Credit Register and Financial Supervision

- Use of credit register data to enhance financial stability

Credit Register Conference, Panel Discussion

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Credit register data will play a key role in off-site and on-site supervision…

- The Danish FSA is already making an extensive use of reporting from Danish credit institutions in order to assess the overall soundness of the sector and in order to identify potential financial vulnerabilities among individual institutions within the sector.

- In the transformation towards a more data driven supervisory approach, credit register data will become an important tool for the Danish FSA in terms of policy evaluation and on-going monitoring of credit standards across the sector.

- The presence of detailed information on loan by loan level makes the credit register dataset useful for e.g.:

    - identification of systemic risk within the financial sector
    - benchmarking of credit institutions' loan characteristics
    - evaluating the effect of macroprudential regulation

- In relation to microprudential supervision, credit register data will help supervisors narrow the focus on main risks, when preparing inspections of credit institutions, and thereby optimize resource allocation.
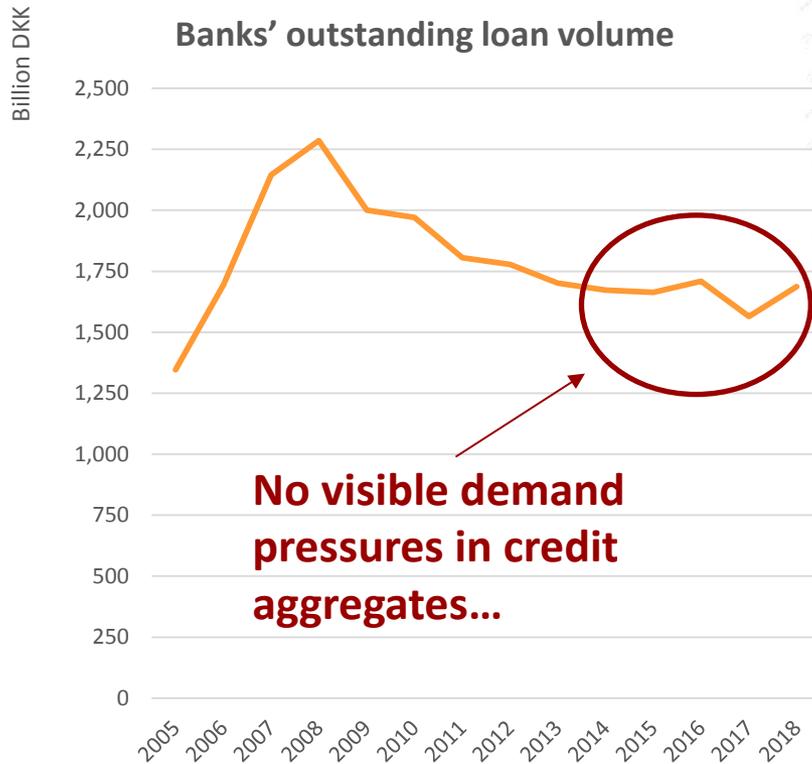
Example 1: Analysis of the commercial real estate market

- The Danish FSA intends to analyze, whether Danish credit institutions are capitalized well enough to resist a sudden increase in unexpected losses on exposures to the commercial real estate market.

1. Financial stress of the commercial real estate sector's balance sheets.
2. Calculate the consequences for credit instructions' impairments due to the probability of looses on these exposures.

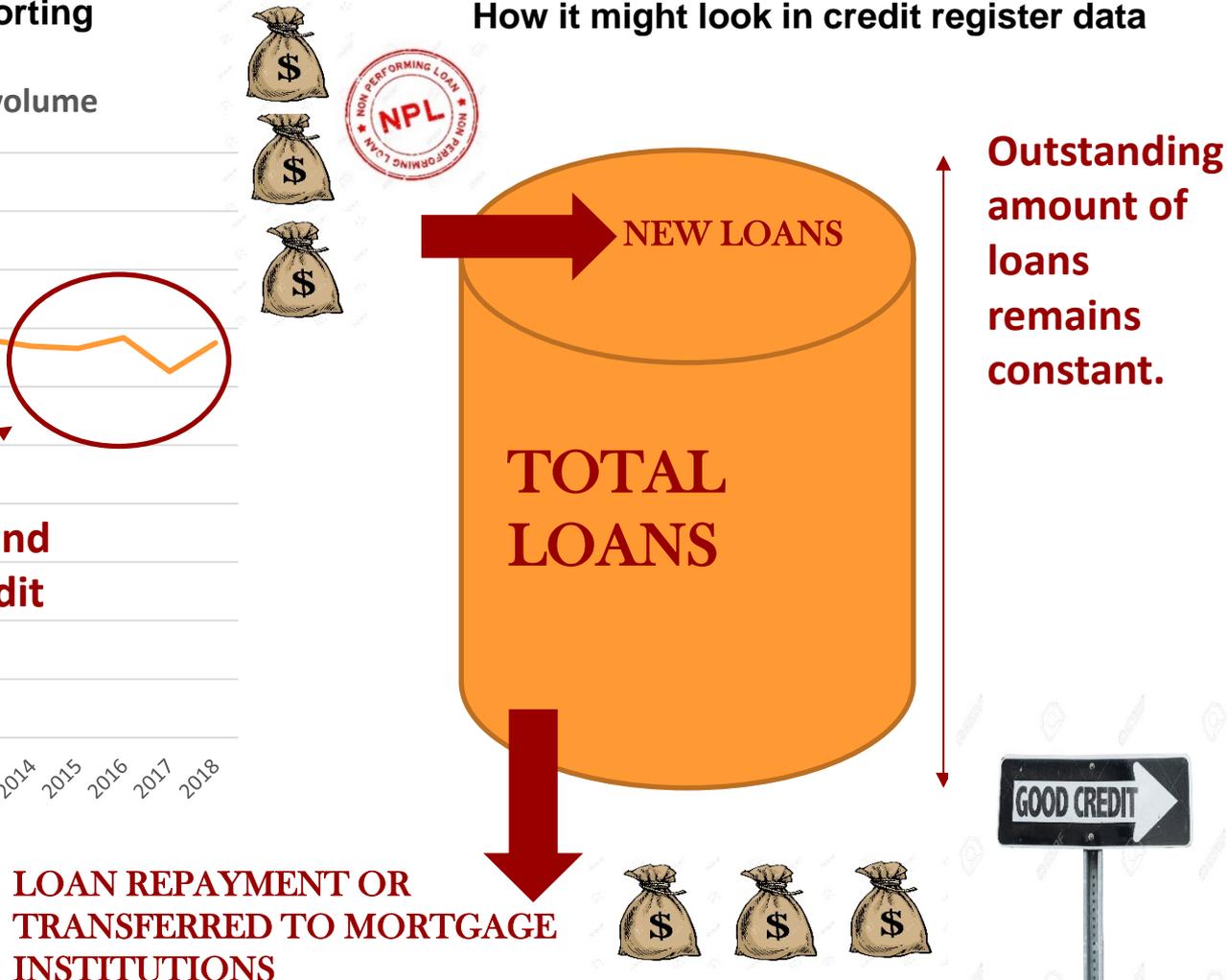**AGENCY**

Banks' exposures and credit quality can be analyzed with credit register data

Danmarks Nationalbank have access to balance sheet data

Credit register data gives new possibilities in terms of analyzing riskiness of exposures. 3

Example 2: Are credit institutions easing lending standards?

How it appears in current reporting

Banks' outstanding loan volume

Billion DKK

(Chart: Banks' outstanding loan volume, 2005–2018, in Billion DKK. Line rises from ~1,350 in 2005 to a peak of ~2,280 in 2008, then declines to around 1,650–1,700 by 2014–2018, with a dip to ~1,570 in 2017. Y-axis: 0 to 2,500 in increments of 250.)

No visible demand pressures in credit aggregates...

Source: Danish FSA
Note: Population of banks varies over time.

How it might look in credit register data

NPL

NEW LOANS

TOTAL LOANS

Outstanding amount of loans remains constant.

LOAN REPAYMENT OR TRANSFERRED TO MORTGAGE INSTITUTIONS

GOOD CREDIT

Reality can be blurred, when looking at the overall picture!   4