AnaCredit – Overview and implementation from an NCB`s point of view

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Abstract

On May 18th 2016, the Governing Council of the European Central Bank (ECB) approved the Regulation (EU) 2016/867 of the ECB on the collection of granular credit and credit risk data ("Analytical Credit Datasets"; short: "AnaCredit"). AnaCredit is a statistical project to establish a common granular credit database comprising detailed information on individual bank loans in the euro area based on harmonised ECB statistical reporting requirements. Since data is collected at borrower-by-borrower and loan-by-loan level, this granular database enables a high flexibility with regards to analysis. Moreover, in line with the statistical legal framework of the European System of Central Banks (ESCB), this approach allows the collected credit data to be used for multiple purposes, both across institutions and across different user groups within institutions. AnaCredit will, therefore, support the ESCB in a number of central bank tasks, as for example monetary policy analysis and operations and financial stability surveillance. In addition, AnaCredit shall also serve external institutions such as the European Commission, the Bank for International Settlements or the International Monetary Fund. This brief paper aims at introducing AnaCredit and presenting an overview of its scope. Furthermore, it provides insight into the implementation of AnaCredit from a National Central Bank`s (NCB`s) point of view.

Keywords: credit data; granularity; granular credit data.

1. Introduction

Demand for statistics on a granular basis has grown as a result of recent financial and economic crises. This can be traced back to the beginnings of the last global financial meltdown in 2008 revealing that aggregate statistics were not sufficient for an adequate and detailed overview of the developments that had been taking place inside the global economy and the financial system.
However, these developments have to be understood and monitored going forward in order to react in an appropriate way to economic shocks or, at best, predict and maybe even prevent crises in advance.
Especially the knowledge about the distribution of data has shown to be necessary for a proper understanding of the causes and economic interdependencies in the financial system. As a consequence, this need can be regarded as a trigger for a paradigm shift from aggregate to granular micro data in the world of statistics.
In this context, the granular credit database "AnaCredit", which is currently set up within the Eurosystem, provides a good example for a new database of granular micro data and will, therefore, be an important component in realising this paradigm shift. Improving statistical information on credit and credit risk, current data gaps could be closed and multiple objectives could be met at once.

AnaCredit shall be introduced in the following paragraphs in detail. Thereafter, it is shed light upon some aspects of its implementation in Germany.

2. Origin and general concept of AnaCredit

AnaCredit stands for "Analytical Credit datasets" and is a statistical project initiated to establish a granular harmonised credit database comprising detailed information on individual bank loans in the euro area.

The European Central Bank (ECB), euro area and some non-euro area National Central Banks (NCBs) initially launched the project in 2011. A fundamental decision on the planned introduction of AnaCredit had been taken by the Governing Council of the ECB in 2014[1] defining the general scope of the project and, thus, starting the work on a draft regulation.

The potential scope and complexity of AnaCredit sparked interest of media and discussions among the public and banking industry during 2015. As a consequence, the ECB decided to publish a draft regulation of AnaCredit on 4th of December 2015 shortly after the Governing Council had in principle agreed on this draft version. Following this, the public was given the opportunity to comment the draft regulation until end of January 2016.

The comments received – mainly from banking associations - were assessed and accordingly some adjustments to the draft regulation were made. As a result, the Governing Council of the ECB finally approved the Regulation (EU) 2016/867 on the collection of granular credit and credit risk data on May 18th 2016 with the data collection scheduled to start in September 2018.

The Regulation foresees that loan-by-loan credit data is collected by the NCBs of the euro area and forwarded to the ECB. NCBs of non-euro area member states of the European Union (EU) can voluntarily participate in AnaCredit.

3. Use of AnaCredit[2]

AnaCredit shall serve multiple purposes and close current data gaps. This can be achieved as loan-by-loan data in such granularity, as AnaCredit will provide, enables a high flexibility with regards to analysis. Depending on the specific purpose customized data requests and analyses can be run. Thus, a full re-use of micro data can be accomplished.

As data is planned to be used for multiple purposes, the statistical legal framework of the ESCB[3] allows institutions marked in red in Table 1 to access highly granular information on a need-to-know-basis. The remaining institutions listed in Table 1 may access AnaCredit data, but not those which are confidential.

Table 1: Exemplary user institutions of AnaCredit data
• European Central Bank (ECB)
• NCBs of European System of Central Banks (ESCB)
• European Commission (Eurostat)
• European Systemic Risk Board (ESRB)
• Bank for International Settlements (BIS)
• International Monetary Fund (IMF)
• World Bank
• Financial Stability Board (FSB)

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[1] Decision ECB/2014/6 and Recommendation ECB/2014/7 of the European Central Bank of 24 February 2014 on the organization of preparatory measures for the collection of granular credit data by the European System of Central Banks
[2] Please see also Damia, V., &Israël, J-M. (2014). Standardised granular credit and credit risk data. Paper presented at 7th IFC conference on "Indicators to support Monetary and Financial Stability Analysis: Data Sources and Statistical Methodologies".
[3] Council Regulation (EC) No 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank

Above all, the ECB and NCBs of the ESCB will use and benefit from AnaCredit data. For instance, AnaCredit will support the performance of the following central bank tasks:

- **Monetary policy analysis and operations:** Although small and medium-sized enterprises (SMEs) are regarded as the backbone of the economy, there is only scarce information on loans granted to that sector. AnaCredit will close this data gap and help to better understand the monetary policy transmission mechanism also in this regard. In order to capture loans to SMEs a relatively low reporting threshold of 25,000 € was chosen for AnaCredit.

- **Financial stability surveillance:** Risks to financial stability can arise when large institutions have negative external effects ("Too big to fail?"), when institutions are strongly interrelated ("Too connected to fail?"), but even if many small institutions are exposed to similar risks ("Too many to fail?"). AnaCredit will enable to recognize these risks and their distribution to individual financial institutions, sectors or entire European countries at an early stage.

- **Risk management:** AnaCredit will contain certain risk attributes (for example *probability of default*) on a borrower-by-borrower basis which allow assessing the creditworthiness of debtors.
  This will be especially helpful for the Bundesbank. Currently, credit institutions may use credit claims from creditworthy debtors as monetary policy collateral. So far, the creditworthiness of debtors in Germany is assessed on the basis of data received via the German Central Credit Register (CCR)[4]. However, this data basis will not be sufficient anymore as new ECB requirements for the NCB`s Inhouse Credit Assessment System (ICAS) apply as of March 2018. From then on, the German CCR can no longer deliver the required data since its one Million € threshold is too high and only quarterly reporting is available. AnaCredit data, however, will also fulfil the new ECB standards.

Once implemented, AnaCredit provides the possibility to combine its credit data with micro data of other statistics as for example the Centralised Securities Database (CSDB); this way the full indebtedness of a borrower could be captured.
Beyond that, AnaCredit has the potential to allow the ESCB to (partially) consolidate existing statistical requirements and, to a certain extent, even replace them in the medium term. As a result, both central banks and reporting agents could potentially benefit from a reduced data collection effort.

4. Scope of AnaCredit

The Regulation (EU) 2016/867 determines that for the time being only credit institutions[5] and resident foreign branches of credit institutions have to report information on loans and the counterparties involved into these loans, mainly on a monthly basis.
Information merely has to be reported in case

- (i)   a loan is granted to a corporation or another legal entity
          (a loan solely granted to a natural person is exempted from being reported)

- (ii)   and all summarized outstanding loan amounts of the debtor granted by the reporting credit institution are above 25,000 €.
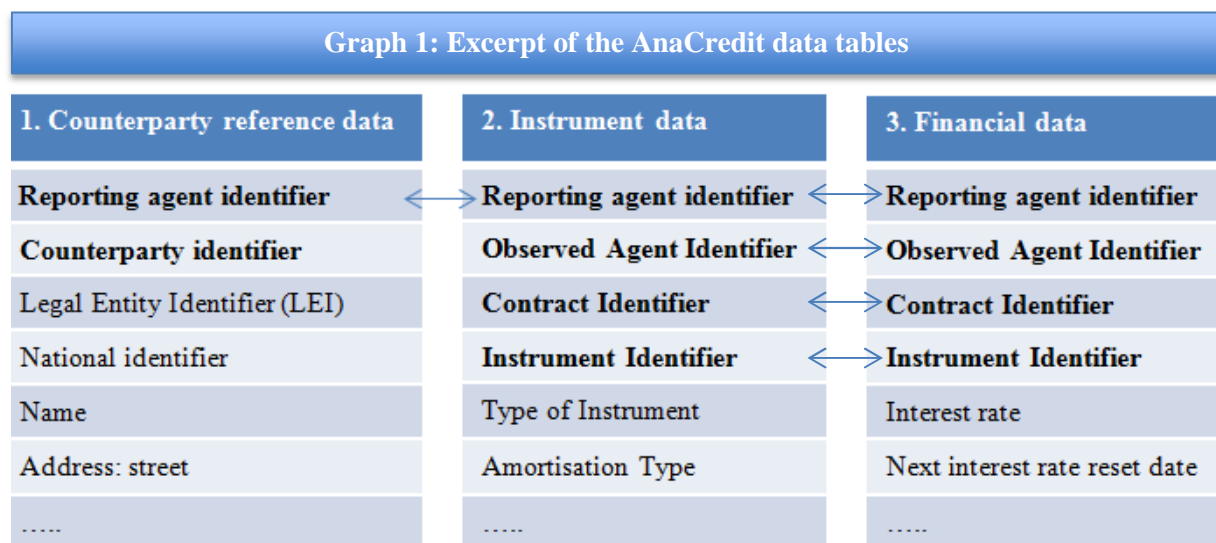
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[4] Groß- und Millionenkreditmeldewesen
[5] Credit institutions are defined according to Article 4 (1) (1) of Regulation (EU) No 575/2013 of the European Parliament and of the Council

The scope of loans to be reported is outlined in the subsequent list:

- Deposits other than reverse repurchase agreements;
- Overdrafts;
- Credit card debt;
- Revolving credit other than overdrafts and credit card debt;
- Credit lines other than revolving credit;
- Reverse repurchase agreements;
- Trade receivables;
- Financial leases;
- Other loans[6].

With regard to the data structure, AnaCredit consists of ten different data tables that are connected to each other via identifiers. In general, AnaCredit data can be distinguished between counterparty reference data which contain basic information[7] on debtors and creditors and are included in one data table and credit data that are contained in the remaining nine data tables.

Graph 1 exemplarily displays the connection of the data tables and highlights the role of the identifiers.

Graph 1: Excerpt of the AnaCredit data tables

1. Counterparty reference data	2. Instrument data	3. Financial data
Reporting agent identifier	**Reporting agent identifier**	**Reporting agent identifier**
Counterparty identifier	**Observed Agent Identifier**	**Observed Agent Identifier**
Legal Entity Identifier (LEI)	**Contract Identifier**	**Contract Identifier**
National identifier	**Instrument Identifier**	**Instrument Identifier**
Name	Type of Instrument	Interest rate
Address: street	Amortisation Type	Next interest rate reset date
.....	.....	.....

Note: The identifiers are marked in bold

Overall, AnaCredit comprises 89 attributes and six identifiers. Table 2 summarizes the main elements of the AnaCredit scope.

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[6] Other loans not included in any of the categories listed above. Loan has the same meaning as defined in paragraphs 5.112, 5.113 and 5.114 of Annex A to Regulation (EU) No 549/2013.
[7] For example the address or the institutional sector of a debtor/creditor

Table 2: Main elements of the AnaCredit scope	
Type	**Requirements**
Creditor	• Credit institutions (incl. branches)
Debtor	• Corporations & other legal entities
Threshold	• 25,000 €
Attributes	• 89 attributes • 6 identifier
Reporting frequency	• Mainly monthly
Schedule	• Counterparty reference data: March 2018 • Credit data: September 2018
National discretion	• NCBs may collect data from December 2017 onwards • NCBs may grant derogations to small reporting agents (i.a.)

Besides the aforementioned aspects, Regulation (EU) 2016/867 entitles the NCBs to determine parts of the AnaCredit scope at national discretion. NCBs may grant derogations to small reporting agents[8] for instance.[9] The derogations may cover some or all reporting requirements defined in the Regulation, i.e. an NCB could decide that small reporting agents do not have to report at all in the respective country.[10]

With regard to the time schedule the NCBs are also given leeway.[11] While the Regulation requires credit data to be reported first time by reference date September 2018 and the counterparty reference data by reference date March 2018, NCBs have the right to collect both counterparty reference and credit data already from December 2017 onwards.

Furthermore, it is intended to establish AnaCredit in stages. If the ECB`s Governing Council seeks an extension of the AnaCredit scope, the decision on a subsequent stage has to be taken at least two years prior to its implementation.[12]

5. AnaCredit implementation in Germany

The aforementioned option to derogate small institutions from their reporting obligations, which is given by Regulation (EU) 2016/867, plays a central role for the understanding of the AnaCredit implementation in Germany. After the draft regulation was published by the end of the year 2015, it

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[8] Small reporting agents are defined in Article 16 (1) of Regulation (EU) 2016/867
[9] According to Article 16 (1) of Regulation (EU) 2016/867
[10] Derogations in Regulation (EU) 2016/867 are not limited to the example presented above, but the Regulation contains more. Due to the scope of this paper, however, not all derogations can be highlighted.
[11] According to Article 2 (3) of Regulation (EU) 2016/867
[12] Recital (10) of Regulation (EU) 2016/867

became common knowledge that the AnaCredit Regulation would contain derogations which would be up to the decisions of the respective NCBs.

A full exemption of small credit institutions in Germany could relieve the banks affected of an additional reporting burden.

However, it has to be noted that there are approximately 1800 credit institutions in Germany to be considered reporting agents for the purposes of Regulation (EU) 2016/867. Out of the 1800 roughly 740 reporting agents would be regarded as "small"[13], which represents a substantial number. Bearing in mind the aim of AnaCredit to also fill data gaps with respect to SMEs, which are financed by small banks to a large extent, a full reporting exemption would entail not covering loans to that sector in a comprehensive way.

Besides, there was another important reason why a full exemption of small reporting agents would be difficult to implement in Germany:

As presented above, new ECB standards with regard to the NCB`s ICAS apply as of March 2018. While the German CCR could no longer fulfil the new requirements from then on, AnaCredit could close this gap and deliver the required credit data with its monthly frequency and the relatively low threshold of 25,000€.

As ICAS standards count on full coverage, however, it therefore requires reporting from all credit institutions, impeding a full exemption of small reporting agents. In addition, the Bundesbank would have to bring the time schedule forward a few months using its right to collect credit data before September 2018, if it intended to meet the ICAS standards from March 2018 onwards.

Taking all these factors into account, the Bundesbank had to ponder how to decide. On the one hand, the small reporting agents should not be overburdened, on the other hand, data gaps should be closed and compliance with the new ICAS standards be achieved.

The following optimisation challenge had to be solved:

- Derogate the small German credit institutions as far as possible in accordance with Article 16 (1) of Regulation (EU) 2016/867

- Use implementation of Regulation (EU) 2016/867 to make the Bundesbank ICAS fit for the new ECB requirements

- Give the necessary information in respect of the transmission mechanism (including loans to SMEs) to the monetary policy users

With the approval of Regulation (EU) 2016/867 in May 2016 the Bundesbank finally decided as follows:

- Instead of collecting first credit data from September 2018 onwards, the Bundesbank decided in favour of an earlier start date. Counterparty reference data would be reported first time by reference date January 2018 and credit data by March 2018.

- Partial derogations were granted to small reporting agents. Although this did not mean a full exemption, the Bundesbank reduced the reporting burden to an absolute minimum. Small reporting agents would have to report only 17 indispensable data attributes for loans originated prior to 1 September 2018 and nine additional data attributes for loans originated after 1 September 2018. Table 3 displays these attributes and provides an insight into the data collected.

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[13] Please see footnote 8

Table 3: Attributes to be reported by small reporting agents in Germany	
Counterparty reference data	**Credit data**
• National identifier • Name • Address: street • Address: city / town / village • Address: postal code • Address: country • Accounting standard	• Type of instrument • Default status of the instrument • Date of the default status of the instrument • Outstanding nominal amount • Accrued interest • Off-balance sheet amount • Counterparty role • Probability of default • Default status of the counterparty • Date of the default status of the counterparty
Additional attributes for loans originated after 1 September 2018:	**Additional attributes for loans originated after 1 September 2018:**
• Institutional sector • Economic activity • Number of employees • Balance sheet total	• Currency • Interest rate type • Purpose • Interest rate • Accumulated impairment amount

This way compliance with ICAS requirements and closing data gaps also with respect to SMEs could be achieved while at the same time taking into account the principle of proportionality regarding the reporting burden of small credit institutions.

Shortly after the approval of Regulation (EU) 2016/867 the Bundesbank announced the German derogations to the banking industry. To the satisfaction of all parties the solution was regarded as a good compromise.

6. Conclusion and Outlook

As outlined in this paper, AnaCredit will provide granular credit data that can be used in a flexible manner and will greatly support the performance of key central bank tasks of the ECB and NCBs of the ESCB. Be it monetary policy or financial stability surveillance, AnaCredit will enable *on demand* analyses that allow a better understanding of the monetary policy transmission channel and disclose the linkages and relationships inside the financial system. On that improved data basis, better conclusions can be drawn enhancing qualitative decision making and increasing the likelihood of choosing appropriate measures to crises, shocks or unwanted conditions.

The use of AnaCredit data, however, is not only limited to the ECB and NCBs of the ESCB, but the statistical legal framework facilitates that, in principle, also certain other institutions can gain data access.

Furthermore, an extension of the AnaCredit scope is conceivable and in principle intended. Later potential stages of AnaCredit could contain for example housing loans to private households. In addition, Single Supervisory Mechanism (SSM) requirements could be also considered at a later stage. Whether the implementation of further steps will be realized, however, depends on future decisions of the ECB`s Governing Council.

These steps, once taken, could further improve the data base, but even without, AnaCredit already represents another step towards micro data oriented statistics and can be regarded as a milestone with respect to credit data statistics in Europe.