



EUROPEAN CENTRAL BANK

BALANCE OF PAYMENTS STATISTICS AND
EXTERNAL RESERVES DIVISION

J. Pfluger ☎:7389

7 October 1999

ST/IMF/BP/99-32.DOC

DRAFT

DEVELOPMENT OF A SECURITIES DATABASE

For information of the IMF BOP Committee

Current situation/deficiencies and implications

1. In order to perform its tasks the European Central Bank (ECB) and the total European System of Central Banks (ESCB) evidently need reliable information on developments of financial markets in the euro area. Two aspects are particular important:

- [1] The availability of *sufficient and consistent (input) data* is a particular prerequisite for the provision of correct and accurate financial statistics to monitor its conduct of the monetary policy.
- [2] In the course of compiling euro area aggregates in the field of financial statistics (e.g. balance of payments, money and banking or MU financial accounts) the ECB's Directorate Statistics (D-ST) became increasingly aware of the importance that the underlying information on (cross-border) trade of securities is *recorded in a standardised and harmonised* way all over the euro area.

2. However, there is, currently, no satisfactory source of this information. The existing information on securities is fragmented and incomplete, no single authoritative source is available. Instead the information can, at best, be found in different (and therefore potentially inconsistent) database.

3. The euro area statistics depend on the quality of data provided by individual Member States. In this environment of distributed data collection each compiler of statistics, predominantly national central banks (NCBs), would have to spend time in understanding the available and sometimes conflicting information, without necessarily succeeding in reconciling it. In fact presently only a limited number of NCBs are willing to bear the high costs of such quality checks.

4. Consequently, if this source of potential distortions of the information on security trade would continue or further increase, the quality of information on the developments in the euro area's financial market would significantly deteriorate.

Potential benefits

5. To tackle these problems, i.e. to substantially improve the harmonisation of information on (cross-border) traded securities in the euro area, the ESCB Statistics Committee (STC) expressed strong support for the establishment of a “Centralised Securities Database” (CSDB) at the ECB. In the context of the overall tasks of the ECB, the CSDB can primarily be seen as a valuable support of the conduct of the monetary policy (“defining and implementing the monetary policy of the Community”). Beside that the project also supplements two other tasks given by the Statute (namely “the conduct of foreign exchange operations” and “holding and managing the official foreign reserves of the Member States”).

6. The CSDB will hold complete, accurate, consistent and up-to-date information on

- (i) the different types of securities relevant for statistical purposes (issued in euro or in foreign currencies, by residents of the euro area and by non-residents, broken down by instruments, maturities, etc) and
- (ii) (as far as possible) on holders of these securities (broken down by sectors for residents of the euro area or by country for non-residents).

7. Making this information available to b.o.p./i.i.p. statistics compilers across the ESCB will improve the quality of the statistics published nationally and reported to the ECB. Combined with use of the CSDB by the ECB, this will result in more accurate euro area statistics and an expected large reduction in the uncertainty and residual errors. In this way it will help solve consistency problems in b.o.p./i.i.p. statistics, e.g. portfolio investment and related income, and be a building block for the MUFA.

State-of-play

8. Subject to the importance of the assistance and support (in resources and expertise) received from the NCBs and international organisations (the BIS and the IMF in particular), the deliverables of the project are

- A database containing all relevant information on securities on the issuance side.
- A system supporting the electronic data collection / updating of the CSDB from various sources:
 - NCBs and the BIS for recent issues and the necessary historical data.
 - Commercial data provider(s) for the description and the quotation of securities.
 - Eligible assets database for short-term instruments in euro.
 - Surveys or additional sources for the securities holding side.
- A system supporting the electronic provision of data to:
 - Users and statisticians within the ECB.
 - Users and statisticians within the total ESCB
 - Selected reporting agents for b.o.p./i.i.p. statistics.
 - International organisations
- An extension to this database covering the best possible estimate on the creditor / holding side (e.g. sectoral or geographical breakdown).

9. The starting point is the summary of the needs and suggestions brought forward by potential user groups in the ECB. Based on that - *and on the fundamental report of the EMI sub-group on an ISIN based CSDB* – the ECB will produce a Feasibility Study, that will recapitulate the key issues of the project. Precisely because of the key work done by the ISIN Sub-group, which was mandated by the EMI's Balance of Payments Financial Flows and Stocks Task Force (the predecessor of the WG BP&ER), it has been decided that the BP&ERD would take the leading role in the initiative phase of the project, in particular for the Feasibility Study.

10. First results on the debtor side of the CSDB are to be expected by end-2000. Support of international organisations, such as the BIS and the IMF, is regarded as very important for the success of the whole project.