

# Micro data: a push for transparency?

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Exzellente Forschung für  
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# Microdata and academic research: US vs EU vs....

Why do I use more US data in my research?

- Bias of the academic journals
- Peer evaluation in a profession dominated by a US-centric perspective
- Availability of databases in the public domain: US dominates
- Openness to academic ideas: EU vs. US
- Cost of data acquisition for academics
- ....

# Microdata and academic research



**Bank balance sheet data**

**Asset Portfolio data**

**Transaction data**

**Market High Frequency Data**

# Bank balance sheet data

Castiglionesi F., F. Feriozzi, G. Loranth and L. Pelizzon (2014) Liquidity  
Coinsurance and Bank Capital, *Journal of Money Credit and Banking*, 46, 2-3,  
409-443

Data: Call Report

US Data: Available for free to everybody

EU Data: Detailed data not available!

What is available:

- SNL/Bankscope: not so detailed, not so reliable and clean
- Data collection (project of ECB/SSM)
- Available to academics? Legal issues for transparency? Why?

# Portfolio data

Getmansky M., G. Girardi, L. Pelizzon N. Stanislava, K. Weiss (2016) Portfolio Similarity and Asset Liquidation in the Insurance Industry, ssrn WP

US Data: [National Association of Insurance Commissioners \(NAIC\)](#), distributed by A.M. Best (U.S.-based rating agency for insurances)

EU Data: Detailed data not available!

Some hope:

- Data collection: EIOPA started to collect these data
- Available to academics? Legal issues for transparency

# Market Transaction data on bonds

Pelizzon L. M. Subrahmanyam D. Tomio J. Uno (2016) Sovereign Credit Risk, Liquidity and ECB Intervention: Deux ex Machina?, forthcoming in the *Journal of Financial Economics*

US Data: TRACE (FINRA) and Brokertec

Why not in EU?

- For corporate bonds and Sovereign bonds?
- Only available public data on transactions: MTS and Tradeweb (?)
- Issues: Data collection and market fragmentation
- Legal issues for transparency

# High frequency data

Bellia M. L. Pelizzon, M G. Subrahmanyam, J. Uno and D. Yuferova: Low-Latency Trading and Price Discovery: Evidence from the Tokyo Stock Exchange in the Pre-Opening and Opening Periods, ssrn WP

Data: Tokyo Stock Exchange data at the Server ID level: provide information at the millisecond level on trade size, trade direction, quotes and the initiator of the trade

# High frequency data

Bellia M. L. Pelizzon, M G. Subrahmanyam, J. Uno and D. Yuferova: Low-Latency Trading Strategies: International Evidence on Price discovery and Liquidity, work in progress

US Data: Nasdaq: For free to academics  
WRDS, taq (NYSE trades)

Why not in EU?

EU data: Eurofidai grant, data at the microsecond level for Paris Euronext, Deutsche Boerse, and London Stock Exchange

**Proposal: EU/ECB should support the project of Eurofidai to provide HFT data to regulators and academics**

# Benefits of transparency (at least to academics)

- Increase the „number of eyes“ investigating these databases
- Allow independent academic researchers to provide their perspectives
- Avail of services of „free“ academic consultants!
- Focus more attention on European issues, institutions and markets
- Avoid the easy option of taking important regulatory/policy decisions based only on US empirical evidence
- Improve the quality of finance research in European universities
- Provide more opportunities for interaction between European policy makers and academics (as in the US and some other countries....)

# How to improve transparency and preserve privacy?

- **Issue:** Unlike other industries in which intellectual property is patentable, the financial industry relies on trade secrecy to protect its business processes
- **Proposal:** multi-party computation techniques from cryptography in which multiple parties are able to compute joint functions without revealing their individual inputs (see Abbe E., Khandani A. and Lo A. (2011), Privacy-Preserving Methods for Sharing Financial Risk Exposures, ssrn WP)
- **Potential financial applications include:**
  - the construction of privacy-preserving real-time indexes of bank capital and leverage ratios;
  - the monitoring of delegated portfolio investments;
  - financial audits;
  - the publication of new indexes of proprietary trading strategies.

# Thank you for your attention!