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How far have we come on banking statistics? Are we there yet?

Topic 4 – Getting the statistics out

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Introduction

Limited data on specific institutions and markets, lack of transparency and availability of harmonized data from banks have been identified as some of the causes for the banking crisis of the late years of the 2000's. With US's subprime crisis and Lehman Brothers collapse in 2007-2008, banks and national supervisors became suspicious of other market participants and neighbouring jurisdictions, consequently promoting individual solutions and uncoordinated responses to a common problem.

The first response of the Competent Authorities was aimed at filling information gaps, which limited their ability to identify the building-up of vulnerabilities at the core of the financial crisis. The reporting burden for institutions has been enlarged further with the financial crisis, after two decades during which it had dramatically increased, due to the growing complexity of reporting requirements, in parallel with heightened challenges for banking regulation. But most gaps were mainly linked to the inadequate use of existing resources and information, hindered by the fragmentation and non-harmonisation of certain macro- and micro-financial data across jurisdictions.

Methods / Problem statement

Banking statistics have come a long way since then, particularly in the EU, where there was a great effort for harmonizing reporting requirements, strengthening cooperation and information sharing among Competent Authorities. Big data warehouses are now available for supervisors, which are now focusing on how to strike the right balance between the need to further improve the quantity and quality of financial data and the reluctance to over-burden financial institutions with unnecessary reporting obligations.

To avoid excessive reporting burden and to fulfil different functions by collecting only once data for many purposes, Authorities have to closely cooperate in order to integrate information already available. This implies acknowledging that Competent Authorities, which are usually seen as the main recipients of supervisory data, have also a responsibility to share with other Authorities, whether cross-border or within national borders, and to disseminate – subject to rules on confidentiality and preserving the commercially sensitive nature of some data – financial information, as it is a public good that has the potential to reinforce market discipline (Enria, 2012, Burgi-Schmelz et al, 2011).

This is not an easy task and for national banking statistics to be integrated and for getting more statistics out there are a number of tasks that are to be addressed:

Results / Proposed solution

Comparability of data across intermediaries, itself a precondition for peer analyses and benchmarking exercises. Easier to say than to do, particularly across borders. Current situation concerning the supervisory data in Europe is characterized by a sort of "double binary": on one side "maximum harmonisation" of a very large part of the European regulatory reporting established by the European Banking Authority - EBA (e.g.

own funds and capital, large exposures, liquidity and leverage ratios, financial reporting); on the other side some degree for national discretion in defining adequate reporting schemes to other statistical purposes other than supervision. Timeliness and accuracy of statistics for the purpose of performing banking supervision go hand in hand with good decision making.

An acceptable trade-off between timeliness and data quality needs to be found. Delay in fulfiling requests from supervisors were usually justified by the wish to submit the best possible and most reliable figures. However, from a supervisory perspective, 100% accurate data with significant delay will barely serve more than for historical purpose, likely useless for any proactive, timely decision to be taken upon. On the other hand, information compiled promptly on time will be meaningful only if it reaches a minimum level of accuracy (validation rules).

Irrespective of revisions, if any needed at all, the broader picture about the information should remain unchanged (resu

Conclusions

Another piece of the puzzle is using appropriate data mining and visualization techniques, which are playing more and more a role in making people understand better the increasingly amount of available regulatory banking data. Whilst in the supervisory community world this is not any different, the ability to perform good data analysis and provide a timely illustration of it may still be considered far from ideal.

The apparently complex framework given by the data point model – DPM should not deter users from exploring the data. The EBA has been providing some technical tools (e.g. DPM database, analysis matrix, data dictionary, table layout and data point categorisation) that should enlighten users' ability to navigate through the DPM. To make the information speak by itself, it is crucial to allow all types of users, from direct supervisors to market analysts, to draw accurate conclusions. From effective data crunching and cleansing to user-friendly ways of exploring the information, the EBA has been developing its internal analytical infrastructure in order to appropriately deal with the ITS data.

This paper will thus shed light and review the most important steps taken in EU so far to address these challenges, in order to enhance public knowledge of the health of the banking system.