SESSION 2: UTILIZATION OF CREDIT REPORTING DATA FOR THE FINANCIAL AND BANKING SECTOR AND BANKING SUPERVISION

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The German Central Credit Register – use of credit data for banking supervision and other Central Bank purposes
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
General information on Central Credit Registers (2)

How does it work?

- All loans (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.
Contents of CCRs in general

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

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Borrower-by-borrower / Loan-by-loan
Solo approach / Consolidated approach
Quantitative data / Qualitative data

Examples:
- Data on lenders:
  - size, type of institution, banking group
- Data on borrowers:
  - size, country of residence, economic activity, group of connected clients
- Credit amounts:
  - loans, (debt) securities, guarantees, credit lines, financial derivatives, credit derivatives
- Credit attributes:
  - maturity, currency, collateral, PD, LGD, EL, RWA, provisions, non-performing loans
Reporting Framework in Germany

- **Legal basis:** German Banking Act
- **Reporting basis:** entity-by-entity (no consolidated reporting)
  borrower-by-borrower (not loan-by-loan)
- **Threshold:** 1 million € (on the basis of a borrower unit, 3 months observation period)
- **Reporting frequency:** quarterly
- **Regular Feedback Loops** to reporting institutions on the total indebtedness of their borrowers
- **Right of the borrower** to access data and ask for correction
Main features of the German CCR at the Deutsche Bundesbank

- **Broad scope of reporting institutions**
  - eg. domestic credit institutions, foreign subsidiaries and branches of resident credit institutions (“home approach”), resident subsidiaries and branches of foreign credit institutions (“host approach”), insurance companies, factoring companies

- **Broad scope of borrowers**
  - NFCs, financial sector, public sector, private persons;
  - resident and non-resident, single borrowers and „borrower units“ (groups of borrowers)

- **Broad concept of exposures**
  - Asset items, off-balance sheet items, financial derivatives
III. The German CCR – main reporting items

- **Total indebtedness**

  - **On-balance sheet transactions** (includes: loans, debt securities and other fixed-income securities, other assets, insofar as they are subject to a counterparty risk; starting 2019: shares and other non-fixed-income securities, participating interests, shares in affiliated undertakings)

  - **Off-balance sheet transactions** (includes i.a. sureties and guarantees in respect of asset items, sales of asset items with recourse, purchase and refinancing commitments, credit derivatives, other off-balance-sheet transactions, insofar they are subject to a counterparty risk; starting 2019: undrawn credit commitments)

- **Financial Derivatives**

  - (Residential) mortgage loans
  - Guarantees
  - Credit derivatives
  - Collateral
  - Risk Weighted Assets
  - Individual provisions

  - Approach used
  - Internal risk classification
  - PD
  - starting 2019 LGD, EL, EaD
Borrower units according to section 19 Banking Act

Entities with a direct or indirect dominant influence

=> Group of borrowers („Borrower Unit“)

- **Control**
  - Belonging to the same group
  - Connected by agreements (requirements of profit transfers)
  - Majority-owned

- **Personal liability**
  - Partnerships and their general partners

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The German Central Credit Register
1 June 2017

no possibility to disprove!
Use of data stored in CCRs (1)

Central Banks / Banking Supervisory Authorities

- Banking Supervision
- Financial Stability
- Monetary Policy (In-house Credit Assessment System)
- Research
- Statistics

Reporting institutions

- Lending decisions
- Credit monitoring and risk management

CCR as a “Multi Purpose Tool”
Use of data stored in CCRs (2)

Micro- and macro-prudential analyses (risk assessment on a solo or consolidated 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 borrower units
- Countries, sectors, currencies, maturities, instruments, collateralization
- Types of credit (e.g. mortgage loans)
- Non-performing loans
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 an “Early Warning System”
Use of data stored in CCRs (4)

Internal evaluations of data (regular)

- Loans by category of borrower
  (corporations and individuals, financial institutions, public sector)

- 100 biggest financial institutions / banking groups

- 100 biggest borrowers

- Debt trend over the past few years

- Loans broken down by the domicile of the borrower
  (country risk)

- Loans broken down by the economic activity of the borrower
  (economic sector risk)

- Non-performing loans of systemic-relevant banks
Use of data stored in CCRs (5)

Internal evaluations of data (ad hoc)

Loans granted to borrowers

- in a state of insolvency,
- with financial difficulties,
- belonging to specific economic sectors,
- domiciled in a specific country.
Participating countries

- Austria
- Belgium
- Czech Republic
- France
- Germany
- Italy
- Portugal
- Romania
- Spain
International cooperation of European CCRs (2)

Fundamental principles of the cross-border information exchange

- Memorandum of Understanding (MoU) on the exchange of information among national Central Credit Registers for the purpose of passing it on to reporting institutions (20 February 2003)
- Based on national reporting requirements
- Exchange of data on a reciprocal basis
- Regular exchange of information, Ad hoc exchange of information
- Confidentiality ensured by MoU

But: lack of harmonised data
International cooperation of European CCRs (3)

Harmonisation  →  Standardisation  →  Industrialisation
Thank you for your attention

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