

I am grateful, and honored, for the opportunity to participate to this panel.

As the presentations offered by the two previous speakers have extensively and excellently covered the topic of the informational requirements for macro-prudential oversight in the EU framework and the role of national central banks, I will propose just a couple of complementary remarks to shed some light on the most challenging issues:

- In his intervention, Vice-President Constancio highlighted the specific ability of central banks to develop macro-prudential analysis and oversight, thanks to the range of their analytical and statistical skills.

I would like to point out the fact that, beyond these competences, central banks can also bring to the ESRB a unique set of expertise due to the variety of their functions and their involvement in a vast range of operational tasks:

- they actively trade foreign exchange and financial products for their customers or for their own foreign exchange reserve management and investment portfolio operations. In that activity, they rely on a wide network of contacts with market participants;

- over the last decades, they have developed considerable expertise regarding the analysis of financial assets, in particular those they accept as collateral for their monetary policy operations. In that regard, it is worth reminding that this collateral is highly diversified in the case of the Eurosystem operational framework;
- they oversee critical financial infrastructures, large value payment systems and securities settlement systems;
- in some countries, at least, they also play a role in micro-prudential surveillance...

By carrying out these different functions, the central banks are indeed in a unique position to monitor market developments and financial innovations, and to detect in due time early signs of systemic risk.

[To be more specific, let me take the example of one market segment which suddenly became totally illiquid when the financial crisis burst in 2007, the Asset Backed Securities market. The illiquidity of this market was already well known by the Eurosystem. These assets being accepted as collateral for its monetary policy operations, the Eurosystem had had to develop a specific tool for the fair valuation of these assets for which no reliable market prices were available.]

– My second remark refers to the efforts that are still needed in the field of statistics with a view to conducting comprehensive, accurate and

well-founded macro-prudential assessments. Three directions have been mentioned by Vice-President Constancio: first, harmonizing, second, increasing the frequency and third, extending the coverage to the whole EU of statistics for the banking sector and other financial sectors. There is no doubt that, among the three objectives, the coverage of the whole EU should be given the highest priority: this coverage is an obvious precondition to conduct financial stability analysis properly.

Regarding harmonization and frequency, these features should be at the core of the close cooperation to be developed between the 3 ESAs and the ESRB. This coordinated approach should aim at avoiding duplication of data collection as mentioned by previous speakers. It should be a two-way interaction between the macro-prudential authorities and the micro-prudential authorities. Dr Tertak has largely developed this point, in particular the access to individual data on a reasoned request. I will not enlarge on this issue but it can be mentioned that CEBS is preparing for the end of 2010 a new version of COREP which will bring significant progress in terms of harmonization across the EU.

– I'll come now to my third point. There is a consensus among the speakers to acknowledge that, whatever the progress achievable in the field of statistics, it will be impossible to ever close the gap between supply and demand for information, since financial innovation will always create new needs in this respect.

Let me offer some remarks on that point:

- the impossibility for statistics to cover ex ante all the potential data requirements with the appropriate granularity and timeliness reinforces the need to mix statistics and data derived from other sources such as market based information. As I mentioned previously, the expertise of the central banks and their continuous dialogue with market participants allow them to develop the “flexibility” or the “agility” needed to produce accurate and timely financial risk assessments;
- among the critical areas where improvements are needed, the effective coverage of non-regulated financial sectors, the so-called “shadow banking system” has been flagged by the previous speakers. As long as these sectors remain unregulated, and as such not subject to reporting requirements, other channels to assess the development of their business and the risks they may entail for the financial system as a whole might be contemplated. In particular, as a number of new financial products , issued or bought by the vehicles are assessed by rating agencies, a flow of information would deserve to be set up between the rating agencies and the ESCB. As key players in the design of financial innovation, rating agencies could be invited to provide more detailed information regarding new products, such as the volume of issuance, the degree of risk involved,

the type of underlying assets. This would help central banks track financial innovation and better detect any potential vulnerabilities that may arise from this continuing process. It would also allow a better understanding of the transfer of risks between sectors and of the functioning of the financial system as a network.

Nevertheless, should this flow of information become available, it would not replace the need for developing information collected from the financial system players themselves, especially the banks.

Defining precisely the whole set of information necessary to produce a mapping of all the sources of risks stemming from interconnectedness is probably the most challenging issue. Because it should ideally encompass any exposure of any individual financial firm, not only on EU counterparties but also vis-à-vis counterparties worldwide.

Moreover, to be adequately informative, data would probably need to be produced with a high frequency and should cover all financial instruments, including derivatives.

The complexity of the task and the necessity to develop appropriate analytical tools were pointed out by the previous speakers. We can expect that it will take some time to develop an appropriate methodology and an adequate analytical framework. It might be considered to take — at least as a first step — a more qualitative approach, consisting in the enhancement of bilateral contacts with

market participants and any relevant counterpart among the market gatekeepers and observers. This could be one way to try to strike the right balance between “boldness” and “realism”, as recalled Pr Hoogduin when he opened this panel.

Finally, and to conclude, it seems clear that we need to follow a multidimensional approach, using both hard and market data, qualitative information and any relevant anecdotal evidence. In my opinion, such a flexible and pragmatic approach would allow the ESCB to provide in due course the most efficient support to the ESRB in its macro-prudential oversight functions.

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