DEUTSCHE BUNDESBANK
EUROSYSTEM

Introduction to RIAD

Example of the German national hub

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Introduction to RIAD

What is RIAD?

- The Register of Institutions and Affiliates Data (RIAD) is the central business register of the European System of Central Banks (ESCB)
- The ECB has established RIAD to collect reference data from individual memberes of the ESCB and National Banking Supervisors (NCAs)
- The original design represents a supportive statistical purpose, allthough the reach has increased into also covering requirements from banking supervision (Single Supervisory Mechanism) as well as other european stakeholders
  - The purpose and range of the system is defined by the RIAD Guideline
- The main aim was to provide a basis for financial statistics is
  - Complete
  - Timely
  - Accurate
  - Homogenously defined

Types of entities

- Due to it original design the entities recorded in RIAD follow the System of National Accounts (SNA) definition of ‘institutional units’, which may represent
  - Legal units (e.g. registered enterprises) or
  - Unincorporated entities (e.g. non-resident branches, sub-funds or special funds)

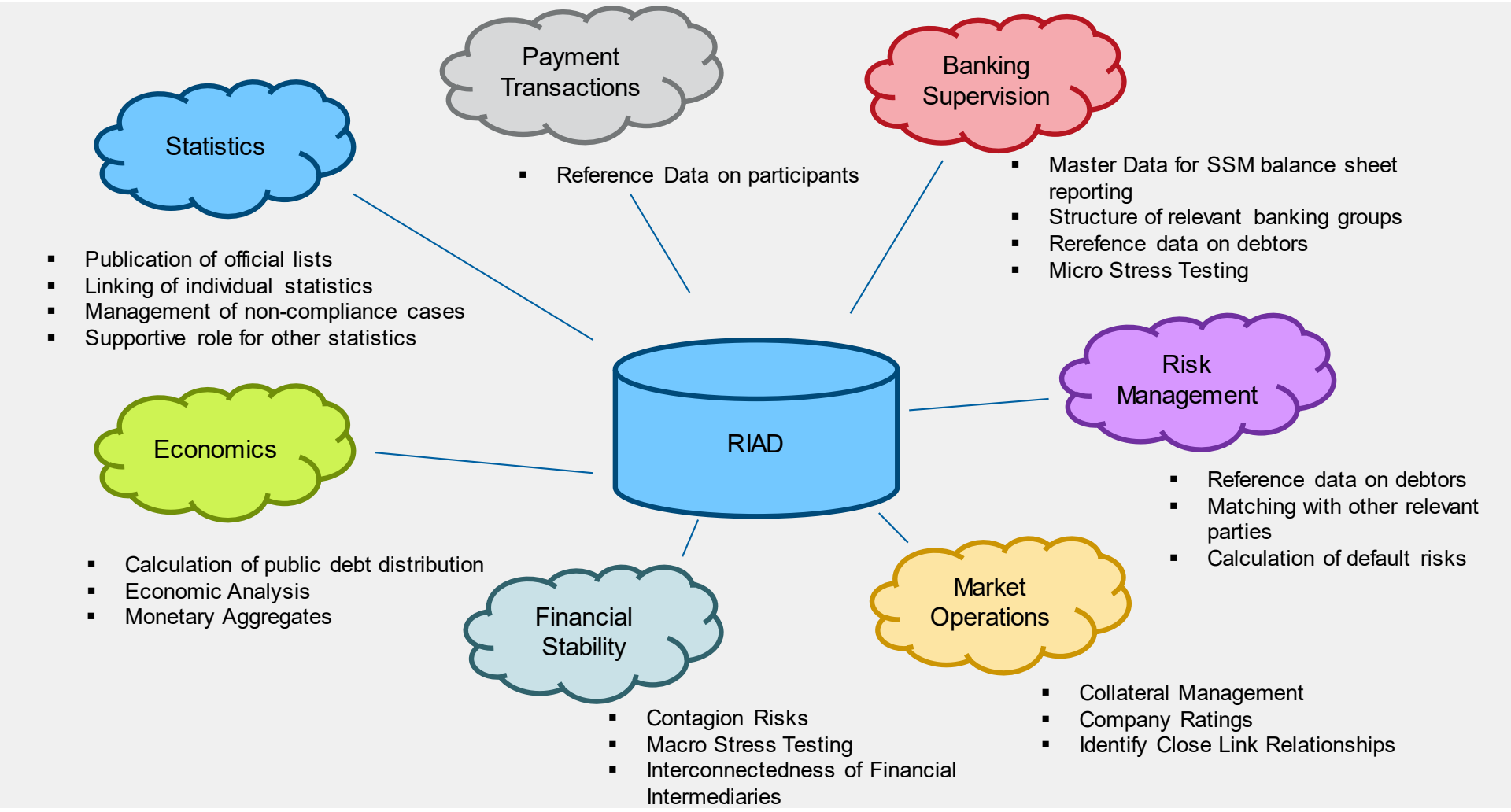
- The original scope was to record data of financial institutions (~ 380.000 in late 2016)
  - The scope was enlarged in 2017/18 with the implementation of AnaCredit and RIAD now holds ~ 15.000.000 records worldwide

- Based on (capital) ‘ownership’ and/or ‘control’ relationships various types of conglomerates (in particular ‘banking groups) can be registered.

Attributes

- RIAD covers ca. 540 attributes at the moment which can be classified in several categories
  - Core (name, geographical data)
  - Classification (economic activity, institutional sector, size)
  - Demographic Development (birth/closure date, corporate actions)
  - Identification (Identifiers, e.g. trade register code or LEI)
  - Relationshops (ownership, control, fund management)
- RIAD is based on a multi-source management
- Full historisation of all data, yet no double historisation
- Elaborate access management (special roles and different levels of confidentiality) for more than 500 institutional users in all ESCB member institutions

Extended Stakeholders and Use Cases



Joint management of a harmonized pool of reference data

Benefits

- Avoid maintaining parallel infrastructures
- Harmonized views on ESCB relevant counterparties
- Fulfillment of requirements out of mostly all DGs within the ESCB

Challenges

- Cross-border cases need much communication between different institutions
- Country-specific challenges (later explained with the example of Germany)
- Inconsistencies or even contradictory views of the same ‚real world' phenomen from different sources

Efforts in harmonizing micro and macro data

- Via the build-up of RIAD and it connecting various statistics on the macro and micro level, the ESCB has started comparing different micro and macro data sets

- The scope of these actions is to achieve a better level of data quality and to reduce the overall reporting
  - ➢ In many occasions it‘s possible to calculate the aggregate data and construct time series data from micro data

Example:

- AnaCredit captures all credits to commercial counterparties from domestic banks and their foreign subsidiaries
- The BSI statistic captures aggregate lending from domestic banks and their foreign subsidiaries to different aggregates of counterparties

➢ BSI lending is a benchmark for AnaCredit total lending of reporting agents

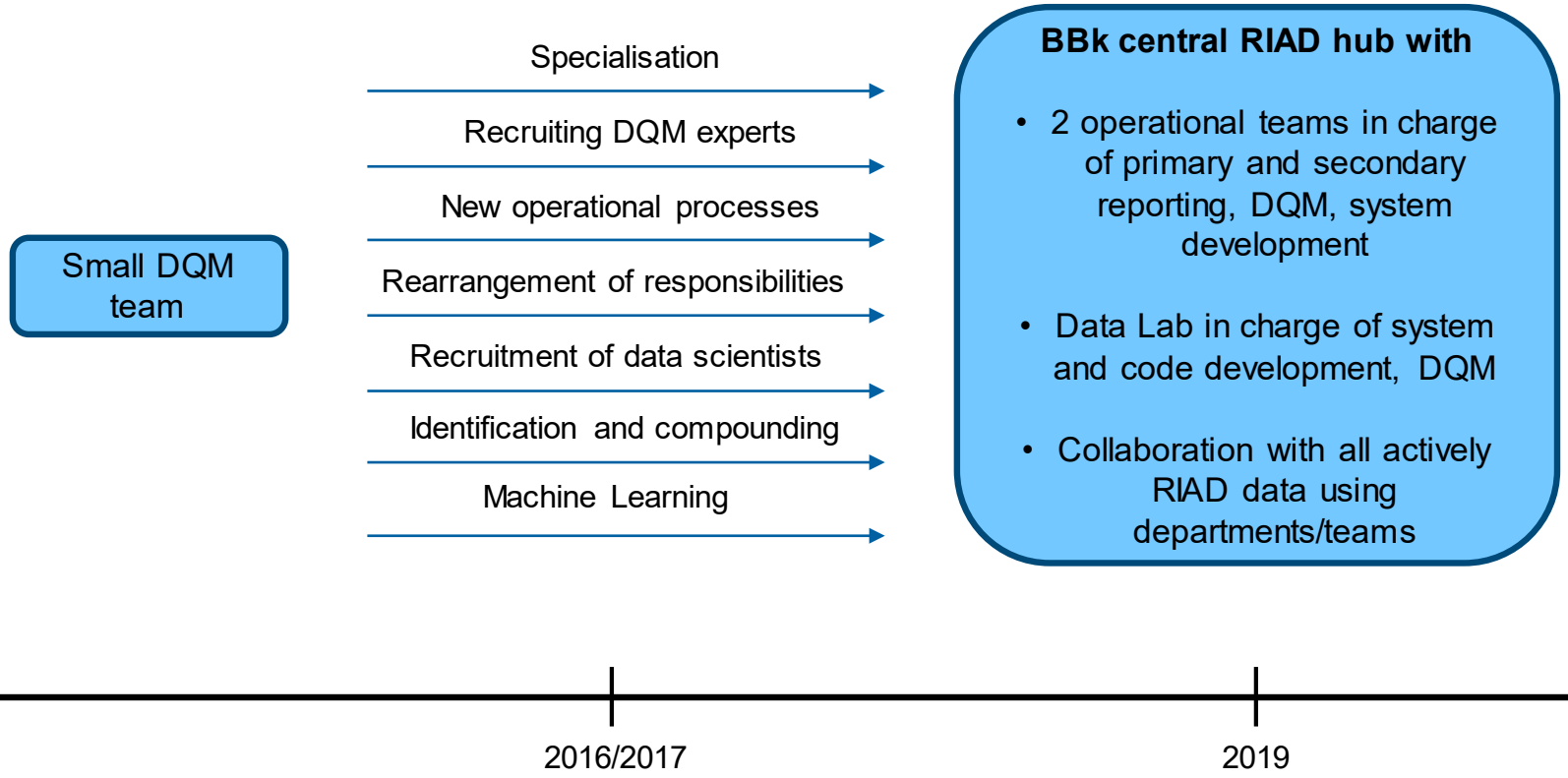
➢ Further harmonization could make the aggregate reporting redundant, thus easing the overall burden for reporting agents

Germany‘s lokal RIAD branch

Current status and way forward

Organisation of Bundesbank RIAD hub
Development of RIAD team and realisation of hub idea until 2019

- Since 2016/2017 reorganisation of Bundesbank RIAD team in light of increasing responsibilities and a new database (AnaCredit triggered)

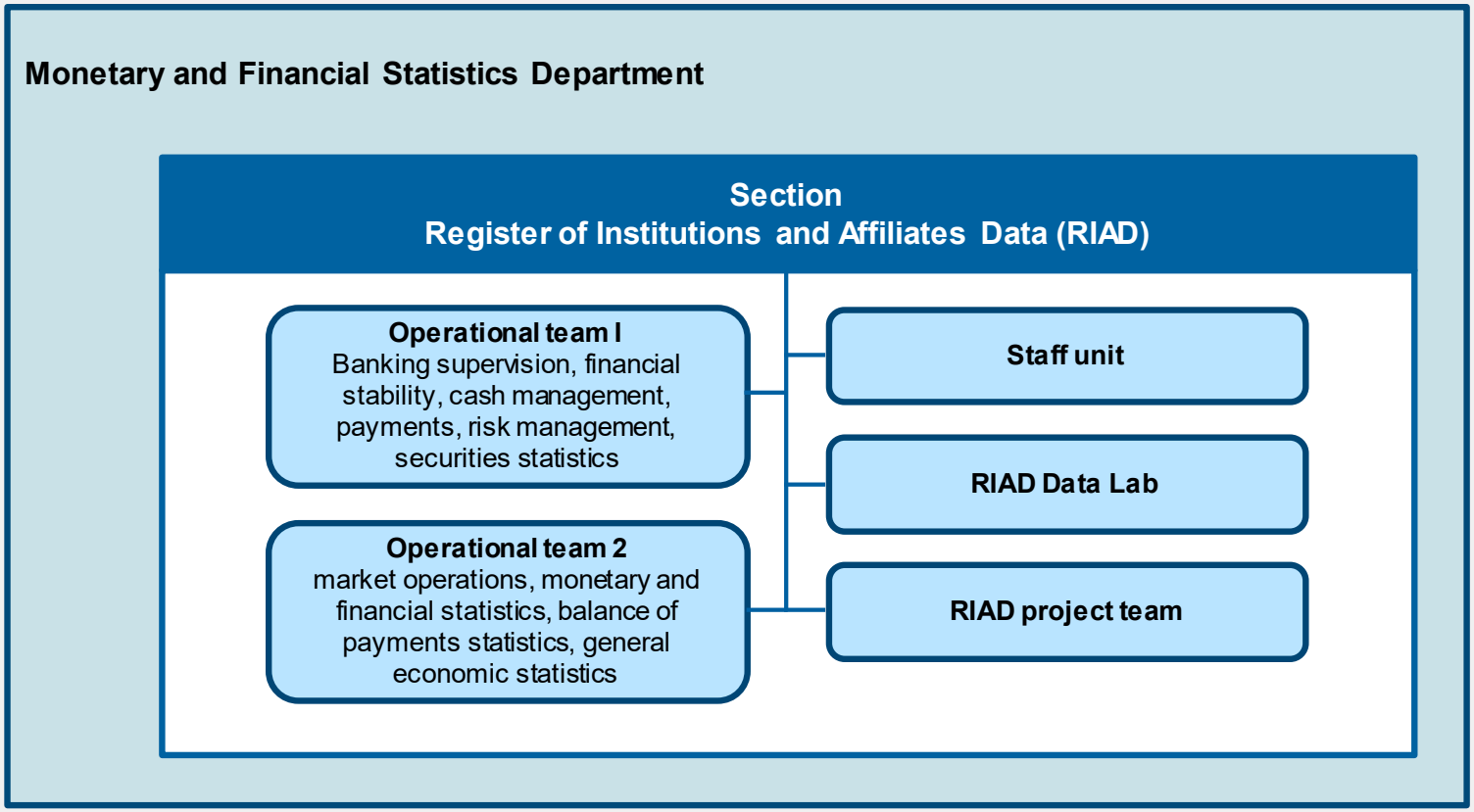


Organisation of Bundesbank RIAD hub

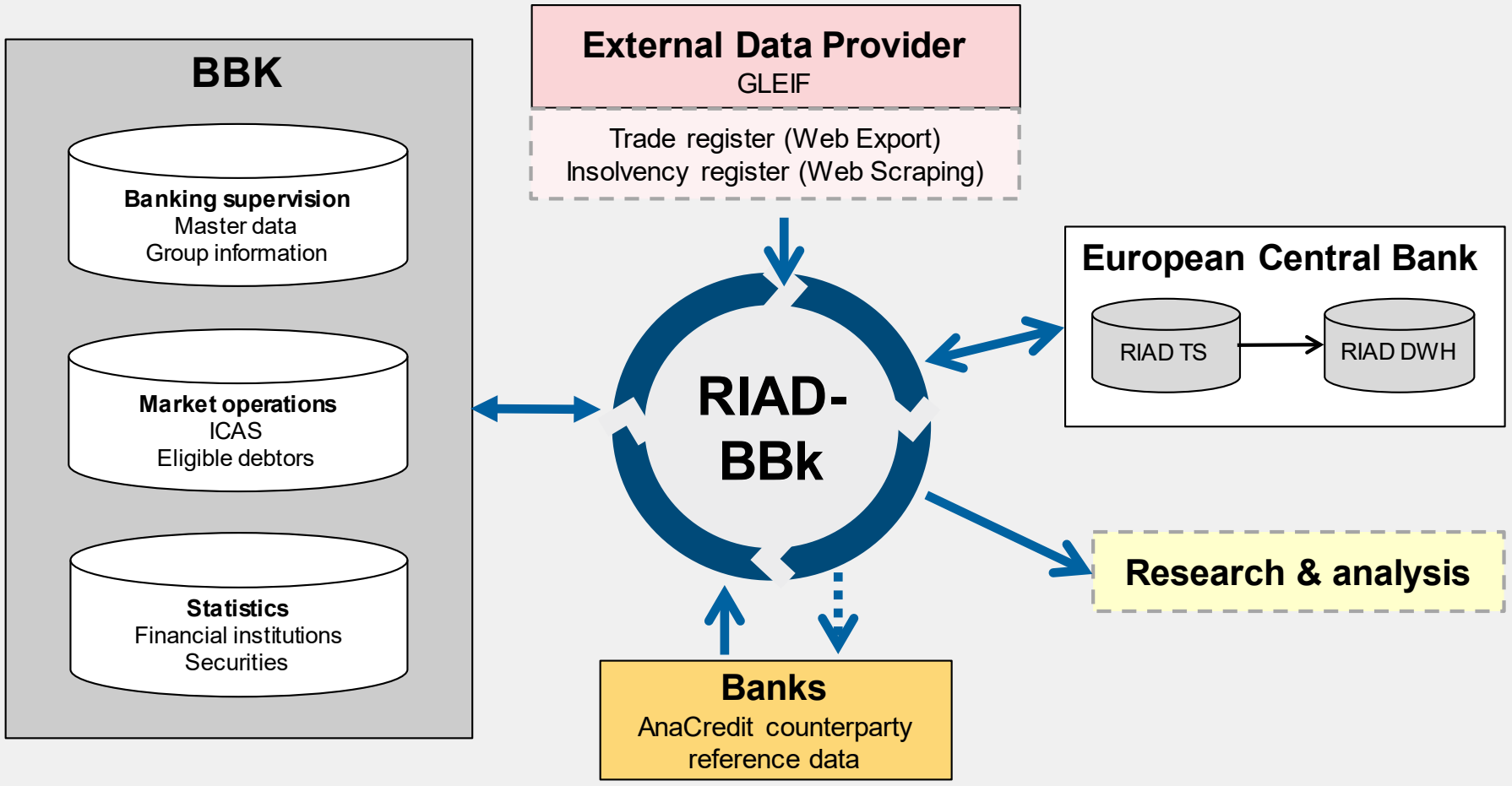
*"The basic question is: is there a single point of contact serving all **national** user needs for master data across the various business areas, or is the local RIAD hub only one of the various areas dealing with master data at national level?"*

- Bundesbank governing council decided that the local RIAD hub (RIAD-BBk) shall be implemented as the central platform concerning all needs for master data at the national level
  - Main reasons were data consistency, coverage and cost reduction issues
- RIAD-BBk will also serve as "one face to the customer" concerning reporting agents (e.g. banks, funds)
- Focus on the principle to "collect data only once" in order to save the commercial sector of unnecessary reporting

Organisation of Bundesbank RIAD hub
Current internal BBK RIAD hub organisation



Organisation of Bundesbank RIAD hub



Projects around RIAD at Bundesbank

- Initial project for new database development (RIAD-BBk = BBk-internal RIAD system) ended 2019
- **Follow-up project** since March 2020 until end 2022 (complete system functionalities, automatisation, data quality)

2020 → 2021 → 2022 → 2023 → 2024

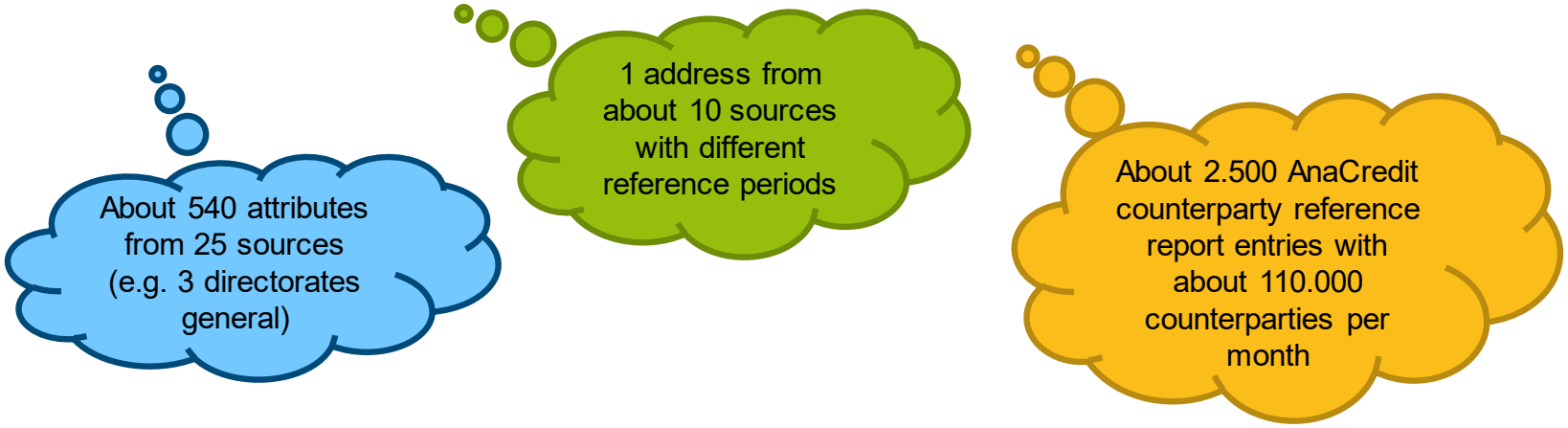
- **Integration project** to evaluate and leverage synergies concerning master data systems in BBk
- Currently in evaluation phase with focus on 3 statistical databases, 2 databases from market operations and 1 from risk management
- Access / interfaces / full integration

- **Project on an integrated supervisory and statistical master data reporting**
- Common submission channel for banks using the AnaCredit counterparty reference data reporting channel
- Joint data processing in RIAD-BBk by supervisors and statisticians
- Multifunctional dataset with a golden copy for statistical purposes and a golden copy for supervisory purposes

BBk RIAD hub

multi-functional core set of attributes
+
golden copy for statistical purposes
+
golden copy for super-visory purposes

National Organisation in Bundesbank



- Compounding in RIAD-BBk: algorithm-based result convincing for all users? DQM!
- Conflicting views across departments: currently no active feedback loop, bilateral communication in case of issues
- General communication channels ((EZB →) BBk → BBk internal users):
  - Functional and organisational information (e.g. recent news)
  - Data backflow (e.g. deletions of natural persons, validations/warnings, results of RIAD-BBk compounding)
  - Provision of overall European RIAD data (dependencies on DISC and corresponding BBk internal project)
- Governance:
  - Reorientation regarding the operation and usage of RIAD-BBk → responsibilities for collaborative working to be clarified

Germany‘s country specific challenges (1/2)

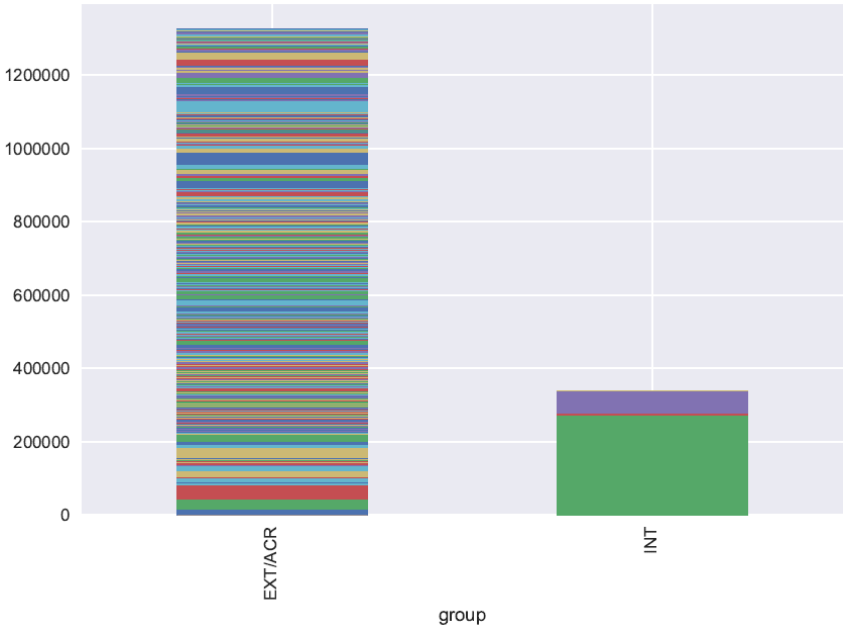
Idenfitication

- There is no central and time consistent identifier with full coverage
  - Specific entities, such as state agencies or Societies under civil law (GbR) have no trade register code and in certain constellations no identifier at all
  - The German Trade Register is organized in a federalistic scheme and there is only few standardization and the IT platform enables no A2A connection

Privacy Policy

- The German General Data Protection Regulation (Datenschutzgrundverordnung), opposed to other countries, does not allow for the collection and publication of public available data (e.g. Impressum with trade register number and tax code)
- Gray area of the classification of data concerning natural persons
  - Depending on their structure, GbRs may or may not be natural persons >> *decision on a case-by-case basis*
  - Registered merchants (e.K.s) are classified as natural persons allthough their information has to be publicly released by the trade register
- Different confidentiality regimes for statistical and analytical data use
  - Use of the statistical business register from DeStatis is prohibited since RIAD fulfills analytical needs

Germany‘s country specific challenges (2/2)



- Due to a high number of reporting agents (~2.500), there are many data quality issues within the reported data
  - ➢ Higher requirements to data compounding algorithms
  - ➢ Use of data-driven classification models
- Due to the missing common identifier, reporting agents are allowed to use a huge variety of identifiers
  - ➢ More complex basis for identification algorithms
  - ➢ Implementation of ML and AI models to classify for matches and new entries

Questions?

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