

The key role played by AnaCredit in closing real estate data gaps

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Abstract

As a follow-up to the ESRB Recommendation on closing real estate data gaps from 31 October 2016, the ESCB Statistics Committee commissioned the Real Estate Task Force to investigate the extent to which monitoring developments in the (commercial and residential) real estate markets could benefit from enhanced statistics on their funding. One of its main findings was that the AnaCredit dataset, which comprises monthly granular information on loans and collateral for the whole euro area and, in fact, for most EU countries, is now available for reference periods from September 2018 onwards. It will play a key role in addressing existing gaps in the availability and comparability of data on commercial real estate funding. In addition, the Task Force specified definitions of indicators used to assess real estate funding, as well as the extra benefits expected from future extensions of the AnaCredit dataset. With regard to the ESRB, the new indicators will support European and national macroprudential policies, and will assist in enhancing economic and monetary policy analysis and microprudential supervision.

Keywords: commercial and residential real estate, real estate funding, AnaCredit

Introduction

AnaCredit and the ESRB requirements

The last financial crisis highlighted the systemic role played by the real estate sector in the economy and how developments in this sector can destabilise the whole financial system and beyond, involving the whole economy. It demonstrated how strong the connection is between the real estate sector, funding providers and other economic sectors. Hence, in the aftermath of the financial crisis, policymakers and national macroprudential authorities argued that they needed a set of relevant information and indicators to assess their analyses and policies.

Accordingly, on 31 October 2016 the European Systemic Risk Board (ESRB) issued Recommendation ESRB/2016/14 on closing real estate data gaps¹, which identifies a core set of timely and comparable indicators which are relevant for monitoring developments in both residential and commercial real estate (RRE and CRE respectively). The indicators recommended are relevant from a macroprudential perspective.

¹ The ESRB Recommendation is available at https://www.esrb.europa.eu/pub/pdf/recommendations/2016/ESRB_2016_14.en.pdf

The ESRB Recommendation was prepared by taking into account other ongoing European and international initiatives concerning data harmonisation and collection. Consequently, it explicitly refers to the ECB's Analytical Credit Datasets (AnaCredit) project as the most relevant in the context of closing real estate data gaps, since it provides a rich set of granular data on a loan-by-loan basis.

The ECB has been allocated specific tasks concerning the functioning of the ESRB, providing it with statistical, analytical and logistical support. Therefore, the Statistics Committee (STC) of the European System of Central Banks (ESCB) commissioned the Real Estate Task Force (RETF) to investigate the extent to which enhanced statistics on the funding of CRE and RRE could assist in monitoring developments in the markets.²

The RETF concluded that a consistent set of comparable information concerning CRE financing will already be provided by AnaCredit from mid-2019 onwards (with data from September 2018 as the reference period). Furthermore, the Task Force specified that in the longer run regular data collection for monitoring CRE and RRE developments could take place by extending the scope and data attributes of AnaCredit, with a view to ensuring there is a complete, harmonised and comparable set of breakdowns and financial indicators across countries at EU level.

This paper describes the importance of the role played by AnaCredit in closing real estate data gaps. The high granularity of its dataset enables it to overcome the slightly different definitions of RRE and CRE provided by the AnaCredit Regulation and the ESRB Recommendation.

The paper is structured as follows: Section 1 relates to the fact-finding exercises carried out by the RETF on the available information and sources that national authorities can rely on to meet the ESRB requirements; Section 2 covers the data sourcing from short-medium and long-term perspectives; Section 3 concludes with the outlook for the future challenges facing AnaCredit.

SECTION I – Fact-finding exercises on information available in the EU to meet ESRB requirements

To shed more light on the relevant data currently available (or soon to become available) and the definitions and concepts used, in Q2-2017 the RETF conducted a fact-finding exercise on the availability of national and EU data on the financing of real estate. This was followed by a second fact-finding exercise in March 2018, aimed at reaching a better understanding of the set of definitions and concepts in use in different EU Member States.

² The RETF was also mandated to coordinate with the European Commission/European Central Bank Joint Expert Group on commercial property price indicators (JEG) that was focusing on the physical CRE market. The JEG's report has, in the meantime, been finalised and the STC, at the ESRB's request, is supporting short-term data collection in this area.

Additionally, the European Supervisory Authorities (ESAs) were also consulted³, since the ESRB also asks them to publish aggregated data on exposures to each national CRE market in the EU.

The two stocktaking exercises conducted by the RETF were carried out via questionnaires administered to all EU Member States. These covered general information regarding the overall definitions of RRE and CRE used in each country and the availability of data, and contained specific questions on an indicator-by-indicator basis for RRE and CRE respectively. They were filled in by the vast majority of countries.⁴

1.1 Overview of available data

With regard to data availability, respondents were asked to provide information on the availability of data in several relevant areas in the context of the ESRB Recommendation, with a view to determining what data exist at national level, regardless of the precise definitions applied, and using the ESRB definitions as guidance only.

The following information areas were considered: 1) capturing the complete real estate market (by different market participants); 2) assessing the respective dynamics of supply and demand (stocks and flows); 3) monitoring the credit quality of the real estate market and 4) tracking the evolution of lending conditions (on the basis of certain ratios).

The results are summarised in Table 1 below.

³ Granular data on exposures to real estate (based on Solvency II) are available at:
<https://eiopa.europa.eu/Pages/Supervision/Insurance/Data-Point-Model-and-XBRL.aspx>;
<https://eiopa.europa.eu/Pages/Financial-stability-and-crisis-prevention/Insurance-Statistics.aspx>;
<https://eiopa.europa.eu/Pages/Financial-stability-and-crisis-prevention/Insurance-Statistics.aspx>

EU banks' exposures to real estate activities and investments in CRE are available at:
<https://www.eba.europa.eu/documents/10180/2175405/EBA+-+Exposures+to+Real+Estate+activities+and+Construction.pdf>;
<https://www.eba.europa.eu/documents/10180/2175405/EBA+Dashboard+-+Q4+2017.pdf>; <https://www.eba.europa.eu/-/eba-publishes-aggregated-exposures-in-compliance-with-the-esrb-recommendation-on-closing-real-estate-data-gaps>;
<https://www.eba.europa.eu/documents/10180/1028653/ITS+on+Supervisory+reporting.pdf/9212b4e7-37a1-4bbf-8409-2cc450d8513e>; <https://www.eba.europa.eu/-/eba-updated-risk-dashboard-shows-significant-improvements-across-eu-banks-but-elevated-npls-are-still-the-main-challenge-for-their-profitability?doAsGroupId=10180>

The Securitisation of Underlying Exposures for both RRE and CRE is available at:
[https://www.esma.europa.eu/sites/default/files/library/esma33-128-474 final report securitisation disclosure technical standards.pdf](https://www.esma.europa.eu/sites/default/files/library/esma33-128-474%20final%20report%20securitisation%20disclosure%20technical%20standards.pdf)

⁴ For both stocktaking exercises the number of respondents was 23, except for some very general questions about the overall definitions of RRE and CRE used in each country, to which 24 countries replied.

Table 1: Availability of financial system's data on residential and commercial real estate by information areas

Information area	Market participants	Countries for which information on the indicator is available/largely available	
		RRE	CRE
Lending - flows <i>Area: assessing the respective dynamics of financing supply and demand.</i>	Banks	91%	30%
	Insurance companies and pension funds	13%	0%
	Other market participants	9%	4%
Lending - stocks <i>Area: assessing the respective levels of financing supply and demand.</i>	Banks	87%	78%
	Insurance companies and pension funds	26%	22%
	Other market participants	13%	13%
Lending - NPLs and impairments <i>Area: monitoring the credit quality</i>	Banks	82%	61%
	Insurance companies and pension funds	4%	4%
	Other market participants	4%	4%
Lending - lending criteria <i>Area: tracking the evolution of lending conditions</i>	Banks	70%	39%
	Insurance companies and pension funds	4%	4%
	Other market participants	0%	0%

every % was computed on the total number of respondents (23) and refers to a specific category

Notably, while data on banks' RRE lending exposures and flows are generally available, including information on lending criteria and credit quality, banks' CRE data are primarily available for lending stocks, while information on CRE flows or lending criteria remains largely unavailable.

With regard to market participants other than banks, the available information is limited principally to lending stocks, while data in the other information areas are generally scarce. Significantly, lending by other market participants (mainly insurance companies) is concentrated in a few EU countries.

For investments in real estate, which include both direct investments (where investors buy property directly) and indirect investment (where specific vehicles, such as funds or Real Estate Investment Trusts (REITs) are used), data are generally available via sources like COREP (for banks), Solvency II (for insurance companies) and Investment Fund Statistics (for investment funds), although the latter source has significant limitations and these data remain largely unavailable (being mostly direct fund investments while indirect real estate investments are not covered). There is limited availability of flow data. The relevant results of the questionnaire are summarised in Table 2 below.

Table 2: Availability of financial system's data on investments in real estate by information areas

Information area	Market participants	Countries for which information on the indicator is available
Investments - stocks Area: assessing the dynamics of CRE investements	Banks	17%
	Insurance companies and pension funds	35%
	Investment funds	26%
	Other market participants	9%
Investments - flows Areas: assessing the levels of CRE investments	Banks	0%
	Insurance companies and pension funds	13%
	Investment funds	13%
	Other market participants	0%
<i>every % was computed on the total number of respondents (23)</i>		

The countries indicated that, in general, several data sources (such as FINREP, COREP, MFI statistics, Investment Fund Statistics, and Solvency) are used at national level to capture the real estate market. In this regard, they emphasised that the existence of different sources of information may limit comparability for some of the information due to existing methodological differences. Such limitations relate, for example, to compiling data gathered on a consolidated basis versus an individual basis or data resulting from nominal valuation versus accrual valuation. In the same vein, the information available may lack the necessary detail to provide accurate measurements, e.g. flows often tend to be approximated by simple period-on-period differences in stocks.

National authorities (the central bank and/or the supervisory authority) generally reported that they have wide powers to collect information relating to the stability of the financial system, with national mandates typically applying to the market participants (banks, insurance companies, pension funds and investment funds) under their supervision and covering the possibility of gathering periodical as well as ad hoc data.

Furthermore, on the question of whether relevant data can be exchanged between different frameworks, national authorities indicated that relevant data can generally be exchanged between different authorities and reporting frameworks, for instance between supervisory, financial stability and statistical functions, if these data are necessary for the performance of their tasks. However, restrictions sometimes apply (e.g. strict confidentiality constraints or data being shared on an aggregate basis).

Concerning the repartition between banks and non-banks of total lending volumes, about 94.5% of the financial system's exposure to real estate is held by banks. The remaining 5.5% of the exposure is held by insurance companies and pension funds (2%) and other market participants (3.5%). However, there are significant differences across countries. Overall, 26% of the reported exposure is in the CRE segment while 74% is in the RRE segment.

The results of the questionnaire also indicate that lending by non-banks, which mainly concerns lending to RRE, is only relevant in a few countries, in particular the Netherlands where non-banks have a significant share of the real estate market.

With regard to investment volumes, nearly 95% of this amount is concentrated in just five Member States (DE, NL, SE, BE and DK), with almost half in DE alone.

These results are summarised in Table 3.

Lending stocks	Real estate		
	CRE	RRE	Grand total
Banks	25.6%	68.8%	94.5%
Insurance companies and pension funds	0.4%	1.7%	2.0%
Other market participants	0.1%	3.4%	3.5%
Grand total	26.1%	73.9%	100.0%

When replying to the questionnaire, respondents provided figures for the majority of EU countries. However, these data should be interpreted with caution as 1) they may correspond to a proportion of the market (which varies from country to country); 2) the definitions of CRE/RRE differ across countries; 3) in certain cases the figures relate to different reference dates and 4) the figures are generally compiled using different methodologies.

1.2 CRE and RRE definitions used across the financial system and their alignment with the ESRB definition

In order to monitor the financial system's exposure to the real estate market, Member States often use a number of data sources and rely on varying definitions of CRE and RRE, with this multiplicity of definitions generally being rooted in European legislation. While the definitions used across different market segments within the same country match in only a few cases, in some countries the definition may vary even within the same segment. Given the multiplicity of sources, data are generally available with a varying level of detail per source.

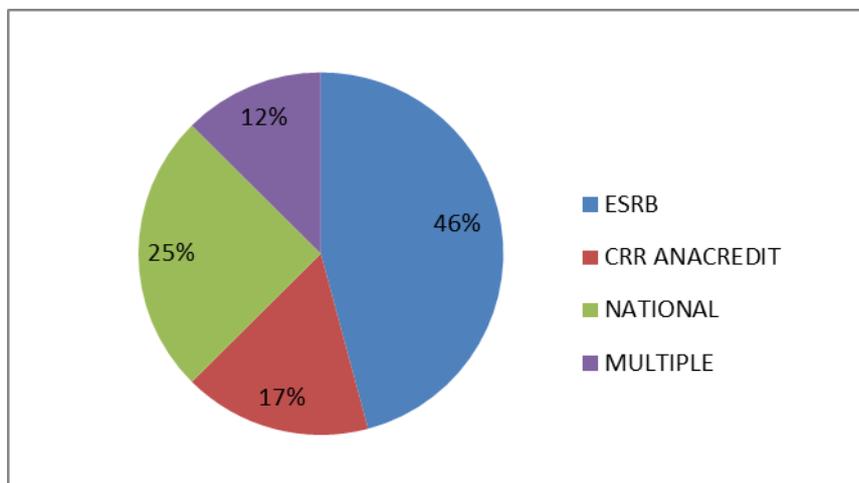
Countries were asked to provide their assessment of whether the definitions in use are in alignment with the ESRB definitions. Several countries indicated that their national definitions are in broad alignment with the ESRB's definitions, although they also consider that not all breakdowns and details may be derived from the ESRB Recommendation. In particular, there were differences between the national and the ESRB definitions in relation to how commercial real estate loans are distinguished from residential real estate loans. In the ESRB Recommendation the income generation capability of the real estate underpins this distinction, while national definitions often consider the purpose of the real estate (usually divided into real estate for living purposes and real estate for purposes other than living), also in combination with other aspects (e.g. the debtor's legal form). Other rules may also be followed, e.g. CRE and RRE loans being defined by lending purpose and not by the nature of the real estate serving as collateral. Thus far, there is no harmonised European

legislation and national sources are not fully compatible. Further work on the definitions is therefore needed and implementation guidance will help to ensure harmonisation of the indicators and foster convergence towards target definitions.

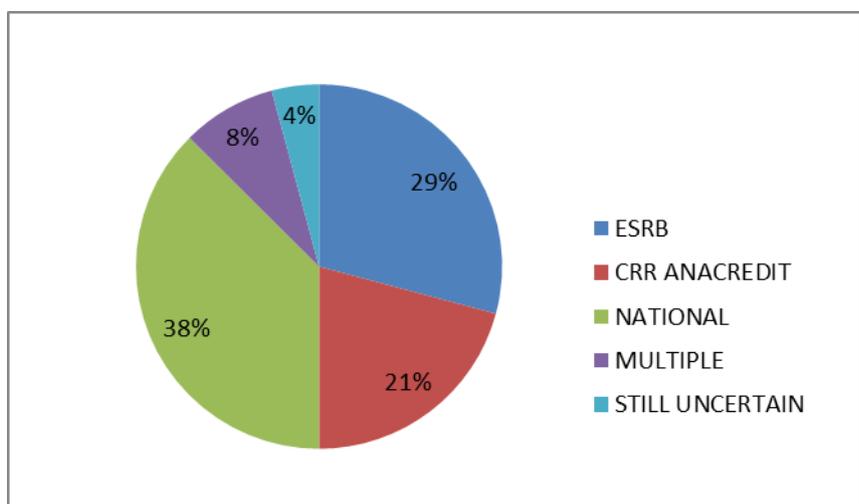
Countries were also asked about their plans to harmonise the definitions within and across the different market segments. As a result, it appears that ongoing and forthcoming approaches in this regard largely depend on (i) the extent to which aligned definitions are in use, (ii) the relevance of the different market segments, (iii) ongoing work on reformulating national credit registers and (iv) the legal possibility of interfering with definitions stipulated by other reporting frameworks.

More precisely, with regard to the RRE definition, nearly half of the countries replied that they intended to adopt the ESRB definition and a quarter replied that they would use a national definition for the CRE segment. The AnaCredit definition would apply more for CRE than for RRE. The overall results are shown in the charts below.

Definition followed for RRE



Definition followed for CRE



The replies provided to the second fact-finding exercise focused on information on an indicator-by-indicator basis (e.g. an indicator's availability, the availability of breakdowns for an indicator, an indicator's data source and an indicator's data granularity). The replies showed deficiencies both in data availability and in the mandate of some national authorities to collect specific data, especially for the income-based indicators on RRE and the investment exposures to CRE. As a result, the production of such indicators would trigger new data collections in many countries.

This second stocktaking exercise helped to highlight practices in respect of operational definitions abiding with the ESRB Recommendation for the collection of data and the compilation of each indicator. The RETF was of the view that such common and agreed guidance notes would foster convergence on concepts and definitions, enhancing the cross-country comparability of the indicators. They would also help greatly from a longer-term perspective by reducing wasted effort and any costs associated with the potential transition to fully harmonised data sourcing in the future. As mentioned earlier, in some countries the definition varied even within the same segment, thus hindering the regular collection and distribution at EU level of comparable country data for the indicators. This comparable data would be beneficial to financial stability and macroprudential policy-making.

By digging further into the different national definitions for CRE and RRE, the technical guidance provided by the RETF also seeks to support the analysis of economic phenomena on a cross-country basis.⁵

SECTION 2 – Available data types to source the ESRB indicators

The indicators provided by the Recommendation aim to capture both the stocks and flows of lending and investment for the financing and the physical real estate segments. Financing relates to credit and associated exposures and risks, while physical real estate is concerned with volumes and prices.⁶

2.1 Data collected under AnaCredit

The AnaCredit Dataset

AnaCredit was set up by the ECB in response to policy needs expressed by central bank policymakers in the aftermath of the financial crisis. Indeed, the collapse of Lehman Brothers in September 2008 (which triggered the global financial crisis, followed by the great “euro area sovereign debt crisis” recession) revealed there was an urgent need for statistics that were both more granular and also interconnected and flexible, since the collapse of the financial markets had been basically the result of uncertainty and mistrust due to insufficient

⁵ This technical guidance is composed of an Explanatory Note on how to compile cross-country comparable indicators and a list of Questions & Answers.

⁶ The RETF was also mandated to coordinate with the European Commission/European Central Bank Joint Expert Group on commercial property price indicators (JEG). The JEG had been tasked with focusing on the physical commercial real estate market, and its mandate was to explore the feasibility of establishing a data collection for real estate prices and associated indicators.

knowledge of the counterparties. The AnaCredit dataset was conceived with the aim of providing a set of high-quality, granular and timely data on credit and credit exposure.

AnaCredit was developed as a multi-purpose dataset – it is organised in several tables based on three distinctive elements: instruments, counterparties and protection. Under the AnaCredit Regulation, only credits extended to legal entities fall under the scope of the data collection. Information on loans granted to natural persons is not required by AnaCredit, even if such persons are involved in multi-debtor credits. The information collected on the debtors and their respective credits consists of 88 different attributes based on harmonised definitions and concepts. While only euro area banks are obliged to report under the AnaCredit Regulation, a large number of non-euro area EU national central banks are currently preparing for their banks to report according to the AnaCredit requirements.

Reporting agents are required to provide details of each individual credit transaction for all borrowers. This kind of loan-by-loan data collection facilitates the individual identification of the lender, the borrower and their respective loans and makes it possible to estimate the severity of losses in the event of default. Moreover, measuring indicators at individual level allows the distribution of indicators across the whole population to be obtained, making it possible to adapt them when conditions change over time.

In summary, AnaCredit makes it possible to identify, to aggregate and, especially, to compare credit exposures across the countries of the Eurozone and, to some extent, the EU, thanks to the shared database containing loan-by-loan harmonised information on credit exposures.⁷

Availability of the ESRB indicators based on AnaCredit

While the AnaCredit database makes it possible to compile fully comparable and valuable indicators concerning the CRE sector, as already highlighted in the Recommendation, not all the information required by the ESRB can rely on AnaCredit, for the following reasons:

- AnaCredit focuses on euro area EU Member States;⁸
- loans to natural persons (and in some countries, also loans to sole proprietors if they are natural persons under the applicable national legal framework) are outside the scope of AnaCredit;
- loans by financing providers other than credit institutions are not covered (unless they are serviced by reporting credit institutions);
- investments in real estate are outside the scope of AnaCredit;
- up to 2% of exposures at national level (small banks) might be excluded through derogations;
- the definitions of CRE used differ across the two frameworks.⁹

⁷ Further information is available at https://www.ecb.europa.eu/stats/money_credit_banking/anacredit/html/index.en.html

⁸ Note that the ECB is currently finalising the legal framework enabling non-euro area EU national central banks to become Reporting Member States under AnaCredit.

⁹ AnaCredit defines CRE as any property that is not RRE, where RRE is defined in Article 4(1)(75) of Regulation (EU) 575/2013 (“the CRR”) and means a residence which is occupied by the owner or the lessee of the residence, including through the right to inhabit an apartment in housing cooperatives located in Sweden.

In particular, when coupled with details of (i) the purpose of financing (the data attribute “Purpose”), (ii) the type of protection (the data attribute “Type of protection”), (iii) the identification of specialised lending which captures income-producing real estate (the data attribute “Project finance loan”) and (iv) the institutional sector of the debtor (the data attribute “Institutional sector”), or even with the possibility of identifying individual debtors (the data attributes “Counterparty name” and “Counterparty address”), the AnaCredit definitions of CRE and RRE can be further enhanced. This reduces, or even eliminates in some breakdowns, the gap between these and the corresponding ESRB definitions.

Therefore, given that lending to the CRE segment can be easily distinguished amongst the AnaCredit data¹⁰, several indicators and breakdowns that are relevant for this segment can be inferred from the data too. More specifically, the indicators defined in the ESRB Recommendation can be broken down into a set of variables needed for their calculation. In this regard, there are many connections between the ESRB indicators and breakdowns and AnaCredit data attributes, such as *current lending* to be captured on the basis of the “outstanding nominal amount”, *total debt of the borrower* to be calculated considering all outstanding financial loans to the debtor, whether or not it is secured by real estate, or *non-performing loans* corresponding to the “performing status of the instrument”, to give just a few examples.¹¹

In addition, AnaCredit makes it possible to produce a number of proxies for some ESRB indicators. A case in point is *loan service at origination*, calculated on the basis of the “interest rate” and “amortisation type” data attributes in combination with the change over time of the “outstanding nominal amount” and “accrued interest” data attributes. *Property type* can also be derived from AnaCredit, to the extent that only commercial and residential real estate are distinguished. The *property location* can be obtained via the “real estate collateral location” data attribute, under the assumption that it does not go beyond the commercial versus residential distinction. Finally, it is possible to calculate *property under development* using the “purpose” data attribute under the assumption that the financed property has not been completed, if a substantial amount of time has already passed since the financing was initially provided.¹²

¹⁰ AnaCredit also distinguishes “offices or other commercial premises” for the purposes of Article 126(1) of the CRR as qualified CRE, although this distinction is of no relevance to the identification of CRE loans as it is based on the relationship between the collateral and the creditworthiness of the debtor.

¹¹ The following ESRB indicators can be mapped with AnaCredit: 1) current lending is captured on the basis of the “outstanding nominal amount”; 2) total debt of the borrower is calculated considering all outstanding financial loans to the debtor, whether or not it is secured by real estate; 3) lending at origination, being the sum of all loans or loan tranches secured by the borrower on the immovable property at the moment of loan origination is derived on the basis of the “commitment amount at inception”; 4) current property value is derived on the basis of the “protection value” and the “type of protection”; 5) property value at origination corresponds to the “original protection value”; 6) maturity at origination is derived from the “settlement date” and the “legal final maturity date”; 7) non-performing loans correspond to the “performing status of the instrument”; 8) loan-loss provisions are obtained using the “accumulated impairment amount”; 9) loans in foreign currency are identified on the basis of the “currency” relating to the instrument; 10) fully amortising/partially amortising/non-amortising lending is identified on the basis of the “amortisation type” and “end date of interest-only period”; 11) initial interest rate fixation period corresponds to the “initial interest rate fixation period”; 12) renegotiation corresponds to the “status of forbearance and renegotiation”; 13) lender type corresponds to the “economic activity” relating to the creditor; 14) lender nationality is derived on the basis of the “address: country” relating to the creditor.

¹² Further AnaCredit attributes are mapped for the calculation of ESRB indicators in Section 3 of the paper by Orestes Collazo Brananova and Gibran Watfe: “Use of AnaCredit granular data for macroprudential analysis” (available at <https://econpapers.repec.org/bookchap/bisbisifc/46-32.htm>)

Moreover, although the physical market segment is outside the scope of AnaCredit, looking at the “protection value” information reported over time enables the CRE price index to be estimated.

The ESRB also refers to the distribution of some indicators on a fixed set of categories. The AnaCredit dataset allows the calculation of both the univariate and the joint distribution of indicators. The former can be estimated through AnaCredit based on the univariate distribution of any indicator calculated across the whole population (or even across a specific subset of the population). The latter combines as many indicators or variables considered relevant for the analysis as needed, without pre-specifying any of these.

AnaCredit also allows lending stocks and flows to be computed. For any breakdown available in AnaCredit, lending stocks are directly captured in AnaCredit on the basis of outstanding lending amounts while ESRB flows are derived from stocks in combination with the “status of forbearance and renegotiation” data attribute which captures new production.

To stress the value of the granular data in analysing specific financial phenomena it is worth underlining that, with AnaCredit, it is possible to compute more than the three indicator metrics indicated in the ESRB Recommendation, i.e. the number of contracts, the amount in national currency and the average amount.

In summary, even though AnaCredit does not cover the full financing market segment, the RETF concluded that AnaCredit plays a key role in the short to medium term in addressing the existing data gaps in real estate, as described in the ESRB Recommendation.

In a second stage identified by the RETF, which would be longer term, the indicators would be sourced following an extension (or extensions) of AnaCredit, which would broaden its coverage and requirements to include (i) other finance providers. However, while in this case any operational steps concerning an extension of AnaCredit to improve CRE coverage would be fairly contained, notwithstanding the fact that extending the population of reporting agents would pose challenges, (ii) an extension of AnaCredit to cover housing loans would warrant more time and caution, not least due to personal data protection concerns.

In this way, in the longer term AnaCredit would gradually become the main source of relevant data, which would be complemented by indicators sourced at national level by 2020 and afterwards, as well as by data sourced at EU level by the ESAs.

Consequently, a stepwise approach in the medium to long term would need to be followed before a fully harmonised dataset on the funding of real estate could be made available at EU level.

2.2 Data collected at national level

As previously discussed, other indicators identified in the Recommendation that are relevant for financial stability purposes and are not covered by AnaCredit (such as investments in real estate) have to be sourced at national level.

The Recommendation requests that national macroprudential authorities compile comparable indicators across countries by end-2020.

As a result, several Member States have already decided to improve data availability and have established new data sources, following the logic of the harmonised AnaCredit dataset.

These actions are also aimed at introducing harmonised definitions to increase data comparability at EU level, since most of the indicators already available at national level are based on different definitions and on various data sources.

As mentioned earlier, financial stability and macroprudential policymaking would benefit from the regular collection and distribution at EU level of comparable country data for the indicators required by the ESRB.

Technical guidance was set out by the RETF in an Explanatory Note on how to compile cross-country comparable indicators, together with a list of Questions & Answers. By digging further into the different national definitions for CRE and for RRE, this technical guidance also seeks to support the analysis of economic phenomena on a cross-country basis.

2.3 The Explanatory Note: a practical guide to the compilation of the ESRB indicators

The RETF's Explanatory Note is designed to provide support and advice to reporting agents, statistical compilers and banks when interpreting and operationalising the indicators set out in the Recommendation.

The Explanatory Note shows the preferred approach(es) across countries which has/have been agreed between international and national authorities on the basis of the most common approaches and practices and the availability of data. It adds further details to the information contained in the ESRB Recommendation. Furthermore, while the ESRB Recommendation leaves certain aspects to national discretion, the Explanatory Note aims to give advice and support to reporting agents and statistical compilers that reflect best statistical practice and the outcome of discussions among experts in the ESCB. This is expected to produce better consistency between the indicators and enhanced certainty for users analysing the figures. Data from different countries can be compared more effectively if definitions, concepts, valuations and other accounting practices are sufficiently consistent.

The Explanatory Note includes suggestions, advice and various supplementary explanations that support the implementation of the requirements, in conformity with the ESRB Recommendation, and that improve the comparability of the statistics in order to facilitate the compilation of cross-country comparable indicators on the funding of real estate. Explanations and recommendations may assist the production of comparable data in the short term and may facilitate the progressive convergence of data processes and contents in the medium term. Data producers may benefit from having more indications on concepts and data characteristics. The Explanatory Note seeks to explain technical issues in a way that an interested but non-specialist reader can understand, while also satisfying specialist needs. Data users, in national authorities and elsewhere, may benefit from knowing more about the conceptual basis of the data they use and analyse, and what has been done to the raw information.

It is envisaged there will be exceptions and deviations in order to take local needs, country-specific practices and data availability into account. The Explanatory Note could be a starting point of reference leading towards major convergence in the longer term, and could be extended by common agreement in terms of both content and scope, as the implementation process moves forward and new and more detailed guidance becomes available. The

Explanatory Note therefore aims to be a supportive tool rather than a legal act, and does not envisage the application of sanctions. The enforcement and application procedure continues to be entrusted to the ESRB Recommendation, to the “act or explain” mechanism set out in the Recommendation instrument, and to the bilateral relationships between the ESRB and the national authorities.

The Explanatory Note often uses three kinds of definition (A, B and C) when describing each specific item.

A-definitions represent the best choice and are encouraged, in order to ensure cross-country comparability.

B-definitions are proxies. They are not encouraged although they are, however, acceptable whenever A-definitions are not feasible, at least in the short-term, or if they capture local market needs and data availability. B-definitions may be viewed as provisional choices, to be superseded in the long run by A-definitions. Where national authorities use the B-definition, they have to explain the approach followed and the reasons behind it, in accordance with the “act or explain” mechanism set out in the Recommendation. Likewise, the Explanatory Note does not provide any deadline for national authorities applying B-definitions to adjust to A-definitions as this is part of the “act or explain” mechanism.

When useful, the Explanatory Note also indicates C-definitions, which are practices to be avoided.

Conclusions

The key role played by AnaCredit in sourcing ESRB indicators now and in the future

As previously stated, the RETF was established by the STC with the mandate of identifying ways of collecting comparable country data to compute the ESRB indicators relating only to the financing of the real estate segment.

In order to meet this objective, the RETF identified two stages for data collection: the first covers the short to medium term, highlighting the data sources already available; the second takes a long-term perspective, proposing a way forward beyond the current stage of AnaCredit.

With regard to the short to medium term, a substantial set of comparable information on financing to CRE will be well covered in the foreseeable future (from mid-2019) thanks to the AnaCredit granular data, even though the CRE definition differs between AnaCredit and the Recommendation and the breakdowns and indicators are not all covered. Indeed, the AnaCredit granular dataset provides an overall picture of the credit and credit risk, without covering the physical market and the investments related to the financing market. Therefore, all those indicators not covered by AnaCredit but relevant in the context of the ESRB Recommendation (such as the financing of RRE and investments) should be sourced at national level, at least in the short term, using harmonised definitions.

On the other hand, the second stage is long term and identifies AnaCredit as the main source. This goal could be achieved only by broadening AnaCredit's scope and requirements to include real estate loans granted to natural persons to cover the RRE financing segment (with a time horizon of 2025 and beyond), together with all other lenders (with a time horizon of 2023-25), especially for all countries where lenders other than credit institutions represent a sizeable share of CRE financing. With regard to investment exposures, it should be stressed that AnaCredit will never provide such data, not even in the long term.

Concerning the indicators to be collected at national level, the ESCB Statistics Committee has supported (and will continue to support) the national macroprudential authorities in order to achieve more convergence over time, bearing in mind the fact that AnaCredit might replace the underlying dataset in the long term.

In accordance with the Recommendation, from end-2020 onwards the ESRB indicators should be sourced based on AnaCredit (where applicable) or from national data sources (where AnaCredit is not applicable). The compilation of the indicators will be based on the guidance developed by the RETF – this will be published in the course of 2019 by the ESRB via an Explanatory Note.