

Central Credit Registers (CCRs) as a **Multi Purpose Tool to close Data Gaps**

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AGENDA

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I. General information on Central Credit Registers (1)

What is a Central Credit Register?

A Central Credit Register (CCR) is an information system to provide

- Central banks
- Banking supervisory authorities
- Commercial banks

with information regarding the indebtedness of

- Credit institutions
- Companies
- Individuals
- Public sector

I. General information on Central Credit Registers (2)

How does it work?

- All exposures (which exceed a certain absolute amount) are reported to a central register.
- The credit register collects and aggregates the data on the indebtedness of individual borrowers as reported by several different institutions.
- In turn, the credit register regularly notifies the institutions of the total indebtedness of these borrowers.
- In countries which have a public credit register, the register is usually located at the central bank.

II. Incentives to set up a CCR (1)

Benefits for the supervisory authorities

A credit register

- supplies the banking supervisors with a comprehensive overview of the large borrowers of the individual credit institutions “at the push of a button“.
- helps to achieve the prudential objective of the banking supervisors to keep the banking system as a whole stable and smoothly functioning.

II. Incentives to set up a CCR (2)

Benefits for the reporting institutions

A credit register

- helps the reporting institutions to assess the creditworthiness of their actual and potential borrowers,
- facilitates the functioning of the market mechanism,
- helps banks to avoid losses,
- contributes to the overall quality of bank's loan portfolios,
- contributes to the stability of the banking system as a whole.

III. The German CCR - Reporting institutions (1)

Broad scope of reporting institutions

- Domestic credit institutions
- Foreign subsidiaries and branches of resident credit institutions
- Resident subsidiaries and branches of foreign credit institutions
- Financial services institutions
- Insurance companies
- Factoring companies

III. The German CCR – Borrowers (2)

Broad scope of borrowers

- Companies (including SME)
- Credit institutions
- Private persons
- Public sector

III. The German CCR - Concept of exposure (3)

- Asset items

- Financial derivatives

- Other off-balance-sheet transactions
 - *Current exceptions:*
 - *Open credit lines*
 - *Shares*
 - *Securities in the trading book*

III. The German CCR - Contents of the credit reports (4)

- Total indebtedness
 - On-balance sheet transactions
 - Off-balance sheet transactions
 - Derivatives

- Mortgage loans
- Guarantees
- Credit derivatives

- Collateral
- Risk Weighted Assets
- Individual provisions

- Basel-II related information
 - Approach used
 - Internal risk classification
 - Probability of Default (PD)

IV. Modernization of the German CCR (1)

Aim: Close information gaps

- Broader coverage
- Reduction of reporting exceptions
- Higher granularity of credit data
- Speeding up in the administration of the CCR
- Improved up-to-dateness of credit information

IV. Modernization of the German CCR (2)

Reduction of the reporting threshold

Lowering of the reporting threshold from € 1.5 million to € 1 million

→ more comprehensive coverage

→ improved recognition of concentration risks

IV. Modernization of the German CCR (3)

Content of reporting

- Broader concept of credit exposures
 - Open credit lines
 - Shares and other participations
 - Securities in the trading book

- More detailed breakdown of credit amounts / additional credit attributes
 - Differentiation between loans (book credit) and securities claims (fixed-income and shares)
 - Differentiation between banking book and trading book
 - Open credit lines, participations, residual maturity, currencies
 - Expected Loss (EL), Loss Given Default (LGD)

IV. Modernization of the German CCR (4)

Electronic handling of the credit reports

- Full electronic reporting of borrower identification data, including the Legal Entity Identifier (LEI)
- Electronic in-house workflows
- Efficiency improvements
 - Speeding up the working process
 - Accurate and up-to-date data in online access portal (identification data only)

➡ **Word Bank's „General Principles for Credit Reporting“**

V. Contents of CCRs in Europe

Spectrum of data registered in CCRs - based on national reporting requirements

Borrower-by-borrower / Loan-by-loan

Solo approach / Consolidated approach

Single borrower / “Borrower units” (group of connected clients)

Quantitative data / Qualitative data

Examples:

- Data on lenders:
size, type of institution, banking group
- Data on borrowers:
size, country of residence, economic activity, Legal Entity Identifier (LEI)
- Credit amounts:
loans, debt securities, equity instruments, guarantees, credit lines, financial derivatives, credit derivatives
- Credit attributes:
maturity, currency, collateral, PD, LGD, EL, RWA, provisions, non-performing loans

Granularity → **Flexibility** → **Transparency**

VI. Use of data stored in CCRs (1)

Central Banks / Banking Supervisory Authorities

- Banking Supervision
- Financial Stability
- Monetary Policy (ICAS)
- Research
- Statistics

Reporting institutions

- Lending decisions
- Credit monitoring and risk management



CCR as multi purpose tool

VI. Use of data stored in CCRs (2)

Micro- and macro-prudential analyses (risk assessment on a consolidated and/or solo basis)

CCR data can be used to analyze the following types of risks:

- Counterparty risk
- Concentration risk
- Contagion (spillover) risk / interconnectedness
- Credit risk transfer
- Funding risk

by portfolio analyses:

- individual borrowers and groups of connected clients
- countries, sectors, currencies, maturities, instruments, collateralization
- types of credit (e.g. mortgage loans)
- non-performing loans

VI. Use of data stored in CCRs (3)

Micro- and macro-prudential analyses (risk assessment on a solo or consolidated basis; cont.)

- Stresstesting
- Benchmarking / peer group review
- Impact studies
- Enhanced statistics for economic and financial stability analyses

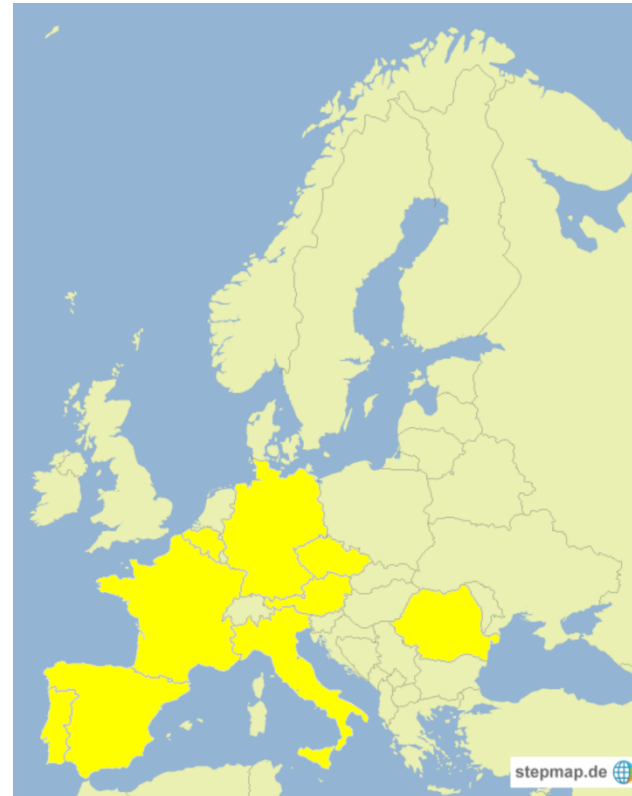


CCR as early warning system

VII. International cooperation of European CCRs (1)

Participating countries

- Austria
- Belgium
- Czech Republic
- France
- Germany
- Italy
- Portugal
- Romania
- Spain



VII. International cooperation of European CCRs (2)

Working Group on Credit Registers (WGCR), Sub-Group of the Financial Stability Committee of the European System of Central Banks

Members: AT, BE, BG*, CZ, DE, ES, FR, IT, LV*, PT, RO, SI*, SK*

Mandate/Work programme:

- Facilitate the cross-border sharing of information stored in EU CCRs to the benefit of banking supervisors and reporting institutions
- Continue work towards including candidate CCRs in the data exchange
- Identify a core set of data and develop recommendations for the harmonisation of concepts and definitions with the aim to ensure a better re-use of CCR data and improve the interoperability of CCRs

*not (yet) participating in the cross-border data exchange

VII. International cooperation of European CCRs (3)

Cross-border availability of CCR data

Shortcomings

- Different reporting population
- Partial coverage, e.g.
 - interbank lending
 - collateral
 - currency
 - maturity
- Non-harmonised concepts and definitions, e.g.
 - concept of exposure (e.g. bonds or derivatives included or not)
 - definition of maturity (e.g. original versus residual, different time buckets)
- Different levels of granularity
- Differing thresholds (between 0 and 1,5 million €)

VII. International cooperation of European CCRs (4)

Joint STC/FSC Task Force on Analytical Creditdata (JTF) (Statisticians and Supervisors)

Project:

- **Set up a centralised granular database for analytical credit data at the ECB (AnaCredit):**
 - Explore ESCB/ESRB potential user needs, the data availability and the matching of needs and data availability in a medium to long term perspective
 - Identify a “core set” of data that will be harmonised (in terms of content and definitions) so as to ensure a better re-use and interoperability of CCRs between themselves and with other relevant databases as well as to provide banks with valuable information
 - Conduct a cost/merits assessment
 - Provide for a profound legal basis (e.g. confidentiality aspects)

VII. International cooperation of European CCRs (5)

Main considerations

- Participants: all Euro area countries (+ other EU countries on a voluntary basis)
- Reporting structure: loan-by-loan reporting (in contrast to borrower-by-borrower reporting) is strongly encouraged
- Scope of reporting agents: all types of financial intermediaries should be included, with credit institutions as a priority
- Scope of borrowers: All types of borrowers should be included, with Non-Financial-Corporations as a priority
- Concept of exposure: all types of exposures (e.g. debt securities and financial derivatives) should be included, with loans as a priority
- Data attributes and definitions: harmonised, broad scope of variables (lender/borrower attributes, exposure features, balance sheet status, loss measures, risk measures, valuation measures)
- Threshold: “as low as possible”

VII. International cooperation of European CCRs (6)

Harmonisation



Standardisation



Industrialisation

Thank you for your attention!

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