



EUROPEAN CENTRAL BANK

EUROSYSTEM

ECB-PUBLIC

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President

Ms Emily O'Reilly
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Frankfurt, 16 December 2015
L/MD/2015/681

Re: Complaint 1693/2015/PD

Dear Ms O'Reilly,

Thank you for your letter of 20 November 2015. I appreciate the opportunity to explain the draft ECB Regulation on the collection of granular credit and credit risk data ("draft Regulation") and the ECB's engagement of stakeholders throughout the process.

The analytical credit datasets ("AnaCredit") will provide a harmonised set of granular credit and credit risk data across participating countries. Currently, the information on granular credit datasets is very heterogeneous across countries; some have national credit registers, in others this is only partially the case and some only have access to aggregated information. AnaCredit will standardise the collection of credit data and significantly improve the quality of the data available, enabling for the first time a sensible comparison of the provision of credit across participating countries, including for small and medium-sized enterprises.

AnaCredit constitutes a significant step forward for the Eurosystem in many of its key central banking tasks, from monetary policy, financial stability analysis and macroprudential policy, and credit market analysis to collateral and risk management. For example, monitoring the risk-taking channel in a complete, consistent and timely manner is not possible using only aggregated data. The availability of granular data is crucial to the evaluation of borrowers' and lenders' risk and their balance sheet conditions, and therefore to correctly identifying demand and supply in the bank credit market. Together with loan features, this information will make a crucial contribution to sound monetary policy by enabling better risk monitoring and the identification of shocks to demand and credit crunches. Similarly, in the area of financial stability analysis and macroprudential supervision, it is not possible to monitor, analyse and compare particular groups of debtors and their risks across countries due to the heterogeneous nature of the existing data. Furthermore, due to the lack of detailed distributional information, neither in-depth analysis nor the development of more advanced early warning systems is possible. Thanks to the high degree of harmonisation, AnaCredit will change this situation significantly and facilitate improved macroprudential surveillance.

It is against this background that the AnaCredit project was initiated in 2011. Since February 2014 the ECB has worked intensively on defining the boundaries of AnaCredit and the respective draft legal text.¹ As a consequence, the content of the draft Regulation and its implementation timetable have changed several times, from a broader scope originally to be implemented in three stages and commencing by the end of 2016, to a considerably more limited scope to be launched in 2018. In fact, the draft Regulation has become significantly shorter during 2015 and, thus, materially differs from its earlier versions, including the one from June 2015 to which MEP Giegold refers. During this process, the ECB has held over 25 meetings with banking representatives at the European level, in addition to the countless meetings that national central banks (NCBs) have held at the national level, which in some countries amounts to more than 40 meetings. Nevertheless, a considerable number of misunderstandings have arisen regarding the breadth of the data to be collected. Therefore, the ECB's Governing Council decided to publish the draft Regulation currently under consideration on 4 December 2015.² This draft Regulation only focuses on credit granted by credit institutions to non-financial corporations and other legal entities and, thus, does not cover credit extended by, for example, leasing, factoring or insurance companies. In the same vein, the draft Regulation does not foresee the reporting of data on credit being extended to natural persons (households and sole proprietors); this was initially envisaged to be introduced in late 2020. Finally, the draft Regulation excludes any data requirements specific to banking supervision and solely focuses on credit information needed for the performance of ESCB tasks.

The draft Regulation concerns the collection of statistical information by the ECB in order to undertake the tasks of the ESCB, and the ECB is entitled, within the scope provided by Council Regulation 2533/98³, as amended, to define its statistical reporting requirements by means of statistical regulations. To this end, Council Regulation 2533/98 is the correct legal basis for AnaCredit. In a much broader and more comprehensive manner than could ever be the case in a public consultation, the ECB, assisted by NCBs, assessed in 2014 the "merits and costs" of the data collection involving credit institutions. This assessment was conducted via a "merits and costs procedure", which has been in place since 2000 and is explained below. Furthermore, the ECB consulted the European Commission⁴ on AnaCredit. In addition, in view of the initial intention to collect information on lending to natural persons, the ECB shared the draft Regulation with the European Data Protection Supervisor and invited comments. In their conclusions, both the European Commission and the European Data Protection Supervisor suggested aligning the draft Regulation with applicable data protection law.

The statistical principles underlying European statistics produced by the ESCB are listed in Council Regulation 2533/98 and are precisely defined in the ESCB's Public Commitment on European Statistics⁵. They are consistent with the statistical principles governing the European Statistical System (ESS) partnership, laid down in European Parliament and Council Regulation 223/2009 on European statistics⁶. The ESCB and the ESS partnership cooperate closely on European statistics, in particular on economic and financial statistics. While they operate under separate legal frameworks that reflect their respective governance structures, they follow de facto the same statistical principles and apply thorough statistical quality assurance procedures, also as regards providing a reliable and timely source of information for the wider public. The credibility of statistics is enhanced by a reputation for good management and efficiency,

¹ Decision ECB/2014/6 on the organisation of preparatory measures for the collection of granular credit data by the European System of Central Banks, available at

http://www.ecb.europa.eu/ecb/legal/pdf/oj_jol_2014_104_r_0008_en_txt.pdf

² The draft Regulation, together with an explanatory note, is available at

<https://www.ecb.europa.eu/stats/money/aggregates/anacredit/html/index.en.html>

³ Regulation No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank, OJ L 318, 27.11.1998, p. 8.

⁴ See Commission Opinion of 7 August 2015 on the draft Regulation of the European Central Bank concerning the collection of granular credit and credit risk data, available at [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015A0808\(01\)](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32015A0808(01))

⁵ Public commitment on European statistics by the ESCB available at <https://www.ecb.europa.eu/stats/html/pcstats.en.html>

⁶ Regulation (EC) No 223/2009 of 11 March 2009 on European statistics, OJ L87, 31.3.2009, p. 164, as amended by Regulation (EU) 2015/759 of 29 April 2015, OJ L 123, 19.5.2015, p. 90.

whereby the relevant aspects are sound methodology, appropriate statistical procedures, non-excessive burden on respondents and cost effectiveness.

In the case of the European statistics produced by the ESCB, it is the merits and costs procedure required by Article 3 of Council Regulation 2533/98 that ensures that any new or enhanced statistical data collection fits the needs of the users of the data supplied, while minimising the reporting burden on respondents.

The merits and costs procedure⁷ was introduced by the ECB's Governing Council in 2000 and fully complies with Principles 9 and 10 of the Public Commitment concerning minimisation of the reporting burden and cost-effectiveness, respectively. The procedure is a set of logical steps to be followed when the need arises for collecting new or substantially enhanced statistics with a potential impact on the reporting burden of respondents. It is a process that prepares evidence for the Governing Council of the ECB on the advantages (merits) and disadvantages (costs) of the possible data collection. On the one hand, this procedure requires the involvement of users in the ECB and in NCBs as well as at the European Commission to identify user requirements (merits). On the other hand, the compilers of statistics, both from NCBs and the ECB, as well as the reporting agents and other relevant stakeholders, are also involved in carrying out the cost assessment exercise.

The merits and costs procedure comprises the following steps:

- (1) An initial assessment, including consultations with NCBs and possibly respondents, to determine whether or not new requirements can be met using existing statistics.
- (2) A fact-finding exercise to analyse (partly through contact with respondents) the feasibility, significance and methodological aspects of specific requirements; this step is very important in order to get the concepts and definitions right, but also to assess which are the more complex and burdensome aspects of a new dataset and to minimise the reporting burden.
- (3) Based on the outcome of the fact-finding exercise, a cost assessment is performed for the compiling agencies – the ECB, NCBs and possibly other concerned authorities – and for the reporting agents; this assessment is based on a relative grading scale that distinguishes between the setup costs and the anticipated increase in regular (or running) costs.
- (4) A merits assessment, where the main users of the statistics under development are asked for both a qualitative and a quantitative (scaling) assessment of various options to fulfil their requirements. A set of scores allows the merits to be assessed according to certain criteria, such as policy relevance and operational usefulness, international availability and harmonisation, and data quality enhancement and usefulness for analyses. This is complemented by a qualitative statement.
- (5) The matching phase, where the main findings of the users' consultation are weighed against the outcome of the cost assessment. The outcome of the matching phase is then "translated" by the ESCB Statistics Committee into a draft regulation.

The merits and costs procedure represents a well-developed, efficient support tool for the decision-making of the ECB's Governing Council.

In the case of AnaCredit, the merits and costs procedure was conducted in 2014 and, during this procedure, there was continuous contact between the ECB and the NCBs, and through the NCBs with the future reporting agents, which in the case of AnaCredit are the euro area credit institutions. For this reason, the NCBs were in close contact with their national banking industries, and the ECB, assisted by NCBs, was working closely with the European associations representing the industry, including the European Banking Federation.

⁷ For details, see the quality assurance procedures available at <https://www.ecb.europa.eu/stats/html/sqf.en.html>

From the ECB's perspective, the participation of the European Banking Federation in the procedure was particularly important, since it is a significant representative of the European banking sector that unites 32 national banking associations, together representing some 4,500 banks – large and small, wholesale and retail, local and international. The European Banking Federation was informed of the intention of the ESCB to start investigating the availability of granular data on lending and indebtedness, as sourced by national central credit registers, as early as March 2011. Since then, the European Banking Federation has been kept closely informed of any developments relating to AnaCredit and has actively provided input on methodological issues throughout the process.

All in all, the interaction with the reporting agents (i.e. the financial industry) proved to be productive, and the information provided by the involved stakeholders by means of comments and responses to questionnaires was used to refine the scope of the data collection. In addition, based on the outcome of matching the essential needs of the users with the costs as reported by the reporting agents, the initial AnaCredit requirements were streamlined and reprioritised. Ultimately, the outcome of the merits and costs procedure, as well as subsequent discussions at the Statistics Committee of the ESCB and the ECB's Governing Council meetings, led to the content of the current draft Regulation, which focuses exclusively on granular information regarding the provision by credit institutions of loans to legal entities.

Therefore, I would like to highlight that the ECB, following the standard procedure for developing statistical regulations, on various occasions gave the reporting agents the opportunity to provide input and, in turn, reacted to the comments received. Consequently, as regards the reporting requirements of AnaCredit the ECB has struck a balance between the merits expressed and the (setup and regular) costs for reporting agents. By way of example, many areas of concern have been thoroughly discussed with stakeholders throughout the merits and costs procedure and, as a result, many of the costly requirements were replaced by others that deliver similar relevant information at lower costs. Some especially costly requirements were disregarded and are currently not part of the draft Regulation.

The most noteworthy exclusions concern:

- data from foreign subsidiaries outside the euro area;
- information on derivatives;
- information on groups of connected clients; and
- data from other financial institutions which are not credit institutions.

Finally, on 18 November 2015 the ECB's Governing Council decided to publish the draft Regulation and the annexes thereto on the ECB's website in order to increase transparency vis-à-vis the markets.⁸ The general public has the opportunity to submit observations to a dedicated e-mail address by 29 January 2016, and the ECB will carefully consider any input received prior to the final adoption of the Regulation.

I hope that my reply provides satisfactory clarifications to your questions.

Yours sincerely,

[signed]

Mario Draghi

⁸ See "Decisions taken by the Governing Council of the ECB (in addition to decisions setting interest rates)", 20 November 2015, available at <https://www.ecb.europa.eu/press/govcdec/otherdec/2015/html/gc151120.en.html>