

## **Deutsche Bundesbank**

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Frankfurt am Main, 27 June 2002

### **Establishment of the legal basis for Germany's participation in the planned cross-border data exchange among EU credit registers**

The entry into force of the Fourth Financial Market Promotion Act on 1 July 2002 also changes various provisions of the German Banking Act. One of these changes concerns section 14 of the Banking Act, which essentially requires banks and insurance enterprises to report all loans of €1.5 million or more to the Deutsche Bundesbank.

The Deutsche Bundesbank's Central Credit Register maintained in Frankfurt am Main records all loans of €1.5 million or more made during the previous quarter and subsequently issues a notification to the lending institutions of their borrowers' aggregate indebtedness. At the same time, the collection of this data provides the banking supervisory authorities with significant information about the exposure of individual borrowers and single borrower units. The data stored on the Central Credit Register play an important role in the context of analysing the stability of the financial system, for example by rendering transparent any risk concentration on individual borrowers, industries or regions.

The amended section 14 (4) of the Banking Act has now laid the legal basis in Germany to enable the Deutsche Bundesbank's Central Credit Register – after a corresponding agreement has been signed – to make available the data it has stored on the indebtedness of borrowers to similar credit registers in other EU countries for forwarding to lending institutions domiciled in their country. The prerequisite for this, however, is that the foreign credit registers in turn make available similar data which they hold to the Deutsche

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Bundesbank for forwarding to German lending institutions. Corresponding statutory provisions already exist in some other EU countries.

The aim of the envisaged cross-border data exchange among the EU credit registers is to enhance transparency concerning loans taken up by borrowers abroad. At the moment such loans are recorded by the Deutsche Bundesbank's Central Credit Register only if the loans were granted by the branches or subsidiaries of German banks abroad.

The initiative for closer cooperation among the existing national credit registers in the EU (Austria, Belgium, France, Germany, Italy, Portugal and Spain) came from the Banking Supervision Committee (BSC) of the European System of Central Banks. Currently a Memorandum of Understanding is being drawn up and a concept is being developed for the technical and organisational implementation of the cross-border data exchange. The report of the working group set up to deal with this is to be presented to the BSC by the end of this year.