Eighth European Central Bank Statistics Conference

Central Bank Statistics: moving beyond the aggregates

Session 3: Focus on micro data: potential benefits for the industry?

Mr Yves Mersch (ECB) opened the third session focusing on the benefits of micro data for the industry. While the first two sessions presented the perspective of the authorities and their needs for policymaking, in this session the focus moved "from the demand side to the supply side". The objective of the session was to discuss whether the industry can also benefit from the increased collection and use of detailed information (and not just carry the burden of data supply), and if so how.

The three presenters for this session were **Mr Cornelius Crowley (Office of Financial Research (OFR), US Department of the Treasury)** who gave an overview of the tasks of the OFR and its focus on data standards and best practices for data collection. He described how the use of data standards can help to link and integrate data, resulting in better data quality. **Mr Bonifacio Di Francescantonio (UniCredit)** discussed the benefits of micro data for the industry, such as strengthened governance, a reduction in data requests and improved market confidence. He also highlighted the crucial role of authorities in the process, in particular with regard to increased collaboration with the industry (like in the ECB's Banks' Integrated Reporting Dictionary initiative), provision of frameworks to address data security matters, and increased stability in the regulatory environment to enable better business planning. Finally, **Prof. Claudia Buch (Deutsche Bundesbank)** reminded the audience that "the costs and benefits of different types of statistics need to be assessed from the perspective of society as a whole", as central bank statistics are a public good. She explored the benefits of micro data for the industry and also for central bank policymaking, as well as the challenges that micro data present.

Discussion summary

Mr Patrick Hoedjes (EIOPA), as first discussant, described the experience of EIOPA with micro data. Since its establishment in 2011, EIOPA has been tasked with implementing the Solvency II directive for the EU insurance industry. As a result of the vast data justification exercise undertaken in preparation for the regulation, it was clear that granular data were essential to perform the regulatory tasks required. The content and technical aspects (XBRL) of the data collection have been completely harmonised, and the first data were received at the end of June 2016. Mr Hoedjes referred to the power of granular data in providing information on the exposure of companies, for example after the results of the Brexit referendum where information on the exposure of companies to the United Kingdom could be easily analysed. The availability of granular data will eliminate the need for ad-hoc data requests to the industry.

Addressing a point raised by **Mr Crowley** on the lack of data standards damaging data quality, **Mr Hoedjes** replied that EIOPA has stressed the importance of using global standards and has published guidelines supporting the use of the Legal Entity Identifier (LEI), with 92% compliance already achieved. Standards must be introduced in collaboration with the private sector and applied at the most granular level in order to ensure industry-wide implementation and improved data quality while reducing implementation costs.

Mr Hoedjes strongly agreed with the point made by **Mr Di Francescantonio** on the importance of cooperation and dialogue at the European level between authorities, and at the national level between national competent authorities and the private sector. This can be achieved by improving the dialogue between institutions through public consultations and participation at common events. He also highlighted the need to have staff with diverse backgrounds to understand all aspects of the business.

He concluded by asking whether, compared to the experience following the collapse of Lehman Brothers, we would be better able to manage such a situation now. In his view, a lot of progress has been made but there is still a long way to go compared to other industries, especially in terms of transparency and the cost of exchanging information.

The second discussant, **Ms Karla McKenna (GLEIF),** addressed a comment made by **Mr Crowley** that "company data often suffers from a lack of structure" by saying that in the public and private sectors there is a renewed focus on standardisation in financial services. She highlighted the key role that standards play in diminishing or eliminating the financial consequences of not having secure, complete and accurate data on financial transactions. The main focus in the private sector has been on ensuring the security of financial transactions, the use of entity reference data (LEI) and data exchange standards (XBRL and ISO 20022). However, to be successful and effective, the various initiatives should be coordinated and interconnected. Some institutions are also addressing governance aspects – a topic mentioned in several papers – with the creation of chief data officer positions not only to encourage standards but to drive and enforce data quality.

Audience questions

Mr Stephan Wolf (GLEIF) asked the panel about their views on competing standards, how to choose the right standards and when to decide to create a new standard? In response, **Mr Crowley** commented that two important factors must be considered when adopting standards. First, they need to be fit for purpose, and second, they must be harmonised, to avoid creating competing, un-harmonised standards among the industry, standards organisations and regulators. Only in this way is it possible to achieve a robust, industry-wide standard.

Mr Gaetano Chionsini (EBA) asked **Mr Di Francescantonio** whether banks are still complaining about the reporting burden, even though industry consultations for new reporting requirements and harmonisation are now ongoing, and the Implementing Technical Standards (ITS) have introduced consolidated reporting to a large extent. **Mr Di Francescantonio** responded that banks still face day-by-day challenges, as ad-hoc data demands are still being requested by regulators from different jurisdictions. He gave the examples of recent requests received from the US Federal Reserve System and for the EU-wide transparency exercise. He also mentioned that banks would be very interested in receiving feedbacks from authorities. Exchanges of information with authorities would be beneficial for banks, in particular in relation to how they are performing compared to their peers, and not just in terms of inspections and funding.

Prof. Buch in response to a question from the audience on what regulators are doing with the large amount of data collected and whether they intend to start micro managing the banks, responded that exactly the opposite is the case. She explained that regulators have initiated many financial sector reforms, which were necessary and have led to a more resilient financial system. However, the overall effect of reforms is not yet known, as some have only been introduced recently. The next mission is to do thorough ex-ante assessments of the reforms with future alignments of the regulatory framework, and this is exactly where micro data are needed. While micro data alone will not be sufficient and many other tools are needed, such as qualitative analysis, they are certainly a core element. Most importantly we need to communicate to policy makers and standard setters that micro data are needed to support policy making, and that it is in all our best interests to have such data and make the best use of it.