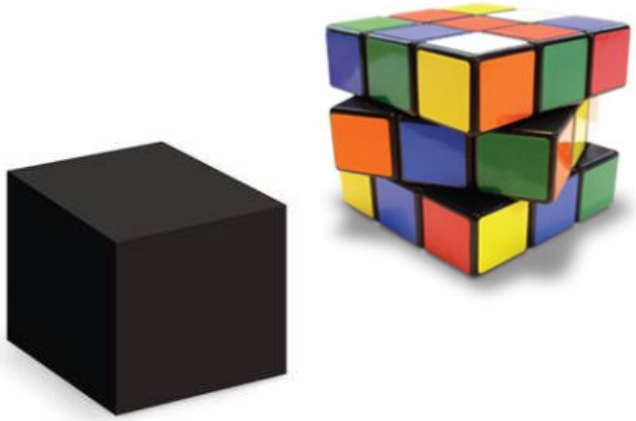
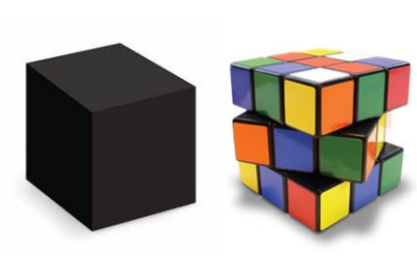


"Data! Data! Data!" he cried impatiently.
“I can't make bricks without clay."
Sherlock Holmes

BANKING DATA, EMPIRICAL RESEARCH and SUPERVISION

Olena Havrylchyk

WORKSHOP on FINANCIAL MARKETS –
Policy Challenges and the Research Agenda

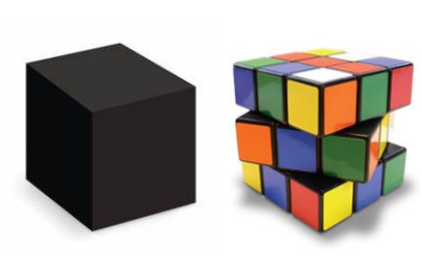


WHY MOST RESEARCHERS WORK WITH US DATA?

US: > 4000 papers with “Call reports”.

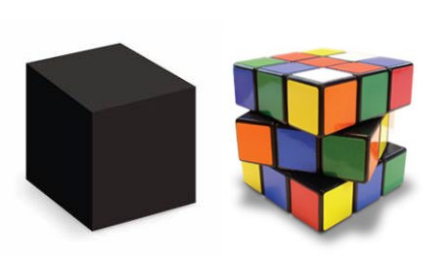
France: 5 papers with BoF banking data

Germany: >50 papers with Bundesbank data



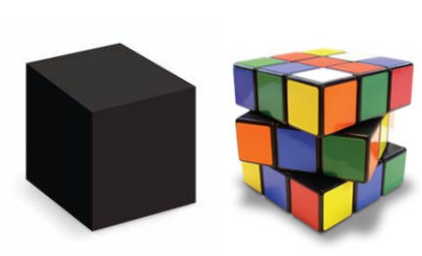
WHY BANK DATA IS USEFUL?

- Market efficiency and market discipline
  - Disclosure requirements and Basel II+III
  - E.g. Shadow banking and securitization (ECB plans to make data available, but no official deadline)
- Enhanced competition
  - Make data availability for new entrants
  - E.g. in the UK: credit reference agencies are obliged to share information with new entrants (P2P); publication of postcode lending data.



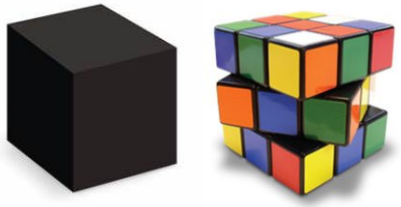
WHY BANK DATA IS USEFUL? (2)

- Improved supervision
  - Regulators limited data collections only to the data needed to construct currently en vogue regulatory metrics, whose utility diminishes with time. *'When a measure becomes a target, it ceases to be a good measure'*
  - In countries with private credit bureaus, the supervisor has no access to loan level data (reform in the UK will allow the BoE to have access to SME loan level data from private credit reference agencies).
  - To bridge the gap between research and policy needs



WHY BANK DATA IS USEFUL? (3)

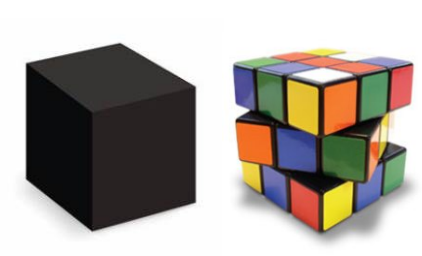
- Evaluation of economic policies/supervisor accountability
  - The crisis has shown a systemic failure of the financial regulation. Crisis resolution as well.
  - Levine's (2012) proposes public availability of bank regulatory filing data + an independent and skillful institution to evaluates banking system health



DATA OVERLOAD?

- There is a lot of banking data publicly available
  - e.g HSBC produced 603 pages!

- Deutsche Bank: “Much bank reporting has now become so complex it has spiralled out of all control and meaning… Even professional equity analysts struggle to understand disclosures running across the whole range of banking businesses, from traditional asset and liability management to trading book and operational risk, including different methodologies for valuation, provisioning and so on.”

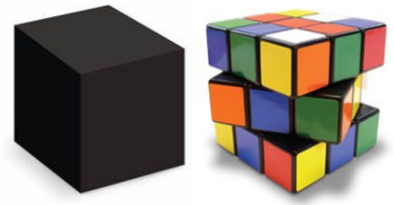


RESEARCHERS USE LITTLE DATA

- Publicly available data is not comparable across banks and countries
- Regulatory data presents redundancies and gaps
  - Libor
  - Different divisions and individuals have varying access to different data sets, that are not easily merged
  - Since the crisis, there are reforms in data collection in a number of central banks (BoE, OeNB).
- Regulatory data is virtually always confidential and is not available to researchers

EXAMPLES OF DATA PROVISION BY CENTRAL BANKS

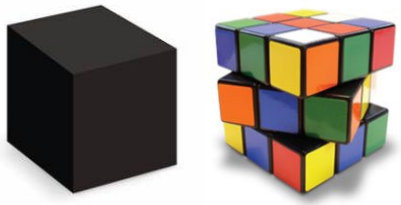
	Supervisory data	Borrower level data (credit registry data, large loans database, etc.)	N of papers
US Federal reserve	Publicly available	Credit registry is NA	>4000
Bundesbank	Confidential, but access is possible	Credit registry is not available. Access is possible for conf. data on large loans.	>50
Bank of England	Confidential, but access is possible	Credit registry is NA	8
Czech National Bank	Confidential, but access is possible	Confidential, but access is possible	9
Hungarian National Bank	Confidential, but access is possible	Confidential, but access is possible	2
Riksbank (Sweden)	Confidential, but access is possible	Credit registry is NA. Access is possible for confidential loan data for 2 banks.	9



DATA CONFIDENTIALITY and CONFLICS OF INTEREST

Data confidentiality can spur potential conflicts of interest and put in question the independence of research

- Censorship: Central banks could provide access to data for neutral topics that do not criticize their monetary and supervisory policies.
- Self-censorship: researchers prefer to work on neutral topics with good data (resulting in good publications) and not on policy relevant topics with no data.
- Impossible to replicate the results



TRANSPARANCY and FINANCIAL STABILITY

- Higher transparancy does not prevent crises
  - The global financial crisis has originated in the US with a highly transparent system of supervisory bank data dissemination
  - Better data is not a substitute for better incentives in the financial sector
- But culture of transparancy speeds up crises resolution by enhancing market confidence and trust
  - E.g. credible stress-testing in the US, publication of data on bank financing by the Fed, etc.
  - Crises originated in the shadow banking sector with no data

CONCLUSIONS: DATA in the BANKING UNION

- No EU state reports data at the level of detail one finds in the US.
- It is important to seize the opportunity of the Banking Union to rethink data gathering and dissemination.
  - Office of Financial Research under the United States' Dodd-Frank Act. *Interagency Data Inventory.* In the European case, the EBA could possibly take a on such a role.
  - Crowdsourcing of the Bank of England.