

Workshop PUMA

Between national and European harmonized reporting: strengthening cooperation between financial intermediaries and the authorities

Speech by Deputy Governor of the Bank of Italy

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I am delighted to welcome the speakers and all the participants in this workshop on ‘Strengthening cooperation between financial intermediaries and the authorities’. Let me first of all thank the organizers for putting together a particularly rich programme, certain to stimulate debate between the leading players in the field of statistical reporting at both national and European level.

1. The history and importance of PUMA

In Italy, the PUMA cooperation project, bringing together banking and financial intermediaries and the Banca d’Italia on a voluntary basis, is almost fifty years old. During this time the exchange of statistical data between reporting entities and authorities has become increasingly efficient and intensive to satisfy growing information requirements for monetary policy and micro- and macroprudential supervision, exploiting the opportunities offered by information technology.

Since its launch in 1974, the project’s basic objective has been to forge a direct link between banks’ accounting systems and reports to the central bank. Yet it was not until after 1989, with the reform of the accounting supervisory reports – the integrated data collection project designed to be used for various policy objectives, whose adoption was actively supported by the then Deputy Director General of the Banca d’Italia, Tommaso Padoa-Schioppa – that Italian banks’ IT management systems took a decisive step towards becoming what they are today.

As Padoa Schioppa said in 1993,¹ identifying PUMA2 solely with the production of reports for the central bank was a rather simplistic notion and did not allow financial intermediaries to grasp the value of the ‘mountain’ of data at their disposal. ‘From the banks’ point of view’, he maintained, ‘PUMA2 is so much more than that. In order to generate these reports, it makes selections from a bank’s archives and builds a large database that remains available to the bank itself; a database with information on assets and liabilities, the customer base and securities portfolio, and on the origin and amount of substandard and bad loans’. The very title of his speech was an invitation to consider the ‘statistical reports transmitted to the Banca d’Italia as the basis for banks’ management’ and not as a mere reporting obligation.

Over the years cooperation on PUMA2 has made it possible to keep pace with the growing complexity and variety of statistical and supervisory reports, guaranteeing high quality data at a reasonable cost for the authorities and for financial intermediaries themselves to use for internal purposes. It has also permitted the successful management of the innovations originating from the gradual harmonization of monetary and financial statistics accompanying the establishment of Economic and Monetary Union and, subsequently, the birth of the Single Supervisory Mechanism and with it the need to adapt the data available to the authorities to the new requirements highlighted by the Great Recession.

¹ T. Padoa-Schioppa, ‘Le segnalazioni statistiche rivolte alla Banca d’Italia come fondamento della gestione delle aziende di credito’, Associazione Italiana per la Pianificazione ed il Controllo di Gestione in Banca e nelle Istituzioni Finanziarie, 1st Convention on ‘L’informazione come risorsa strategica di gestione’, Rome, 12 February 1993.

Evidence of this complex process can be found in the important reporting procedures introduced in recent years. At international level, the Basel Committee has issued new reporting requirements, such as those for liquidity and leverage, which Europe has adopted in separate regulations; the SSM has introduced a quantitative review (Asset Quality Review); the ESCB is about to launch the new reporting requirements for granular credit data (AnaCredit) as well as the extension of reporting requirements on securities held (Securities Holdings Statistics); and in Italy analytical data are now collected on loss given default and banks' bad loans.

All these new steps have been implemented at a tremendous pace, sometimes with overlapping deadlines, and have called for strong commitment and close links between the banking system and the Banca d'Italia. The PUMA project has once again made a vital contribution to successfully completing a large share of these projects in the time allotted.

2. Technological innovation and cooperation between regulators and financial intermediaries

In recent decades cooperation between regulators and supervised entities has yielded concrete results and mutual benefits in terms of information quality and the related production costs.

With the spread of new digital technologies, cooperation among supervisory authorities and financial intermediaries is bound to increase.

There are momentous changes under way.

The use of new digital technologies is transforming the habits of citizens and firms and is generating an enormous volume of data. Unprecedented opportunities are opening up for businesses that utilize the new technology and the data it generates to create innovative products and services.

In the financial sector, big-tech firms are offering new payment solutions; innovative loan market segments are rapidly expanding. The new technological applications in the provision of financial services (Fintech) have the power to drastically change intermediaries' activities.

The availability of often unstructured big data and the advancements being made in IT are feeding into each other.

There are many possible uses of big data, not only for financial intermediaries but also for the central banks, economic analysis purposes and for strengthening the micro- and macroprudential stability tools. We recently held a workshop on these topics where we presented the initial results of our analyses.²

Using these new sources of information poses a new set of challenges, related first and foremost to the robustness, reliability and representativeness of the correlations identified in the data before they can be used for policy purposes.³

There are two other aspects that undoubtedly warrant our full attention.

The unique nature of big data reframes the question of data ownership. In recent months this issue has been brought forcibly to the attention of global public opinion. There is a growing need for adequate means of protecting the integrity and privacy of data. Data usage must uphold this principle, both legally and ethically.

The sheer amount and variety of these data, as well as the loose and oftentimes ephemeral way in which they are collected, sorted and processed, can also make it difficult to preserve them over time: preservation is hampered by changes in physical storage devices, IT platforms and

² [‘Harnessing Big Data & Machine Learning Technology for Central Banks’](#), Rome, 26-27 March 2018.

³ L. Federico Signorini, [Closing Remarks](#) at the workshop ‘Harnessing Big Data & Machine Learning Technologies for Central Banks’, Rome, 27 March 2018.

software. Poor conservation or the loss of data could jeopardize the transparency of decisions and research reproducibility, and more generally the availability in the future of the enormous mass of information humanity now produces. We must prepare ahead of time and develop a new approach to data management.

The availability of new sources of information does not lessen the importance to the authorities of the structured data submitted by financial intermediaries. These data are unrivalled in terms of completeness, the standardization/harmonization of concepts, geographic reach, the coverage of phenomena, granularity, reliability and representativeness.

Structured data will accordingly continue to play a central role for the authorities, both for the supervisory authorities when protecting the stability of individual intermediaries and of the system as a whole, and when it comes to making monetary policy decisions. One important example is the ESCB's analytical data requirements with regard to loans granted by banks. To meet these needs, AnaCredit, a new granular credit database, was created. This will generate a structured dataset, which will be harmonized among countries, with precise rules for classifying phenomena.

As for financial intermediaries the importance of good corporate data governance, particularly for risk management, has been reiterated on many occasions.⁴

Both the number and complexity of reporting obligations are in rapid expansion. Given that technological progress is no slower, these obligations can be met efficiently without excessively weighing on resources – be they those of the supervisory authorities or of the financial industry. The challenge of technology applied to regulations (RegTech) is opening up new opportunities and possibilities for financial intermediaries, regulators and supervisory authorities.

PUMA was a form of RegTech long before the term was invented. It must keep pace with the times, evolving in line with developments in the European institutional framework. Its strong point has always been the fact that the 'translation' of reporting requirements into rules for mining and aggregating corporate data is rooted in direct knowledge of intermediaries' activities and the data they generate, against a backdrop of ongoing collaboration and discussion with the authorities; this guarantees the quality of the data, standard interpretations of the reporting rules by the various reporting entities, and awareness of their importance for corporate governance.

PUMA2 must now evolve to address more effectively the need for increasingly diverse and granular data, the delicate transition from national to European reporting, and the complexity of a regulatory framework of reference in which there are two authorities involved in the production of statistics – the ECB and the EBA – each with their own procedures for developing regulations and techniques for gathering data.

It is in order to prepare ourselves to face these challenges together that the Bank has organized today's encounter. It is up to all of us, financial intermediaries and authorities alike, to bring our ideas and proposals to the table.

3. Conclusions

To reinvigorate, strengthen and renew this cooperation, we must start preparing now.

The Bank of Italy has always and continues to be firmly committed to promoting and urging greater progress on PUMA to enable it to respond fully to today's requirements. But the success of

⁴ See, for example, Basel Committee on Banking Supervision, '[Principles for effective risk data aggregation and risk reporting](#)' (BCBS 239, January 2013); SSM SREP 2017, Compliance with the Basel Committee on Banking Supervision's principles for effective risk data aggregation and risk reporting; SSM SREP 2018, Preparedness for IFRS 9 and other regulatory changes.

this enterprise crucially depends on the contribution of all the parties involved, especially of financial intermediaries, the true producers of the information that every central bank needs.

Today we must join forces to design the roadmap of future cooperation – a vital task given the enormity of the challenges ahead.

At national level, we need to reflect on governance, methods, and objectives, and in particular on the range of products and services to begin work on in order to respond more effectively to participants' needs.

But any such reflection cannot fail to take account of what is happening within the ESCB. Also following the results achieved in Italy, the similar initiative under way in Austria, and the Bank of Italy's efforts, in conjunction with Austria's central bank, to establish them as success stories in the field of cooperation between financial intermediaries and supervisory authorities, a similar project known as the Banks' Integrated Reporting Dictionary (BIRD) was set up by the ECB. At present BIRD involves around 20 banks and 8 different countries and has already made significant progress, helping to implement new and complex harmonized reporting frameworks such as AnaCredit, the SHS and FinREP. Soon BIRD will also strengthen its governance arrangements, to prepare itself to cover a much broader analytical perimeter in future years and essentially meet most, if not all, of the new European requirements.

In this context we need to focus on the reasons why PUMA continues to retain its *raison d'être*. The breadth of the reporting perimeter covered, the analytical detail (generally speaking greater than that of BIRD), the potential interoperability of PUMA/BIRD technical instruments, the prospect of achieving an integrated and harmonized survey framework within the ESCB in the medium term – alongside all of which additional national needs can coexist – are the basis for any reflection on how PUMA should evolve in the future, in tandem with BIRD. Decisions will have to be made and we welcome your contributions and opinions.

We trust that today's discussion will provide important insights into how to materially design the new PUMA, how to best support BIRD, and how to achieve all the potential synergies between the two.

I will conclude by thanking once again the speakers, experts, moderators, and all of today's participants.

It is very positive that this workshop has brought together not only Italian operators (Banca d'Italia, financial intermediaries, industry associations, and services and/or software vendors) but also the ECB and central banks and credit institutions in other European countries, each of whom can offer their own valuable perspective.

I have no doubt that today's debate will prove of great interest and highly productive for all those in attendance.

