

EU central banks open their credit registers for the cross-border exchange of information on loans to enterprises

From mid-June 2005, the banks and insurance companies subject to reporting requirements in Germany pursuant to section 14 of the Banking Act will also receive information on the indebtedness of their corporate customers stored in other EU credit registers. In future, data on the total amount of loans taken up will be available for each of the participating countries as well as on an aggregated basis. The data will also provide a breakdown into asset items and off-balance-sheet transactions. There will be no cross-border exchange of information on loans to individuals.

In the exchange of information that is now beginning with Belgium, Germany, Italy, Portugal and Spain, a distinction will be made between a regular exchange of data intended for national borrowers (from the point of view of the individual credit register) and an exchange of data on request (ad hoc) for borrowers domiciled in the other countries taking part in the exchange. The credit registers of Austria and France will become parties to the exchange scheme in the second half of this year. In all the participating countries, ad hoc enquiries can be made for the first time three months after the regular exchange of data has started.

In Germany, this means that German borrowers will be included in a regular exchange of information if they are enterprises which have taken up loans not only in Germany but also from banks domiciled in one of the other countries taking part in the exchange and these loans have to be reported to the credit register in those countries. The same approach will be adopted in

the other countries participating in the exchange. In the quarterly notification procedure pursuant to section 14 (2) of the Banking Act, the lending institutions in Germany will in future be notified not only of the aggregate indebtedness to German lenders ascertained by the Bundesbank's Central Credit Register but also of the indebtedness of these borrowers ascertained by the credit registers – pursuant to the national reporting obligations – in the other participating countries. The level of indebtedness of enterprises domiciled in one of the other participating countries and stored in the credit registers will not be exchanged automatically but only if there is a specific need for this on the part of a given lending institution. Ad hoc enquiries, which are to be submitted by the lending institutions to their own national credit register, are designed for this purpose.

The concept of the cross-border exchange of information between the existing credit registers was initiated by the Working Group on Credit Registers (WGCR), a working group of the Banking Supervision Committees (BSC) of the European System of Central Banks. The heads of the seven existing credit registers in the EU, namely those of Austria, Belgium, Germany, France, Italy, Portugal and Spain, are represented in the WGCR. Within the space of no more than two years, the national credit registers involved succeeded in putting in place the necessary organisational and IT-based technical conditions for a reciprocal cross-border exchange of information.

The cross-border exchange of information allows the lending institutions to obtain a better overview of the aggregate indebtedness of their corporate customers. This will considerably improve the risk assessment that banks

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and insurance companies have to conduct in respect of their corporate customers. Moreover, the exchange of information among the EU credit registers will assist the central and banking supervisory authorities in now obtaining more comprehensive information on borrowing at regular intervals. The analyses prepared by the credit registers for the purposes of banking and financial supervision will therefore become more meaningful and, at the same time, make a contribution to maintaining the stability of the financial system.

The basis for the cross-border exchange of information on borrowing is the Memorandum of Understanding (MoU) on cooperation among the EU credit registers signed by the governors of the central banks of Austria, Belgium, France, Germany, Italy, Portugal and Spain in 2003. The MoU can be downloaded from the Bundesbank's website (<http://www.bundesbank.de>) under English / Banking Supervision / Lending Business.

The opening up of the credit registers in the field of loans to enterprises represents a major step on the road to closer international cooperation among the credit registers that currently exist in the European Union. The information exchange does not have to be restricted to the seven countries already taking part. The MoU of the participating central banks therefore provides for the possibility of allowing other countries with comparable credit registers (for example, new EU member states) to participate in the exchange. An initial contact with the newly acceding countries as a result of the eastward enlargement of the EU took place last year.