Ana Credit – Compliance requirements & associated opportunities

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Abstract

During the banking crises in Europe, it was witnessed that European banks are not fully equipped with the identification and aggregation of credit exposures in spite of the widespread availability of credit data and sumptuous reporting structure. This necessitated the banks to have a much more extensive reporting and have to prepare a wider set of compliance reports in order to cope with such crises. AnaCredit (analytical credit dataset) is a new regulatory requirement enforced by European Central Bank (ECB) requiring the collection of granular credit (individual loan level) data, using a list of data attributes spread over 10 interrelated tables[1]. It is a three stage project initiated in 2014 and is expected to come in full effect by 2020[3]. Though it is consistent across all member states of euro system, other member states which are not part of the euro system are also invited to participate, for example Denmark and Sweden has also started preparing the similar databases. The scope and the regulatory requirement has been published for the first phase, and for the further phases it will be published in the near future. The intention behind introducing this concept is that the individual loan data under AnaCredit can be used for monitoring the performance of whole Eurozone credit market in the future.

Keywords: AnaCredit, Analytical Credit Dataset, AnaCredit Compliance, AnaCredit Opportunities, Evaluation of AnaCredit regulation

1. Objective of the Study

The objective of the study is to do an exploratory research on the AnaCredid, introduced by European Central Bank. We are interested in exploring the implementation issues, challenges and issues associated with this.

2. Concept

AnaCredit is the short form of Analytical Credit Datasets, which is a dataset containing detailed statistics on individual bank loans (granular credit) in the Europe, consistent across all member states of Europe. It is a new regulatory requirement imposed by European Central Bank (ECB) requiring the collection of granular credit data, using a list of data attributes spread over 10 interrelated tables.

AnaCredit requires European banks and Financial Institutions to submit 88 contract level[2] attributes on their banking book loans, without considering any identifiers. As per the regulation, 72 need to be reported on a monthly basis and 16 on a quarterly basis. ECB has defined more than 2,000 validation rules in order to ensure the data quality, consistency, completeness and referential integrity[2].

- **Rationale for introducing AnaCredit:**

  a) Sufficient level of aggregate statistics were not available in order to understand the fundamental developments in the economy

  b) Significant divergence seen in key financial indicators across different segments of society such as sector of activity, firm size & geography

- **AnaCredit Timelines[4]:**

  — March/April 2015: Meeting of the joint task force on analytical datasets and preparation for decision on appropriate methodology

  — Mid 2015: Drafting of the AnaCredit regulations by ECB, including deadlines, methods, frequency etc.

  — December 2015: Publication of the draft of ECB AnaCredit regulations

  — May 2016: Final consultation and adoption of the regulation by the ECB's Governing council

  — December 2017: Implementation of ECB AnaCredit regulation – Phase 1

  — September 2018: Initial reporting of the regulation to the ECB via their national central banks (NCBs) - Phase 1. All concerned reporting agents (credit institutions and other Financial institutions that provide loan) were covered

  — 2020: the three-phase regulation is expected to come into full effect by 2020

- **AnaCredit Scope for first phase:**

Requirements	
Credit Amount	Greater than € 25,000
Counterparty (Debtors)	Legal Entities only
Type of Credits	On-Balance (e.g. Term loans, credit lines, etc.)