



EUROPEAN CENTRAL BANK
EUROSYSTEM

Sabine Lautenschläger

Member of the Executive Board &
Vice-Chair of the Supervisory Board
of the Single Supervisory Mechanism

ECB-PUBLIC

Mr Markus Pieper

Mr Bendt Bendtsen

Mr Michal Boni

Ms Pilar del Castillo

Mr Markus Ferber

Mr Paul Rübig

Mr Antonio Tajani

Members of the European Parliament

European Parliament

60, rue Wiertz

B-1047 Brussels

Frankfurt, 14 January 2016

SL/2016/4

Honourable Members of the European Parliament, dear Mr Pieper,

RE: AnaCredit

Thank you for your e-mail and your interest in the AnaCredit project. I gladly take this opportunity to shed some additional light on the project and will personally appear before the Committee on Economic and Monetary Affairs on 25 January to provide further details. This information is meant to complement the information that the European Central Bank (ECB) has already published on its website, which includes the draft Regulation on AnaCredit¹, as well as informative webpages on its rationale and design.²

The rationale for AnaCredit

The AnaCredit project was launched in 2011 to establish a core set of granular and harmonised data on credit granted by euro area financial institutions. While the information provided on granular credit datasets is currently very heterogeneous across the euro area, AnaCredit will standardise the collection of credit data and significantly improve the ability of the Eurosystem to conduct in-depth analysis and meaningful comparisons of the provision of credit within the euro area. It will thus significantly improve our knowledge about the monetary policy transmission channel to small and medium-sized enterprises (SMEs).

¹ The document is available on the ECB's website at:

<https://www.ecb.europa.eu/stats/money/aggregates/anacredit/html/index.en.html>

² The documents are available on the ECB's website at: <http://www.ecb.europa.eu/explainers/tell-me-more/html/anacredit.en.html>

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address

European Central Bank
60640 Frankfurt am Main
Germany

Tel.: +49 69 1344 7180

Fax: +49 69 1344 7106

E-mail: sabine.lautenschlaeger@ecb.europa.eu

Website: www.ecb.europa.eu

As such, the harmonised data to be collected through AnaCredit are a key innovation and will greatly contribute to improving the performance of many key Eurosystem tasks, ranging from monetary policy and monetary policy operations, through financial stability analysis and macroprudential policy, to collateral and risk management, as well as economic research and statistical production.

To give you a practical example of how AnaCredit may ultimately imply benefits for euro area SMEs, the availability of granular data is crucial for the development and assessment of monetary policy and for financial stability analyses in the different segments of the credit market. In the case of SMEs in particular, the timely and harmonised AnaCredit data will, owing to the chosen reporting threshold of €25,000, facilitate evaluation of those borrowers' financing conditions. For instance, thanks to the data collected by AnaCredit, it will be possible to ascertain whether SMEs in a given country (corrected for risks and other specific characteristics of those enterprises, as well as access to other sources of funding) are affected differently by actual or planned monetary policy measures compared with similar SMEs in other euro area countries, thus accurately signalling glitches in the monetary policy transmission channel. The information that is currently available relies on aggregated/survey data and does not allow such accuracy. This limits the ability to analyse with precision the driving factors of changes in financing conditions and, hence, limits the assessment of the transmission of monetary policy impulses to specific categories of borrowers.

AnaCredit will benefit the banks, too. Credit institutions are allowed to take part in monetary policy operations, insofar as they are eligible to be a counterparty and provide adequate collateral for the liquidity provided by the ECB. Loans to non-financial institutions or households are, subject to certain conditions, eligible for use as collateral in these operations. When assessing the eligibility of these categories of collateral, the dataset established by AnaCredit will be of importance.

AnaCredit and banking supervision

Let me stress again that the rationale for AnaCredit is in no way focused on banking supervision. While some of the data could also be helpful for prudential supervision, AnaCredit had been planned long before European banking supervision was even considered and, at present, it does not cater for supervisory data requirements. This is also clearly evident in the draft Regulation on AnaCredit, which does not include any such requirements.

Having said that, the ECB might opt to follow a staggered approach, whereby the different market segments are covered progressively. By adopting such an approach, in which each new stage could be introduced after a significant time interval, it would be possible to take advantage of the experience gained with earlier stages when implementing later stages. In line with such considerations, AnaCredit could possibly be extended in future to cover information for supervisory purposes. However, let me reassure you that any extension of AnaCredit to banking supervision is not imminent and would require a public consultation and, subsequently, a decision by the Governing Council of the ECB.

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address

European Central Bank
60640 Frankfurt am Main
Germany

Tel.: +49 69 1344 7180
Fax: +49 69 1344 7106
E-mail: sabine.lautenschlaeger@ecb.europa.eu
Website: www.ecb.europa.eu

The usefulness of AnaCredit as just described is predicated on the requirement to report 94 data attributes for each loan. Although the overall number seems high, it needs to be clarified that the number of actual pieces of information is lower. To take one example, the information about the borrower's address alone is decomposed into seven data attributes (street name, street number, city, etc.) and this number also includes several technical identifiers. Yet, for the data to be useful for multiple analyses and purposes (to avoid asking banks for the same or related information several times), they need to describe loans across sufficient dimensions (such as the interest rate, the loan amount or the past due status of the loan), as well as the type and value of any collateral and guarantee securing the loan, and must enable the borrower to be identified (by providing the borrower's size or the sector of economic activity), which is especially relevant in the case of borrowers with loans from several banks or with cross-border exposures. In any case, banks' customers will not have to provide more information than they currently have to provide when applying for a loan. Let me also emphasise that the information that is required for AnaCredit, at this stage, only concerns loans to enterprises and not loans to households.

The cost of AnaCredit

The cost of AnaCredit for banks, which is certainly not negligible, has to be put into perspective. First, direct contacts with IT service-providers, in particular those supporting associations of smaller banks, as well as with a sample of institutions considered representative in terms of their size and business model, show that much of the information required for AnaCredit already exists in banks' data warehouses. Credit risk management has been increasingly supported by IT systems, which have become an integral part of a bank's business. Second, in contrast to the existing reporting, which by and large relies on aggregated data that are compiled by the reporting agents solely for the purposes of statistical requirements and are of limited use for their own business, granular data collected through AnaCredit will enable the Eurosystem to compile relevant statistics in a consistent and flexible manner, with the necessary level of detail appropriate to the actual needs of the analysis, without requesting additional information from banks. More specifically, thanks to the flexibility enabling the Eurosystem to aggregate and analyse the data along many relevant dimensions, banks will need to invest less in aggregation procedures and there will be fewer ad hoc requests and surveys for banks to respond to, which are often dealt with manually and can be very burdensome and costly. Third, there is a constant need to modernise banks' data management in order to identify, monitor and manage risks better and more cost efficiently. AnaCredit will support the close integration of banks' data management for business purposes with their data management for reporting for statistical purposes, which is expected to save costs in the medium term.

As regards the cost of AnaCredit for small and medium-sized banks in particular, the majority of them share common IT centres and have standardised IT processes. As a group, in many credit market segments they are bigger than the large banks and equally cost efficient. As a matter of fact, owing to a shared IT solution, which automates data management, credit data collection and processing is identical irrespective of whether

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address

European Central Bank
60640 Frankfurt am Main
Germany

Tel.: +49 69 1344 7180
Fax: +49 69 1344 7106
E-mail: sabine.lautenschlaeger@ecb.europa.eu
Website: www.ecb.europa.eu

a loan is provided by a smaller or larger credit institution within the same association. Moreover, it is more cost efficient for the IT centres which support small and medium-sized credit institutions – and therefore for the institutions themselves – not to introduce artificial reporting thresholds that discriminate between participating credit institutions, also possibly changing over time. As the IT centres are typically financed by all participating banks, irrespective of whether their data are transmitted to the Eurosystem or not, the costs for an individual small or medium-sized bank are not dependent on whether the data of the specific bank are reported.

The situation may differ for small and medium-sized banks that are not part of a bigger association. However, to cater for such cases, the draft Regulation on AnaCredit allows national central banks to take into account specific circumstances and to exempt such banks partially or fully from reporting. For some countries, as many as 700-1000 small and medium-sized banks are expected to be granted exemptions.

I hope that this information addresses the questions that you have raised and provides more clarity about the ECB's AnaCredit project.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'Sabine Lautenschlaeger', written in a cursive style.

Address

European Central Bank
Sonnemannstrasse 20
60314 Frankfurt am Main
Germany

Postal address

European Central Bank
60640 Frankfurt am Main
Germany

Tel.: +49 69 1344 7180
Fax: +49 69 1344 7106
E-mail: sabine.lautenschlaeger@ecb.europa.eu
Website: www.ecb.europa.eu