



Explanatory note on the ECB Regulation on the collection of granular credit and credit risk data

On 18 May 2016 the Governing Council of the ECB adopted the Regulation on the collection of granular credit and credit risk data (“AnaCredit”).

The purpose of this note is to provide background information on the collection of granular credit data by the European System of Central Banks (ESCB), as set out in the Regulation.

1 Purpose of the data collection

The way for the Regulation was paved by Decision ECB/2014/6 on the organisation of preparatory measures for the collection of granular credit data by the European System of Central Banks and the related Recommendation ECB/2014/7. The ECB, assisted by the national central banks of the ESCB, has developed a strategy to (i) develop and produce new ESCB statistics, and (ii) increase the quality of existing ESCB statistics that will effectively support the ESCB and the ECB in the performance of tasks, including those related to:

- monetary policy analysis and operations;
- risk management;
- financial stability surveillance.

To this end, the Regulation stipulates that granular credit data are collected based on harmonised ECB statistical reporting requirements, with a view to establishing a common granular credit database (i.e. “AnaCredit”) shared between the Eurosystem members and comprising input data for all euro area Member States.

2 ECB requires broad loan-by-loan data

The Regulation covers credit and credit risk information. Since granular credit data can be used to broadly monitor the performance of the whole euro area credit market, it is essential for the ECB that the credit database contains complete, accurate and timely information on the credit situation in the financial system.

Covering loans to, for example, non-financial corporations, the AnaCredit datasets will allow a better understanding of the monetary policy transmission channel, particularly regarding small and medium-sized enterprises (SMEs) – the backbone of the economy in terms of investment and employment opportunities.

AnaCredit should provide high-quality and timely information on debtors and their respective credits (i.e. type of credit, outstanding debt, number of days past due date, date of origination and contractual maturity, type of interest rate and currency of the credit).

Furthermore, information on any risk mitigation measures securing the credits (e.g. credit derivatives, guarantors, financial collateral received) is useful to estimate the severity of losses in the event of default.

Finally, the granular credit database should support reliable debtor identification (e.g. full name and unique ID number, address or location, type of obligor (SME or corporate obligor)) as unique identification is essential for capturing the total indebtedness of debtors accurately, especially if there are cross-border exposures.

3 **Balanced requirements**

The reporting specifications of AnaCredit, as laid down in the Regulation, build on a wide range of requirements for granular data and the outcome of a comprehensive merits and costs procedure carried out in 2014, which involved contacting reporting agents (indirectly via national central banks) and assessing the implied costs and merits of these requirements.

As a matter of fact, the above-mentioned procedure was used to carefully scrutinise the requirements initially formulated by the ESCB users so as to ensure that the reporting burden is balanced with the merits and that data are collected and compiled in the most cost-effective way. The assessments considered, among other things, individual data attributes, reporting frequencies and timeliness, the coverage in terms of types of creditor, types of debtor and instruments, reporting threshold, consolidated data or data on borrower groups.

Based on the outcome of the matching of the essential user needs with the costs, the broad requirements were streamlined or reprioritised.

In particular, owing to complexity and the time needed for reporting agents to comply with the various data requirements, in order to help advance the process, further reporting requirements may be implemented through a step-by-step approach vis-à-vis the reporting population, the coverage of counterparties' sectors, the credit and credit risk data registered and the data attributes to be collected; this intention is reflected in the "Recitals" of the Regulation.

Specifically, the Regulation focuses on the collection of granular credit data on credits granted by credit institutions to legal entities on a "solo" basis to address the main data needs of the ESCB. No specific requirements pertaining to the ECB's Banking Supervision function are currently included in the Regulation.

While Decision ECB/2014/6 required the establishment of a granular credit dataset by end-2016, the Regulation envisages the launch of the initial data collection in

September 2018 at the earliest, allowing for enough preparatory time, at least two years, for the Eurosystem and reporting agents.

4 Core reporting requirements

In line with the above, the Regulation specifies the reporting requirements.

4.1 Reporting area

The Regulation stipulates that the reporting requirements are to be followed by reporting agents resident in EU Member States whose currency is the euro. Member States whose currency is not the euro may decide to participate in the AnaCredit by incorporating the provisions of this Regulation into their national law or otherwise imposing relevant reporting requirements in accordance with their national law; this may include, in particular, Member States that participate in the SSM via close cooperation in accordance with Article 7 of Council Regulation (EU) No 1024/2013.

4.2 The reporting population – who has to report?

As per Article 3 of the Regulation, the following entities are subject to the reporting requirements:

- (a) credit institutions resident in a euro area Member State;
- (b) foreign branches of credit institutions, provided that these branches are resident in a euro area Member State.

The Regulation considers these entities to be reporting agents, as defined in Article 1(8).

In the light of requirements regarding the completeness of the credit coverage, Articles 4 and 6 indicate that each reporting agent must report granular credit data relating to credits granted or serviced by:

- (a) the domestic part of the reporting agent;
- (b) any foreign branch controlled by the reporting agent, regardless of whether or not the foreign branch is resident in a euro area Member State.

The Regulation refers to these entities as observed agents, as defined in Article 1(9). These entities are the so-called institutional units which form parts of the reporting agent. Note that institutional units may consist of a single office or several offices in different locations of the same home jurisdiction.

The rationale for distinguishing between reporting agents and observed agents is that AnaCredit is designed to collect credit data with a view to obtaining a complete picture of credit exposures in the euro area, taking into account the area of economic

activity of the reporting agent. Moreover, by linking observed agents with reporting agents, data are collected on credits granted by credit institutions resident in the euro area, irrespective of whether they are provided directly by the credit institutions or indirectly via institutional units (such as foreign branches) under their control.

In particular, this means that the scope of the data collection in the initial stage covers data on credits extended or serviced by:

- (a) credit institutions located in the euro area that are not branches of other credit institutions;
- (b) foreign branches of euro area credit institutions, including non-euro area branches;
- (c) foreign branches that are located in the euro area but are part of a credit institution resident outside the euro area.

Data related to credits extended by subsidiaries of credit institutions are not included, provided the subsidiary concerned is not a credit institution located in the euro area.

Furthermore, as provided under Article 6(2), reporting agents must report data related to credits extended by all their observed agents – i.e. all institutional units that are parts of the reporting agent.

All reporting agents have to report data to their respective national central bank – to be determined by the residence of the reporting agent.

4.3 The scope of AnaCredit – which credits are subject to reporting?

The term credit is defined broadly under the Regulation. Any item by means of which credit is actually extended to a debtor is referred to as an instrument. As indicated by Article 1(23), the only instruments that will be considered in the initial phase are conventional lending products, while credit derivatives or strict off-balance-sheet items (such as financial guarantees) are excluded from the scope of the Regulation.

More specifically, instruments to be collected (i.e. eligible instruments) in the first stage comprise outstanding financing under any of the following types of credit:

- 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.

Generally, credit data related to the above-mentioned instruments must be reported if the credit risk arising under the instruments lies with the observed agent. This implies that any deposits received by the observed agent are not part of the data collection (as these would not give rise to credit risk for the observed agent).

Furthermore, by also covering instruments that are serviced by observed agents without generating credit risk for them, credits held by entities other than credit institutions, for instance financial vehicle corporations engaged in securitisation transactions, are included in the scope of AnaCredit.

4.4 Debtors

Only credits extended to legal entities as defined in Article 1(5) fall under the scope of the data collection.

It is clarified that multi-debtor credits are in the scope of the data collection, provided that at least one of the debtors is a legal entity or part of a legal entity.

In any case, AnaCredit requires no information on natural persons, also even if they are involved in multi-debtor credits.

4.5 Applying a reporting threshold

With regard to the application of reporting thresholds, as provided under Article 5, a given instrument has to be reported to AnaCredit if it is held by a debtor whose commitment amount for all eligible instruments (including serviced instruments) in respect of the observed agent equals or exceeds €25,000 within the reference period. In such cases, every single eligible instrument of the debtor is subject to reporting, even if the commitment amount of an individual instrument does not exceed the threshold.

4.6 Drawn and undrawn amount

The commitment amount of an instrument includes both its drawn and the undrawn amounts.

The drawn amount, termed “outstanding nominal amount” in the Regulation, refers to funds which have already been disbursed to the debtor and are outstanding at the reporting reference date.

The undrawn amount involves funds which the debtor has access to but has not yet used or drawn down. Undrawn amount is referred to as “off-balance-sheet amount” in the Regulation.

It is explained that some instruments eligible in the initial phase of AnaCredit consist intrinsically of both a drawn amount and an undrawn amount – credit card debt or revolving credit are examples of such instruments. Furthermore, for such instruments both amounts have to be reported to AnaCredit in the respective data attributes.

4.7 Derogations and reduced reporting

In order to ensure the proportionality of the reporting obligations stipulated in the Regulation, it is envisaged that the relevant national central bank may grant derogations to small reporting agents in accordance with national criteria.

Specifically, in a given euro area Member State, derogations may be granted by the relevant national central bank provided that the contribution of all reporting agents that are granted a derogation to the total outstanding amount of loans reported pursuant to Regulation (EU) No 1071/2013 by all reporting agents in the same country does not exceed 2%.

Additionally, national central banks may grant small reporting agents the right to report credit data relating to reporting reference dates prior to 1 January 2021 on a quarterly basis, provided that their contribution to the total outstanding amount of loans reported pursuant to Regulation (EU) No 1071/2013 by all reporting agents resident in the same country does not exceed 4%.

For instance, it is possible that in those Member States in which credits are extended by a large number of relatively small credit institutions, the derogations, if applied, may lead to a large number of small credit institutions or branches thereof being exempted from the reporting of granular credit data or allowed to report granular credit data on a quarterly basis.

4.8 Data attributes and datasets

Once an instrument held by the observed agent is determined to be subject to reporting pursuant to the Regulation, the reporting agent is required to report to the relevant national central bank approximately 90 data attributes.

More specifically, the reporting requirements of AnaCredit involve ten interrelated reporting datasets (referred to as the data model). Each reporting dataset stores individual records and consists of a number of data attributes (fields), which are related to one of the following:

- (a) the eligible instrument that is reported;
- (b) the collateral or guarantee securing the instrument;

- (c) any counterparty related to the instrument or providing the collateral/guarantee to the instrument.

In other words, the instrument is the centrepiece of the assumed data model; this means that all other “datasets” relate directly or indirectly to the instrument. It should be noted that:

- the basic features of the instrument, such as the type of instrument, its origination date or the maturity date, are grouped in the INSTRUMENT DATA;
- other features of the instrument which describe some financial aspects of the instrument, such as the outstanding nominal amount or accrued interest, are grouped in the FINANCIAL DATA;
- the accounting features of the instrument, such as the loan loss provisions or the accounting classification of the instrument, are registered in the ACCOUNTING DATA;
- the “ownership” of the instrument is registered in the COUNTERPARTY – INSTRUMENT DATA, which include the counterparties directly involved in the instrument and their respective roles vis-à-vis the instrument;
- multi-debtor instruments are recorded in the JOINT LIABILITIES DATA, together with the data on the liability of each debtor in respect of an instrument;
- instruments secured by guarantees or collateral (jointly referred to as protection) are registered in the INSTRUMENT – PROTECTION RECEIVED DATA, along with data on the extent to which the given collateral or guarantees secure the instrument; the specific features of the collateral and guarantees such as the type of collateral or guarantee, including the data on who provides the protection, are registered in the PROTECTION RECEIVED DATA;
- data on counterparties related directly or indirectly to the instrument (thus also including, if relevant, the counterparty providing protection for the instrument) and respective parent undertakings of such counterparties are provided under COUNTERPARTY REFERENCE DATA, where the counterparty’s identification data (e.g. the legal name of the counterparty, its address or legal entity identifier (LEI)) are recorded along with other data characterising the counterparties (the legal form, the type of entity or the institutional sector). The counterparty reference data do not include information about counterparties which are natural persons, even if such counterparties act as co-borrowers in eligible instruments or provide protection to such instruments;
- the COUNTERPARTY RISK DATA provide information on the probability of default of the counterparties, whereas the COUNTERPARTY DEFAULT DATA record data pertaining to the default status of counterparties. Both counterparty and default data are required for counterparties acting in the eligible instruments as debtors.

In addition to the data attributes, each and every reporting dataset includes a number of internal identifiers. These identifiers are a key part of the AnaCredit data model and have no meaning outside AnaCredit. They ensure that each entry can be (uniquely) identified by one or a combination of these identifiers. They ensure data integrity and specify the relationships between the datasets. These internal identifiers are the:

- reporting agent identifier;
- observed agent identifier;
- counterparty identifier;
- contract identifier;
- instrument identifier;
- protection identifier;
- protection provider identifier.

4.9 Reporting types and frequency

The frequency of reporting is specified for each of the relevant datasets. In accordance with the templates provided in Annex I of the Regulation, AnaCredit recognises three types of reporting:

- (a) monthly;
- (b) quarterly;
- (c) on change (i.e. when a change takes place).

Monthly reporting means that all the data anticipated for a dataset must be submitted to AnaCredit every month.

Quarterly reporting means that all the data anticipated for a dataset must be submitted to AnaCredit every quarter.

In the third case, initially all the data specified for a dataset must be submitted. Thereafter, these AnaCredit data must only be updated if affected by a change. This type of reporting is typically used for static data, which rarely change over time.

A change also covers the situation when a new instrument is originated by the observed agent in the period between two consecutive reporting reference dates.

In any case, in the event of a change, new data do not have to be reported to AnaCredit immediately. These data must be reported by no later than the earliest data transmission date that is relevant for the particular dataset affected by the change.

In general, AnaCredit anticipates that all the data describe the situation on the last day of the month to which they relate (i.e. the reporting reference date).

4.10 Reporting timeliness

The Regulation identifies four different reporting schedules, all varying in terms of the time by which the data must be submitted to AnaCredit.

More specifically, AnaCredit anticipates that monthly data relating to observed agents resident in a reporting Member State must be submitted to the ECB by the 30th working day after the reporting reference date. In the case of monthly data relating to observed agents that are not resident in a reporting Member State, the timeline is extended to the 35th working day after the reporting reference date.

In the case of data reported on a quarterly basis, AnaCredit anticipates that data relating to observed agents resident in reporting Member States must be submitted to the ECB by the 15th working day after the respective reporting remittance dates defined in Article 3(1)(b) of Implementing Regulation (EU) No 680/2014. This timeline is extended to the 20th working day after the respective reporting remittance dates defined in Article 3(1)(b) of Implementing Regulation (EU) No 680/2014 for data relating to observed agents that are not resident in a reporting Member State.

As per Implementing Regulation (EU) No 680/2014, the reporting remittance dates defined in Article 3(1)(b) are presently:

- 12 May for data reported quarterly and relating to 31 March;
- 11 August for data reported quarterly and relating to 30 June;
- 11 November for data reported quarterly and relating to 30 September;
- 11 February for data reported quarterly and relating to 31 December.

4.11 First reporting

The Regulation stipulates that the first reporting to AnaCredit relates to data for 30 September 2018 and covers both data reported monthly and quarterly.

This means that for this reference date the data must be submitted to the ECB by:

- 30 September 2018 + 30 working days for data reported monthly and relating to observed agents resident in a reporting Member State;
- 30 September 2018 + 35 working days for data reported monthly and relating to observed agents non-resident in a reporting Member State;
- 11 November 2018 + 15 working days for data reported quarterly and relating to observed agents resident in a reporting Member State;

- 11 November 2018 + 20 working days for data reported quarterly and relating to observed agents non-resident in a reporting Member State.