Data Sharing in Regulation
Experiences from the UK

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Data Sharing in Banking Regulation: Experiences from the UK

Disclaimer

The views expressed in this paper are those of the author, and not necessarily those of the Bank of England or its committees
What is the trouble with Data?

• Market Interventions by Central Banks
  – Price stability
  – Financial stability and micro-prudential
  – Financial sector competition
  – Support government’s economic growth objectives

• Financial Sector Complexities…
  – … and complexity of regulation
  – Unintended consequences

Sources: Bank of England, Historical Banking Regulatory Database (HBRD)
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**Issues: Banking Regulatory Infrastructure and Data**

- **Bank of England’s Data and Statistics Division**
  - Firm level data analysis for MPC, FPC, PRA board
  - International negotiations
  - Other Government bodies (e.g. ONS, Treasury)

- **FCA collects rich transaction data**
  - Wholesale (Financial transactions, interest rates, OTC derivatives, hedge funds)
  - Retail (payday lending, credit card statements, Credit bureau files, Personal current account micro data, Product sales data)
  - Firms’ regulatory submissions, Employees’ authorisations

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**Issues: Legal basis of sharing**

- **General public: UK Freedom of Information 2000**
  - BoE protects certain data
- **FCA, National Statistics and other public sector bodies**
  - Memorandum of understanding
- **International collaboration**
  - European Banking Authority (EBA), BCBS
  - Memo of Understanding with Central Banks
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Data sharing completes the picture

- Granular data on borrowers and firms
  - granular risks to financial stability
  - cost of regulation (cost of credit)
  - Banks’ business models
- Data on economic conditions
  - by geography, industry, sectors, etc.
  - vulnerable individuals
- Financial/non-financial interconnections
  - Data on unregulated sectors
- Global dimension
Credit growth and risk

- Significant credit growth in recent times
- Where is the risk
  - High loan to income (LTI) mortgages are vulnerable
  - Unsecure consumer credit growth in higher risk pockets
- Use mortgage contract and credit ratings data
Issues – Anonymity and matching

• Access to anonymised data
• Only a small percentage of households matched
• Data analytics require large datasets for accurate measures
Examples – Internal Models for Credit risk

• UK Basel 2 adoption in 2007
  – Banks move to internal ratings based (IRB) models for mortgage credit risk

• Key questions:
  – does it create advantages for IRB firms?
  – Does it matter for risk?

• Key issue: Identification not possible from whole-bank data.

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**Issues – Data quality and consistency**

- 14 million overall observations
  - Only 7 million matched
- Data compilation standards
  - PSD from bank/branch level reporting
  - Role for data scientists and advanced methodologies to match and clean data
- Level of consolidation for prudential policy
  - Wider than domestic loans

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Further reading

• FCA data strategy: https://www.fca.org.uk/about/data-strategy