

Panel 4: Data Sharing and Transparency
Friday, October 28, 2016 at 8:45 a.m.
University of Michigan Law School, Hutchins Hall 100

Moderator:

Matthew D. Shapiro, Lawrence R. Klein Collegiate Professor of Economics, University of Michigan

Panelists:

David Bholat, Senior Analyst, Advanced Analytics Division, Bank of England

Deborah Lucas, Sloan Distinguished Professor of Finance and Director, MIT Golub Center for Finance and Policy

Matthew Reed, Chief Counsel, Office of Financial Research, U.S. Treasury Dept.

Access to financial data from firms and households is increasingly important for many purposes. An incomplete list of uses of data include the following:

- measurement of key economic and social indicators;
- research concerning the behavior of households and firms, and how they interact in markets;
- evaluation of the effect of public policies;
- informing the public, businesses, and policymakers,
- improving the efficiency and stability of financial markets, and
- regulation of economic activity.

The availability of big data, or what I prefer to call naturally-occurring data, i.e., the data created by businesses in the course of their daily activities, is becoming increasingly important for these purposes. Naturally-occurring data stands in contrast to designed data, such as surveys, which are collected by governments, businesses, and researchers for a specific purpose.

Naturally-occurring data relevant for finance have wide scope. They include

- government administrative records such as financial regulatory filings, tax filings, and registries of real estate transactions,

- private financial records such as financial transactions, account balances, amount and compositions of financial portfolios, and records of debts,
- price and volume of securities transactions,
- credit histories and scores, and
- applications of mortgages, credit cards, and bank loans.

Naturally-occurring data in finance can be simple or complex ranging from a balance in a conventional checking account to records of complex, one-time private transactions in the derivatives markets.

Naturally-occurring data in finance are inherently shared data. There are at least two parties to financial transactions, and sometimes many more. At a minimum, the data are shared between the counterparties to transactions, or in the case of some financial markets, to an exchange or broker-dealer.

For example,

- banks and depositors both know balances and transactions on checking accounts,
- buyers and sellers in securities markets know can either know each other's identities as in the case of a private-label transaction, or share this information with a third-party as in the case of trade on an exchange,
- a house seller and house buyer exchange significant information, and also share them with banks, title companies, and government entities, and
- a company issuing common stock must provide substantial information both at point of issue and on an ongoing basis.

The issues for this panel are the costs and benefits of sharing such data with third-parties for research, statistical, or regulatory purposes.

The degree of sharing of financial data varies substantially. Much of this information is public, e.g., SEC 10K filings or real estate transactions. There is a widespread consensus that sharing such information has important public purposes such as having transparent markets in corporate equities or fair valuations of houses for property tax purposes.

Much is also private, e.g., tax filings and asset holdings, though the degree of privacy of such data varies substantially across countries.

Much of financial data are very widely shared, but only on a limited basis. Such sharing includes credit bureau reports where consumers and financial institutions have a shared interest in pooling data to allow for broader and cheaper extension of credit than would be possible without such data sharing.

Exactly what financial data are shared, how they are shared, and who has access to shared data results from a complex set of historical, legal, and social interactions. There are enormous potential benefits from having more data sharing for purposes discussed above. These need to be weighed against the costs of loss of confidentiality, privacy, and agency that can accompany sharing of data. As many sessions in this conference make clear, the

costs and benefits of data sharing can—in many instances—be balanced by institutional, legal, and technological solutions that allow data to be shared without compromising confidentiality, privacy, or commercial interest.

This morning we are fortunate to have an expert panel to discuss these issues. I expect they will share varying perspectives on the prospects for expanding data sharing and the implications of such sharing for financial markets and financial policy.

Deborah Lucas is the Sloan Distinguished Professor of Finance and Director of the Golub Center for Finance and Policy at MIT. She is a leading researcher in finance and financial policy with a long-standing interest in government activity in the credit market. She was associate director at the Congressional Budget Office where she made substantial contribution concerning the accountability and efficiency of Federal credit programs.

David Bholat is Senior Analyst, Advanced Analytics Division at the Bank of England. He brings to bear expertise across data science and public policy to advance the Bank of England's considerable agenda to harness a broad range of data—ranging from more conventional big data on finance to social media posts on Twitter—for the formulation and implementation of monetary and financial policy.

Matthew Reed is Chief Counsel, Office of Financial Research at the U.S. Treasury Department. His broad responsibilities and expertise include issues of data stewardship and data access. He is active in exploring modes for sharing data within the Federal government and with researchers as part of the OFR's mandate to collect data for assessment of the stability of U.S. financial markets.