A Data Room at Banco de Mexico: The Financial System Information Laboratory (LISF)
Session 4. Efforts to strengthen information sharing and dissemination

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BANCO DE MÉXICO

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Introduction

- Since the late 1990's, Banco de Mexico gathers granular information on transactions of banks and other financial intermediaries. As a result, microdata has the biggest share in Banco de Mexico's current information model.

- According to its origin, financial operations can be classified as:

  - Granular data of financial transactions (all trades made by banks and brokerage houses in FX, securities, money market and derivatives), and

  - Granular data on other financial transactions ("traditional banking" –credit, interbank and time deposits- and payment operations -credit and debit card transactions–and cross border operations).

Introduction

- As the costs of such an information model are high to both the Central Bank that collects it and to reporting institutions, it is important to maximize its social benefits:

  - Having granular data of financial transactions offers greater flexibility, compared to the use of aggregate data, in performing analysis on risk assessments of the financial system, regulatory follow-up and research on the behavior of institutions, sectors and markets.

  - During a period of market turmoil, having microdata can allow to assess its causes and implications more promptly, resulting in policies that could reduce its impact. This benefit could outweigh the costs associated with maintaining the collection of microdata.

- To better achieve this, it is necessary to broaden the audience to the maximum of its capacity. Therefore, an efficient data sharing scheme is needed.

- At the same time, it is important to preserve the confidentiality of sensitive data to avoid market distortions or an unlawful use. This would point towards a restricted dissemination.

- To balance both cases, it is necessary to think in alternative schemes that allow specialized users to have access to data in a secure way, but always fulfilling legal restrictions to disseminate it.

- A **Data Room** is a potentially efficient scheme for sharing granular data that fits with these specifications.
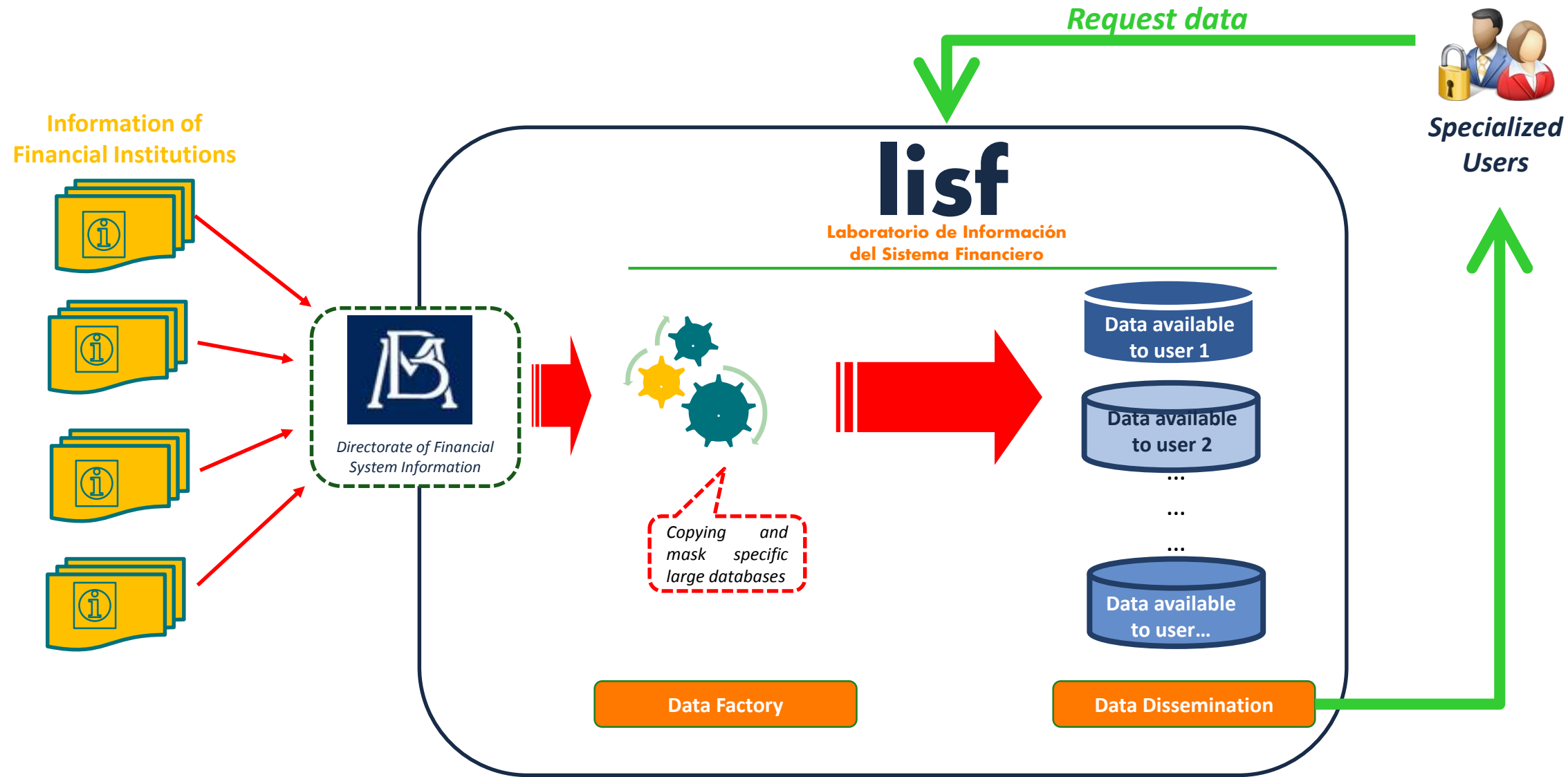
Why a Data Room?

- There has been a growing recognition by the international community of expanding and improving information dissemination channels after the International Financial Crisis of 2008-2009.

- Banco de Mexico considered the creation of a Data Room to share granular data for both internal and external users as a way to facilitate the access to data, increasing its value.

- For Central Banks, Data Rooms is a relatively usual channel for disseminating data. According to the Survey conducted by the Irving Fisher Committee in 2016, 60% of central banks surveyed indicated that they use a Data Room to share information within central banks, while in the case of the channels used to share information outside central banks, 75% responded they use a Data Room. It is worth mentioning that this last percentage increases to almost 80% for granular information used for monitoring purposes.[1]

1/ IFC Report: The sharing of micro data – a central bank perspective, December 2016.

Why a Data Room? International Experiences

- Given the need of granular information for analysis by regulators and researchers, various efforts have been undertaken to improve the management and dissemination of granular data existing in Central Banks and National Statistical Institutes.

- One of these efforts is the creation of the International Network for Ex-changing Experience on Statistical Handling of Granular Data (INEXDA), which is an international network of central banks to share experiences on statistical handling of granular data for research purposes.

- Among members of INEXDA, Banco de Portugal, Banque de France and Deutsche Bundesbank, manage theirs own Data Rooms to enhance:
    - Support policymaking process;
    - Encourage cooperation with (external) researchers; and,
    - Promote transparency and availability of financial data.

- The experience in Latin America, National Statistics Institutes of Honduras and Mexico have Data Rooms as a mechanism to disseminate microdata.

Data Sharing Scheme to the LISF

Information of Financial Institutions

Directorate of Financial System Information

lisf
Laboratorio de Información del Sistema Financiero

Request data

Specialized Users

Copying and mask specific large databases

Data available to user 1

Data available to user 2

...

...

...

Data available to user...

Data Factory

**Data Dissemination**

Specialized Users

- Access to data available at the LISF would be only for "specialized users" interested in conducting non-commercial research and analysis. Understanding and classifying "specialized users" as:

  i. Domestic:

    - Employees of Banco de Mexico whose functions require access to the information available at the LISF,

    - Employees of other Mexican financial authorities and other public entities,

    - Researchers and graduate students from Mexican universities or research institutions.

  ii. Foreign:

    - Central Banks researchers,

    - International organizations researchers,

    - Financial authorities,

    - Researchers and graduate students from foreign universities or research institutions.

The Platform of the LISF
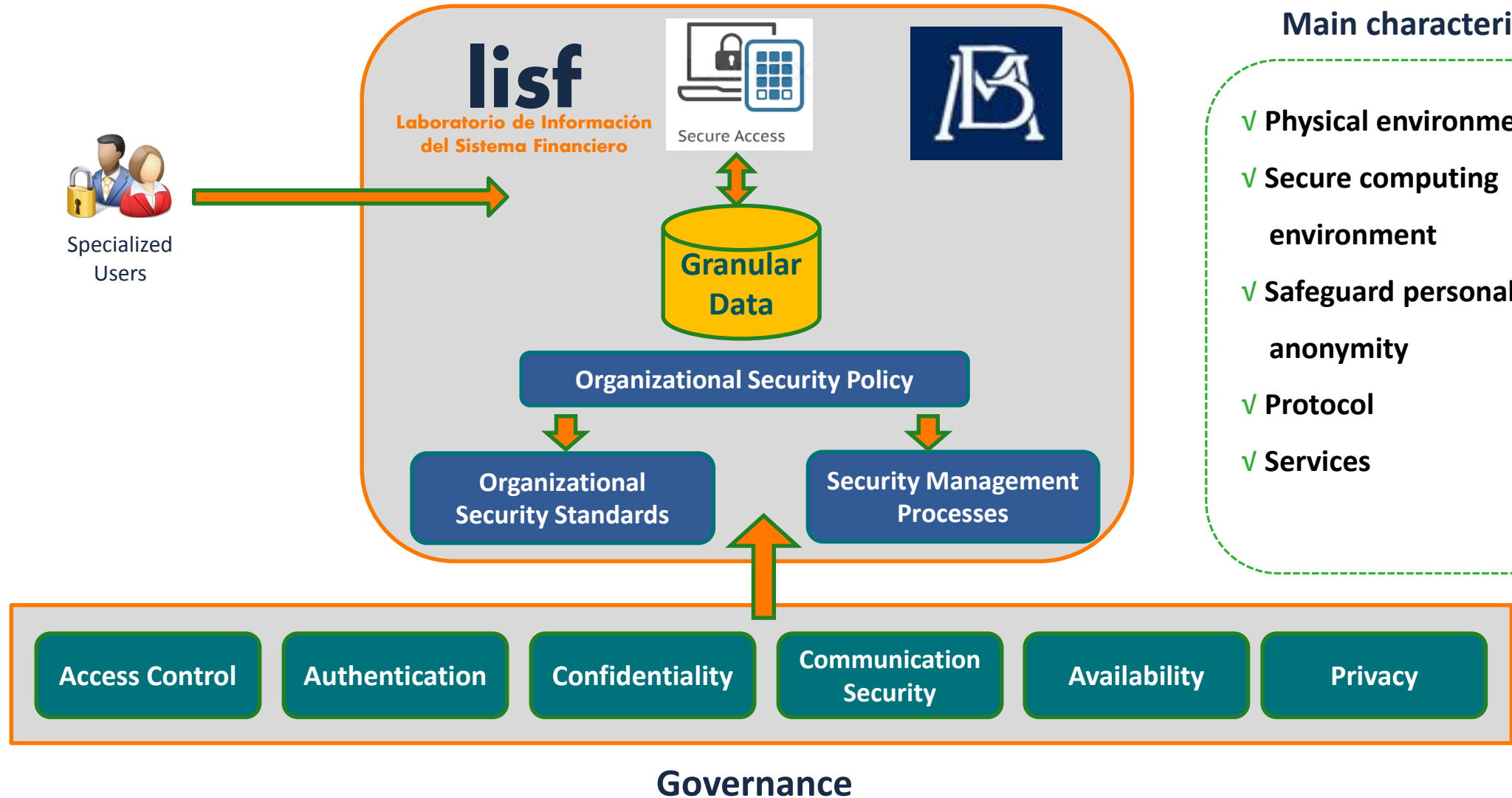
Main characteristics:

√ **Physical environment**

√ **Secure computing environment**

√ **Safeguard personal data anonymity**

√ **Protocol**

√ **Services**

Specialized Users

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Secure Access

Granular Data

Organizational Security Policy

Organizational Security Standards

Security Management Processes

| Access Control | Authentication | Confidentiality | Communication Security | Availability | Privacy |

Governance

First Data Set: Deposit and the Interbank Loans

Reporting institutions

Type of transactions collected

Main characteristics of information collected

Commercial banks

Development banks

Interbank Loans and Time Deposits

- Domestic Currency
- Foreign Currency

Daily

Assets → • Interbank loans

Liabilities →
- Interbank loans
- Time deposits
- Debt securities

- ~~Counterparty~~ / C Type / Residence
- Balance
- Initial and maturity dates
- Interest rate formulation
- Currency
- Location
- Instrument (Payment notes, CDs bonds, etc.)