Fifth ECB Conference on Statistics,
Session 2: Central Banks' Statistical initiatives to meet new challenges

Introductory Remarks by George Provopoulos

Ladies and Gentlemen,

It is a pleasure to welcome you to the second session of the conference. This session will be dealing with the initiatives taken by central banks in light of the turmoil in the financial markets. In particular, the focus will be on *statistical* initiatives taken by central banks. Timely and accurate information is indispensible for sound policy choices, whereas insufficient information and/or inaccurate information undermine the implementation of sound policies. To recall Plato: 'Εμπειρία μεν γαρ ποιεί τον αιώνα ημών πορεύεσθαι κατά τέχνην, απειρία δε κατά τύχην' i.e. "For it is experience that enables our span of life to proceed according to art, whereas lack of experience leaves us at the mercy of chance".[1]

Allow me to briefly mention one of the conclusions of another conference on statistics: the 2009 Eurostat Conference on National Accounts. That conference was held in Brussels last September to review developments in the light of the recent financial crisis. One of the messages of that conference was that gaps in national accounts data were not the cause of the crisis. But did gaps in financial data contribute to the crisis? There is a tendency to answer this question in the following way: that what the crisis did was to reveal certain serious gaps in financial statistics and the need for enhanced international co-operation in closing these gaps. The issue of international co-operation will be considered in the next session. In this session, however, we shall look more closely at the gaps themselves. One specific gap identified by the BIS Committee on the Global Financial System,[2] concerns statistics on credit risk transfer instruments.

Of course, this is not the first time that information gaps have been revealed in the midst of a financial crisis. In the mid 90's, following the crisis in Mexico, the

[1] Plato's Gorgias –448 B. Translation by W. Hamilton and C. Emlyn-Jones (2004), Penguin Books, UK.
[2] See Committee on the Global Financial System (2009), *CGFS Paper No 35 - Credit risk transfer statistics,* BIS, Basle.

international community identified the need to improve the flow of information that would allow a swift reaction to a financial crisis. In response, in 1996 the International Monetary Fund set up the Special Data Dissemination Standard (SDDS), which aimed to mitigate financial crises by enhancing data availability. A question that arises is why the same issues are being discussed fifteen years later. The reason is that the recent crisis differs fundamentally from earlier crises. Earlier crises tended to be country-specific or region-specific; so that SDDS aimed at improving the availability of country data. The current crisis originated in the financial sector. Therefore, the present data gaps concern deficiencies in information related to financial institutions, and, especially interconnections among these institutions intranationally and internationally.

As no two crises are alike, there may be a lag in the production of relevant data. To a certain extent, this situation is inevitable because statistics are costly and resources limited. Nevertheless, we can probably be sure that there have been cases in which crises *have* been averted because information was available, helping to identify any potential problem at an early stage, prompting swift action. Let me add that, we must not create the impression that information gaps are identified only following a financial crisis. Financial stability analysis and macro-prudential surveillance depend on our ability as central bankers to identify, collect and disseminate all the relevant data. Closing gaps is actually part of statisticians' routine work, whereas it can also be the result of changes in institutional arrangements.

A prime example of the latter case is accession to the European Union and the euro area in particular. In his presentation, my colleague Marko Kranjec, Governor of the Bank of Slovenia, will describe the way his Bank, in the run-up to the adoption of the euro, re-organized its data collection function utilizing a multipurpose reporting model that serves all statistical, supervisory and financial stability needs.

After that, Peter Praet, Executive Director of the National Bank of Belgium, who is in charge of Financial Stability and Chairman of the Banking Supervision Committee of the ECB, will explain the way credit risk transfer instruments and, in particular, credit derivatives increase interconnections between banks. He will also discuss the difficulties that interconnectedness across institutions and products create for those

who seek to monitor risk exposures and understand systemic risk and the systemic importance of specific institutions.

Manuel Marfán, the vice-president of the Central Bank of Chile and Chairman of the Irving Fisher Committee of the Bank for International Settlements, will be our discussant for this session and will begin what I expect will be an interesting exchange of views.

(Marco the floor is yours.)