

# Inter-institutional Financial Sector Data Sharing

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# Agenda

- The need to share financial sector data
  - Policy making
  - Efficient use of public resources
  - Manage industry reporting burden
- Challenges to data sharing
  - Micro data – confidentiality, legal framework
  - Coordination and governance
- The international perspective
  - Global financial system
  - International cooperation
- The Canadian example
  - The policy framework
  - Data collection and sharing

## Public use of financial sector data – the policy making process

- Financial sector data are at the core of the financial system oversight: micro/macro prudential regulation, supervision, deposit insurance, systemic risk assessment
- Comprehensive, consistent and granular data are essential for:
  - Analysis and research in support of policy
  - Maintaining adequate capacity for monitoring and decisive policy action if such need arises

## The need to share financial sector data

### Efficient use of public resources

- Collecting, processing and validating data is resource intensive and time consuming
- Need adequate systems as well as the human resources with the appropriate background and expertise
- Public institutions are accountable for the efficient use of public resources

### Managing industry reporting burden

- Reporting data is a costly activity for respondents who often need to build and maintain reporting systems that are distinct from the accounting ones
- Volume, level of granularity and pace of change – have all increased significantly over the past decade and especially following the recent financial crisis

## Challenges to inter-institutional data sharing: sensitive granular data

- Increasing demand for granular data – important for policy analysis and monitoring
- The collection of granular data puts the burden on authorities collecting the information and, more specifically, on statistical compilers
  - In order to classify information and compile aggregates and distribution measures as required for different purposes, primarily, micro/macro-prudential policy, monetary policy and statistical purposes
- The collection of granular data allows users to be flexible and meet various current and potential future analytical and statistical needs

## Challenges to inter-institutional data sharing: individual Financial Institution (FI) data

- Confidentiality
  - Collecting data from individual FI's is accompanied by a commitment, often legislated, to safeguard data confidentiality
    - Legal and ethical reasons
    - Public trust and the ability to rely on the industry's cooperation to continue data collection
    - Reputational risk for collecting agencies as well as policy makers using the data

## Foundations of effective inter-institutional data sharing

- Close cooperation and coordination among relevant authorities: regulators, supervisors, central banks, statistical agencies
- Adequate governance of data collection and sharing
  - Consistent with the legal framework, ensures confidentiality of data is safeguarded
  - Provides the framework for collaboration, prioritization of data requirements
  - Provides a clear process for accessing/using and sharing financial sector data
  - Allows the implementation of data collection and sharing systems that meet evolving data demands/functional requirements

# The international perspective: a *global* financial system

- Global financial crisis
  - Highlighted interconnectedness of the financial system – domestically and internationally
  - Data gaps identified and renewed focus on data sharing
- Better data sharing
  - Early warning signals
    - Can provide more comprehensive, consistent and timely information on exposures, vulnerabilities and build up of risk
  - Improved capacity to coordinate and respond effectively in a crisis situation

## The international perspective: international cooperation

- Data sharing at the international level is inherently more challenging than at the national level where the legal frameworks are defined
- International organizations can assist in enhancing data sharing
  - Across countries: by facilitating data flows to the extent possible for data sets national agencies report to international organizations (e.g., IBS)
  - Within national borders: by fostering cooperation and dialogue, and creating support by highlighting the benefits of data sharing
- Providing guidance on ‘how to’ by publishing best practices and guiding principles for effective data sharing and by leveraging the knowledge and experience gained in many countries

## The international perspective: international cooperation (cont.)

- Irving Fisher Committee Task Force on Data Sharing, “[\*Data Sharing: issues and good practices\*](#)” published in December 2014
- The report focuses on the sharing of bank data between supervisors and central bank statisticians at the national level to support better policy making
- The good practices it outlines have wide applicability, and can be used as guidance to improve data sharing more broadly (e.g., with national statistical agencies, other supervisory authorities and ministries) as well as at the international level

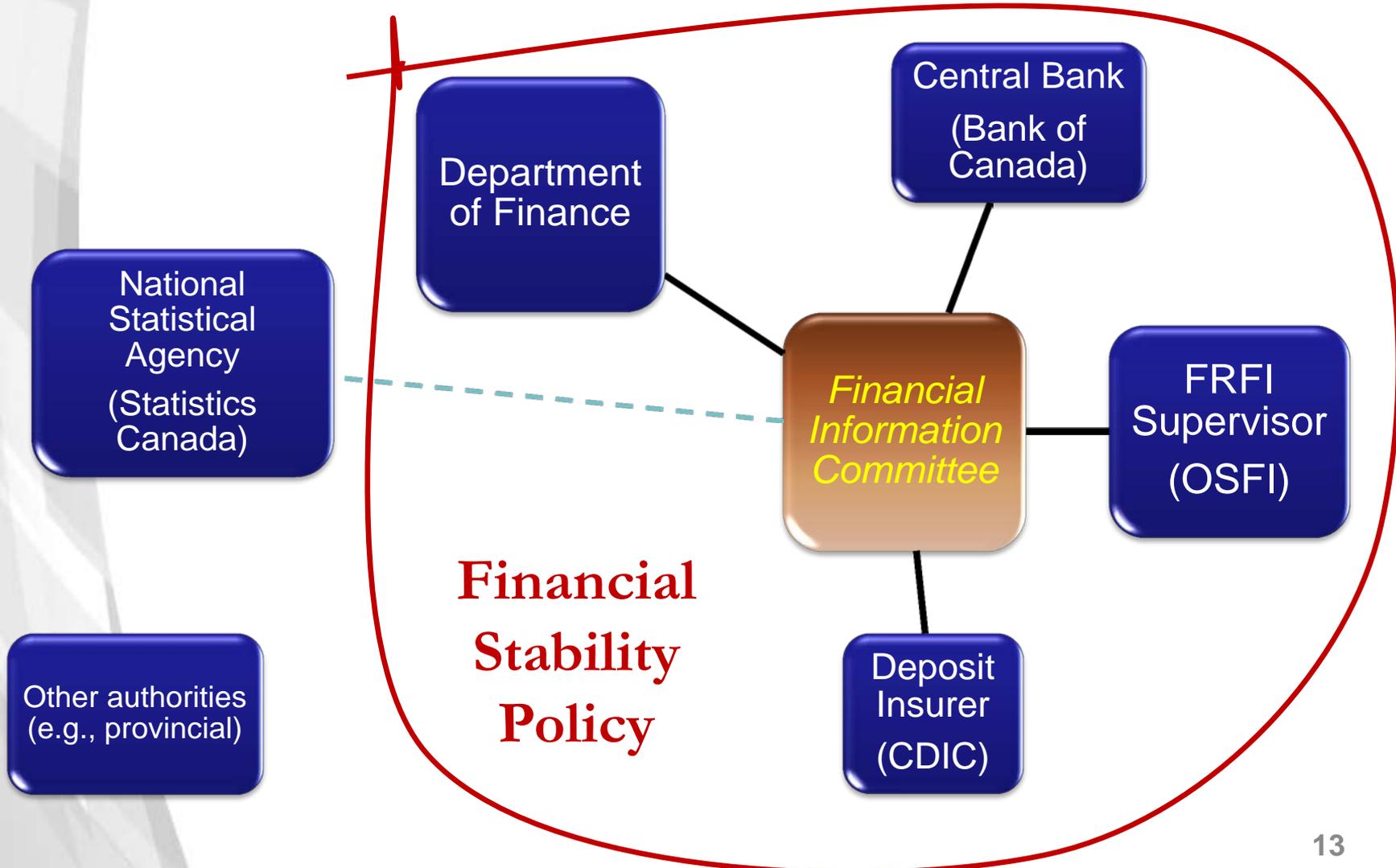
## IFC report on data sharing – practical guidance

- Good practices intended to serve all countries and organisations in the concerted effort to improve data sharing and cooperation, irrespective of existing arrangements:
  1. Appropriate communication with stakeholders and proper institutional endorsement
  2. Clear legal basis to support data sharing
  3. Fully fledged cooperation at all levels of decision
  4. Collect common data using joint methodological and technical standards
  5. Sound measures to protect confidentiality
  6. Formal governance and cooperation arrangements

## IFC report on data sharing – practical guidance (cont.)

- Recognition of significant challenges on moving forward on the data sharing agenda, given the multi-faceted aspects as well as very different starting points across countries and organizations
- The IFC report argues for:
  - A more proactive and stronger approach to raising awareness of the benefits of data sharing in the public spheres, with all stakeholders actively engaged in this process
  - A need to create a new culture of cooperation and data sharing, particularly in countries where data and cooperation business models are in their infancy
  - A top-down approach is often more effective, as the experience from some countries suggests; therefore enlisting political support at the highest levels can significantly facilitate the speed of implementation and scope of data sharing arrangements

# The Canadian example: the policy framework



## The Canadian example: legal framework for data collection, use and sharing

- In the Canadian policy making context, financial stability is a responsibility shared by:
  - the Office of the Superintendent of Financial Institutions (OSFI) – micro prudential regulation and supervision
  - the Bank of Canada – system wide perspective
  - the Canada Deposit Insurance Corporation (CDIC) – deposit insurance
  - the Department of Finance – micro/macro prudential regulation and the overall responsibility for financial stability
- In addition, Statistics Canada is responsible for collecting, compiling, analysing, and publishing statistical information relating to the financial, economic and general activities and conditions of the people of Canada

## The Canadian example: FRFI data collection

- The financial stability ‘partnership’ is closely mirrored by the integrated approach for the collection of financial data from federally regulated financial institutions (FRFI) – banks, insurance companies, pension funds
- Although each agency has a distinct mandate, regulators acknowledge that the overall design and function of the financial system is best served by close coordination and cooperation
  - The Financial Institutions Supervisory Committee (FISC) is a legislated forum for information sharing within Canada’s network of financial regulation and supervision
  - The Financial Information Committee (FIC), created under the auspices of FISC, deals with collecting and sharing financial data
  - The vehicle for data collection is a shared system, the Regulatory Reporting System (RRS)

## The Canadian example: FIC and FRFI data collection

- The Financial Information Committee (FIC) – members: OSFI, Bank of Canada, CDIC, Department of Finance; observer: Statistics Canada
- FIC mandate: ensure that the ongoing financial information requirements of all member agencies are met in a coordinated manner
  - assess & coordinate ongoing financial information requirements
  - main venue for cooperation & prioritization of reporting requirements
  - Intermediate discussions with respondent banks - ensure adequate balance between meeting policy data needs and reporting burden
  - Considers requests for sharing FIC data outside FIC; such as Statistics Canada

## The Canadian example: data sharing beyond FIC and FRFI data

- Given its broad, system wide perspective on financial stability, the Bank of Canada has data needs that extend beyond the federally regulated financial institutions
- Risk assessment covers FI's that are regulated at the provincial level or unregulated
  - credit unions & non-depository FI's
- Bank of Canada must rely on alternative data sources
  - Statistics Canada or provincial regulators

## The Canadian example: challenges of data sharing beyond FIC and FRFI data

- The sharing of data on these important segments of the financial sector is significantly more challenging
- *Statistics Act* limits Statistics Canada's ability to share data it does not disseminate publicly
- The Bank and Statistics Canada are engaged in consultations to find alternative arrangements that would allow data sharing

## Conclusion

- The recent financial crisis has further highlighted how important it is for policy makers to have timely access to comprehensive, consistent and granular data – which in turn, depends to a large extent, on effective arrangements for data sharing among agencies collecting financial sector data and policy makers
- Data sharing is inherently a challenging exercise:
  - Defined by legal frameworks and confidentiality aspects that often act as constraints
  - Requires a high degree of coordination and cooperation
  - Initial set up may require significant support at highest-decision making levels and may be costly
- However, the many benefits of data sharing are increasingly acknowledged and a more concerted effort is emerging at both national and international levels

# Questions?

