



**EUROPEAN CENTRAL BANK**  
**EUROSYSTEM**

**ECB-PUBLIC**

Mario DRAGHI  
President

Mr Sven Giegold  
Mr Peter Simon  
Members of the European Parliament  
European Parliament  
60, rue Wiertz  
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Frankfurt, 22 September 2015

L/MD/15/552

**Re: Your letters (QZ-111, QZ-112 and QZ-113)**

Honourable Members of the European Parliament, dear Mr Giegold, dear Mr Simon,

Thank you for your letters, which were passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 16 July 2015.

As Ms Lautenschläger clarified in previous responses to questions submitted by you and your honourable colleague MEP Theurer<sup>1</sup>, and as Ms Nouy explained in her introductory remarks at her first ordinary hearing before the European Parliament's Economic and Monetary Affairs Committee on 25 June 2015<sup>2</sup>, the value added of the AnaCredit endeavour is its multi-purpose data content and its ability to support several important central banking functions.

In general, given the granularity of the information provided under AnaCredit and the possibility of having complete and uniform data across jurisdictions, AnaCredit will allow analyses and comparisons that cannot be provided based on currently available aggregated data but are part of key central banking policy functions, such as monetary policy preparation and implementation and macroprudential oversight. Some notable examples of the benefits expected from developing AnaCredit are given below.

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<sup>1</sup> The text of the letter is available on the ECB's Banking Supervision website at:  
[https://www.bankingsupervision.europa.eu/ecb/pub/pdf/150421letter\\_giegold\\_theurer.en.pdf](https://www.bankingsupervision.europa.eu/ecb/pub/pdf/150421letter_giegold_theurer.en.pdf)

<sup>2</sup> The text of the hearing is available on the ECB's Banking Supervision website at:  
<https://www.bankingsupervision.europa.eu/press/speeches/date/2015/html/se150625.en.html>

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As regards monetary policy preparation, these granular data will contribute to the enhancement of the analysis and assessment of the monetary policy transmission mechanism. In particular, the identification of possible impairments in the credit channel of monetary policy measures is expected to benefit considerably from such disaggregated information sets. The dataset will be highly useful in the evaluation of targeted monetary policy measures aimed at mitigating fragmentation in the monetary policy transmission. With respect to the conduct of monetary policy operations and risk management activities related to collateral management, AnaCredit data will provide invaluable support for assessing the quality of the underlying assets.

The granular data collected by AnaCredit will also be used to assess the development of corporate debt and its sustainability for specific categories of firm. This is particularly the case of the small and medium-sized enterprises (SMEs), for which a higher threshold than the one proposed would seriously limit analysis and, thus, on the preparation of those policy decisions aimed at supporting a sustainable increase in lending to this particular category of firm.

In the field of financial stability, AnaCredit will enable a more accurate analysis of credit risks and their potential build-up into systemic risks in the financial sector by providing detailed and timely information on financial institutions' exposures to various economic segments. The calibration of important macroprudential instruments, such as counter-cyclical capital buffers, can also greatly benefit from the kind of information provided by AnaCredit. Given these applications, AnaCredit could prove particularly helpful in supporting policies and measures in the context of the Capital Markets Union initiative.

AnaCredit will also provide more meaningful measures of credit and credit risk involving counterparties resident in different euro area countries. For example, the foreseen data collection on the basis of a common set of concepts and definitions will allow a cross-country comparison of characteristics of credit and credit risk (e.g. interest rates charged and default frequency). Similarly, the possibility of aggregating all the exposures of a given debtor across banks, which are often located in different jurisdictions, will provide a meaningful and complete picture of the debt sustainability of a borrower and, hence, of the risk borne by its creditors. This information is very useful for financial stability analysis and may also support banking supervision purposes.

In addition, AnaCredit will cover not only transactions between credit institutions and non-financial firms, as most existing credit registers already do, but also the whole universe of transactions covering a much larger scope of financial intermediaries, for example, intermediaries other than deposit-taking corporations and asset management vehicles engaged in lending. In so doing, AnaCredit will enhance, in a material way, existing central banking statistics and strengthen our ability to monitor the build-up and emergence of financial stability risks, thereby reducing the risk of financial instability.

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## **The principle of proportionality and reporting burden**

In terms of the proportionality between reporting requirements and the costs to reporting institutions, the ESCB's Statistics Committee has completed a comprehensive "merits and costs" exercise, as required under Article 5(2) of Council Regulation (EC) No 2533/98, with a view to minimising the reporting burden. This procedure is systematically carried out by the ECB to assess all new statistical requirements in order to ensure the collection of necessary statistical information of an appropriate quality while aiming to keep the reporting burden on respondents at an acceptable level.

The merits and costs procedure, as described in the aforementioned letter by Ms Lautenschläger, was conducted for AnaCredit in 2014. In addition, there is continuous contact between the national central banks (NCBs), the respective national (banking) representatives and the ECB, as well as European associations representing the banks (such as the European Banking Federation). The interaction with stakeholders has – also in the case of AnaCredit – proven to be very fruitful, leading in particular to an enhanced definition of the requirements.

As a result of the "merits and costs" procedure, the only requirements included were those for which the confirmed higher policy relevance or operational usefulness was high enough to justify the set-up and regular costs of the data required. Moreover, the cost assessment results and previous experience in a similar context for other instruments (e.g. securities) show that, for highly automated processes that ensure efficiency, it is preferable to require the information in only one setting. Hence, instead of asking for aggregated data with all the relevant dimensions, having the data on a granular basis may prove less costly and far more effective for all parties, including reporting institutions.

From its knowledge of the banking system, and also from the interaction with stakeholders in defining the elements of AnaCredit, the ECB is aware of the relatively high initial costs to those banks that will be included in the reporting population. At the same time, one of the benefits of this initiative is that requirements will become more stable over time. In the context of highly automated systems, this implies a cost-saving feature over time, as it minimises the risk of cumbersome and costly ad hoc requests for data.

It is also worth noting that synergies have been sought with the existing central credit registers (CCRs) already operated by many NCBs, so as to maximise the use of data already available and again minimise the reporting burden. Moreover, the need to amend, or even revisit, existing CCRs or to set up new credit reporting frameworks will also provide a unique opportunity to enrich the scope and improve the usefulness and comparability of the information.

Regarding your questions on derogations for small credit institutions, a balance has to be struck between the need to ensure sufficient coverage of credit volumes and the need to limit the reporting burden for very small entities. It is clear that, when considering more granular data on credit, the impact of derogations is greater than on aggregates. Still, provisions have been foreseen in the draft Regulation for NCBs to grant such derogations.

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Additionally, the stepwise implementation of the reporting requirements, with the full scope to be reached only in 2020, is introduced to alleviate the burden, especially on small credit institutions. Moreover, in setting up derogations, one should consider possible effects on future development in the credit market that could increase the systemic importance of smaller institutions.

### **The definition of the reporting threshold**

The crisis has clearly shown that policy-making can no longer rely on analyses of aggregates and main developments. Tail factors play a crucial role in assessing the build-up of risk and potential contagion effects. An analysis performed with the data (collected by CCRs) received under Decision ECB/2014/6 revealed that too high a threshold (e.g. EUR 1 million, as in the estimates you reported) would have an asymmetric impact on the outstanding amount of instruments registered by country and that SMEs would not be appropriately covered.

The use of a relatively low threshold is especially relevant to close large data gaps related to the analysis of the financing of SMEs across the euro area, e.g. by providing high quality and timely information on loans by size of firm and branch of economic activity. Such information is extremely useful in designing adequate policy measures to ensure that the necessary financing trickles down through the economy, particularly to those firms that rely mainly on financial intermediation for their funding, and in detecting potential impairment in the credit market.

Moreover, too high a threshold, in relative terms, would not allow the monitoring of developments in real estate credit, which have proven to be a major factor in creating systemic financial crises.

### **Data protection**

In response to your concerns about the possible collection of sensitive personal data, I would like to reassure you that data such as the borrower's type of income, employment status, family status and religion have never been considered for inclusion in AnaCredit reporting. Similarly, there is currently no intention to collect data on credit applications that have been rejected by banks.

However, the nature of real estate market fluctuations, which are quite heterogeneous across different areas, warrants the collection of granular and detailed information at the local level to enhance macro and microprudential policy. There is increasing evidence, for example, that borrower-based regulatory policies, such as reductions in loan-to-value or debt-to-income limits, can be effective in leaning against possible real estate bubbles, reinforcing the need for detailed information on borrowers' characteristics.

The ECB fully respects the EU personal data protection framework that is harmonised in Directive 95/46/EC and similarly laid down in Regulation (EC) No 45/2001 of the European Parliament and of the Council, . Every precautionary measure is being taken and will be taken to protect personal data in accordance with the above

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mentioned legal framework. Notably, information on households in the shared AnaCredit will be reported on an anonymised basis<sup>3</sup> and its confidentiality will be ensured under the framework established by the prevailing European and national laws.

To conclude, let me emphasise that the ECB, in the spirit of transparency, is currently setting up a dedicated AnaCredit webpage. This will serve as a tool for communicating to market participants the purpose and scope of the initiative and the time frame envisaged for seeking further input and providing assistance, upon request, inter alia via a Frequently Asked Questions section. The webpage will be launched once the draft Regulation has been adopted by the ECB's Governing Council.

Yours sincerely,

[signed]

Mario Draghi

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<sup>3</sup> Provisions have been foreseen in the draft Regulation for NCBs for non-anonymised data to be made available if it proves necessary for the conduct of their functions.

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