FINANCIAL INFORMATION FORUM OF LATIN AMERICAN AND CARIBBEAN CENTRAL BANKS

Financial Information Sources and Use
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Final Report of Financial Information Forum Working Group 3 (FIF-WG3)

October, 2017

This document was prepared within the framework of the Financial Information Forum (FIF) of the Centre for Latin American Monetary Studies (CEMLA). The working group is constituted by the Central Bank of Chile, the Central Bank of the Dominican Republic, the Central Reserve Bank of El Salvador and the Technical Secretariat of CEMLA.
Introduction

Financial information is a critical input for identifying events that could impact on financial stability and the economy as a whole. Relevant information includes the evolution of borrowing by major credit users, performance of the capital market and ability of the financial system and international financial position to adequately adapt to adverse economic situations. In order to protect the financial system and ensure financial stability, it is necessary to identify the main sources of risk and vulnerability and inform all interested parties.

Compared to macroeconomic analysis for financial policy decision-making, the financial stability analysis is still under development. Financial indicators that can alert the authorities regarding possible imbalances continue to be improved. On the one hand, the financial system has advanced rapidly, financial instruments have multiplied and become more complex. On the other hand, financial systems are further integrating with other sectors of the economy and international markets. This implies that the origin and sources of financial risk contagion have become very dynamic.

There is some consensus that one of the financial crisis lessons was to highlight the need for more and better financial information. As a result, both central banks and regulators have been gathering and analysing public and confidential information from multiple sources, both public and private. Because the nature of systemic risks is increasingly complex, it is necessary to have a broader, comprehensive and detailed set of microdata indicators in order to monitor the behaviour of individuals or operations that, due to their relative weight and market connections may be very relevant to systemic risk.

This document aims to present the results of main information sources of the central banks and regulating entities of a sample of economies, in order to determine the gaps to be covered, as well as to take advantage of the experience of other countries to improve financial information.

Questionnaire description

In the framework of Group 3 of the Financial Information Forum (FIF) on sources and uses of financial information, a survey was applied to members of the FIF and the Association of American Banking Supervisors (ASBA), which inquired about the statistical sources of seven topics relevant to financial stability: Household Indebtedness, Business Indebtedness, Banking System Risk, Risk of Non-Bank Financial Intermediaries, Capital Flows, Financial Derivatives and Public Debt. Eighteen responses were received, corresponding to sixteen countries (for details of the institutions that answered, see Appendix 1).

In each topic the most representative indicators were identified (Figure 1). The questionnaire asked to characterize the different sources according to the provider, level of aggregation, periodicity and exchange status that supports the data collection process.
Main results

Questionnaire results show that there is a great heterogeneity and variety regarding statistical sources used to measure consulted indicators. They consider administrative records, forms, surveys and news reports, among others. Most of the demand for information is related to banking system activity, mostly because they are the most relevant information providers. However, the role of government agencies within some economies is still relevant.

The results show that there is a high level of monitoring — understood as the percentage of indicators for which there is a source within a given subject — of the consulted aspects, although with nuances depending on the indicators and the institution. Indeed, risks of the banking system, Capital Flow and Public Debt are the subjects for which almost all institutions have sources of data. On the contrary, in the case of Financial Derivatives, there is a low collection of information.
Regarding availability of microdata, defined as the percentage of variables by subject in which at least one of the sources has this characteristic, it is observed that the information collected for Public Debt and for Financial Derivatives has this attribute at a transverse level, which is consistent with the type of data that is needed and with the G-20 guideline regarding availability of transaction repositories with access for regulatory authorities. In contrast, it emphasises that the information used to measure the risk of non-bank financial intermediaries is almost entirely aggregated.

Regarding the frequency of information, this goes from daily, as is the case of operations of interest rates and derivatives transactions; to sporadic which is associated with surveys or special requests of information.

It is highlighted that much of the information is obtained under some legal mandate or agreement, which ensures its availability and quality. It should be noted that there is also public access information that does not require exchange procedures.

Finally, regarding the consultation on limitations to access new sources of financial information, a considerable number of respondents indicated that central banks require greater legal powers to request information from non-bank financial institutions and real sector companies. They also point out that, albeit to a lesser extent, resources (monetary, human and technological, among others) are an obstacle to access more sources.
Review by subject

When this analysis is reviewed by subject, there are differences in terms of the indicators covered, origin, periodicity and how the sources used are obtained.

(a) Household debt

To monitor household indebtedness, all institutions surveyed have information on interest rates and household debt levels. However, the coverage is being reduced for information on default and guarantees. Finally, there is a lower data coverage of disposable income, financial assets and house prices.

Much of the information is on a high frequency basis, daily or monthly, except for the measurement of disposable income. In addition, there is access to microdata, especially in regards to housing prices.

Most institutions uses legal mandates or agreements as mechanism to obtain data.

Given that one of the issues that has been most prompted lately in the analysis of financial stability is to have a vision of the real estate market, efforts should be made to extend the monitoring of housing prices to all economies. It would also be good to have access to more microdata that allow a more detailed analysis of households’ exposure to sudden market changes.
(b) Company debt
Most of the institutions in the sample report sources for the breakdown of corporate debt, total assets and collateral information. Interest coverage is the indicator for which less institutions report having data sources (38%). The availability of microdata is relevant to perform debt decomposition, and is reduced to a minimum where reviewing interest coverage is needed. Similar situation occurs in terms of frequency distribution and the mechanism that allows access to information. Indeed, collection of information on the decomposition of debt is more frequent and covered by the law, with less regularity and through good practices is the interest coverage.

In this subject, it is a challenge to move forward in collecting more information from companies. It could be possible to explore direct surveys or to have exchange agreements with other state agencies or private institutions such as the stock exchanges.
(c) **Public debt**

All institutions in the sample have information on central government debt, and with less coverage data from public companies, and the state and municipal government. It highlights the high availability of microdata sources in all indicators (over 75%), their periodicity and the fact that the source is supported by an agreement or by law.
(d) **Banking system risk**

Surveyed institutions have information for almost all enquired indicators, albeit at the aggregate level. Periodicity is high and under a legal framework that regulates the information requirements.

It would be beneficial to move forward in this subject, on the one hand, to gather more information on currency mismatches because the region's currencies experience high volatility with their consequent impact on banks' balance sheet. On the other hand, in access to microdata, especially loans granted.
(e) Non-bank financial intermediaries risk

These market participants are monitored in several of the surveyed institutions. Basically, the available sources are aggregate information, so progress could be made in accessing microdata sources of the loans they have granted or their sources of financing. Mostly the information is on a monthly basis or less, and sustained in legal mandates, agreements or good practices.
(f) **Capital flow**

To determine the movement of capital flows most institutions have access to sources of information for consulted indicators, highlighting those related to direct international and portfolio investment. Of the available sources an important part is microdata and mostly on a monthly basis. In all indicators, the legal mandate to obtain the information is relevant.

It would be useful to have direct foreign investment with the same frequency as other indicators of capital flow, so work should be done on more timely sources.
Coverage
(Percentage of institutions with at least one source per indicator)

Aggregation
(Percentage of countries with at least one microdata source per indicator)

Periodicity
(Percentage of at least one source with monthly periodicity or less per indicator)

Exchange status
(Percentage of institutions with at least one source with agreement)

Source: elaboration based on the survey.
(g) Financial derivatives

In this subject few institutions indicate that they have sources, especially regarding the flows of inflation derivatives, in which only 20% of the sample indicates having sources. However, institutions that have financial derivatives information mainly have access to microdata of daily or monthly frequency, and are required by the regulations.

Since one of the recommendations of the international agenda is that regulatory authorities have access to derivative information, institutions should move in this direction.

Source: elaboration based on the survey.
**Conclusions**

Most economies in the region have information to monitor financial stability. They have access to sources of, mainly, aggregated information based on legal mandates and with high frequency.

Given the agenda of international organizations, areas which can be advanced are identified, for example by increasing the monitoring of financial derivatives, gathering information from companies, monitoring real estate markets through house prices, and obtaining more information on currency mismatch.

If there are no legal authorizations to request the information, directly contacting the reporters or their intermediaries through voluntary surveys or to sign exchange agreements with other state agencies or private institutions such as the stock exchanges that have this information could be explored.

It is also necessary to promote access to microdata sources that allow for a more detailed analysis at the individual level, in particular the indicators that measure household and companies debt and those which allow monitoring the risk of non-bank financial intermediaries, such as financing and loans granted.

Likewise, and given the importance of this information and the interrelationship between different public and private institutions, it is perceived as necessary to advance in the exchange status of information, that is to structure it under a legal mandate or collaboration agreement.
### Appendix 1. Surveyed institutions

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<th>FIF MEMBERS</th>
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<th>REMAINING COUNTRIES</th>
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