The Portuguese Central Credit Register: a powerful multi-purpose tool, relevant for many central bank’s functions

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Session 4
Central credit registers: entity-level credit information transformed into knowledge about macro-stability threats
OUTLINE

1. Description of the Portuguese CCR
2. The use of CCR data for the compilation of statistics
3. The CCR as a tool for banking supervision and financial stability, monetary policy and economic research
4. The creation of an In-house Credit Assessment System
5. The AnaCredit project and its impact in the Portuguese CCR
6. Concluding remarks
The Portuguese CCR in a nutshell

CCR: A database managed by the Statistics Department of the Banco de Portugal, using information reported by all the institutions that grant credit to individuals and legal entities

MAIN PURPOSE: Providing information to support the participants in their assessment of the risks attached to extending credit

OTHER USES: Compilation of statistics, supervision of credit institutions and financial corporations, analysis of financial system stability, conduct of monetary policy and intraday credit operations
The Portuguese CCR in a nutshell

- Reporting deadline: 6th business day
- 50 € reporting threshold
- 188 participating institutions
- 15 different types of loans
- 285 thousand corporations registered
- 6.1 million private individuals registered
- 23 million records reported per month
The Portuguese Central Credit Register: a powerful multi-purpose tool, relevant for many central bank’s functions

Credit Registry Coverage

TOP 20

## Using CCR data to compile statistics

<table>
<thead>
<tr>
<th><strong>CCR data</strong></th>
<th><strong>Allows to compile very comprehensive statistics on credit, with breakdowns by:</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Institutional sector of the borrower</td>
</tr>
<tr>
<td></td>
<td>Branch of activity</td>
</tr>
<tr>
<td></td>
<td>Purpose</td>
</tr>
<tr>
<td></td>
<td>Size of firms</td>
</tr>
<tr>
<td></td>
<td>Location / region</td>
</tr>
<tr>
<td></td>
<td>Amount of credit</td>
</tr>
</tbody>
</table>
Using CCR data to compile statistics

IN PARTICULAR

Households

• Purpose of the loan
• Region of residence
• Total amount of loans per borrower

Non-Financial Corporations

• Firm size
• Region of headquarters’ residence
• Economic activity sector – per NACE
• Total amount of loans per borrower

Under development:

• Loans by size of firm
• Loans by maturity
• Loans by type of collateral
• Indicators on the average number of financial institutions granting loans
Comparison among European public credit registers

<table>
<thead>
<tr>
<th>Variables collected</th>
<th>Austria</th>
<th>Belgium</th>
<th>Czech Republic</th>
<th>France</th>
<th>Germany</th>
<th>Italy</th>
<th>Portugal</th>
<th>Romania</th>
<th>Spain</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credit status</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
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<tr>
<td>Liability level</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Purpose of the loan</td>
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<td>N</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
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<tr>
<td>Original maturity</td>
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<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Residual maturity</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>Overdue loans (status)</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Type of collateral</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
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<tr>
<td>Value of collateral</td>
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<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
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<tr>
<td>Bankruptcy status</td>
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<tr>
<td>Currency</td>
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<td>Y</td>
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<td>N</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
</tr>
<tr>
<td>Country where the loan was granted</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>Data on personal guarantors</td>
<td>N¹</td>
<td>Y²</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
<td>N</td>
</tr>
</tbody>
</table>

¹ Only for the types of credit derivatives indicated in Article 204 of Regulation (EU) No. 575/2013, used for hedging purposes, the protection seller has to be specified.
² For consumer and mortgage lending.
³ Variables collected directly are “Date of origin” and “Maturity date”. “Original maturity” is calculated using these variables.
⁴ Variable collected directly is “Maturity date”. “Residual maturity” is calculated using this variable.
⁵ This data will be collected from 31 December 2016.
Using CCR data to compile statistics

Better assessment of credit developments

Development of new statistical products (e.g., loans granted by MFIs and OFIs, broken down by type, purpose, institutional sector, branch of economic activity, region and size)

Improvement in the quality of MFIs’ and OFIs’ balance sheet statistics (greater accuracy in the classification by the MFI on the reported institutional sector of the entities counterparties receiving credit)
Using CCR data to compile statistics

CCR data:

A key factor in meeting all the data demands in the context of the ECONOMIC AND FINANCIAL ASSISTANCE PROGRAMME

Particularly useful to meet the ECB REQUIREMENTS ON SECURITISATION without having to increase the reporting burden on Financial Vehicle Corporations
The Portuguese CCR as a tool for banking supervision and financial stability

CCR data have been used in assessing credit risk and concentration of risk exposures, both at micro and macro level, and improving on-site inspection practices.
The Portuguese CCR as a tool for banking supervision and financial stability

- **CCR data**
- **Early warning system (EWS)**
- **Predefined set of 5 financial ratios**
The Portuguese CCR as a tool for banking supervision and financial stability

Two core ratios in accordance with Standard & Poor’s Corporate Ratings Framework:

- Total debt to EBITDA
- EBITDA Interest Coverage

Three additional supplementary ratios:

- To foster the understanding of a company’s financial risk profile
- To capture other critical risk dimensions (e.g., profitability, leverage)
The Portuguese CCR as a tool for banking supervision and financial stability

### EWS

<table>
<thead>
<tr>
<th>Ratios</th>
<th>Definition</th>
</tr>
</thead>
</table>
| 1 – Total Debt to EBITDA     | \[
|                               | \frac{\text{Total Debt}}{\text{EBITDA}} \]      |
| 2 – EBITDA Interest Coverage | \[
|                               | \frac{\text{EBITDA}}{\text{Net Interest}} \]    |
| 3 – FFO to Total Debt        | \[
|                               | \frac{\text{FFO}}{\text{Total Debt}} \]         |
| 4 – Gearing                  | \[
|                               | \frac{\text{Total Debt}}{\text{Capital}} \]      |
| 5 – Return on Capital        | \[
|                               | \frac{\text{EBIT}}{\text{Average Capital}} \]    |

Two core ratios in accordance with Standard & Poor’s Corporate Ratings Framework

Three additional supplementary ratios:
- To foster the understanding of a company’s financial risk profile;
- To capture other critical risk dimensions

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The Portuguese CCR as a tool for monetary policy

CCR data has been used:

- As an auxiliary tool in the identification of loans used as collateral in Eurosystem financing operations
- To evaluate the risks associated with the acceptance of bank loans as collateral of monetary policy credit operations
The Portuguese CCR as a tool for monetary policy

CCR is also relevant for:

- Eligibility assessment (and ex post verification) of credit claims.
- Collateral generation capacity estimation of domestic counterparties on credit claims, asset back securities and covered bonds.
Central credit registers: entity-level credit information transformed into knowledge about macro-stability threats

**CCR data as a tool for research purposes**

- Analysis of distribution measures by loan/debtor classes, *e.g.* according to activity sector, exposure size, firm size and type of guarantee
- Distinction of financial situation of NFCs with positive, null or negative changes in borrowing
- Breakdown of above by activity branch and by size
- NFCs’ credit performance following credit restructuring
- Effects of the age in NFCs bank relations in credit spreads
- Credit trends of largest indebted NFCs
- Credit history of high growth corporations

*Image 17*
CCR data as a tool for research purposes

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The ICAS and the Portuguese CCR

Central Credit Register

Central Balance Sheet Database

Securities Statistics

SME leader/SME Excellence (IAPMEI)

Sectoral Studies

Balance of Payments

Markets and Reserve Management Depart.

Monetary and Financial Statistics

In-house Credit Assessment System

ICAS

Rating IRB

Business Register

Tax Authority
The ICAS and the Portuguese CCR

Data on legal proceedings (legal defaults)
Data on all remaining elements of reference default definition
Credit information (e.g. volume, non-performing loans, write-offs)

Inputs for ICAS

CCR data
AnaCredit and the Portuguese CCR

2007
Need to explore indebtedness across the EU

2011
AnaCredit project is launched

2013
The TF on AnaCredit is launched by the STC and the FSC (co-chaired by the Banco de Portugal)
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AnaCredit and the Portuguese CCR

New AnaCredit requirements

New CCR logic: Loan-by-loan data

Functionalities to be kept:
- Different reporting rule for different data
- Single identification code
- Classification per business register
- Corrections assured by reporters

Options under consideration:
- Classification of participants according to data needs
- Identification of different types of data
- Different deadlines for each type of data

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Thank you for your attention | Dziękuję za uwagę

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