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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

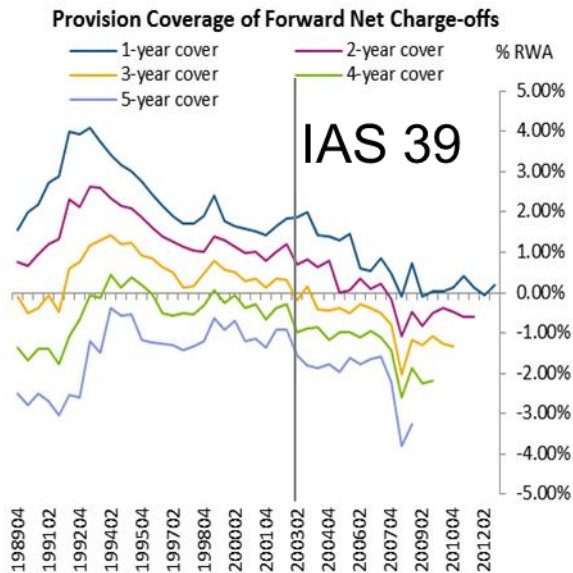


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What is the trouble with Data?

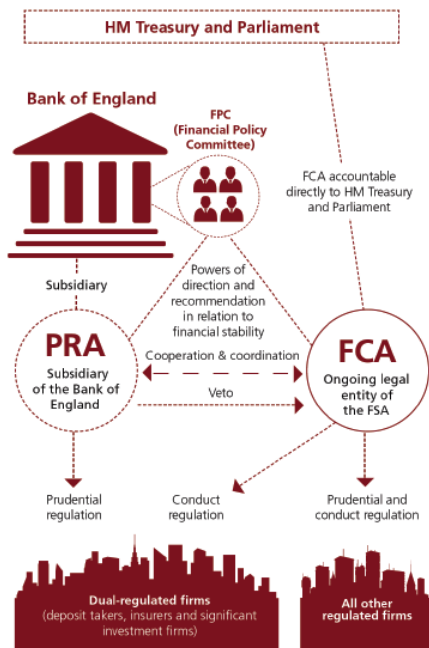
- Market Interventions by Central Banks
 - Price stability
 - Financial stability and micro-prudential
 - Financial sector competition
 - Support government's economic growth objectives
- Financial Sector Complexities...
 - ... and complexity of regulation
 - Unintended consequences



Sources: Bank of England,
Historical Banking Regulatory Database (HBRD)



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



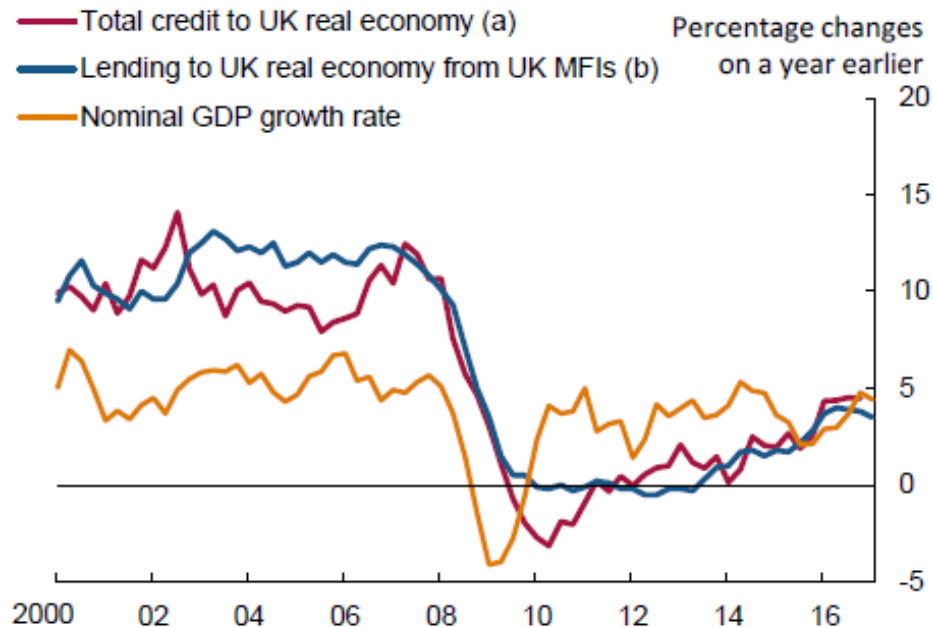
Issues: Legal basis of sharing

- 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



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



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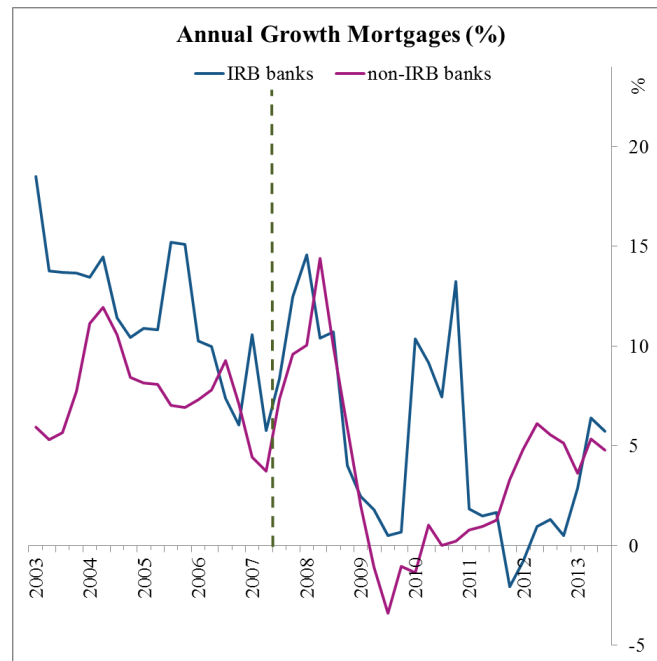
Issues – Anonymity and matching

- 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.



Sources: Bank of England,
Historical Banking Regulatory Database (HBRD)

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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



Further reading

- FCA data strategy:
<https://www.fca.org.uk/about/data-strategy>
- Alex Brazier (2017) “Debt strikes back” or “The Return of the Regulator”?
<http://www.bankofengland.co.uk/publications/Pages/speeches/2017/992.aspx>
- Benetton et al (2016) Staff Working Paper No. 639: Specialisation in mortgage risk under Basel II.
<http://www.bankofengland.co.uk/research/Documents/workingpapers/2017/swp639.pdf>
- de-Ramon et al (2017) UK Banks since the Basel Accord.
<http://www.bankofengland.co.uk/research/Documents/workingpapers/2017/swp652.pdf>

