Centralised Securities Database

supporting the production of external and other financial statistics

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Overview

• What is the CSDB and why is it needed?

• Current business focus

• Main features of the system and next steps

• Business case external statistics (b.o.p./i.i.p.)

• Conclusions
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What is the CSDB and why is it needed? [1]

- The CSDB provides fully consistent high quality securities reference data at the level of the individual security; sourced from different commercial data providers and also from NCBs.

- The CSDB will be the future backbone for the production of consistent and harmonised financial statistics by the European System of Central Banks (ESCB).

- CSDB data can be used directly for research and analysis; e.g. securitised sub-prime loans, bond yields, macroeconomic (ad hoc) financial statistics, securities statistics.

- CSDB provides detailed data on (issuer) liabilities and allows for the flexible aggregation to serve different statistical needs.
What is the CSDB and why is it needed? [2]

- The CSDB is used to complement (very lean) s-b-s data on securities positions and transactions provided by reporting agents.

- Reporters do not need to apply sophisticated statistical concepts which are perceived burdensome as they are often deviating from business practice.

- Statistical definitions such as sector and instrument classifications are instead provided by the CSDB reference data and mapped to the reported data.

- Efficient production of harmonised statistics (e.g. external statistics or investment fund statistics) based on s-b-s reporting and the CSDB.
What is the CSDB and why is it needed? [3]

- The CSDB means a major development effort, requiring substantial resources from the IT and business side

➤ Agreement in 2002 to launch the development of one common system for the whole ESCB – the CSDB (development lead by the ECB)

- The CSDB is used jointly by all members of the ESCB and also by some National Statistical Institutes

➤ A fully consistent and efficient solution

- The CSDB is already running and supports the statistical production with basic functionality (Phase 1). Enhancements are currently developed, in particular in the area of investment income and ESA/ SNA sectorisation (Phase 2)
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Current business focus [1]

- **Securities denominated in euro (worldwide)**

- **Securities issued by euro area residents (all currencies)**

- **Securities which may be held by euro area residents.**

→ Focus on euro area requirements (‘focused list’)
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Main features – data quality management [1]

- In practice, the data quality in the CSDB depends heavily on a sound Data Quality Management (DQM) and on the right selection and management of commercial data providers, in particular with regards to SNA / ESA issuer sectors and instrument breakdowns.

- DQM is done in a network of NCBs and the ECB – each NCB monitors their resident issuers; ECB monitors non euro area issuers.

- DQM activities, including manual corrections, concentrate on securities in the business focus (euro area requirements).
Main features – data quality management [2]

- Data quality in the CSDB is **substantially improving** for those securities where DQM activities are performed, i.e. for the securities in the current business focus.

- For the euro area the ECB **regularly monitors the differences** between the CSDB extract and available aggregate statistics; the gap narrows continuously.

- The ECB maintains **permanent close contacts with several commercial data providers** to help them in overcoming (systemic) deficiencies in their data, in particular with regards to statistical classifications ➔ **A win-win situation**
Next steps in the ESCB

- **ESCB NCBs will be connected on-line to the CSDB system within the next year (CSDB network)**

- **The current commercial data providers will be reviewed**

- **Sound procedures for the on-line DQM will be established**

- **The CSDB network will need to stabilise in its daily operation**

- **The CSDB system will start to be used for the production of fully consistent and harmonised statistical data in the euro area (first b.o.p./ i.i.p., then investment funds)**
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Business case external statistics (b.o.p./i.i.p.)

- **As of 2008** all euro area central banks will start to compile external statistics following a s-b-s approach for the portfolio investment account.

- **Reporting agents** are relieved in most cases from the use of detailed statistical classifications (now taken from the CSDB).

- **Reporting agents** only report the number of securities held (transacted); statistical data are then derived by the compiler.

  ➔ *Significant cost reduction for the reporting agent*

  ➔ *Consistent and harmonised data for statistical users*
Business case external statistics (b.o.p./i.i.p.)

- **How does it work?** – a stylised example for portfolio investment assets derived from stock data

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- **i.i.p.:** stocks valued and sectorised with CSDB information

- **b.o.p.:** difference in stocks * average price
  \[400 \times 1810 = 724,000\]
Other business cases in financial statistics

• The CSDB is already now used by several euro area countries for the compilation of external statistics and financial accounts (in particular holdings)

• The CSDB will be the backbone for the production of fully harmonised statistics on investment funds as of 2009, based on the ECB Regulation (ECB/2007/8)
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- Statistical reporting supported by a CSDB is seen as the best way to reduce the overall cost of the statistics while enhancing quality and flexibility at the same time.

- A CSDB will complement (very lean) s-b-s information collected from reporters to provide detailed data on positions and transactions.

- Using a CSDB will foster the consistency (and integration) between different financial statistics, e.g. b.o.p./i.i.p., money and banking, financial accounts, government finance statistics.

- The efficiency of a CSDB – like system increases with the number of partners, sharing cost and strengthening DQM activities.

- A CSDB is highly IT reliant but requires at the same time also sound statistical input to deal with conceptual issues.