



ECB official says 'too big to fail' banks still an issue

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FRANKFURT — European Central Bank vice president Vitor Constancio said on Wednesday that the threat posed by a possible failure of huge international financial institutions required more work from regulators, especially on information flows.

Such institutions should be reinforced so as not to present a major threat to the global system, he suggested during an ECB conference on World Statistics Day in Frankfurt.

"There are not many ways of dealing with this 'too big to fail' issue, except if we really have enough data and supervision that can ensure that we make them too good to fail," Constancio said during a talk on data requirements for banking supervision.

Major international banking and insurance groups required massive public bail-outs in 2008 and 2009 because it was believed their failures would lead to the collapse of entire national banking sectors.

One reason the crisis occurred was because national supervisors and central banks did not have enough information to identify threats at an early stage, a situation that needed to be corrected now, Constancio said.

"We need to acknowledge that there are considerable gaps between the existing supply and the new demand for data," he said in his address.

ECB chief economist Juergen Stark stressed later a need for more and better information from households and governments.

"The importance of timely and reliable government finance statistics cannot be overestimated," Stark said in written comments made available by the ECB.

Government debt markets erupted when Greece revealed it had submitted bogus information for several years, and borrowing costs then soared for several countries on the southern and eastern rim of the 16-nation eurozone.

"Damaged credibility may expose unexpected vulnerabilities, which could lead to a general loss of confidence in the markets," the ECB economist noted.

He also highlighted the need for information on relationships between regulated institutions like banks and non-regulated bodies like pension and hedge funds.

"Such interlinkages may be more relevant than the absolute size of the balance sheet of the institutions," Stark said.

He acknowledged however that regulators would probably not be able to obtain all the information needed from unregulated entities, noting that "hedge funds are a case in point."