



EUROPEAN CENTRAL BANK

EUROSYSTEM

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# **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]

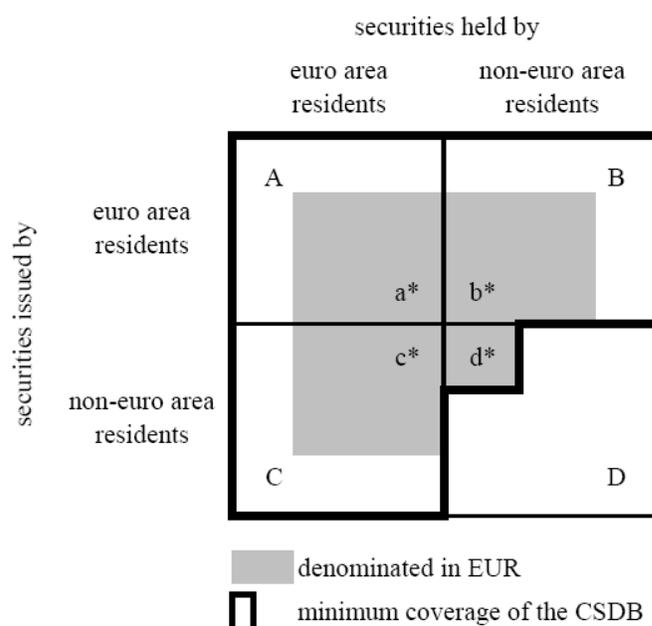
- The CSDB means a **major development effort**, requiring substantial resources from the IT and business side
- Agreement in 2002 to launch the development of **one common system for the whole ESCB** – the CSDB (development lead by the ECB)
- The CSDB is **used jointly** by all members of the ESCB and 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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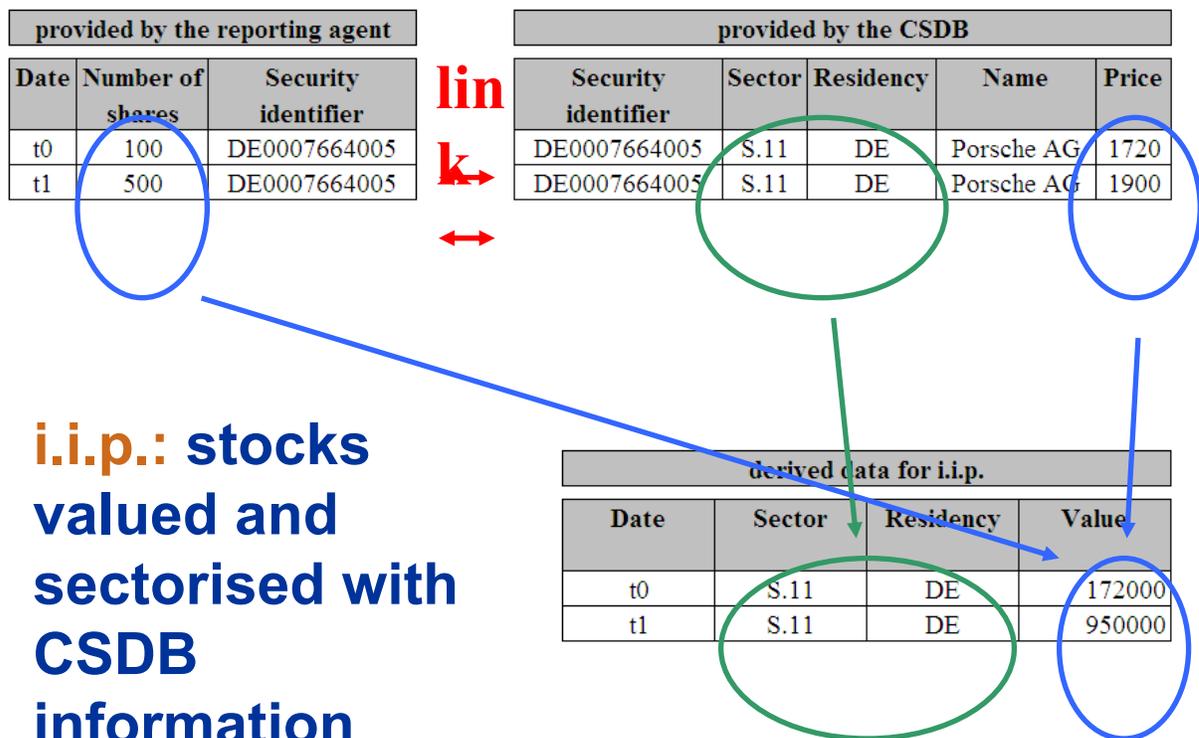
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# Business case external statistics (b.o.p./i.i.p.)

- **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



- i.i.p.:** stocks valued and sectorised with CSDB information
- b.o.p.:** difference in stocks \* average price [400 \* 1810 = 724,000]

derived data for b.o.p.			
Date	Sector	Residency	Value
t1	S.11	DE	724000

# 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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# Conclusion

- **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**