

The Portuguese Central Credit Register as a key input to the analysis of financial stability... and beyond!



BANCO DE PORTUGAL
EUROSYSTEM

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Workshop on “Data needs and Statistics compilation for macroprudential analysis”

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Outline

1. The Portuguese CCR at a glance

- a) Overview
- b) Using the CCR in meeting the *Banco de Portugal's* mandate
 - i. Compilation and dissemination of statistics
 - ii. Economic research
 - iii. Monetary policy making
 - iv. Microprudential supervision

2. Using the Portuguese CCR to ensure financial stability... and beyond

3. The ongoing CCR reformulation

4. Concluding remarks



A brief overview of the Portuguese CCR

- The **Portuguese Central Credit Register (CCR)** is an **information system** managed by the **Statistics Department of the *Banco de Portugal***;
- Contains **granular information on credit granted by resident credit-granting institutions (the participants) to individuals and legal entities**;
- Has a **very low reporting threshold (50€)**, which allows it to have a **virtually complete coverage**.
- Currently **on a borrower-by-borrower basis**;

Main Purpose: offer its participants relevant data for their assessment of the risks underlying the provision of credit



A brief overview of the Portuguese CCR



20 Million
records monthly



6.2 Million
private individuals



289 Thousand
corporations

185
Reporting Agents



15
different types of loans



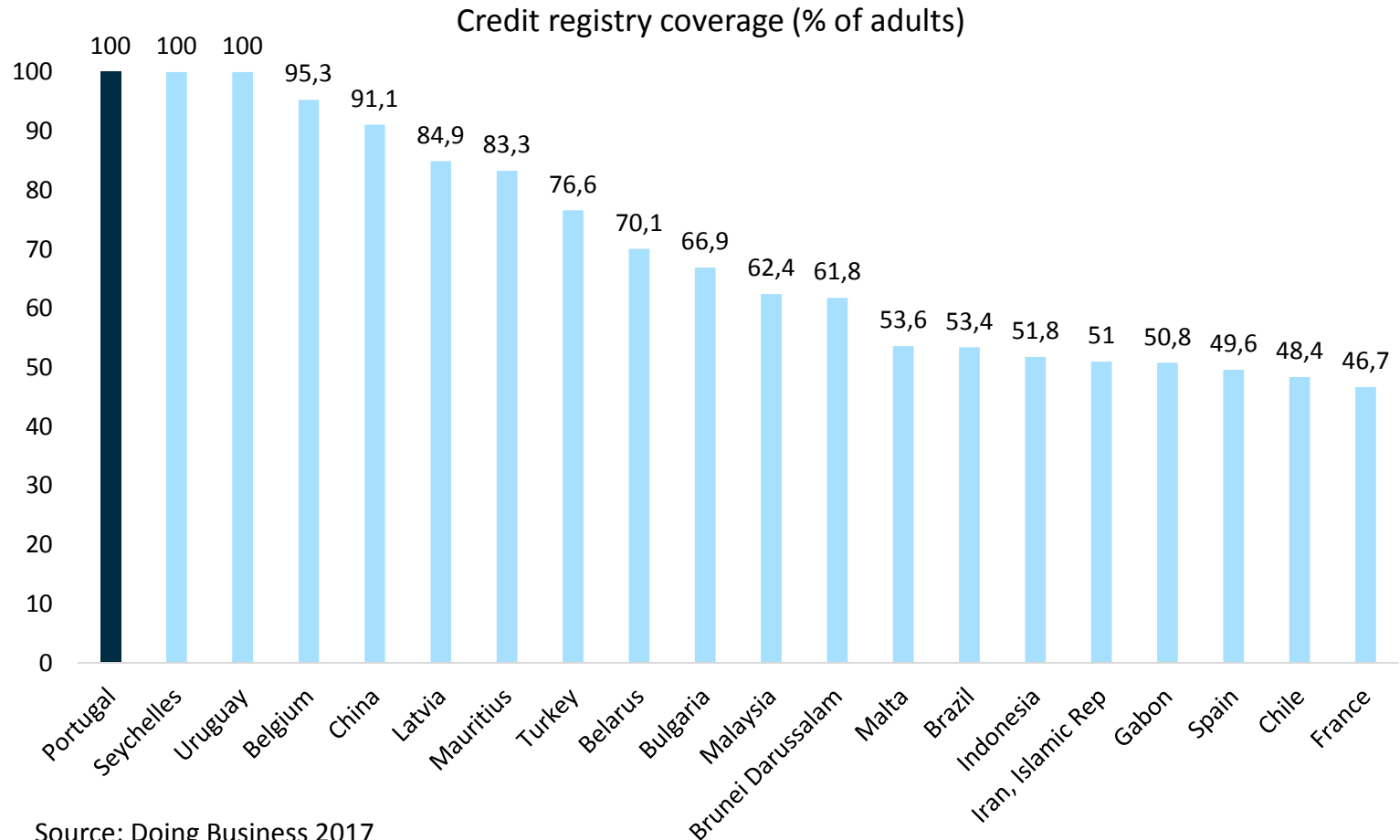
50€
threshold



6 Working Days deadline for reporting 16h/7 days a week



A brief overview of the Portuguese CCR





Using the CCR to compile and disseminate official statistics

The CCR allows to **compile very comprehensive statistics** on several credit related indicators and **with several breakdowns**

On a monthly basis, for NFCs, NPISH and Households sectors...

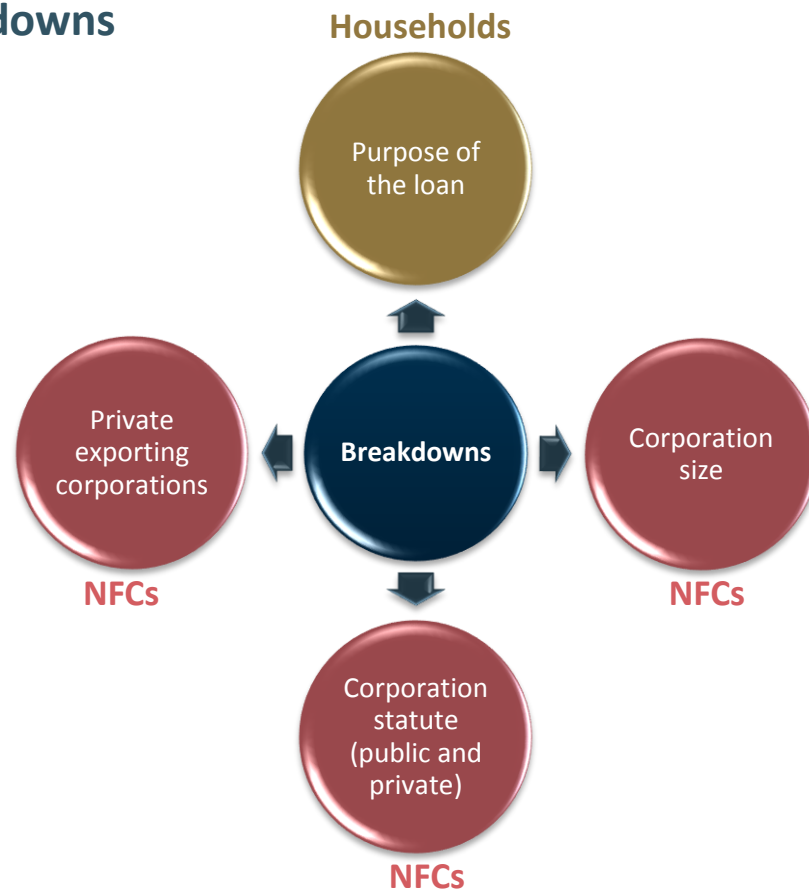
Indicators

Outstanding amounts of the granted loans

Annual rate of change

Overdue loans ratio

Percentage of borrowers with overdue loans





Using the CCR to compile and disseminate official statistics

On a quarterly basis, for NFCs and Households
sectors...

Indicators

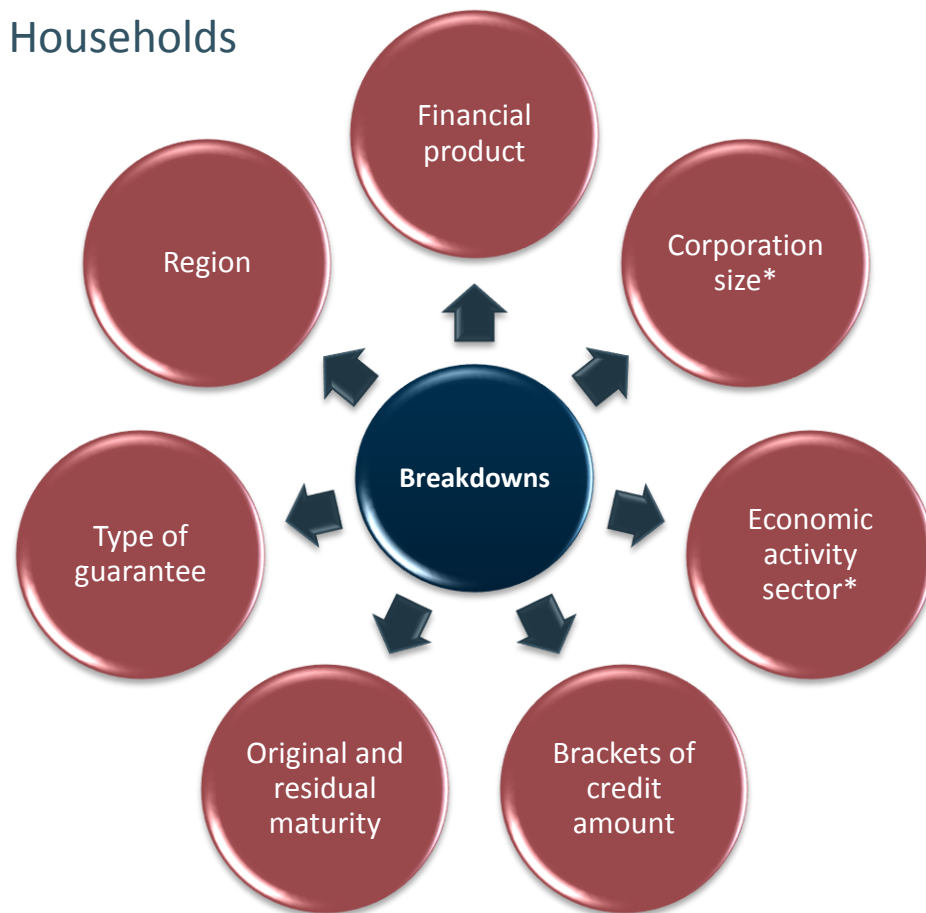
Outstanding amounts of the
granted loans

Overdue loans

Overdue loans ratio

Number of borrowers

Percentage of borrowers
with overdue loans



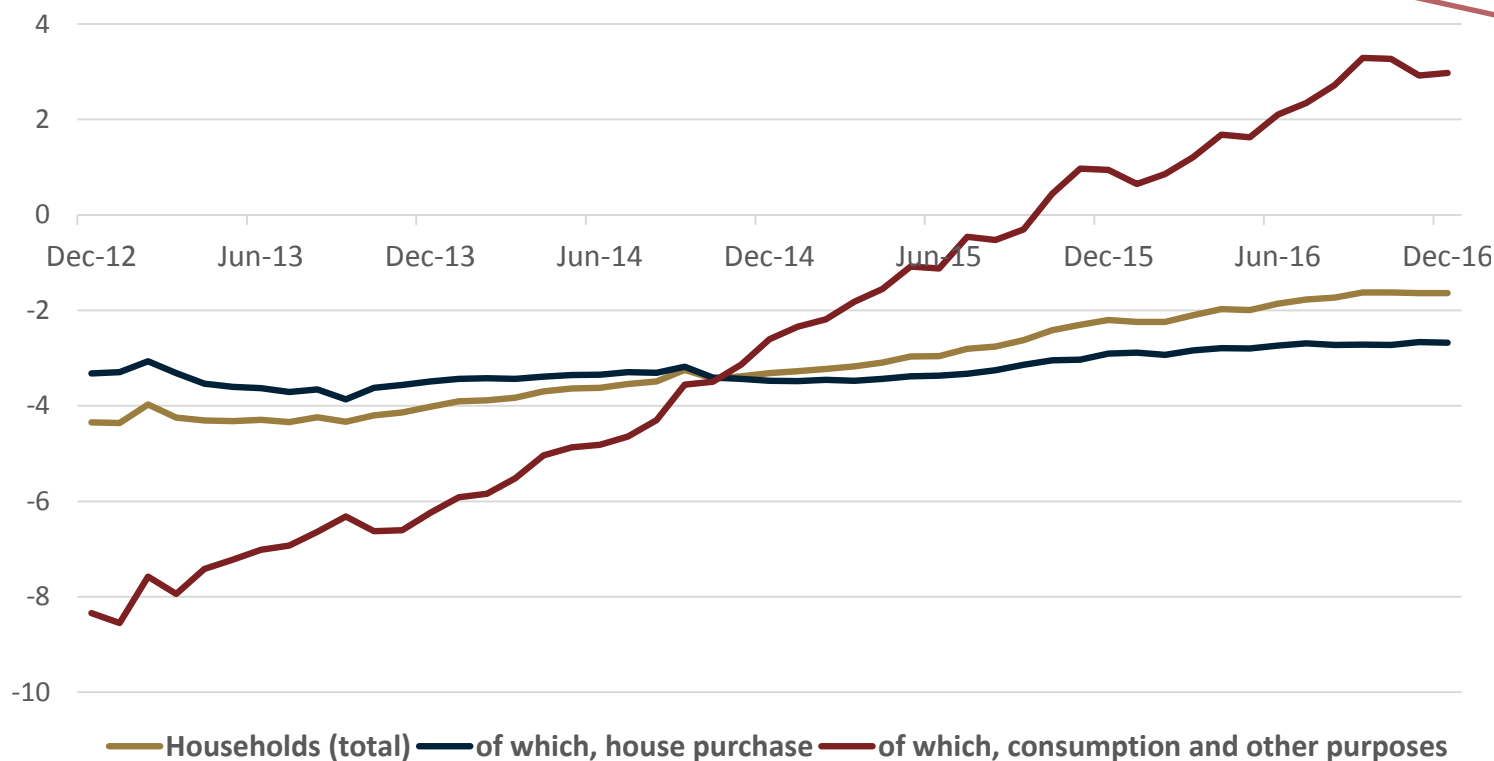
* Only for NFCs sector



Using the CCR to compile and disseminate official statistics

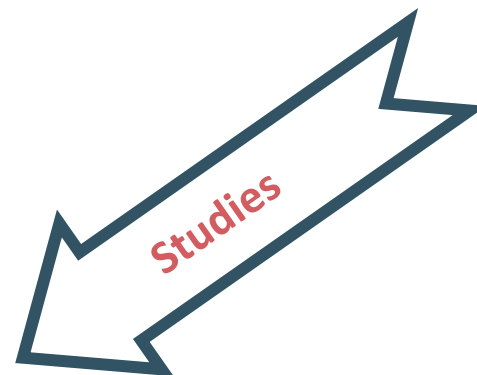
Loans to Households – by purpose (% - annual rate of change)

*CCR's microdata allows for a
more detailed analysis*



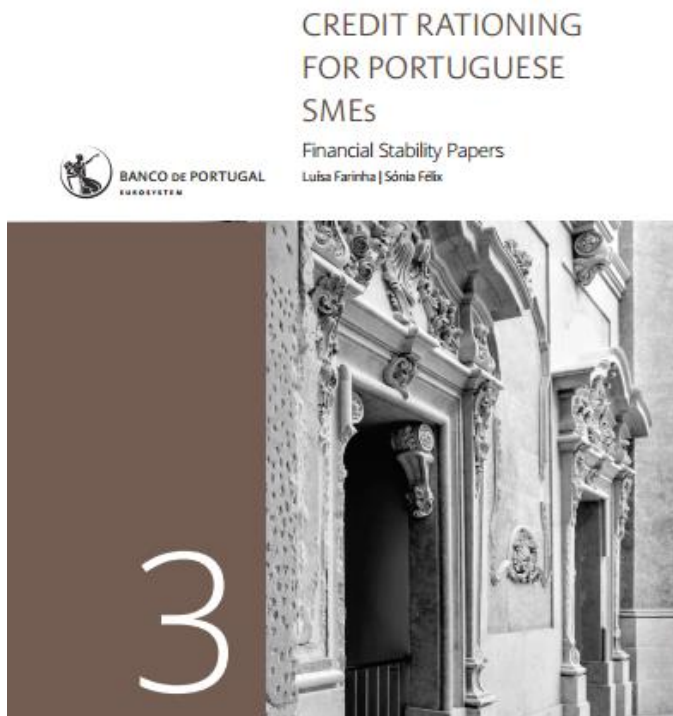


Using the CCR for economic research





Using the CCR for economic research



[...] The results suggest that a considerable fraction of Portuguese SMEs [Small and medium enterprises] were **affected by credit rationing** in this period [2010–2012].

In Farinha & Félix (2014)



Using the CCR for monetary policy making



CCR data is used:



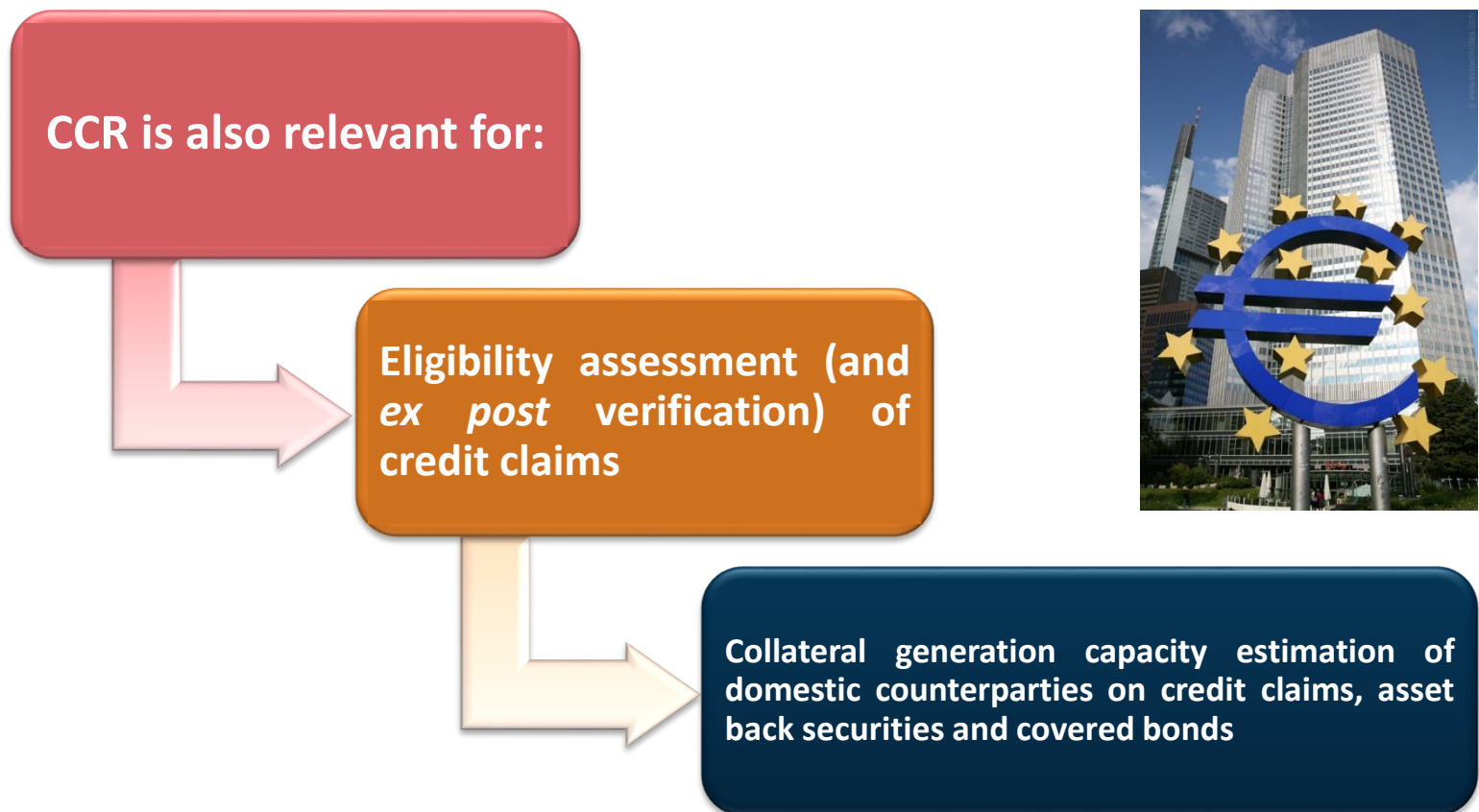
As an auxiliary tool in the identification
of loans used as collateral in Eurosystem
financing operations



To evaluate the risks associated with the
acceptance of bank loans as collateral of
monetary policy credit operations



Using the CCR for monetary policy making





Using the CCR for microprudential supervision

CCR data is used for the:

Assessment of credit risk

Evaluation of the concentration of
risk exposures

Improvement of on-site inspection
practices





Using the CCR for microprudential supervision

The CCR is also used in the *Banco de Portugal's* Early Warning System (EWS), which aims at finding companies evidencing a high default probability as a result of excessive indebtedness

EWS

Two core ratios in accordance with Standard & Poor's Corporate Ratings Framework:

Total debt to EBITDA

EBITDA Interest Coverage

To foster the understanding of the company's financial risk profile, three additional supplementary ratios:

Funds From Operation to Total Debt

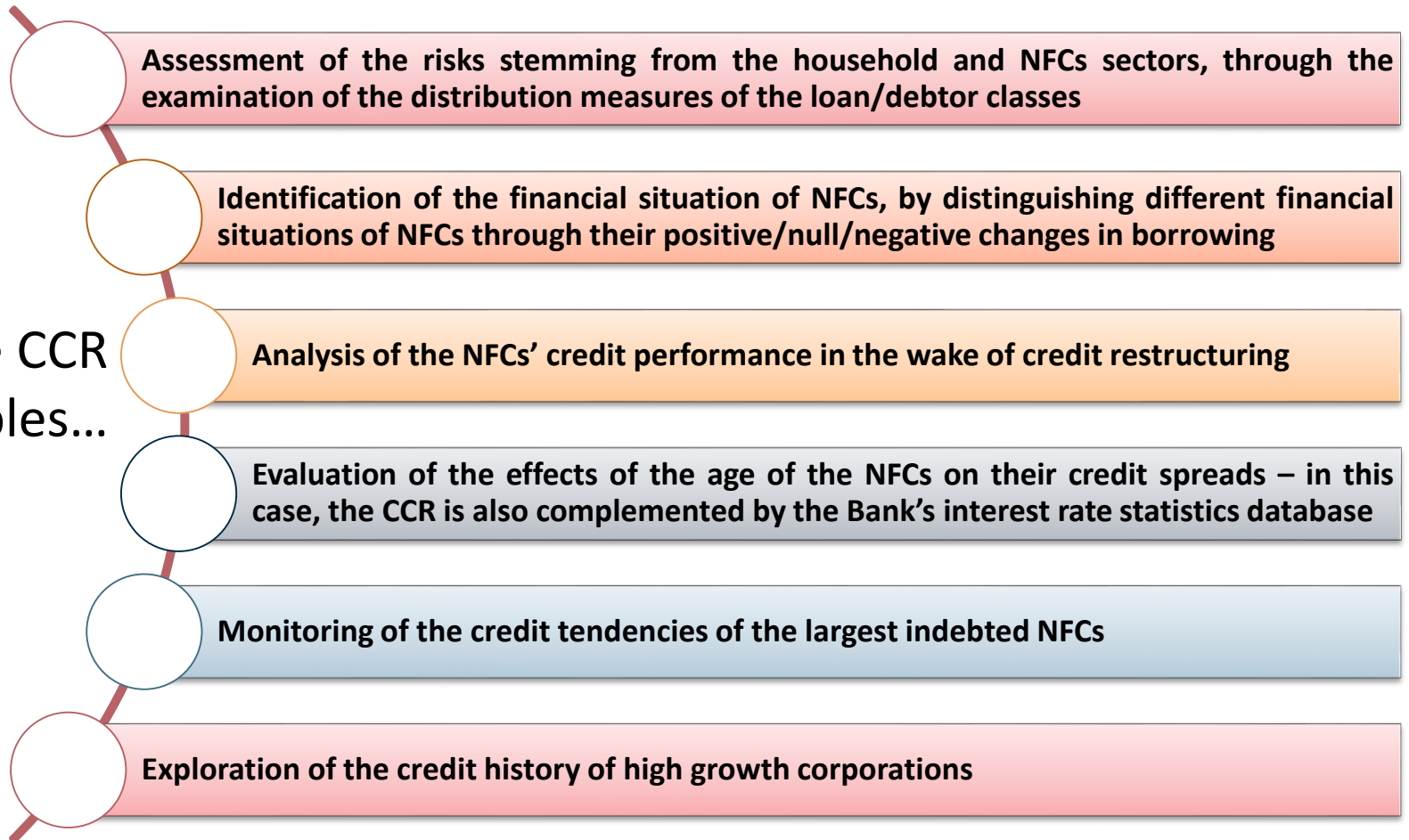
Gearing Ratio

Return on Capital



Using the Portuguese CCR to ensure financial stability... and beyond

The CCR enables...





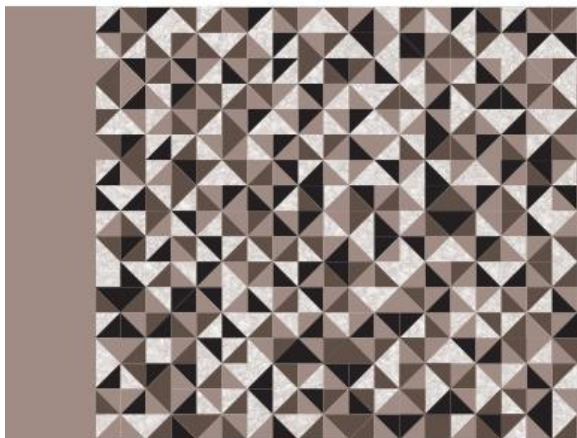
Using the Portuguese CCR to ensure financial stability...

A good example of the usage of the CCR to assess financial stability: the Financial Stability Report



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Financial
Stability Report
November 2016



Contents:

1. Financial stability: Vulnerabilities and risks
(Vulnerabilities, risks, macroprudential policy)

CCR Data!

2. Financing of the Economy

CCR Data!

(Financial Markets, Households, Non-financial
Corporations, General Government, Financial
Corporations, External Sector)

3. Banking Sector

CCR Data!

4. Special Issues

CCR Data!



Using the Portuguese CCR to ensure financial stability...

A good example of the usage of the CCR to assess financial stability: the Financial Stability Report

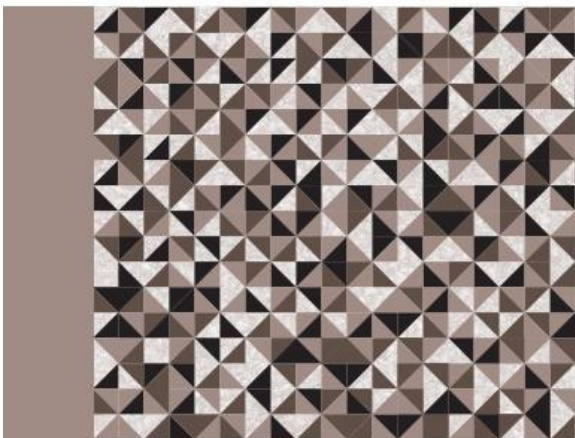
Special issues

65



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Financial
Stability Report
November 2016



1. Recent developments in consumer lending: A macroprudential approach

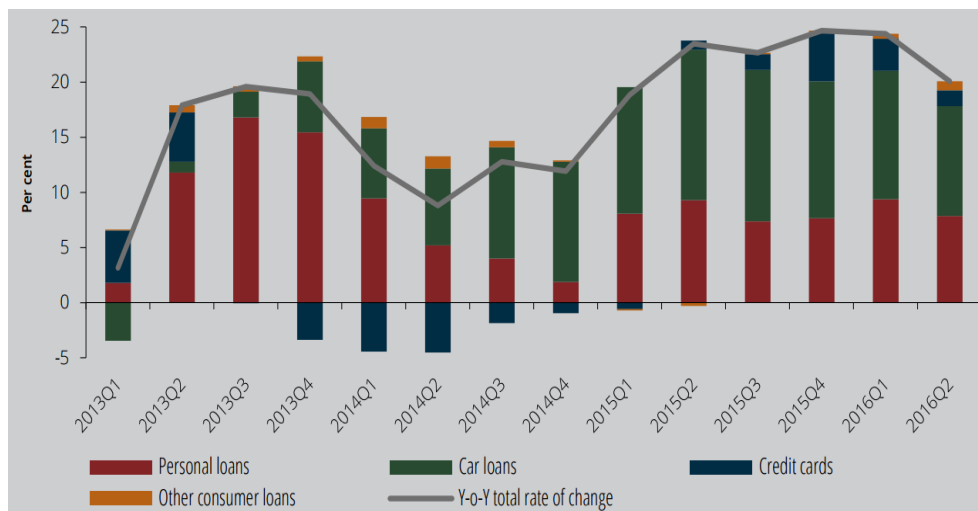
“[...] one of Banco de Portugal’s **responsibilities**, is the **mitigation and prevention of excessive credit growth** and leverage of the economy. Thus, when **assessing risks to financial stability**, as undertaken by Banco de Portugal, **monitoring the evolution of credit to the economy is of the utmost importance.**[...]”



Using the Portuguese CCR to ensure financial stability...

“[...] the upward path recently shown by consumer credit is analysed, [..., since] this segment of the lending market presents a significant default risk, and its persistent high growth could also lead to an increase in vulnerabilities, both for households and the banking system.[...]”

Contributions to the year-on-year rate of change in new consumer loans (flows), by consumer loan segment



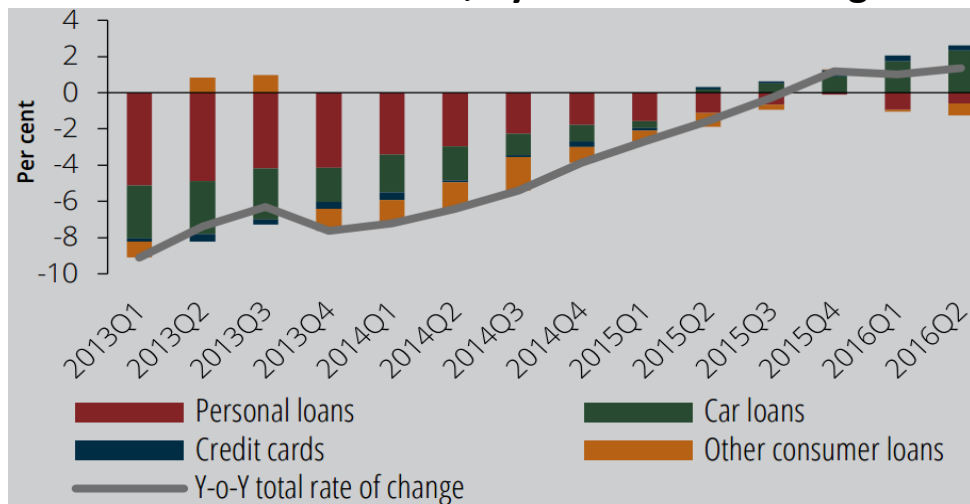
CCR's microdata allows for a more detailed analysis



Using the Portuguese CCR to ensure financial stability...

“[...] The recent increase in consumer credit was mainly driven by car loans, and was mostly associated with the effect of the anticipated purchase of cars as a result of the announcement of an increase in Vehicle Tax that came into force in April 2016. [...] this evolution is expected to be of a temporary nature. [...] Therefore, given the reduced relative importance on households' balance sheets and the resident financial system, there is not expected to be a significant increase in risk to financial stability.”

Contributions to the year-on-year rate of change in the stock of consumer loans, by consumer loan segment

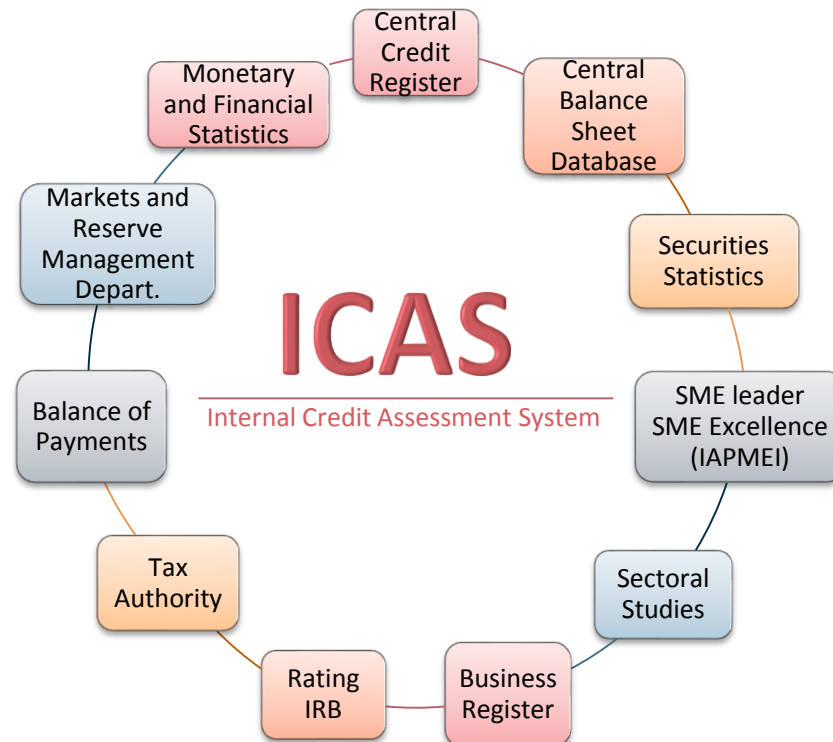


CCR's microdata allows for a more detailed analysis



Using the Portuguese CCR to ensure financial stability... and beyond!

The **In-House Credit Assessment System (ICAS)**: a new credit-rating tool developed by *Banco de Portugal* to support many of its key tasks





Using the Portuguese CCR to ensure financial stability... and beyond!

ICAS

Main purpose: Assessing the **creditworthiness of non-financial corporations**, with a view to determine the **eligibility of the debt issued by such corporations as collateral in monetary policy operations**

Additional uses:

Microprudential supervision:

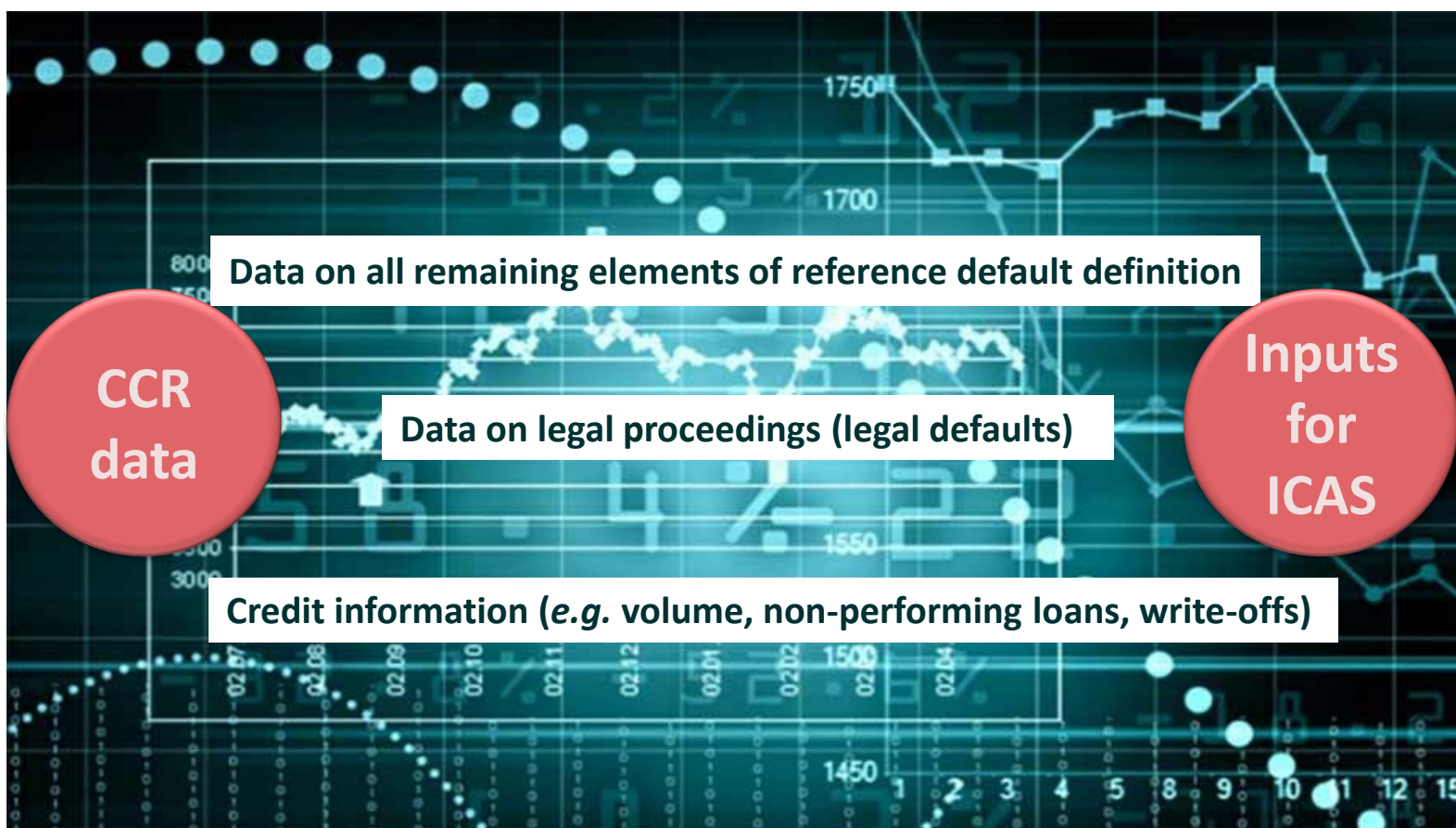
- **Benchmarking the credit notations** provided by ICAS against those of the supervised institutions
- Computation of **sectoral default probabilities** (input for stress testing)

Macroprudential supervision:

- **Identification of potential financial fragilities** in a set of companies and / or economic sector
- Assessment of **other systemic risks stemming from the non-financial corporations sector**



Using the Portuguese CCR to ensure financial stability... and beyond!

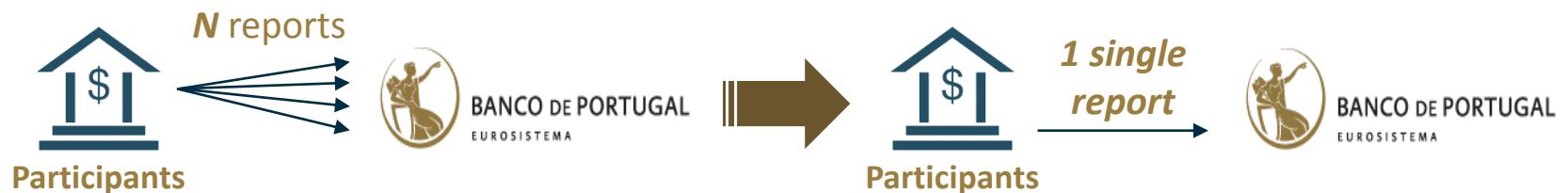




The ongoing CCR reformulation

The *Banco de Portugal* is currently undertaking a **significant reformulation to its CCR**. This project was developed due to the **need to:**

- Meet the forthcoming **AnaCredit requirements**
- **Rationalize the participant's reports to the CCR**, thus **integrating other credit reports in the CCR**

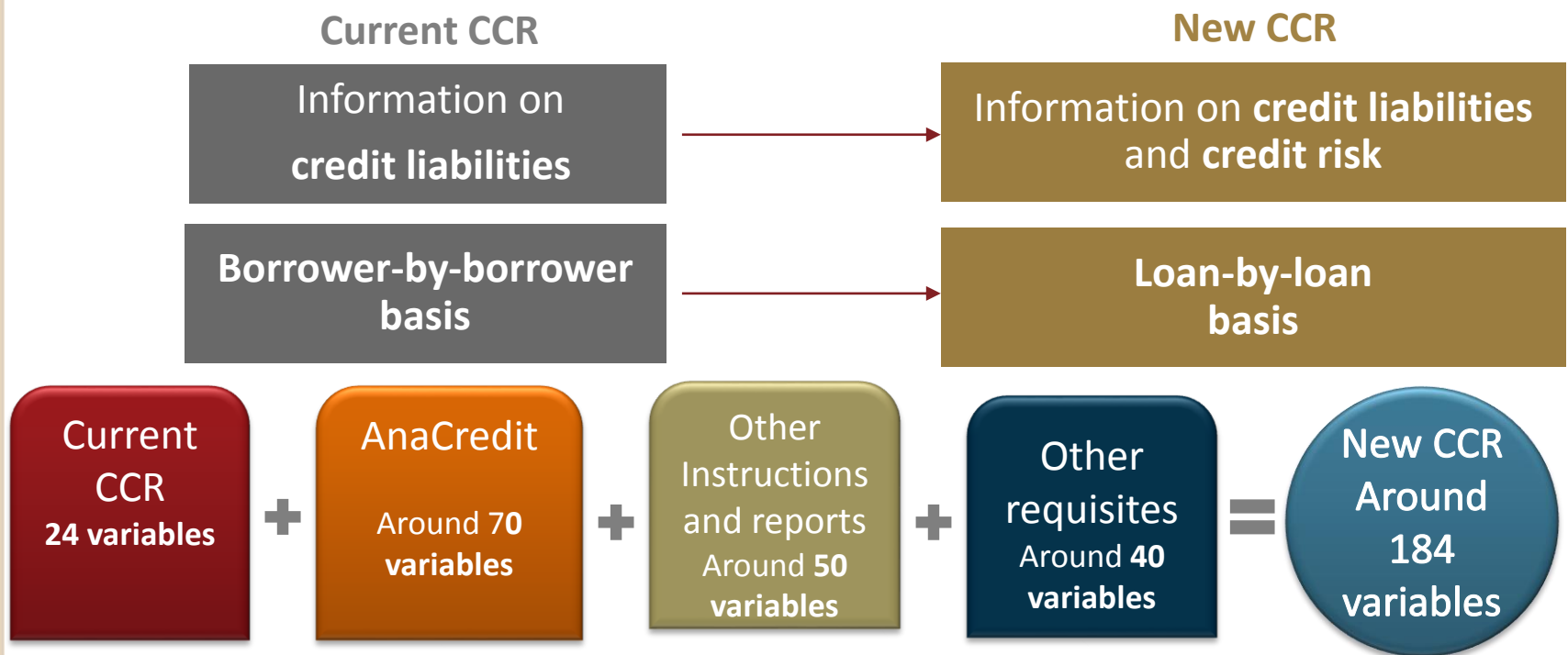


- **Improve the service** that the CCR offers to the financial system and to the public at large
- Include **new internal data needs**



The ongoing CCR reformulation

New CCR perspective: Loan-by-loan basis





Concluding remarks

- The Portuguese Central Credit Register (CCR) is **truly a multi-purpose tool**, which **supports the fulfillment of several tasks entrusted to the *Banco de Portugal***
- It is particularly **useful to assess credit developments** with great detail, by offering a multitude of different breakdowns of analysis which are only possible due to its microdata reporting basis
- It has proved to be a **key input to the development of innovative initiatives**, such as **the establishment of the Bank's Internal Credit Assessment Framework**
- In the near future, it will experience a **deep reformulation to meet the AnaCredit requirements (and beyond)**, which **will reinforce its supportive power**



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Thank you for your attention!



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