



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-RESTRICTED

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# **AnaCredit**

## **Collection of granular credit and credit risk data**

22<sup>nd</sup> Eurofiling Workshop

Frankfurt

2 June 2016

# Financial crisis – new tasks and new data needs

**Phase A - post Lehman Brothers – Sept 2008**  
**banks' rescue, government guarantees**

How exposed are euro area investors?

Who holds GR, IE, PT government debt?

**Phase B – May 2010**  
**Sovereign debt crisis and again banking crisis**

**Phase C - May 2012**  
**Banking Union announced**

2008

2009

2010

2011

2012

2013

2014

2015

**EU Financial Supervision**  
ESAs/ESRB - Nov 2010

How big are EU financial inter-linkages?

**ECB's banking supervision – Nov 2014**

How healthy are euro area banks?

**Single Resolution Mechanism – Jan 2015**

## Integration

managing different areas of statistical and supervision information as parts of a single system



## Long-term harmonisation

of practices, methodologies and processes currently followed for data production

## ▪ Aggregated data collection

- reporting by **individual institutions who aggregate their positions and transactions** by a limited set of statistics
- **well established** for financial institutions, with broad coverage, known lead times to deployment and **limited costs** of reporting and processing

## ▪ Granular data collection

- **loan-by-loan, security-by-security**, trade-by-trade basis
- data are then **enriched with other micro databases** containing detailed information on counterparties, securities, contract types, etc.
- allowing **sophisticated analysis**, and responding to **evolving user needs**
- minimising burden via **stable requirements** and **less ad hoc requests**
- **lead times** to deployment can be **longer** and **set-up costs higher**

# Why to move towards more granular credit and credit risk data?

- Currently: exchange of data under a **Memorandum of Understanding (MoU)**, at a borrower level, where indebtedness is above €25,000
  - Purpose:** allow reporting institutions to have a wider picture of indebtedness of their current and potential borrowers, and also for supervisory purposes
- Work re. harmonisation of definitions and identifiers; legal and IT issues
- **Aim:** to collect granular credit and credit risk data to be shared, incl. attributes on lenders, borrowers, credits and related methodology

## Supporting a wide range of users ...

- Monetary policy analysis and operations
- Risk control and collateral management
- Financial stability
- Micro/macro supervision
- Economic analysis and research
- Statistical production

## ... for multiple analyses and purposes

- Access to credit
- Credit supply constraints
- Financial constraints
- Analyses of collateral issues
- Stress-tests
- Off-site and on-site supervision
- Exposures to sectoral risks
- Credit risk analysis
- Risk control measures
- Cross-border credit risk
- Transmission channels of MP
- New statistics

## Important building block of an integrated approach

### Content

- Granular information (individual, micro)
- Credit and credit risk data
- Harmonised concepts and definitions

### Purpose

- Multipurpose
- Monetary policy, macroprudential supervision, risk management, research, and statistics

### Participants

- Euro area countries
- Other EU countries also invited to participate

### Sourcing / Governance

- ECB regulation
- Guideline (to NCBs) & Manual (to reporting agents)
- ECB and participating countries
- NCBs to collect information from Reporting agents
- Shared platform – state-of-the-art IT solution

- **ESCB initiative launched** *in March 2012*
- **Decision ECB/2014/6 approved by Governing Council** *on 24 Feb. 2014*
  - Organisation of preparatory measures for the NCBs and the ECB
  - **Commitment to establish a 'common' granular dataset on credit and credit risk**
- **Merits & Costs exercise** *since 2000, input to statistical Regulations*
  - **Costs** assessment (May 2014) **for NCBs and Reporting agents**
  - **Merits** assessment (Sept. 2014) **Priorities** based on **95 business cases**
  - **Matching** of Merits and Costs (Oct. 2014) ⇒ **Content of draft Regulation**
- **Close cooperation with the banking sector and other stakeholders**
  - Regular contacts with reporting agents **via NCBs**: fact-finding and cost assessment
  - Presentations to/meetings with the industry e.g. EBF *already from 2012*
  - Publication of draft Regulation *on 4 December 2015*
- **Legal framework – ECB Regulation (ECB/2016/13) approved on 18 May 2016**
- **Ongoing work on Guideline and accompanying Manual**

## Overall benefits

- Comparability across countries of information on *credit and exposures*
- Enhanced credit institutions' assessment on the *creditworthiness*
- 'Feedback loops' to better cover *cross-border exposures*
- Overall minimisation of reporting burden (after set-up)
  - ✓ *Multiple uses of granular credit and credit risk information*
  - ✓ *Stability of requirements over time; less ad hoc surveys for user request*

## Cost considerations

- High set-up costs for both NCBs and reporting agents, mainly due to accounting and risk-based data, high volumes and required data quality management
- Neutral running costs, via less ad hoc requests and less aggregated reporting
- Net benefits reached when AnaCredit allows discontinuing existing CCRs



Stepwise implementation <sup>(1)</sup>	Stage 1 <i>Sept 2018</i>	Subsequent stages	
<b>Reporting population</b>			
<b>Resident credit institutions</b>	<b>Mandatory</b>	Cont'd	Cont'd
Resident “deposit-taking corp.” <sup>(2)</sup>	<i>Out of scope</i>	<b>Mandatory</b>	Cont'd
<b>Foreign branches</b> <sup>(3)</sup>	<i>Voluntary</i>	<b>Mandatory</b>	Cont'd
<b>Foreign subsidiaries</b> <sup>(4)</sup>	<i>Out of scope</i>	<i>To be assessed</i>	
<b>Counterparties (borrowers)</b>			
<b>Firms (SMEs) / other legal entities</b>	<b>Mandatory</b>	Cont'd	Cont'd
Natural persons <sup>(5)</sup>	<i>Out of scope</i>	<i>Voluntary</i>	<b>Mandatory</b>

1. Requirements for subsequent Stages subject to further ECB Governing Council assessments
2. Other banking institutions not subject to the CRD IV/CRR
3. Outside EU, i.e. non-resident in any reporting Member States
4. Strong user requirement to avoid regulatory arbitrage; This would mean to have similar obligations for foreign branches and subsidiaries
5. Only granular data on loans for house purchase and loans to “sole proprietors”

## AnaCredit implementation (2 / 2)\*

Stepwise implementation <sup>(1)</sup>	Stage 1	Subsequent stages	
<b>Instruments</b>			
Loans (and deposits on asset side)	<b>Mandatory</b>	Cont'd	Cont'd
Derivatives, off-balance sheet items	<i>Voluntary</i>	<b>Mandatory</b>	Cont'd
<b>Threshold</b>			
Borrower (debtor) level	<b>€ 25,000</b>	<i>To lower?</i>	Cont'd
Non performing instruments	€ 25,000		Cont'd
<b>Datasets</b>			
Instrument, counterparty, protection	<b>Mandatory</b>	Cont'd	Cont'd
Exposure data (e.g. risk weight)	<i>Out of scope</i>	<b>Mandatory</b>	Cont'd
Group of connected clients	<i>Out of scope</i>	<b>Mandatory</b>	Cont'd
Linked contract table	<i>Out of scope</i>	<b>Mandatory</b>	Cont'd
Selection of credit risk attributes (e.g. PD, default status)	Mandatory	<i>Assess for further attributes</i>	Cont'd

1. Requirements for subsequent Stages subject to further ECB Governing Council assessments

## 88 attributes to describe the credit intermediation

- *Counterparties*
  - Identification of creditors and debtors
  - Characterisation: e.g. size, sector of economic activity
- *Balance sheet status*
  - Classify exposures by **type** (e.g. type of product) and **use** (e.g. securitisation)
  - Needed for internal consistency: avoid double counting (e.g. joint liabilities)
- *Exposure features*
  - Classify the exposures for analytical purposes (e.g. maturity, interest rate)
- *Loss measure*
  - Allow for a backward-looking view (e.g. provisions)
- *Risk measure*
  - Provide a forward-looking view (e.g. probability of default)
- *Valuation*
  - Book values, nominal values, market values

Develop a shared ‘platform’ to

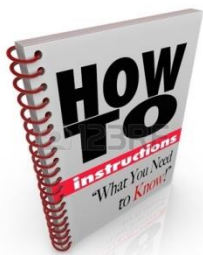
- **serve multiple purposes** with core set of data according to *harmonised concepts and definitions*
- pull, store, process and disseminate shared analytical credit data on an EU-wide scale, **protecting confidentiality** as necessary

Allowing

- availability of **comparable** granular credit data to a **wide range of users**
- set-up and maintenance of **differentiated levels of access** to data
- **connection with other ESCB applications**  
e.g. to assess indebtedness (of borrowers) or total credit exposures
- Accessibility, via a shared platform, to national datasets beyond AnaCredit

## Eurosystem supports banks in the implementation of AnaCredit

### Manual



- Detailed **documentation** to clarify the requirements of AnaCredit
- To provide additional background and guidance
- Concrete **cases/examples**

### Cooperation via BIRD



- Cooperation with the banking industry within ***Banks' Integrated Reporting Dictionary (BIRD)***
- BIRD provides a formalized representation of AnaCredit requirements set in the Regulation from the business point of view
- **Commercial banks:** they participate on a voluntary basis

# The Manual to cover all requirements in the Regulation

### **Part 1 – describing methodological aspects**

- Reporting agents reporting data of observed agents
- Events triggering reporting
- Reportable datasets and mutual relations

### **Part 2 – detailed explanations of the reporting requirements**

- Data attributes, values, definitions
- General reporting instructions and specific cases
- Detailed explanations and illustrative examples

### **Part 3 – practical case studies with a central theme**

- Reporting of factoring transactions
- Project finance and syndicated loans
- Examples of complete reports

### **Annexes**

- Data quality checks and validations

## Features of the Manual

**Assist reporting agents in the preparation for AnaCredit**

- Primarily addressed to reporting agents
- Equally important for NCBs
- Not legally binding

**Essential pillar containing prescriptions for AnaCredit**

- Together with the Regulation and the Guideline
- Detailed explanations and illustrative examples
- Also useful for users/compilers of the data

**Living document that is regularly updated**

- Publication of a first version in 2016
- Thereafter assistance on an ongoing basis
- Additional clarification after the first reporting in 2018

### Standardisation of the data collected to be achieved via:

**AnaCredit Manual** – playing a key role in ensuring the harmonisation of definitions and concepts

- Clear description of data requirements
- Ensuring that definitions are interpreted uniformly across participating countries
- Harmonised, consistent and comparable credit risk data

**Standardised data transmission** – by defining standardised processes on data transmission

- Shared platform
- Automated processes for data transmission and validation



- The availability of credit data on a **granular** basis is very important for the post-crisis central banks' policy making
- The information that is currently available relies on **aggregate/survey** data and does not allow sufficient accuracy and breakdowns;  
a key issue is to allow rebuilding aggregates ex post!
- The current regime of central bank's **non-standard monetary policy measures** and the **close interrelationship between monetary and macroprudential policies** have heightened the importance of such data

- Setting-up **granular data sources** is **costly**, but allows **to drill-down** to sectoral data, including inter-linkages at the individual firm level
- **Accurately signal problems** in monetary policy transmission channel
- In the case of SMEs, granular data on credit will **facilitate evaluation** of financing conditions and **assist policy-making** in various policy fields
- **Granular** data appears to **pay off** for regulators and supervisors, and for reporting agents if data **re-use is institutionally and technically viable**

## Thank you!

## Questions?

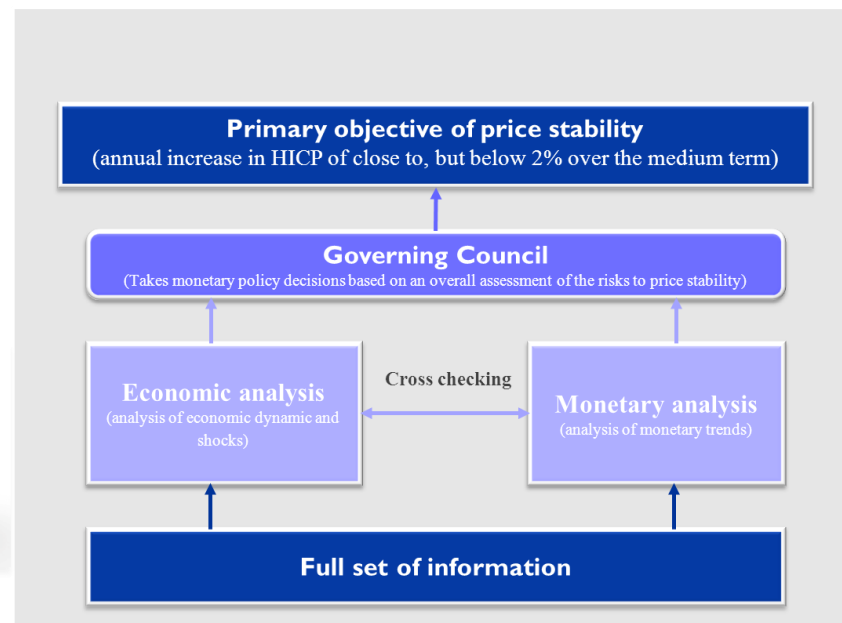


### ECB's monetary policy requires a vast amount of data

Market policy decisions affect economic activity and inflation through several channels ⇒ the 'transmission mechanism' of monetary policy

- impact depends on the nature of the business and the size of the enterprise
- currently, only broad quantification of the effects of market policy available

*AnaCredit will help identify and assess developments in credit demand and supply*



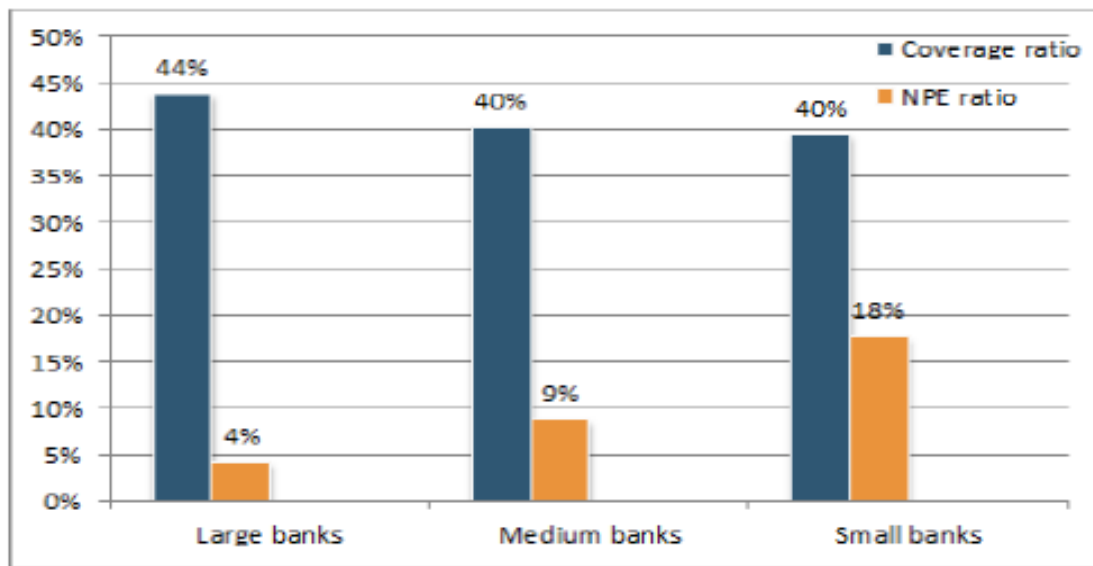
AnaCredit data is crucial to assess the extent to which b/s conditions of banks or debtor are influencing credit expansion

Will help assess implication for price stability and identify adequate policy actions

Non-Performing Exposure ratio is particularly high (10%) in the case of non-financial corporations

NPE ratios vary depending on the size of the banks

Figure 24: NPE ratio and coverage ratio for loans and advances (June 2015)



*... data show that smaller banks struggle with higher levels of non-performing loans, 18% of total loans, compared to 9% of total loans in medium banks and 4% of total loans in large banks*

Source: EBA 2015 EU-wide Transparency Exercise Report

### AnaCredit will close existing data gaps on SMEs

Covering the *whole range of enterprises* (thanks to the threshold of € 25,000),

Leveraging on granular *data typically produced by banks* for their internal risk management processes

- Enable **identification and assessment** of developments in credit demand and credit supply across all SMEs in the euro area in a timely manner
- Enhance **monitoring of credit developments** at the borrower-lender level
- Help **assess better the credit risk** that banks associate with firms according to some specific balance sheet characteristics
- Provide **improved information** about provision of credit to SMEs

*Information obtained from SMEs via the SAFE survey (on the willingness/availability of banks to provide credit) can be matched with granular AnaCredit data*

- Assist the **assessment of the effectiveness** of various measures to improve SMEs access to credit

*Do capital reliefs for banks to lend to SMEs make it easier for SMEs to get credit?*