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**GLOBALIZATION AND BUSINESS STATISTICS: EXPERIENCE IN DEVELOPING
ENTERPRISE GROUP DATA, INCLUDING WORK ON MULTINATIONAL
ENTERPRISES (MNES) AND ON PROFILING**

TOWARDS A UNIQUE EUROPEAN BUSINESS REGISTER

Submitted by European Central Bank

The meeting is organised jointly with the Commission of the European Communities (Eurostat) and the Organisation for Economic Co-operation and Development (OECD)

Summary

The present paper was prepared on request from the CES Steering Group on Business Registers for presentation and discussion at the joint UNECE/Eurostat/OECD Meeting in Geneva, 18-19 June 2007. It brings-up an issue of multiple arrangements existing at national level in terms of lists/registers of resident institutions published and maintained by different national authorities and possibilities of their unification.

The paper provides the basis for a discussion on the feasibility of setting up a common European business register, and using a set of unique business identifiers, to be shared and used by a multitude of entities, including national statistical institutes, national central banks, Eurostat, the ECB and reporting agents.

I. INTRODUCTION

1. Currently, within the EU, there are multiple arrangements at national level in terms of (the wide range of) national lists/registers of resident institutions published and maintained by different national authorities. This points to the opportunity to investigating the feasibility of setting up a common European business register, and preferably as well a set of unique business identifiers, to be shared and used by a multitude of entities: at least the national statistical institutes (NSIs), the national central banks (NCBs), Eurostat, the European Central Bank (ECB) and reporting agents, but possibly also credit registers, other regulatory authorities, Chambers of Commerce, tax authorities, etc.

II. BACKGROUND

2. The ECB Regulation of 22 November 2001, concerning the consolidated balance sheet of the Monetary Financial Institutions (MFIs) sector (ECB/2001/13), requires reporting MFIs to classify their (EU) counterparts by European System of Accounts (ESA95) sector. For customers located outside the EU, a grouping into banks and non-banks is required. For this purpose, reporting agents are currently expected to use the following tools:¹

- (a) MFI counterparts (resident and non-resident) are identified on the basis of the (comprehensive) List of (EU) MFIs;²
- (b) Resident non-MFI customers are expected to be classified on the basis of national registers; and
- (c) Non-resident non-MFI customers are expected to be classified on the basis of the ECB Sector Manual.³

3. The ECB Sector Manual is composed of two distinct Parts. Part 1 deals with the residency criteria, the sectorisation in the euro area and the Rest-of-the-World, the list of international organisations as well as borderline cases in the delineation of the euro area. Part 2 contains country-by-country information for all EU countries and is based on the input of NCBs, where needed in coordination with the NSIs and any other national statistical authorities.

4. The information in Part 2 covers illustrative lists of entities belonging to each of the following sectors and sub-sectors: General government (Central government, State government, Local authorities and Social security funds), and other residents, i.e. Other financial intermediaries (including financial auxiliaries), Insurance corporations and pension funds, Non-financial corporations and Households including non-profit institutions serving households. In a few cases these lists are exhaustive, such as the full list of entities belonging to the General government in some countries. Otherwise, the Manual simply presents illustrative lists of institutions with large intra-EU business, or refers to further sources of information available at

¹ "Resident" shall mean having a centre of economic interest in the economic territory of the Member State where the reporting agent is located.

² See on the ECB website under <http://www.ecb.int/stats/money/mfi/general/html/index.en.html>

³ "Money and Banking Statistics Sector Manual - Guidance for the statistical classification of customers", ECB, November 1999. See on the ECB website under <http://www.ecb.int/press/pr/date/1999/html/pr991115.en.html>

the national level, e.g. website references, online registers and exhaustive lists of certain sectors available from NSIs.

5. A browsing through the section “Additional sources of information” in each of the country-by-country chapters reveals that, in several cases, there is a wide range of national lists published and maintained by different institutions, while, for efficiency reasons, resident reporting agents may want to use a single national list based on the harmonised national business register(s) required by the Council Regulation (EEC) No 2186/93) (hereafter “the Business Registers Regulation”)⁴. The revised Business Registers Regulation also requires the creation of a unique European register: the EuroGroups Register of all resident and multinational enterprise groups, which is a common database with information at truncated and global level, intended to harmonise and develop various statistics related to globalisation. The consortium in charge of the pilot for the EuroGroups Register should soon deliver the first results. The ECB fully supports this project and has, on several occasions, noted the importance and urgency of developing this tool. Moreover, there may be a case for a more formal involvement of the ECB and the ESCB⁵ in the development of the EuroGroups Register, not only because of their vested interest in sharing the data set in the future Register, but also because of their expertise related to the financial sectors. Eurostat and the ECB have, therefore, agreed to increase collaboration in this field.

A. The issue

6. The existence of full lists of entities at national level as required by the Business Registers Regulation, together with the possibilities offered by modern technologies (facilitating and lowering the costs of dealing with large files), point to the usefulness of assessing the feasibility of combining all sources of information (national registers, ECB Sector Manual, MFI List, Investment Funds (IF) List and Financial Vehicle Companies (FVC)⁶ List, EuroGroups Register, etc.) in one single tool available at least regarding non-confidential information, first and foremost to all reporting agents in the euro area and to national statistical institutes, but also to other interested parties and serving other purposes (see below).

B. The proposed approach

7. A universal usage of a (preferably joint ESS⁷/ESCB) complete and unique European business register (in a database format) could be investigated (thus eliminating the existing

⁴ The Council Regulation (EEC) No 2186/93 establishing a common framework for business registers for statistical purposes is repealed by more comprehensive requirements contained in a Regulation of the European Parliament and of the Council establishing a common framework for business registers for statistical purposes and repealing the Council Regulation (EEC) No 2186/93. The revision of the Council Regulation No 2186/93 was due *inter alia* to the globalisation of the economy and the need to collect information on the increasing number of enterprise groups and multinationals, together with the integration of activities of the different sectors, which called for a full coverage of the whole economy (coverage of all NACE sections necessary to obtain coherent statistics and surveys).

⁵ The European System of Central Banks (ESCB) is composed of the ECB and the national central banks (NCBs) of all 27 EU Member States.

⁶ Soon to be established by the ECB in view of the forthcoming ECB legal framework addressed to these two types of institutions.

⁷ The European Statistical System (ESS) is the partnership comprising Eurostat and the national statistical institutes (NSIs) of all 27 EU Member States.

multiple sources of information mentioned above). In this way, the consistency of both ESCB and ESS statistics could be enhanced⁸ and the production of both short-term and structural European data facilitated, possibly also reducing the burden of (multinational) respondents and reducing costs for statistical compilers (and possibly also shared with other bodies such as other regulatory authorities, Chambers of Commerce and tax authorities). Besides, to the extent that European samples for very timely and/or very detailed statistical requirements would be seen as feasible and useful, such a unique European business register could also provide a common and harmonised sampling frame.

8. For the ESCB, such a unique register could have multiple other purposes such as:

- (a) Identifying the structure of multinational groups (e.g. for direct investment relationships);
- (b) Synchronising other statistical (or administrative) information available from central balance sheets offices (CBSOs), securities holdings or issues (in the ECB's Centralised Securities Database (CSDB)) and loans (linked with credit registers).

9. Of course, a wide sharing of a common business register among entities would require both a unique identifier allocation system in Europe (see below) and a proper governance structure to ensure a consistent maintenance without gaps or overlaps, and taking due account of confidentiality considerations. In view of the 'comparative advantage' of NCBs in the area of financial corporations (see in the Annex the example of the ESCB's "Registers for institutions and assets database") and a similar advantage of NSIs concerning non-financial small and medium enterprises, a joint ESS/ESCB governance structure appears to be needed. Ideally, this register should be combined/merged with the EuroGroups Register. The maintenance should be done at the national level where possible, although a brokerage role of Eurostat and the ECB, particularly for large multinational corporations, could be foreseen.

10. Another important issue is indeed that of the access to the data, including through publication and the protection of confidentiality, where relevant. In the current version, access to the EuroGroups Register may be severely restricted because of data confidentiality, whereas in reality only 1 per cent or less of the information would actually be subject to such restrictions. In fact, most information will come from public or commercial sources (which may still create an issue concerning licence costs) and will also be sufficiently delayed so as to minimise concerns related to the confidentiality of strategic business information.

11. The need of a unified coding system allowing for an unambiguous identification becomes in particular relevant when more than one data source is used and/or when the data source is shared by several authorities. However, experience has shown that this issue of common codification might be one of the most difficult to overcome.

12. Later on, the question of interdependencies among this unique European business register and other systems would also need to be further discussed. For example, the CSDB already holds

⁸ For instance, if the balance of payments is largely compiled by NCB and the national (non-financial) accounts by the NSI, a different delineation of (large) multinationals in both sets of statistics may lead to inconsistencies between these statistics.

part of such a register (e.g. for MFIs, IFs and FVCs), as most (financial) corporations are also major issuers. CBSOs and credit registers could also be linked (at least via a common identifier), keeping in mind that their focus is more on non-financial corporations.

13. On the other hand, while a “vision” of a single European register for many purposes (tax, chambers of commerce, statistics) is no doubt appealing in theory, at the current stage it is still a distant reality, where national legal obstacles on confidentiality issues, different from country to country, may turn the setting up of such a framework very cumbersome. Therefore, it could be argued that this vision should allow to progress in a number of successive steps (e.g. with an intermediate step of a database with links to national (diverse) registers).

14. These and other pros and cons of such approach should, first of all, be discussed at European level, in the first place with Eurostat and later on with the ESS and the ESCB (possibly via the Committee on Monetary, Financial and Balance of Payments Statistics).

15. A second phase could be the definition of the technical approach to the database to be used (something similar to the list of eligible counterparties to Eurosystem operations could be considered as an initial step) and the data model(s) to be chosen. The data model would determine how to identify institutions, which additional information is needed (name, address, ESA sector) and the stratification criteria (e.g. NACE class, employment, total balance sheet, turnover). A crucial element is the relationship between entities within a group, i.e. each entity should be related in the complete chain following a “parent/child” relationship, making it possible to relate it to the top of the chain (the ultimate beneficial owner) and to any other part of the chain. Also important is to define the scope of the register (either all institutions or simply leaving aside the smallest), the links across entities, the updating requirements, etc. Based on the data contents, an important organisational consideration is the frequency and timeliness of updates. Here, the different uses of the register may lead to different updating cycles.

C. The ultimate goal

16. The ultimate objective would be a joint ESS/ESCB database system with regular updating online by both NSIs and NCBs (where appropriate, possibly also by other national authorities), according to a well-defined governance (including distribution of tasks) and quality management network structure set out in a Memorandum of Understanding between the two systems. This would significantly reduce costs of statistical data collection and enhance the quality and consistency of European statistics.

ANNEX

The ESCB's RIAD (Registers for institutions and assets database)

General features and governance structure

1. The main purpose of RIAD is currently to contain three datasets reported to the ECB:
 - (a) Eligible Assets – data are reported by EU NCBs;
 - (b) Monetary Policy Eligible Counterparties – data are reported by euro area NCBs;
 - (c) Monetary Financial Institutions (MFIs) – data are reported by EU NCBs.
2. The data exchange between NCBs and the ECB is performed through a file transfer mechanism via the ESCB-Net. The system is available 24 hours a day. Depending on the dataset, data are reported by NCBs on an ad hoc (i.e. as and when the change to the entity has occurred), daily or monthly frequencies. Upon receipt of data from NCBs, the system automatically applies syntax and validation checks and, depending on the outcome, transmits an acquisition and/or error report back from the ECB to NCBs. NCBs maintain the responsibility to report back corrections as soon as possible. The correct data are then automatically loaded into the appropriate dataset. ECB staff can check the latest available contents using a Graphical User Interface and also view pre-defined reports, perform queries and access administrative reports. The RIAD system automatically publishes the output on the ECB website. This is performed on a daily basis (Eligible Assets and MFIs) and on a monthly basis (combined MFIs/Eligible Counterparties data). All results can be downloaded. In parallel, the compiled data are transmitted to NCBs, also via the ESCB-Net.

Forthcoming improvements

3. The following improvements are currently being assessed, for potential implementation in end-2007/early-2008.
 - (a) Some new datasets are to be added to the RIAD portfolio such as: “List of investment funds” and “List of financial vehicle corporations”, which will be similar in structure to the [List of] MFIs dataset, although with different variables. Data will be collected from EU NCBs. As with the existing datasets, it is expected that all non-confidential data will be published on a regular basis.
 - (b) The [List of] MFIs dataset is due for enhancement in terms of collection of a set of new variables from NCBs, e.g. subsidiary/ultimate parent information, BIC/SWIFT codes, total assets, etc.
 - (c) It is intended also to make the Graphical User Interface available to NCBs. Such a facility would mean that maintenance of local databases may not be needed anymore. NCBs would have access to the latest available compiled registers and associated querying / reporting facilities.
