

Micro data: a push for transparency?

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Exzellente Forschung für
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HOUSE OF
FINANCE

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
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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: Deix 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 datadases
- 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!



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