Feedback Statement

Survey on taxonomy implementation

EIOPA-DSTF-24-056
04 October 2024

European Insurance and
Occupational Pensions Authority

CONTENTS

1. INTRODUCTION

During EIOPA's reporting event on 10 October 2023 a few entities expressed concerns regarding an introduction of new taxonomies on 1 January. However, views in general and preferences on this matter were diverse and varied. Considering this feedback and the need for a more comprehensive understanding of stakeholder perspectives, EIOPA is actively seeking input from all relevant parties.

This feedback statement set out a high-level summary of the consultation comments received and EIOPA's assessment of them. The full list of all the non-confidential comments provided can be found on EIOPA's website.

EIOPA received comments from 19 stakeholders, representing both insurers as well as IORPs.

2. ADVANTAGES AND DISADVANTAGES OF BOTH OPTIONS

Stakeholder perspectives on Q4 taxonomy implementation

Most stakeholders acknowledge the pros and cons of maintaining a Q4 taxonomy implementation date. Many highlight its proven track record and emphasize that the extended preparation time provided by a Q4 start is more advantageous compared to a January 1 implementation. However, it is worth noting that one respondent preferred a phased introduction starting January 1.

Additional points raised include:

- **Q4 disadvantages skewed toward IORPs**: The perceived disadvantages of a Q4 implementation focus excessively on IORPs, overlooking the benefits it offers the insurance industry.
- **Timing of new data requirements:** New data requirements are typically available at the beginning of a taxonomy cycle, not at the end.

Concerns about a January 1 implementation

Respondents also discussed several additional drawbacks of shifting the taxonomy implementation to January 1:

- **Error and inconsistency detection:** errors and inconsistencies in the taxonomy are often identified during the reporting period. With annual reporting at the end of the taxonomy cycle, a new taxonomy may already be in development, making it impossible to address issues before the next cycle.

- **Resource constraints:** Implementing a new taxonomy in Q1 would coincide with reporting departments being fully occupied with existing annual reporting obligations and processes.
- **Need for dual taxonomies**: Transitioning to a Q1 implementation would require running two taxonomies simultaneously. The annual reporting process, which begins on January 1 and ends in early April for solo entities and mid-May for group entities, would overlap with the Q1 reporting process, which starts on April 1 and concludes in mid-May. This overlap presents significant challenges: creating effective solutions for dual data management is complex, and introducing the new taxonomy only after completing annual reporting could risk non-compliance.
- **Overlap for groups:** Reporting overlaps would occur regardless, complicating processes for group entities.

Some respondents argued that the benefits of a January 1 implementation do not justify changing the current Q4/Year-End practice. They also noted that a phased approach had been implemented previously during Q4 reporting before annual reporting deadlines.

3. PRACTICAL DIFFICULTIES

Out of the 19 respondents, 17 anticipated no technical difficulties if the Q4 implementation date is maintained, citing the long-established practice of implementing the taxonomy at Q4. However, one respondent from the insurance sector noted that a Q4 implementation is particularly challenging because all changes need to be analysed, implemented, and tested simultaneously for both quarterly and annual packages. Another respondent from IORPs highlighted ongoing technical difficulties due to dependencies on external data suppliers, irrespective of the implementation date.

In contrast, if the implementation date is changed to January 1, 14 of the 19 respondents expected to encounter technical difficulties. They cited the risks associated with managing multiple taxonomies concurrently, along with resource and time constraints. Conversely, one respondent suggested that a January 1 implementation might facilitate a smoother process.

Finally, three respondents indicated that they would not face any issues regardless of the implementation start date.

4. STARTING DATE FOLLOWING LEGISLATIVE TRIGGERS

When respondents were asked whether Q1 must incorporate changes from legislative amendments regardless of our preferences, opinions were divided. Eleven respondents agreed, but some clarified that this did not imply support for a January 1 implementation date. They suggested that, regardless of the variant, the initial application date for legal changes could be included in the business package.

On the other hand, seven respondents disagreed with the statement. They argued that legislative changes do not always take effect on January 1 and that the drawbacks of a January 1 implementation outweigh its advantages. Like those who agreed, some called for a distinction between the legislative amendments that trigger changes and the actual commencement of new reporting requirements.

One respondent did not answer the question.

5. CONCLUSION

Based on the feedback, maintaining the Q4 implementation date is generally preferred due to its practical advantages and long-established practice. While integrating legislative changes when necessary, maintaining a Q4 start has historically managed these transitions effectively. Separating the technical and legislative implementation dates may also serve as a viable alternative.

The survey further highlights that any transition to a January 1 implementation date, even on an exceptional basis for IORPs or insurers, must thoroughly address the identified technical and operational challenges to adequately manage stakeholder concerns. Potential issues identified for IORPs by the Q4 implementation could be mitigated by considering additional time before a new taxonomy takes effect.