interpretations, but then applying heavy-handed section 166 reviews as a way to drive quality has not been a success, is excessively costly and needs a re-think. We also question the ongoing relevance of the template approach versus moving to a granular 'collect once and well' approach. We welcome that the FCA is currently conducting a sandbox exercise on granular loan-level UK mortgage collections, and if successful, we believe this approach could be relevant across the broader suite of regulatory returns. The UK regulators are no longer bound by the approach taken in the EU and we note the work of the Banking Policy Roundtable that has been an effective mechanism for driving more consistent implementation of Basel 3.1 to avoid the problems of the past where multiple interpretations were allowed to co-exist.

The regulators last published a discussion paper on the future of regulatory reporting in early January 2020. In some respects that discussion paper included more ambitious ideas than this second discussion paper published six years later. As such, **we encourage the Bank of England and Financial Conduct Authority to be bold and ambitious** in developing a future approach to regulatory reporting that is effective, efficient and value-adding for the regulators and firms alike. The BSA and our members stand ready to support this important work, which can only be a success if the work is a joint collaborative initiative between the regulators and regulated firms.

¹ See FSMA Section 3B (1) (B) “the principle that a burden or restriction which is imposed on a person, or on the carrying on of an activity, should be proportionate to the benefits, considered in general terms, which are expected to result from the imposition of that burden or restriction”

Regulators use of data and defining the problem

The PRA has responded to the feedback from the industry requesting they set out how they use the data they receive in regulatory returns. This is helpful to understand. Many BSA members' experience is that supervisory queries in relation to regulatory returns are generally infrequent, outdated by the time they occur relative to any related risk, and often transpire to be misunderstandings of limited consequence. As such, it can be hard to understand the value of the regulatory reporting when compared to the costs of providing the data. We therefore welcome this increased transparency as set out in the discussion paper, describing the ways in which data is used.

An additional point of detail is that some of our members report receiving more queries on statistical returns given the BoE's internal validations. It would be helpful if the regulators could make these validation checks more transparent, particularly when they change, which would avoid queries before they arise. Some members have also told us that regulators raise queries even when explanations have already been provided to explain changes e.g. shifts away from the trend.

We would challenge the statement in DP1/26 1.13 "Policy design is particularly data-intensive, particularly calibration, impact analysis and CBA phases." We have not seen evidence that this is the case in recent consultations and published CBAs, and we can cite examples to the contrary where the PRA appears to have largely applied judgment rather than evidence.²

The BSA is particularly pleased to see that the FCA is setting up a sandbox on mortgage data collection as set out in use case 6. We strongly support this work as it will inform any transition to granular reporting.

Principles

The BSA welcomes setting principles to guide the future work on regulatory reporting. The most relevant principle for us is principle 2 – collect data 'once and well.' We propose to expand this concept with additional principles to be clearer that a granular data collection approach should, in general, consist of gathering input data not output calculations, and that regulatory reporting should be a fully collaborative and combined activity between the PRA and FCA.

Principle 1: Our data collection is objectives-driven

The BSA supports this principle but would also note that it is a re-statement of FSMA requirements and regulatory principles. It would not currently be compliant with FSMA, for either regulator to gather data that is not objectives-driven given that the regulators can only undertake activities that further their statutory objectives. As such, we are not sure what this principle adds to guide further work on regulatory reporting.

The principle could be improved by adding greater emphasis to the regulators' secondary objectives on competition, competitiveness and growth. We also think the principle should link to the stated aims of the PRA's Strong and Simple agenda i.e. simplification should be a key priority for regulatory reporting.

Principle 2: We aim to collect data from a firm 'once and well'

² Basel 3.1 proposed risk-weights for self-build mortgages that were not grounded in any evidence

The BSA believes that this principle is the fundamental one that should lead all further work. It is also a principle that naturally leads to granular reporting as discussed above. One of the drivers that has led to the current complex, overlapping requirements is that new policies are developed in a 'bolt-on' fashion and each new policy has new regulatory returns rather than seeking to adjust existing returns that include similar but slightly different data items.

We would like to expand the 'once and well' concept to commence with existing granular returns such as the Bank of England data tapes used for posting collateral which is already standardised e.g. for TFSME. Similar but different data should be avoided, including across different regulators. This is one of the problems with the current template approach, which would be resolved by moving to a granular data approach that collects input attributes rather than calculations. We also believe that regulatory reporting should be joint across the FCA and PRA. Where regulators need similar data but for different reasons, they should share data and use modern tools such as AI to reduce the current burden.

Principle 3: We prioritise making it easier for firms to supply high-quality data

The BSA supports this principle. Rules and reporting instructions that are clear and easy to understand will be easier for firms to implement and reduce the occurrence of errors. Data definitions must be specific enough to avoid multiple interpretations and hence problems with inconsistent implementation across the industry. A unified data dictionary as mentioned in paragraph 2.16 of DP1/26 would be very beneficial. We also agree that there could be a much better alignment in reporting cycles as opposed to the current variable submission deadlines with some using calendar days and others using business days as set out in paragraph 2.10 of DP1/26.

The PRA's Basel 3.1 Banking Policy Roundtable has been useful in driving a common understanding to aid implementation of the new rules across the industry. The BSA welcomes this work as a practical and pragmatic alternative to the more bureaucratic EBA Q&A process. We encourage the PRA to continue with this collaborative approach to driving consistent implementation of its rules. While there are times when it makes sense for the PRA to adopt a more principled-based approach, there are also times when the details matter. We believe that the PRA can use regulatory reporting as the lens to decide when to be more prescriptive and details-orientated to ensure consistent regulatory reporting across the industry. This is also important to support the PRA's secondary competition and competitiveness objectives. **It cannot be acceptable for different firms to take varying interpretations to data definitions in regulatory reporting** and this must be avoided, particularly where the different outcomes are material and hence will have a negative impact on competition.

Principle 4: Our data collection must remain fit for its purpose over time

The BSA supports this principle when applied to the existing suite of regulatory returns. We support the removal of regulatory returns that are no longer required by the regulators and that are no longer fit for purpose. However, we would like to note that of the various returns that have recently been retired by the PRA, these have not generally made any material difference to BSA members.³

³ See BSA response to CP21/25 Deletion of banking reporting templates

As set out above, we believe that the current suite of templates should eventually be retired and replaced with granular reporting. This would be a significant multi-year project, but once complete would likely be more stable over time and reduce the need for changes over time. The changes would be made in the way that the PRA would manipulate the granular data that it already collects, rather than needing to change the data submitted.

Principle 5: Data collection should consist of inputs rather than outputs

The BSA would like to propose this additional principle. This supports principle 2 'once and well' by ensuring that granular data is truly granular and there is a clear distinction between input data and output calculations. Firms will remain responsible for calculations that they perform for their own risk management and compliance purposes, and for internal reporting and external disclosures. However, for the purposes of regulatory reporting, granular data should generally be limited to input data and any required assumptions. Any calculations should be performed within the system that will produce the templates and analysis and should be **fully visible to firms, so that firms and supervisors have access to the same information.**

Certain exceptions to this could exist e.g. for reporting of IRB risk weighted assets.

Principle 6: Collaboration

We believe that **all future work on regulatory reporting should be collaborative between the PRA, FCA and the industry.** The Transforming Data Collection project was a collaboration across the regulators and the industry. However, we note that the TDC website has now been discontinued and includes separate links to the PRA's and FCA's websites.⁴ We also note that DP1/26 is a PRA consultation referring to the PRA-only project 'Future Banking Data.' We propose that the PRA and FCA continue with their joint Transforming Data Collection project.

We also note, as set out in paragraph 2.9 of DP1/26, the number of different reporting systems including BEEDS, RegData, FCA's platform and even certain spreadsheets submitted by email. This presents a significant opportunity to be streamlined into one collaborative portal for all data collection.

Principle 7: No new template-style returns

Any transition from template reporting to granular reporting will take a number of years to design and implement. We propose that in the intervening period, **no new (but old-style) template returns should be introduced.** This is in line with our response to the PRA's CP7/24⁵ which introduced new regulatory returns for SDDTs to be introduced by 1 January 2027 and the FCA's recent CP26/3 which proposes a new regulatory return for business model analysis which we do not support.

Navigating trade-offs

The BSA agrees that it is important to consider trade-offs in the way regulatory reporting operates. We believe that a move to a granular reporting framework would likely reduce or remove some of these trade-offs once a new granular approach is eventually implemented. As such, our responses are a mixture of points around the current approach and an eventual granular approach.

⁴ See [Transforming Data Collection](#)

⁵ See [BSA response to CP7/24](#) that proposed new regulatory returns for SDDTs

Timeliness vs comparability

We agree with the PRA's description that there can be a trade-off in the current approach when it comes to ad-hoc data collections. If a granular approach is adopted and automated then this may become less of an issue over time. The PRA would not need to make additional requests to firms because it would have all the granular data already and could perform whatever analysis it needs when it is needed.

Standardisation vs flexibility

As above, we agree with the PRA's description which appears to mainly relate to ad-hoc data collections. The BSA favours standardisation over flexibility. As mentioned above, we favour granular reporting coupled with accurate unified data definitions. As such, the granular reporting would remove the need for additional ad-hoc returns.

That said, there may remain situations where ad-hoc reporting is necessary, if for example, the data is only required from a subset of firms and for a limited period of time. We believe in these circumstances it is better to issue one ad-hoc request to a subset of firms than to require reporting from all firms.

Aggregate vs granular

As mentioned above, we believe this is the most crucial question to answer. Firstly, it is important to define what is meant by 'granular data' and whether that means additional costs or whether the ongoing costs following implementation could, in fact, be lower.

What does granular data mean? Taking a mortgage as an example, this could mean that firms submit raw input data that describe the various attributes of the mortgage. This would include items like: loan size, property type, original valuation, current valuation, interest rate, borrower type etc. It would not include items like LTV because this is a calculation of loan size / property value. Likewise, firms would need to report attributes that are required to define the risk-weighting (e.g. property type, borrower type), but not the standardised approach risk-weight itself, which is a calculation. So, granular data should mean data that is specific to the loan but is not in itself a calculation. There could be certain exceptions to this, such as when a firm is approved to use the internal ratings-based (IRB) approach in which case RWAs would be reportable. However, the general concept would be to largely separate inputs from calculations. Ultimately this type of approach could be cheaper to deliver for firms and the PRA, not more expensive, albeit the transition of migrating systems would be a significant project to be delivered over a period of time. Other advantages would be that it would lead to a unified data model.

The PRA flags an important consideration that firms will want to replicate the reporting metrics computed by the PRA. We agree that firms should not be reporting granular data with no visibility of how the data is then summarised or used by the regulators. Our view is that the reporting portal should **give firms and regulators visibility of the same information** i.e. through templates and summaries. Furthermore, giving firms visibility of industry averages and trends would be a useful addition and aligned to the FSMA principle that regulators should be transparent where possible.⁶

⁶ See FSMA Section 3B (1) (H) "The principle that the regulators should exercise their functions as transparently as possible"

Finally, it would be important for the regulators to be clear on the purpose for which they would use specific data-sets e.g. statistical analysis, competition analysis or for supervisory oversight.

While we agree with the discussion paper that the appropriate extent of granular collection will depend on the costs and the benefits to both firms and the regulators, we believe if done well, a granular approach, will be the most cost-effective solution in the long term.

Regular vs ad hoc

The BSA would support a move away from all ad-hoc reporting. As mentioned above, there may be some very limited times when it makes more sense to require a one-off ad-hoc return to a subset of firms for a short period of time as a better alternative to creating new ongoing reporting to a broader group of firms.

We propose that the regulators develop some principles to guide when an ad-hoc return might be warranted and how long it will continue with a view to eventual sunseting. For example, we believe ad-hoc returns should only be temporary in nature. An example here is the ongoing COVID reporting. The regulators should use this as a case study to consider: what was insufficient about existing returns at the time to warrant the need for this return, why it continues and when it should be retired?

International alignment vs UK tailoring

We encourage the regulators to be bold and not feel constrained by regulatory reporting requirements in other jurisdictions. BSA members are not active internationally so do not have the same issues of reporting in multiple jurisdictions which is a cost of doing business for international firms. Other jurisdictions have similar projects and ambitions to improve regulatory reporting. We believe the UK should be bold and ambitious and aim to become a world leader in this space for others to follow, rather than falling behind.

Data continuity vs decommissioning

While we have articulated that our preference is to move to granular reporting over time, in the short-term, the BSA is supportive of decommissioning regulatory returns that are no longer needed. This must be the priority rather than data continuity - if the data is no longer relevant then continuity of that irrelevant data must also be irrelevant.

As mentioned above, while the BSA has supported recent consultations to remove regulatory returns, the removal of the returns has been of limited benefit for BSA members. For example, CP21/25 proposed the removal of 37 regulatory returns, most of which were not applicable to most building societies or weren't very significant.

Minimising rework vs delivering improvements sooner

We agree that certainty is important to allow firms to plan and invest for the future. The most important thing in this regard is for the **regulators to set out a clear vision for the end state and a road map of how to get there**. This will include choices, and not necessarily a 'big bang' implementation, but certainty around the end state is key.

The current approach of focussing on short-term removal of obsolete returns can continue in parallel, to the extent that it is not a distraction from setting a clear vision

for the future. As such, we support the removal of certain returns and would like this work to go faster. What we don't support is a haphazard approach to project planning which is delaying answering the bigger strategic questions such as whether or not to move to granular reporting.

The BSA is including below a list of current regulatory returns that we would request are prioritised for review and potential removal.

Questions

Q1: Given the PRA's objectives and data needs (as described in Chapter 1), are the principles appropriate to guide its framework for bank reporting? Are there further trade-offs that the PRA should consider in designing that framework?

See comments above on the proposed principles.

Q2: How would respondents approach each of the trade-offs?

See comments above on the trade-offs.

Q3: How would firms weigh an incremental vs big bang approach, given the balance of costs of change vs costs in steady state?

Major IT changes are always costly and have implementation risks. The BSA believes that the current framework of regulatory reporting is sufficiently broken that a new approach of granular reporting is required. This would need to replace the existing returns. While the implementation would need to be done gradually, the end state should not retain templates in addition to a granular approach. A move to granular reporting for mortgages should then lead to a complete decommissioning of all the existing regulatory returns capturing mortgages.

This will be a multi-year project that needs to be approached carefully and with all the rigour of a major IT change project. In the shorter term, the BSA supports the removal of regulatory returns that are no longer required.

FCA and PRA approach to Cost-benefit-analysis

The BSA would like to challenge the regulators approach to quantifying the costs of regulatory reporting. Recent CPs have referred to costs per data item. We do not believe this is the best way to quantify the cost and impact of regulatory reporting. A more granular approach could result in significantly more data items being reported but could also be lower in cost if the items are input data rather than calculations. For example, the regulator could claim to streamline a regulatory return by combining two data items into one field but for a firm they still need to source both items and add them together to report them and this can be more costly than reporting the items separately. As such, quantifying costs in terms of number of data items is somewhat misleading.

The BSA has gathered data from our members to help to understand the overall costs of regulatory reporting, how these can be disproportionate and how they often impact smaller firms more than larger firms. We have limited our data to finance team FTE, software costs and section 166 review fees. This therefore excludes various other costs such as: second line review, third line review, FD/SMF oversight, ALCO reporting.

Balance sheet size	Reg reporting FTE (% of finance team)	Reg reporting software cost (% of profits) ⁷	Sample size
<£1bn	18% - 35%	2.5% - 16.7%	6
£1bn-£10bn	8% - 20%	0.1% - 2.0%	5
>£10bn	4% - 10%	0.02% - 0.1%	4

Smaller building societies devote a higher proportion of their resources to regulatory reporting. For the smallest societies in our sample, regulatory reporting accounts for around one-fifth to one-third of total finance team capacity. While absolute software costs are broadly similar across firm sizes, these costs account for a higher percentage of profits for smaller societies.

A small number of respondents reported having been subject to a section 166 review. Across these cases, the associated costs were broadly similar in scale despite differences in firm size, meaning that such reviews risk being disproportionately burdensome for smaller firms. In one instance, the fee incurred in a single year was equivalent to around 0.2% of annual profits, representing a material one-off cost for the building society. A single section 166 review often exceeded several years' worth of baseline external regulatory reporting software costs, with this expenditure incurred over a short period and in addition to existing regulatory reporting staff and systems expenditure.

Appendix 1 – BSA proposals for regulatory returns to review

The BSA proposes that the PRA prioritise reviewing the following regulatory returns for potential removal:

Regulatory return	Contents of return and challenges	Reason for removal/review
FIN074	Credit unions have to populate this return with their net revenue in order to prove they are below the threshold of £10m and hence exempt from completing the rest of the return relating to the economic crime levy.	Other returns show net revenue, so this form is complete duplication for credit unions. While it only takes a few minutes to complete it is an example of a pointless activity for very small firms with finite resources.
PRA110 / LCR returns	The BSA organised a round table discussion with the PRA in 2022 to share our concerns with this return.	The PRA110 is too granular to be of relevance for many firms and is not used for internal reporting.

⁷ Two respondents reported losses in the relevant year; for these firms, software costs represent a direct impact on recovery rather than a proportion of profits, and are therefore not shown as a percentage.

		However, BSA members feel that it may be best to keep the PRA110 but remove the other LCR returns that duplicate it.
COR001a (COREP)	Reports include exposures to government entities. Most often this will be entirely to UK government @0% RW.	C33.0 will be descoped for SDDTs. The PRA could consider removing other templates that refer to 0% government RW.
C13.01, C14.00 and C14.01	Detailed information on securitisations. These often have to be completed manually using third party investor reports.	The PRA should consider whether they have this information directly from originators already, and could remove the requirement for receiving the same information from investors.
FSA011	Building society nature limits	This information is published in the annual report and accounts and therefore duplicative.
FSA016	Solo consolidation data	This information duplicates information in COREP C06.02
R2B2 return	This is particularly burdensome to complete and requires information from a wide range of contributing teams	Introduction of a new return as proposed in the FCA's CP26/3 is against the trend of reducing burden. We would welcome greater clarity on the specific gap this is addressing.
COVID returns and loan book data	This information duplicates information in COREP and MLARs	The COVID return was set up during lockdown as a temporary ad-hoc return and should now be retired.
BoE statistical returns	Relevant for "firms with private sector"	Remove for firms where it is less relevant
Frequency	For many firms, the contents of their regulatory returns do not change very much from one quarter to the next.	The PRA could review which data does not change significantly from one quarter to the next and consider reducing the frequency of such submissions to bi-annually