Introductory remarks

It is almost self-evident that every new crisis provokes calls for more information. Crises often bring to light that important developments have escaped our perception, as a result of which we failed to see problems looming and could not intervene effectively. The ensuing crisis brings forth efforts to fill in such information gaps. Next to this, a crisis provokes a sense of urgency, so that much faster than in more tranquil times, we reach the consensus needed to obtain more and better statistical information. In the past, such leaps forward in times of crisis have more than once brought important statistical innovations. A case in point is the Great Depression in the thirties, which prompted the design of a system of national accounts, which up to this day serves as essential input for macroeconomic policy.

The financial crisis of recent years is no exception to this rule. One initiative has come from the G-20, which has identified and addressed a large number of crisis-related data gaps.[1] A major insight gained from the recent crisis is that statistics at the aggregated level offer an inadequate perspective on the risks that are present in the financial system. Macro aggregates, for instance on solvency ratios, mask underlying distributions and hide potentially destabilising tail risks from view. Even more importantly, the credit crisis has shown that we have only a limited understanding of the interdependencies that exist within the financial system, the systemic risk. To some extent, this is unavoidable: the financial system has become highly complex and is characterised by ongoing innovation. Yet we might significantly tighten our grip on systemic risks if we made systematic use of *micro data*. Global financial activity is largely dominated by a few dozen internationally operating institutions that are highly interconnected. The vulnerabilities inherent in these interconnections did not become fully manifest until the crisis erupted, and revealed how far the effects of the collapse of Lehman Brothers reached and what key role an institution like AIG had played. There is a clear need for intensified monitoring of such institutions and their mutual cross-links. Such information also helps to bring into focus the unsupervised so-called shadow banking activities.

This broadly felt need has sparked several initiatives to make effective use of micro information to gain a better understanding of macro prudential risks. One such initiative is the common data template for Global Systemically Important Banks, developed by the Financial Stability Board at the request of the G-20. Access to high-quality and consistent information

[1] See FSB en IMF, “The financial crisis and information gaps”, Basel/Washington DC, October 2009.

on financial linkages and concentrations of exposure reinforces both micro and macro supervision, and supports crisis management. Other examples of micro data that are also used for macro supervision purposes are the Key Risk Indicators and the EU-wide stress tests of the European Banking Authority. Within the ESCB, the development of statistics on the holdership of individual securities, based on the Centralised Securities Database, is a significant step towards providing more insight into existing exposures. The development of a Legal Entity Identifier and of registers such as the Register for Institutions and Affiliates Database (RIAD) will further facilitate the development and interpretation of micro statistics.

Efficient integration of such initiatives within the statistical system is in the interest of both the authorities and the reporting institutions. There is a strong temptation to use the current sense of urgency to precipitate the development of new statistical and reporting frameworks. However, to prevent fragmentation and duplication of activities and reporting requirements, integration within existing frameworks should be sought wherever possible. Great improvements can already be achieved through the refinement and international harmonisation of existing frameworks. This will enhance international comparability of micro and macro data and improve the linkage between data on individual institutions and aggregates. The efforts of the EBA and EIOPA to create EU-wide uniform supervisory reporting standards are fully in line with this principle. Initiatives that do require a new reporting framework should be coordinated as much as possible.

From the point of view of efficiency and comparability, it is of the utmost importance that micro data are optimally shared between regulators at both the national and the international level. One could think of a model where centralised data hubs hold granulated and harmonised data to which all relevant supervisory institutions have the fullest possible access. Further development of XBRL and SDMX standards may facilitate this process. Extensive data sharing will not only enhance efficiency, but also greatly expand the possibilities for data analysis and comparison, thereby enhancing the effectiveness of prudential policies.

As regards data sharing, the relatively young EU supervisory system may benefit from the experience gained in over ten years by statisticians within the ESCB. In particular during the last years, progress has been made within the statistical system regarding the possibilities to exchange micro data between central banks and the ECB and between central banks themselves. This took some time and effort, as the confidentiality of individual parties' information is firmly embedded in the statistical legal framework as well. The establishment of the so-called FDI Network is an example of how sharing micro information can promote the quality of statistics. Within this network, statistics compilers in all EU countries have exchanged monthly mirror data on individual foreign direct investments for some years now. But also as an input for policy making, which is after all the main objective of making statistics, the crisis has brought about a strong need for sharing micro level information within the ESCB. For an effective implementation of monetary policy, a need was felt to monitor the effects of crisis management measures on the lending policies of the main banks in the euro area. This will lead to the exchange of harmonised data on individual banks between ESCB institutions. For financial stability purposes, it is firmly intended to start exchanging the securities holdings of large banking and insurance groups within the ESCB as soon as they are available. Facilitating a similar mode of micro data exchange among financial regulators would ensure that information that is used for micro and macro prudential purposes is not collected elsewhere, thereby enhancing transparency as well as efficiency.

Given the right mind-set, it should be possible to take away technical impediments to data sharing within the supervisory system. In case of perceived legal impediments – if the existing legal framework is found too inflexible, laws can also be amended. Many of the current confidentiality rules are outdated, particularly from the perspective of financial stability policy. Moreover, one cannot explain to the public that an accident in the financial system might have been prevented if available data had been more adequately shared among the responsible authorities. At De Nederlandsche Bank, this exact argument has led to the decision to provide full access to statistical micro data in the interest of prudential supervision within the central bank at both the micro and macro level. Conversely, micro supervision reports are used for statistical purposes and for macro prudential policy as well. In the Netherlands it took some time and debate before the existing *Chinese walls* could be torn down. Yet here, too, it was the crisis that gave the final push.

The Netherlands, furthermore, enjoys the added 'benefit' of having both the prudential supervision and the central bank tasks housed under a single roof. However, the effectiveness of micro and macro prudential policies should not depend on the institutional set-up. Whether the supervisory tasks are exercised from within or outside the central bank should be irrelevant. With the help of the current sense of urgency and the experience gained within the ESCB, it should be possible at this juncture to make a new leap forward; a leap to a situation where all regulatory authorities in Europe act as one single system, within which information is freely shared. Looking back, a few decades from now, the structural and effective use of micro information may then well come to be regarded as one of the key achievements that came out of this crisis.