

Statistical Annex

The international banking market

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The BIS international financial statistics summary tables

The BIS publishes a variety of international financial statistics, most of them on a quarterly basis. They cover banking statistics on both a locational and a consolidated basis, debt securities issues in both domestic and international markets, and statistics on derivatives traded on exchanges and over the counter. The main purpose of the statistics is to provide a measure of the size and structure of key segments of the global financial market and to monitor their development. A summary of the most recent data is presented in seven tables (see below).¹

1. International banking statistics (Tables 1A, 1B, 2A and 2B)

The locational reporting system provides quarterly data on the international financial claims and liabilities of banks resident in the 43 reporting countries on a gross basis. The methodology is consistent with the principles underlying the compilation of national accounts, balances of payments and external debt statistics. Breakdowns are provided in terms of instrument, currency, sector and vis-à-vis country. The currency breakdown allows the BIS to approximate global bank credit flows adjusted for exchange rate fluctuations.

The consolidated banking statistics cover banks' worldwide on-balance sheet claims, on both a contractual (immediate borrower) and an ultimate risk basis (ie net of risk mitigants such as guarantees and collateral). Positions are reported by head offices in their home country and include all branches and subsidiaries on a worldwide consolidated basis, net of inter-office accounts. Breakdowns are available in terms of instrument, sector, maturity and vis-à-vis country. Information is also available on key off-balance sheet items such as guarantees extended, credit commitments and derivative contracts. Currently 30 countries provide consolidated banking data.

While the locational statistics are appropriate for measuring lending flows in a given period, the consolidated statistics are more suited to gauging the size of banks' country and liquidity risk exposures. The data are compiled by the BIS on the basis of national data reported by the respective central banks, which in turn collect these data from the internationally active banks in their jurisdiction.

2. Debt securities statistics (Tables 3A and 3B)

These statistics are derived from various national, market and institutional data sources and provide information on amounts outstanding and flows of debt securities issuance in both international and domestic markets. Nominal values are used and the data are broken down using similar criteria as for the banking statistics, ie sector, currency and maturity. However, only the liabilities of the issuers are covered.

International debt securities comprise domestic and foreign currency issues by residents of a given country outside their respective domestic market, foreign currency issues by residents in their domestic market and foreign and domestic currency debt securities issued in the domestic market by non-residents. Breakdowns are available in terms of currency, sector and maturity.

Domestic debt securities comprise issues in domestic markets in national currency for 55 countries. Breakdowns are provided in terms of sector and maturity. As far as possible, the BIS endeavours to eliminate any overlap between its international and domestic debt securities statistics.

3. Derivatives statistics (Table 4)

Semi annual data are compiled for activity in over-the-counter (OTC) markets whilst quarterly data are available on activity in exchange-traded markets. The data on OTC derivatives are based on the reporting to the BIS by central banks in major financial centres that in turn collect the information on a consolidated basis from reporting dealers headquartered in their respective country, while those on exchange-traded derivatives are obtained from market sources.

The derivatives data cover notional amounts outstanding and gross market values for a number of risk categories: foreign exchange, interest rates, equity-linked, commodities and credit default swaps. Gross credit exposure in OTC markets after bilateral netting is also available.

¹ More detailed tables and options to download the data in time series form are available at <http://www.bis.org/statistics/index.htm>.

Table 1A: International positions of banks by residence of counterparty, December 2010¹

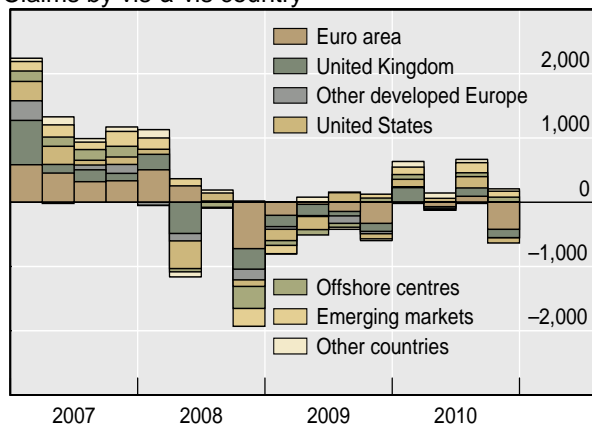
In billions of US dollars

	Vis-à-vis developed countries	Vis-à-vis offshore centres	Vis-à-vis emerging markets					All countries
			Total	Africa	Asia	Europe	Latin America	
Amounts outstanding								
Total claims	25,711	4,321	3,329	503	1,362	860	604	33,938
Total cross-border claims	22,841	3,854	2,845	499	1,063	759	525	30,117
Loans	16,274	3,196	2,217	455	812	585	365	22,004
Securities	4,937	526	356	22	136	83	116	5,899
Claims on banks	14,680	2,463	1,487	206	676	408	196	19,121
Claims on non-banks	8,161	1,390	1,359	293	386	350	329	10,996
US dollar	8,665	2,572	1,168	290	337	199	343	12,474
Euro	9,696	304	485	88	48	327	22	10,586
Foreign currency claims on residents	2,870	467	484	4	300	102	79	3,821
Estimated exchange rate adjusted changes during the quarter²								
Total claims	-604	111	59	16	21	11	11	-454
Total cross-border claims	-575	81	91	17	51	-1	24	-423
Loans	-242	75	69	15	43	-6	17	-87
Securities	-203	5	9	1	4	-3	7	-197
Claims on banks	-483	51	74	11	37	14	12	-378
Claims on non-banks	-92	30	17	6	14	-15	12	-45
US dollar	-92	60	15	13	-4	-9	15	-17
Euro	-460	-5	0	1	0	0	-1	-490
Foreign currency claims on residents	-29	30	-32	0	-30	11	-13	-31
Amounts outstanding								
Total liabilities	21,630	5,259	2,735	747	1,074	407	506	32,739
Total cross-border liabilities	18,680	4,486	2,180	740	717	302	421	28,462
Deposits	16,388	4,352	2,092	725	686	299	383	23,228
Securities	1,351	87	26	9	12	0	4	4,010
Liabilities to banks	13,770	3,195	1,315	463	458	201	192	20,833
Liabilities to non-banks	4,910	1,291	865	276	259	101	229	7,629
US dollar	7,642	2,915	1,163	459	266	118	320	12,698
Euro	7,421	512	359	142	59	113	45	9,007
Foreign currency liabilities to residents	2,950	773	554	7	357	105	85	4,277
Estimated exchange rate adjusted changes during the quarter²								
Total liabilities	-285	51	6	17	-22	-4	16	-291
Total cross-border liabilities	-267	31	33	16	2	1	14	-266
Deposits	-48	34	19	16	0	1	3	5
Securities	-11	-8	-1	0	0	0	-1	-67
Liabilities to banks	-322	17	26	16	-2	-5	18	-309
Liabilities to non-banks	55	14	7	0	4	6	-3	43
US dollar	59	37	12	24	-9	-10	7	83
Euro	-281	-10	16	-5	12	6	3	-316
Foreign currency liabilities to residents	-18	20	-27	1	-24	-5	1	-25

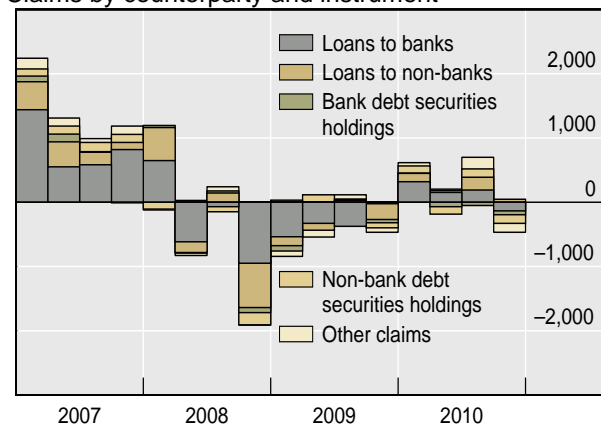
Cross-border positions

Exchange rate adjusted changes in stocks

Claims by vis-à-vis country



Claims by counterparty and instrument



¹ Detailed breakdowns and time series data are available at <http://www.bis.org/statistics/bankstats.htm> (Tables 1-7B). ² Taking into account exchange rate effects on outstanding balances in non-dollar currencies.

Table 1B: International positions of banks by nationality of head office, December 2010¹

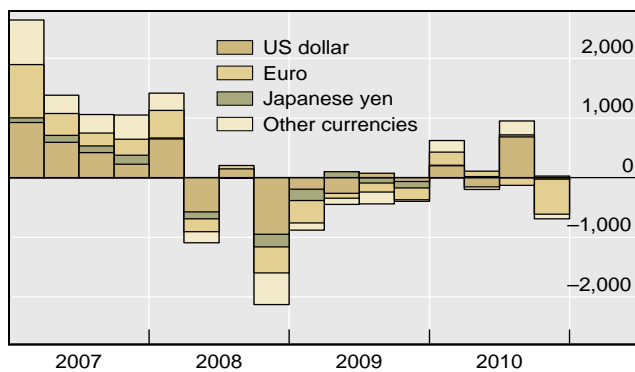
In billions of US dollars

	Nationality of banks										All countries
	France	Germany	Italy	Netherlands	Spain	Switzerland	United Kingdom	Japan	United States	Emerging markets	
Amounts outstanding											
Total claims	4,316	4,280	943	1,432	798	2,503	4,554	3,655	4,107	1,182	33,851
on banks	2,911	2,362	555	880	460	1,549	2,599	1,434	2,849	622	19,829
on related foreign offices	1,232	1,294	246	402	309	735	1,298	619	1,798	175	10,064
on other banks	1,662	1,056	307	476	148	810	1,261	815	1,047	422	9,638
on official monetary institutions	18	12	2	2	2	3	40	0	3	24	127
on non-banks	1,404	1,917	388	552	339	955	1,955	2,221	1,259	560	14,023
US dollar	1,354	1,322	169	397	279	1,220	1,931	1,871	2,900	799	13,952
Euro	2,122	2,252	681	732	346	558	1,530	475	565	114	11,198
Other currencies	839	705	93	302	174	725	1,093	1,309	643	269	8,702
Estimated exchange rate adjusted changes during the quarter²											
Total claims	-77	-79	-70	-115	-41	-68	13	16	76	15	-552
on banks	-31	-7	-40	-103	2	-53	-23	13	49	11	-367
on related foreign offices	30	-40	-29	11	-19	-26	-11	19	161	6	126
on other banks	-61	45	-12	-111	19	-23	-23	-6	-112	6	-494
on official monetary institutions	0	-12	1	-2	1	-4	12	0	0	-1	1
on non-banks	-46	-71	-30	-11	-43	-15	36	4	27	4	-185
US dollar	-52	-6	-27	13	-10	-49	41	23	42	8	-6
Euro	-19	-54	-41	-116	-31	-30	-61	-39	21	-2	-497
Other currencies	-6	-18	-2	-11	0	11	32	33	14	8	-49
Amounts outstanding											
Total liabilities	4,132	3,459	950	1,535	1,000	2,711	4,465	2,024	4,708	1,307	32,681
to banks	2,800	2,003	663	1,103	530	1,573	2,255	1,214	2,582	757	19,054
to related foreign offices	1,217	1,297	211	375	266	908	1,149	573	1,683	149	9,418
to other banks	1,470	627	416	694	231	650	984	608	762	584	8,876
to official monetary institutions	114	78	35	34	33	16	122	33	137	23	761
to non-banks	1,332	1,456	287	431	470	1,138	2,210	809	2,127	550	13,627
US dollar	1,415	1,374	177	496	326	1,266	1,621	1,158	3,612	833	14,678
Euro	1,858	1,311	664	618	489	660	1,387	243	503	122	9,778
Other currencies	858	774	110	421	185	785	1,456	622	593	353	8,226
Estimated exchange rate adjusted changes during the quarter²											
Total liabilities	-69	-85	-84	-98	24	-62	11	-13	145	29	-463
to banks	-52	-23	-31	-101	-25	-44	-9	-14	101	20	-481
to related foreign offices	13	50	-12	-26	-4	-21	40	24	43	9	36
to other banks	-62	-74	-19	-76	-21	-24	-71	-41	63	6	-547
to official monetary institutions	-3	1	0	1	0	1	22	3	-6	6	30
to non-banks	-17	-62	-53	4	49	-17	21	2	44	9	19
US dollar	-22	-6	-36	-19	-19	-62	87	32	120	12	89
Euro	-19	-47	-43	-72	48	-34	-51	-33	40	-1	-298
Other currencies	-28	-32	-5	-6	-6	35	-25	-12	-14	18	-254

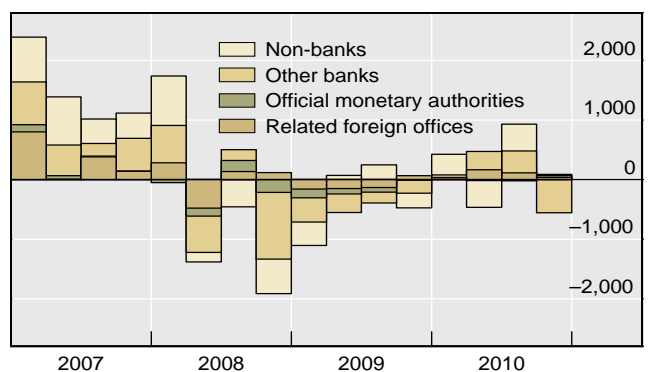
International positions of BIS reporting banks

Exchange rate adjusted changes in stocks

Claims by currency



Liabilities by sector of counterparty



¹ Detailed breakdowns and time series data are available at <http://www.bis.org/statistics/bankstats.htm> (Tables 8A–8B). ² Taking into account exchange rate effects on outstanding balances in non-dollar currencies.

Table 2A: Consolidated claims, immediate borrower basis, December 2010¹

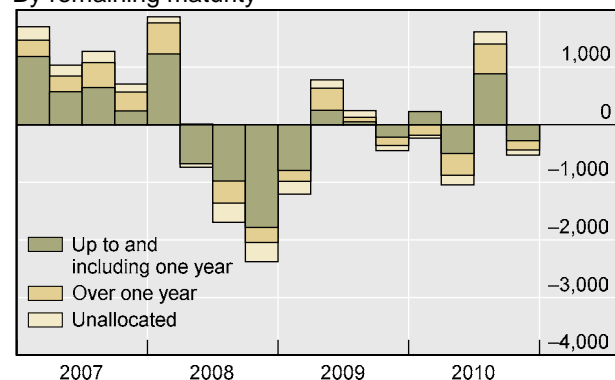
Amounts outstanding, in billions of US dollars

	Vis-à-vis developed countries				Vis-à-vis offshore centres	Vis-à-vis emerging markets					All countries
	Total	United States	Euro area	Japan		Total	Africa	Asia	Europe	Latin America	
Foreign claims	22,707	5,408	9,660	1,122	2,382	5,021	655	1,773	1,387	1,207	30,220
International claims	14,877	2,538	7,300	682	1,881	2,841	420	1,142	789	490	19,707
Up to and including one year	7,637	865	3,491	547	929	1,447	200	738	285	224	10,045
Over one year	4,897	1,030	2,660	64	589	1,123	198	276	437	212	6,646
Unallocated by maturity	2,343	642	1,148	70	364	270	22	127	67	54	3,016
Local currency claims	7,830	2,870	2,361	441	501	2,181	236	631	598	717	10,513
Local currency liabilities	5,974	2,498	1,699	260	450	1,572	206	435	368	564	7,998
Unadjusted changes during the quarter²											
<i>Foreign claims</i>	-733	-52	-523	4	52	139	20	65	-8	61	-531
<i>International claims</i>	-658	-107	-438	13	46	71	5	44	-5	28	-529
<i>Local currency claims</i>	-76	55	-84	-9	6	67	15	22	-3	34	-2
<i>Local currency liabilities</i>	-171	-57	-73	-42	-6	51	9	20	6	17	-126
Nationality of reporting banks:											
Domestically owned banks (total)											
Foreign claims											
Domestically owned banks (total)	18,856	5,102	7,656	810	2,315	4,675	616	1,570	1,343	1,147	25,951
Euro area	8,742	1,617	4,589	223	476	2,208	236	322	1,078	572	11,474
Switzerland	1,405	685	317	103	186	153	26	76	17	34	1,750
United Kingdom	2,498	1,067	1,003	137	573	852	237	419	55	141	3,942
Japan	1,915	961	534	0	483	293	30	185	21	58	2,691
United States	1,810	0	671	307	347	695	58	327	70	240	2,869
Other countries ³	2,485	773	542	40	251	473	28	241	103	101	3,224
Other foreign banks	3,852	305	2,004	312	66	346	39	203	44	59	4,269
International claims, all maturities											
Domestically owned banks (total)	11,025	2,232	5,296	369	1,815	2,495	380	939	745	431	15,438
Euro area	5,163	664	2,933	106	422	1,108	165	235	549	159	6,741
Switzerland	698	143	302	51	174	125	23	63	16	22	1,001
United Kingdom	1,225	405	610	69	279	352	94	178	38	42	1,874
Japan	1,628	750	511	0	448	234	30	127	20	57	2,310
United States	1,219	0	594	121	301	371	41	187	43	101	1,908
Other countries ³	1,092	271	347	23	191	306	27	149	80	50	1,604
Other foreign banks	3,852	305	2,004	312	66	346	39	203	44	59	4,269
International claims, short-term											
Domestically owned banks (total)	4,958	724	2,188	246	888	1,226	175	585	266	200	7,103
Euro area	2,228	290	1,010	54	202	415	63	115	173	64	2,850
Switzerland	423	78	176	29	110	69	17	34	7	11	605
United Kingdom	536	159	287	26	156	197	42	113	23	19	891
Japan	172	59	57	0	48	86	7	65	5	8	306
United States	954	0	438	119	266	318	34	173	34	77	1,553
Other countries ³	645	138	220	19	106	140	12	84	23	21	899
Other foreign banks	2,679	141	1,303	300	41	221	24	153	19	24	2,942

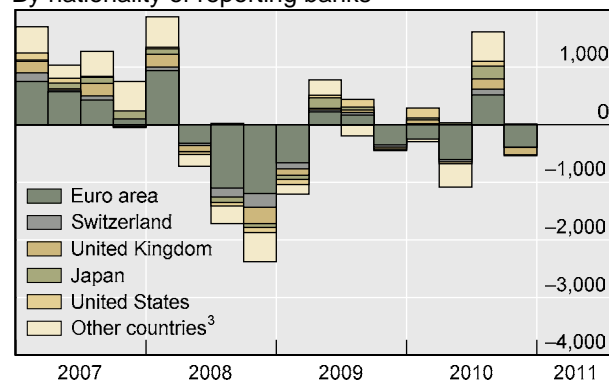
International claims of BIS reporting banks on an immediate borrower basis⁴

 Changes in stocks²

By remaining maturity



By nationality of reporting banks



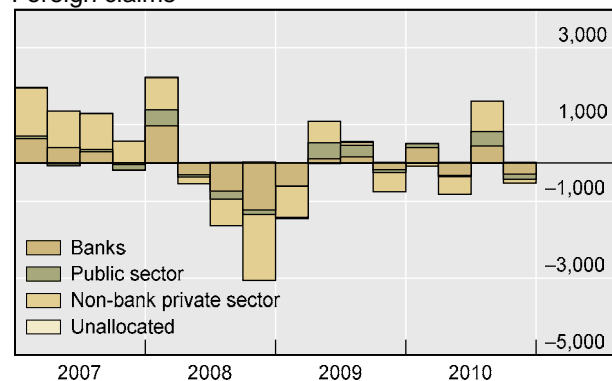
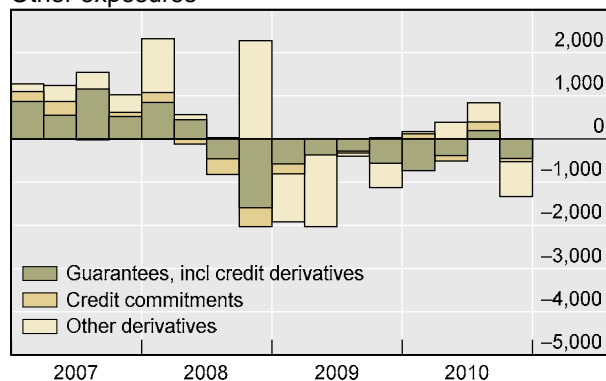
¹ Detailed breakdowns and time series data are available at <http://www.bis.org/statistics/consstats.htm> and <http://www.bis.org/statistics/consstatsweb.htm> (Tables 9A–9B and CB10). ² Quarterly difference in outstanding stocks, excluding effects of breaks in series. ³ Domestically owned banks in other reporting countries. ⁴ Worldwide consolidated positions of domestically owned banks and unconsolidated positions of foreign banks in 30 reporting countries.

Table 2B: Consolidated claims, ultimate risk basis, December 2010¹

Amounts outstanding, in billions of US dollars

	Vis-à-vis developed countries				Vis-à-vis offshore centres	Vis-à-vis emerging markets					All countries
	Total	United States	Euro area	Japan		Total	Africa	Asia	Europe	Latin America	
Foreign claims	18,790	5,176	7,601	857	1,739	4,525	594	1,507	1,301	1,123	25,153
Banks	4,849	854	2,239	266	147	860	103	413	197	147	5,864
Public sector	3,356	1,009	1,477	338	173	1,070	114	300	268	387	4,664
Non-bank private sector	10,398	3,212	3,859	251	1,386	2,577	377	792	820	587	14,382
Unallocated	187	101	25	2	33	20	1	1	16	2	243
Cross-border claims	10,364	2,375	5,239	345	1,092	1,970	344	763	503	360	13,520
Local claims in all currencies	8,426	2,801	2,362	512	646	2,555	251	743	798	763	11,633
Unadjusted changes during the quarter²											
Foreign claims	-665	-44	-462	5	24	113	22	36	-6	60	-509
Cross-border claims	-476	-35	-345	15	4	43	12	9	-3	25	-412
Local claims in all currencies	-190	-8	-118	-10	20	71	11	27	-2	35	-99
Nationality of reporting banks³											
Foreign claims											
Total	18,790	5,176	7,601	857	1,739	4,525	594	1,507	1,301	1,123	25,153
Euro area	8,584	1,624	4,503	232	364	2,146	231	302	1,044	569	11,126
France	2,493	530	1,370	147	113	461	126	123	171	41	3,075
Germany	2,441	491	1,196	57	147	344	58	92	156	38	2,940
Italy	652	35	537	...	16	221	12	17	184	7	894
Spain	885	202	235	2	21	465	5	10	10	440	1,373
Switzerland	1,457	732	346	99	131	142	20	68	19	35	1,736
United Kingdom	2,467	1,035	988	153	518	862	236	431	53	143	3,867
Japan	1,929	1,071	472	0	279	280	28	170	22	60	2,488
United States	2,179	0	812	336	266	684	58	320	69	237	3,154
Other countries	2,175	714	480	37	180	411	23	216	94	78	2,782
Cross-border claims											
Total	10,364	2,375	5,239	345	1,092	1,970	344	763	503	360	13,520
Euro area	4,801	734	2,859	97	287	866	171	203	361	132	5,986
France	1,392	207	773	65	82	257	85	83	58	32	1,740
Germany	1,781	332	1,033	22	126	255	54	61	105	34	2,169
Italy	289	24	200	...	15	50	6	10	27	7	359
Spain	198	27	115	2	13	54	5	10	4	35	266
Switzerland	658	161	330	47	105	121	16	55	18	32	890
United Kingdom	1,188	388	592	70	174	282	71	146	31	35	1,663
Japan	1,649	871	448	0	238	200	28	93	21	59	2,086
United States	1,341	0	736	112	202	319	38	161	38	82	1,888
Other countries	727	221	274	18	85	182	20	106	34	21	1,007
Other exposures^{4,5}											
Derivatives contracts	3,376	910	1,337	96	137	175	34	69	24	48	3,707
Guarantees extended	5,534	675	2,167	202	262	952	120	282	325	225	6,874
Credit commitments	2,847	962	954	65	237	590	88	152	137	213	3,686

Consolidated claims and other exposures of BIS reporting banks on an ultimate risk basis

 Changes in stocks²
Foreign claims

Other exposures^{4,5}


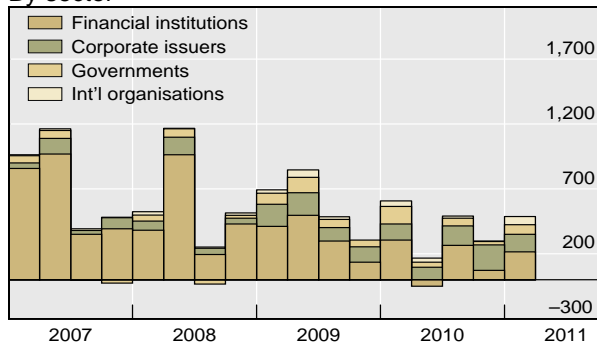
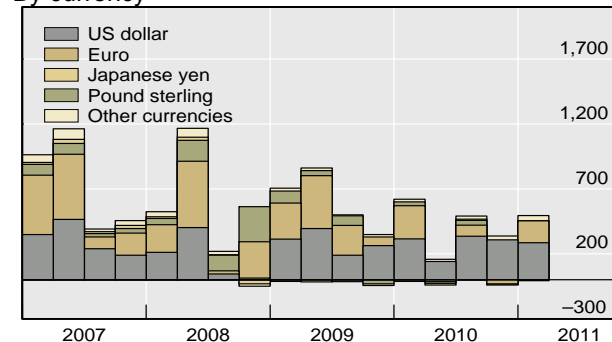
¹ Detailed breakdowns and time series data are available at <http://www.bis.org/statistics/consstats/htm> (Tables 9C–9E). ² Quarterly difference in outstanding stocks, excluding effects of breaks in series. ³ Worldwide consolidated positions of domestically owned banks of 24 reporting countries.

⁴ Not included in foreign claims. ⁵ Derivatives relate to positive market values recorded as on- or off-balance sheet items. Credit commitments and guarantees are recorded as off-balance sheet items.

Table 3A: International debt securities issuance, March 2011¹

In billions of US dollars

	Developed countries				Off-shore centres	Emerging markets					Int'l organisations	All countries
	Total	United States	Euro area	Japan		Total	Africa	Asia	Europe	Latin America		
Amounts outstanding												
Total issues	25,292	6,729	12,385	185	1,562	1,214	162	328	296	428	977	29,046
Money market instruments	922	99	517	1	33	7	0	4	0	2	19	982
Financial institutions	860	98	472	1	33	7	0	4	0	2	0	900
Corporate issuers	28	1	20	0	0	0	0	0	0	0	0	28
Governments	35	0	24	0	0	0	0	0	0	0	0	35
US dollar	331	90	139	0	13	4	0	2	0	2	14	362
Euro	394	4	272	0	6	0	0	0	0	0	1	402
Other currencies	197	6	106	1	14	2	0	2	0	0	4	218
Bonds and notes	24,370	6,630	11,869	183	1,529	1,207	161	324	296	426	958	28,064
Financial institutions	19,074	4,872	9,305	134	1,425	311	45	153	37	75	0	20,809
Corporate issuers	3,360	1,747	932	47	63	309	52	100	40	116	0	3,732
Governments	1,936	12	1,631	2	41	588	63	70	219	235	0	2,564
US dollar	8,506	5,714	1,197	53	1,086	852	110	258	142	342	324	10,767
Euro	12,022	577	9,734	13	199	204	22	11	126	45	293	12,718
Other currencies	3,843	339	938	117	244	151	29	55	29	39	341	4,579
Floating rate	7,451	1,148	4,075	22	570	89	30	37	9	13	66	8,175
Straight fixed rate	16,542	5,347	7,677	123	896	1,057	123	243	285	407	892	19,388
Equity-related	377	135	116	39	62	61	9	44	2	6	0	501
Net issuance during the quarter												
Total issues	371	90	177	2	3	51	6	14	14	17	62	487
Money market instruments	24	3	14	-1	6	1	0	0	0	0	8	38
Financial institutions	20	2	7	-1	6	0	0	0	0	0	0	26
Corporate issuers	2	0	2	0	0	0	0	0	0	0	0	2
Governments	1	0	6	0	0	0	0	0	0	0	0	2
US dollar	14	3	5	0	0	0	0	0	0	0	6	21
Euro	-3	0	-1	0	3	0	0	0	0	0	0	0
Other currencies	12	0	10	-1	3	0	0	0	0	0	2	17
Bonds and notes	348	87	163	2	-3	50	6	14	14	17	54	449
Financial institutions	171	7	89	4	-3	21	1	10	1	9	0	189
Corporate issuers	115	80	24	-1	-1	18	4	2	4	9	0	132
Governments	62	0	51	0	0	11	1	1	9	-1	0	74
US dollar	214	101	42	7	-2	42	3	9	13	17	10	264
Euro	143	-8	141	-2	-4	-4	2	-1	-3	-1	34	170
Other currencies	-9	-6	-20	-2	3	12	2	5	4	1	10	16
Floating rate	-2	8	1	0	-16	3	0	3	0	1	2	-13
Straight fixed rate	340	69	162	5	16	46	5	12	14	14	52	454
Equity-related	10	11	0	-2	-3	1	1	-1	0	2	0	8
<i>Memo: Announced international equity issuance</i>	<i>121</i>	<i>65</i>	<i>25</i>	<i>5</i>	<i>9</i>	<i>26</i>	<i>1</i>	<i>14</i>	<i>5</i>	<i>7</i>	<i>0</i>	<i>156</i>

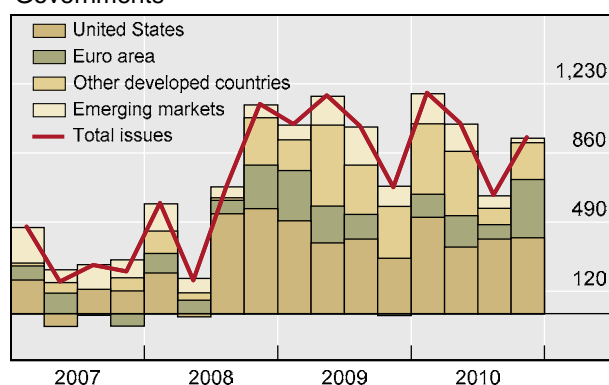
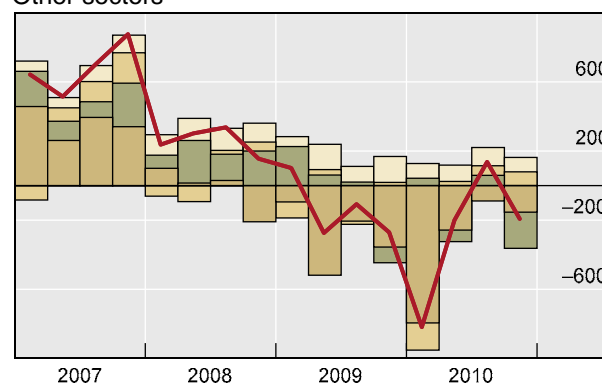
Net international debt securities issuance
By sector

By currency


¹ Detailed breakdowns and time series data, including for gross international debt securities issuance, are available at <http://www.bis.org/statistics/secstats.htm> (Tables 11, 12A–D, 13A–B, 14A–B, 15A–B and 17B).

Table 3B: Domestic debt securities issuance, December 2010¹

In billions of US dollars

Amounts outstanding											
	All countries	United States	Euro area	France	Germany	Italy	Spain	Other developed	Canada	Japan	United Kingdom
Total issues	67,154	25,349	13,120	3,170	2,616	3,000	1,475	19,555	1,461	13,734	1,647
Governments	38,960	11,152	7,205	1,700	1,724	1,934	629	14,824	1,021	11,632	1,324
Of which: short-term ²	9,934	2,607	1,762	405	500	407	171	3,773	215	3,225	173
Financial institutions	21,522	11,301	4,635	1,182	539	703	823	3,506	274	1,201	302
Of which: short-term ²	6,209	2,680	1,127	476	392	22	70	1,463	87	441	302
Corporate issuers	6,672	2,896	1,281	287	352	364	23	1,225	165	901	21
Of which: short-term ²	739	120	172	84	45	1	1	160	12	126	1
	Emerging markets	Brazil	China	Chinese Taipei	Czech Republic	India	Malaysia	Mexico	South Africa	South Korea	Turkey
Total issues	9,129	1,338	3,031	258	74	709	240	429	189	1,111	230
Governments	5,779	829	1,623	157	49	608	128	247	124	475	228
Of which: short-term ²	1,792	306	746	19	8	27	1	84	27	131	6
Financial institutions	2,080	497	886	36	16	75	48	147	36	255	0
Of which: short-term ²	939	497	112	8	0	75	20	32	5	165	0
Corporate issuers	1,270	11	522	65	9	25	64	35	29	381	2
Of which: short-term ²	287	11	118	24	0	25	3	1	0	95	0
Changes in stocks during the quarter											
	All countries	United States	Euro area	France	Germany	Italy	Spain	Other developed	Canada	Japan	United Kingdom
Total issues	739	253	103	39	-38	-13	41	276	32	139	-6
Governments	939	407	311	41	205	1	37	197	22	149	2
Of which: short-term ³	-102	-16	-8	7	4	-19	0	-19	9	-17	-16
Financial institutions	-284	-155	-216	0	-254	-13	5	49	5	-34	-8
Of which: short-term ³	-126	62	-180	-8	-178	0	-13	-25	-4	-16	-8
Corporate issuers	85	1	7	-2	11	-1	0	31	5	24	0
Of which: short-term ³	1	-7	-2	-1	1	0	0	13	1	13	0
	Emerging markets	Brazil	China	Chinese Taipei	Czech Republic	India	Malaysia	Mexico	South Africa	South Korea	Turkey
Total issues	108	26	27	8	-1	0	...	11	10	-12	2
Governments	23	-2	-13	6	-3	0	15	5	9	-8	2
Of which: short-term ³	-59	8	-53	2	0	0	0	5	0	0	0
Financial institutions	38	27	17	2	0	0	...	4	0	-18	0
Of which: short-term ³	17	27	0	1	0	0	...	-2	0	-13	0
Corporate issuers	46	1	23	0	2	0	...	2	1	13	0
Of which: short-term ³	-3	1	-3	0	0	0	...	-1	0	0	0

Changes in stocks of domestic debt securities
Governments

Other sectors⁴


Euro area: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, Spain; Other developed countries: Australia, Canada, Denmark, Iceland, Japan, New Zealand, Norway, Sweden, Switzerland, the United Kingdom; Emerging markets: Albania, Argentina, Armenia, Bangladesh, Bolivia, Brazil, Bulgaria, Chile, China, Chinese Taipei, Colombia, Costa Rica, Croatia, the Czech Republic, Egypt, Georgia, Guatemala, Hong Kong SAR, Honduras, Hungary, India, Indonesia, Kenya, Lebanon, Lithuania, Malaysia, Mauritius, Mexico, Moldova, Morocco, Nepal, Pakistan, Peru, the Philippines, Poland, Romaina, Russia, Seychelles, Singapore, South Africa, South Korea, Sri Lanka, Tanzania, Thailand, Tonga, Turkey, Venezuela.

¹ Detailed breakdowns and time series data are available at <http://www.bis.org/statistics/secstats.htm> (Tables 16A–16B and 17A). ² Issues with a remaining maturity to final repayment of up to one year. ³ Money market instruments. ⁴ Financial institutions plus corporate issuers.

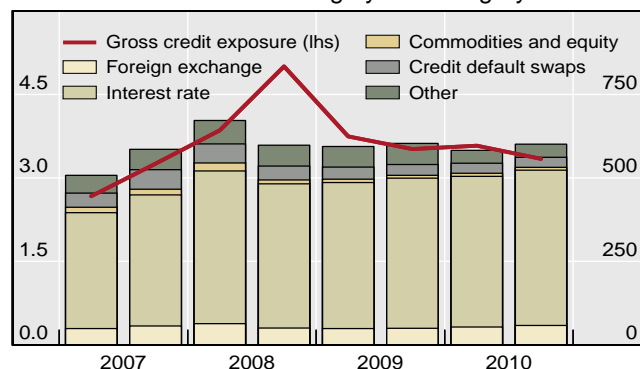
Table 4: Global OTC derivatives market, end-December 2010¹

In billions of US dollars

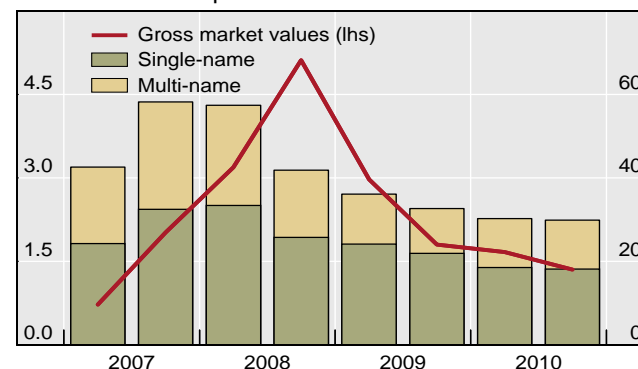
	Forwards and swaps				Options			
	Total	with reporting dealers	with other financial institutions	with non-financial customers	Total	with reporting dealers	with other financial institutions	with non-financial customers
Notional amounts outstanding								
All contracts²	532,430	152,690	332,238	45,350	68,619	33,088	27,926	6,630
Foreign exchange	47,705	17,582	21,811	8,313	10,092	4,374	3,815	1,904
US dollar	40,673	16,046	18,520	6,106	8,066	3,356	3,230	1,480
Euro	18,409	6,305	8,125	3,978	3,521	1,464	1,228	828
Japanese yen	9,157	4,195	3,655	1,306	3,419	1,804	1,132	483
Pound sterling	5,858	1,846	2,658	1,353	729	278	244	206
Other	21,314	6,770	10,663	3,881	4,450	1,844	1,797	809
Up to one year	31,618	11,782	13,681	6,155	6,369	2,876	2,067	1,425
Over one year	16,087	5,800	8,129	2,158	3,724	1,497	1,748	478
<i>Memo: Exchange-traded³</i>	170	.	.	.	144	.	.	.
Interest rate	415,965	109,442	273,089	33,433	49,295	25,041	20,388	3,866
US dollar	136,886	36,573	89,828	10,484	14,697	6,866	6,489	1,343
Euro	154,024	34,108	108,758	11,158	23,807	12,772	9,534	1,501
Japanese yen	54,357	20,009	28,750	5,598	5,152	3,424	1,598	130
Pound sterling	34,269	6,601	24,279	3,389	3,544	1,352	1,922	270
Other	36,429	12,151	21,474	2,804	2,096	627	846	622
Up to one year	179,455	55,123	112,921	11,411	11,032	5,484	4,262	1,286
Over one year	236,510	54,319	160,168	22,022	38,263	19,557	16,126	2,580
<i>Memo: Exchange-traded³</i>	21,013	.	.	.	40,930	.	.	.
Equity	1,828	524	995	310	3,807	1,497	1,886	424
<i>Memo: Exchange-traded³</i>	1,128	.	.	.	4,560	.	.	.
Commodities	2,011	...	...	...	910	...	...	...
Credit default swaps	29,898	15,099	14,489	310	...	...	...	...
Unallocated	35,023	10,044	21,854	2,983	4,514	2,176	1,837	436
Gross market values								
All contracts	18,161	5,145	11,623	1,394	2,419	1,273	899	248
Foreign exchange	2,120	716	951	453	362	183	98	81
US dollar	1,664	613	751	300	280	144	66	70
Euro	785	225	348	211	103	46	32	24
Japanese yen	494	207	192	96	193	113	42	39
Pound sterling	241	60	101	81	13	5	4	4
Other	1,056	327	511	218	135	57	52	25
Interest rate	13,207	3,325	9,106	776	1,401	789	541	72
US dollar	5,662	1,397	4,027	238	515	285	201	28
Euro	5,137	1,206	3,570	362	689	393	267	30
Japanese yen	932	345	540	46	91	62	26	2
Pound sterling	796	169	541	85	82	38	36	8
Other	680	208	427	45	25	10	11	3
Equity	167	28	96	43	480	209	195	77
Credit default swaps	1,351	703	628	20	...	...	...	...
Unallocated	1,316	373	842	101	175	92	65	18

Global OTC derivatives⁴

Notional amounts outstanding by risk category



Credit default swaps



¹ Detailed breakdowns and time series data are available at <http://www.bis.org/statistics/derstats.htm> (Tables 19, 20A–C, 21A–C, 22A–C and 23A–B). ² Due to incomplete counterparty breakdowns for the commodity derivatives, components do not add up to the total. ³ Futures and options. Data on exchange-traded and OTC derivatives are not directly comparable; the former refers to open interest while the latter refers to gross positions. ⁴ In trillions of US dollars.

Notes to tables

Data for the most recent period are provisional. Data on changes in stocks have been calculated by converting the relevant stocks into their original currencies using end-of-period exchange rates and subsequently converting the changes in stocks into US dollar amounts using period average rates. Flow and turnover data have been calculated by converting flows and turnover in original currencies into US dollar amounts using period average exchange rates.

Tables 1A–1B The data in Tables 1A–1B (the locational BIS banking statistics) cover banks' unconsolidated gross international on-balance sheet assets and liabilities. These data are based on the residence of the reporting institution and therefore measure the activities of all banking offices residing in each reporting country. Such offices report exclusively on their own unconsolidated business, which thus includes international transactions with any of their own affiliates. BIS reporting banks include banks residing in the G10 countries, plus Australia, Austria, the Bahamas, Bahrain, Bermuda, Brazil, the Cayman Islands, Chile, Chinese Taipei, Curacao, Cyprus, Denmark, Finland, Greece, Guernsey, Hong Kong SAR, India, Ireland, Isle of Man, Jersey, Korea, Luxembourg, Macao SAR, Malaysia, Mexico, the Netherlands Antilles (till Q3 2010), Norway, Panama, Portugal, Singapore, South Africa, Spain and Turkey. Breakdowns by currency are compiled from actual reported data and do not include any estimates done by the BIS for reporting countries that provide incomplete or partial currency information. Table 1A provides aggregated figures by residence of banks in all reporting countries. Table 1B provides figures by nationality of banks in reporting countries. The nationality statistics are prepared by regrouping the locational data into categories based on the control or ownership of the banking offices in question. Thus, for a reporting country, total assets and total liabilities of all banks reported under locational by residence statistics should be equal to the total assets and total liabilities of all banks reported under nationality statistics. Detailed tables, including time series data in CSV files, guidelines and information on breaks in series in the locational banking statistics, are available on the BIS website under <http://www.bis.org/statistics/bankstats.htm>.

Tables 2A–2B The consolidated statistics are based mainly on the country of incorporation of the reporting institutions and measure the international lending activities of banks' head offices in the reporting countries and all their offices at home and abroad, with positions between offices of the same bank being netted out. The data in Table 2A cover BIS reporting banks' worldwide consolidated claims on an immediate borrower basis. These contractual claims are not adjusted for risk mitigants, such as guarantees and collateral. The 30 reporting countries comprise the G10 countries plus Australia, Austria, Brazil, Chile, Chinese Taipei, Denmark, Finland, Greece, Hong Kong SAR, India, Ireland, Luxembourg, Mexico, Norway, Panama, Portugal, Singapore, Spain and Turkey. The data in Table 2B cover BIS reporting banks' worldwide consolidated claims on an ultimate risk basis. These contractual claims are adjusted for risk mitigants, such as guarantees and collateral. The reporting population is a subset of 24 countries which reports both sets of data and comprises Australia, Austria, Belgium, Canada, Chile, Chinese Taipei, Finland, France, Germany, Greece, India, Ireland, Italy, Japan, the Netherlands, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. In table 2B, German banks' foreign claims vis-à-vis developed countries are on an immediate borrower basis. The data in Table 2A cover both foreign and international claims, while Table 2B covers foreign claims only. International claims are defined as BIS reporting banks' cross-border claims in all currencies plus the local claims of their foreign affiliates in foreign currency. Foreign claims include, in addition, reporting banks' foreign affiliates' local claims in local currency, as shown below.

Types of claims

A Cross-border claims	B Local claims of foreign affiliates in foreign currency	C Local claims of foreign affiliates in local currency	D Domestic claims in the reporting country
---------------------------------	--	--	--

International claims (A + B)

Foreign claims (A + B + C)

The shaded area indicates claims excluded from the consolidated banking statistics; bold italics indicate claims published within the consolidated banking statistics.

Austria and Portugal report on a partially consolidated basis. Detailed information on breaks in series in the consolidated banking statistics is available on the BIS website under <http://www.bis.org/statistics/consstats.htm>. Claims of Portuguese banks are currently under review and are subject to revisions.

Tables 3A–3B The methodology used to compile the international and domestic debt securities statistics and a description of the coverage can be found on pages 13 to 17 of the *Guide to the international financial statistics*, available at <http://www.bis.org/publ/bispap14.htm>.

The sectoral breakdown presents data based on the sector of the borrower itself and not on the sector of the parent company of the borrower or any guarantor. “Governments” comprise central governments, other governments and central banks. “Financial institutions” comprise commercial banks and other financial institutions.

The international debt securities data include “repackaged securities”, for example the new global issues of Argentina, resulting from the April 2005 exchange offer.

Table 4 The data in Table 4 cover the activity recorded in the global over-the-counter (OTC) and exchange-traded derivatives markets. The data on exchange-traded derivatives are obtained from market sources, while those on OTC derivatives are based on the reporting to the BIS by central banks in major financial centres that in turn collect the information on a consolidated basis from reporting dealers headquartered in their respective countries.

The data on OTC derivatives are available in terms of notional amounts outstanding, gross market values and gross credit exposure. Gross credit exposure excludes credit default swap contracts for all countries except the United States. These statistics are adjusted for inter-dealer double-counting and cover foreign exchange, interest rate, equity, commodity and credit derivatives.

For the exchange-traded derivatives, data on open interest measured in terms of US dollars are available for the main financial derivatives contracts (interest rate, currency and equity-linked derivatives).

Information on the methodology used to compile these statistical sets and a more detailed description of their coverage can be found on pages 18 to 21 of the *Guide to the international financial statistics*, available at <http://www.bis.org/publ/bispap14.htm>.

Special features in the BIS Quarterly Review

March 2011	Systemic importance: some simple indicators	M Drehmann & N Tarashev
March 2011	Inflation expectations and the great recession	P Gerlach, P Hördahl & R Moessner
March 2011	The use of reserve requirements as a policy instrument in Latin America	C Montoro & R Moreno
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December 2010	The \$4 trillion question: what explains FX growth since the 2007 survey?	M R King & D Rime
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Recent BIS publications¹

Working Papers

The bank lending channel: lessons from the crisis

Leonardo Gambacorta and David Marques-Ibanez

<http://www.bis.org/publ/work345.htm>

The 2007-2010 financial crisis highlighted the central role of financial intermediaries' stability in buttressing a smooth transmission of credit to borrowers. While results from the years prior to the crisis often cast doubts on the strength of the bank lending channel, recent evidence shows that bank-specific characteristics can have a large impact on the provision of credit. We show that new factors, such as changes in banks' business models and market funding patterns, had modified the monetary transmission mechanism in Europe and in the US prior to the crisis, and demonstrate the existence of structural changes during the period of financial crisis. Banks with weaker core capital positions, greater dependence on market funding and on non-interest sources of income restricted the loan supply more strongly during the crisis period. These findings support the Basel III focus on banks' core capital and on funding liquidity risks. They also call for a more forward-looking approach to the statistical data coverage of the banking sector by central banks. In particular, there should be a stronger focus on monitoring those financial factors that are likely to influence the functioning of the monetary transmission mechanism particularly in a period of crisis.

Dislocations in the won-dollar swap markets during the crisis of 2007-09

Naohiko Baba and Ilhyock Shim

<http://www.bis.org/publ/work344.htm>

Foreign exchange (FX) derivatives markets in the Korean won are comparatively thin and vulnerable to impaired functioning. During the crisis, Korea faced dislocations in its FX swap and cross-currency swap markets, so severe that covered interest parity (CIP) between the Korean won and the US dollar was seriously violated. Using a variation of the EGARCH model, we find that global market uncertainty – as proxied by VIX, the volatility index – was the main factor explaining the movement of deviations from CIP in the three-month FX swap market during the crisis period. The credit risk of Korean banks – as proxied by their credit default swap spread – was also a significant factor explaining deviations from CIP in the three-year cross-currency swap market before the crisis, while the credit risk of US banks was significant during the crisis period. The Bank of Korea's provision of funds using its own foreign reserves was not effective in reducing deviations from CIP, but the Bank of Korea's loans of the US dollar proceeds of swaps with the US Federal Reserve were effective. This is because the loans funded by swaps with the US Federal Reserve effectively added to Korea's foreign reserves and enhanced market confidence.

Market structures and systemic risks of exchange-traded funds

Srichander Ramaswamy

<http://www.bis.org/publ/work343.htm>

Crisis experience has shown that as the financial intermediation chain lengthens, it becomes complicated to assess the risks of financial products due to a lack of transparency as to how risks are managed at different levels of the intermediation chain. Exchange-traded funds, which have become popular among investors seeking exposure to a diversified portfolio of assets, share this characteristic, especially when their returns are replicated using derivative products. As the volume of such products grows, such replication strategies can lead to a build-up of systemic risks in the financial system. This article examines the operational frameworks of exchange-traded funds and identifies potential channels through which risks to financial stability can materialise.

Measuring the systemic importance of interconnected banks

Mathias Drehmann and Nikola Tarashev

<http://www.bis.org/publ/work342.htm>

We develop a measure of systemic importance that accounts for the extent to which a bank propagates shocks across the banking system and is vulnerable to propagated shocks. Based on Shapley values, this measure gauges the contribution of interconnected banks to systemic risk, in contrast to other measures proposed in the literature. An empirical implementation of our measure reveals that systemic importance depends materially on the bank's role in the interbank network, both as a borrower and as a lender. We also find substantial differences between alternative measures, which implies that prudential authorities should be careful in choosing the underlying approach.

Securitization is not that evil after all

Ugo Albertazzi, Ginette Eramo, Leonardo Gambacorta and Carmelo Salleo

<http://www.bis.org/publ/work341.htm>

A growing number of studies on the US subprime market indicate that, due to asymmetric information, credit risk transfer activities have perverse effects on banks' lending standards. We investigate a large part of the market for securitized assets ("prime mortgages") in Italy, a country with a regulatory framework analogous to the one prevalent in Europe. Information on over a million mortgages consists of loan-level variables, characteristics of the originating bank and, most importantly, contractual features of the securitization deal, including the seniority structure of the ABSs issued by the Special Purpose Vehicle and the amount retained by the originator. We borrow a robust way to test for the effects of

¹ Requests for publications should be addressed to: Bank for International Settlements, Press & Communications, Centralbahnplatz 2, CH-4002 Basel. These publications are also available on the BIS website (www.bis.org).

asymmetric information from the empirical contract theory literature (Chiappori and Salanié, 2000). Overall, our evidence suggests that banks can effectively counter the negative effects of asymmetric information in the securitization market by selling less opaque loans, using signaling devices (i.e. retaining a share of the equity tranche of the ABSs issued by the SPV) and building up a reputation for not undermining their own lending standards.

Cyclical fiscal policy, credit constraints, and industry growth Philippe Aghion, David Hemous and Enisse Kharroubi

<http://www.bis.org/publ/work340.htm>

This paper analyzes the impact of cyclical fiscal policy on industry growth. Using Rajan and Zingales' (1998) difference-in-difference methodology on a panel data sample of manufacturing industries across 15 OECD countries over the period 1980-2005, we show that industries with relatively heavier reliance on external finance or lower asset tangibility tend to grow faster (both in terms of value added and of labor productivity growth) in countries which implement more countercyclical fiscal policies.

Measuring disagreement in UK consumer and central bank inflation forecasts Richhild Moessner, Feng Zhu and Colin Ellis

<http://www.bis.org/publ/work339.htm>

We provide a new perspective on disagreement in inflation expectations by examining the full probability distributions of UK consumer inflation forecasts based on an adaptive bootstrap multimodality test. Furthermore, we compare the inflation forecasts of the Bank of England's Monetary Policy Committee (MPC) with those of UK consumers, for which we use data from the 2001-2007 February GfK NOP consumer surveys. Our analysis indicates substantial disagreement among UK consumers, and between the MPC and consumers, concerning one-year-ahead inflation forecasts. Such disagreement persisted throughout the sample, with no signs of convergence, consistent with consumers' inflation expectations not being "well-anchored" in the sense of matching the central bank's expectations. UK consumers had far more diverse views about future inflation than the MPC. It is possible that the MPC enjoyed certain information advantages which allowed it to have a narrower range of inflation forecasts.

BASEL III: Long-term impact on economic performance and fluctuations Paolo Angelini, Laurent Clerc, Vasco Cúrdia, Leonardo Gambacorta, Andrea Gerali, Alberto Locarno, Roberto Motto, Werner Roeger, Skander Van den Heuvel and Jan Vīček

<http://www.bis.org/publ/work338.htm>

We assess the long-term economic impact of the new regulatory standards (the Basel III reform), answering the following questions. (1) What is the impact of the reform on long-term economic performance? (2) What is the impact of the reform on economic fluctuations? (3) What is the impact of the adoption of countercyclical capital buffers on economic fluctuations? The main results are the following. (1) Each percentage point increase in the capital ratio causes a median 0.09 percent decline in the level of steady state output, relative to the baseline. The impact of the new liquidity regulation is of a similar order of magnitude, at 0.08 percent. This paper does not estimate the benefits of the new regulation in terms of reduced frequency and severity of financial crisis, analysed in Basel Committee on Banking Supervision (BCBS, 2010b). (2) The reform should dampen output volatility; the magnitude of the effect is heterogeneous across models; the median effect is modest. (3) The adoption of countercyclical capital buffers could have a more sizeable dampening effect on output volatility. These conclusions are fully consistent with those of reports by the Long-term Economic Impact group (BCBS, 2010b) and Macro Assessment Group (MAG, 2010b).

Basel Committee on Banking Supervision

Range of methodologies for risk and performance alignment of remuneration - final document May 2011

<http://www.bis.org/publ/bcbs194.htm>

Ensuring that remuneration is effectively aligned with risk and performance is an essential element for reducing incentives that may arise from the design of remuneration schemes and that can lead to excessive risk taking. In practice, the idea that an employee's compensation should take account of the risks that employees take on behalf of their organisation has proven to be challenging to implement.

The Basel Committee's report on the Range of Methodologies for Risk and Performance Alignment of Remuneration analyses the methods used by banks for incorporating risk into bonus pools and individual compensation schemes. Banks use various methods to adjust remuneration to take account of risk and performance. Depending on the remuneration scheme's design and detailed features, the effectiveness of such methods in creating incentives for prudent risk taking varies significantly.

The report focuses on the practical and technical issues that might reduce the effectiveness of these methods. It also covers more general questions, including proportionality in the application of rules. The report, which contains a number of examples of banks' practices reflecting the supervisory experience to date, helps provide a representative, though perhaps still incomplete, picture of current remuneration practices in the industry. By providing clarification on the design of risk-adjusted remuneration schemes and by highlighting issues that may affect the effectiveness of the risk adjustment methodologies, the Committee expects the report will help support and facilitate the broader adoption of sound compensation practices in the banking sector.

A consultative version of this paper was released for public comment in October 2010. The Committee wishes to thank those who have taken the time and effort to express their views on the consultative document.

Committee on the Global Financial System

Statistics Interactions of sovereign debt management with monetary conditions and financial stability May 2011

<http://www.bis.org/publ/cgfs42.htm>

The financial crisis dramatically altered the environment in which sovereign debt managers and central banks had to operate. The interactions of sovereign debt management (SDM) with monetary conditions and financial stability was heightened in these historically unusual circumstances.

This report discusses the implications of these interactions for central banks. It was prepared by a Study Group chaired by Paul Fisher of the Bank of England.

The report concludes that in such circumstances, or where financial systems are still developing, there is benefit in debt managers taking a broad view of cost and risk. Central banks can likewise benefit from keeping abreast of SDM activities. Recent experience confirms that medium-term strategic outcomes for the maturity structure and risk characteristics of outstanding debt do matter, for financial stability in particular. This underscores the importance of close communication among the relevant agencies, yet with each agency maintaining independence and accountability for its respective role, consistent with internationally agreed principles for sovereign debt management.

Committee on Payment and Settlement Systems

Statistics on payment and settlement systems in the CPSS countries - Figures for 2009 March 2011

<http://www.bis.org/publ/cpss95.htm>

This is an annual publication that provides data on payments and payment systems in the CPSS countries.

This version of the statistical update contains data for 2009 and earlier years. There are detailed tables for each individual country as well as a number of comparative tables.

A preliminary version was published in December 2010.

Principles for financial market infrastructures - consultative report March 2011

<http://www.bis.org/publ/cpss94.htm>

The report *Principles for financial market infrastructures* contains new and more demanding international standards for payment, clearing and settlement systems. Issued for public consultation by the CPSS and the Technical Committee of the International Organization of Securities Commissions (IOSCO), the new standards (called "principles") are designed to ensure that the essential infrastructure supporting global financial markets is even more robust and thus even better placed to withstand financial shocks than at present.

The report contains a single, comprehensive set of 24 principles designed to apply to all systemically important payment systems, central securities depositories, securities settlement systems, central counterparties and trade repositories (collectively "financial market infrastructures" or "FMIs"). These FMIs collectively record, clear and settle transactions in financial markets.

When finalised, the new principles will replace the three existing sets of CPSS and CPSS-IOSCO standards, the *Core principles for systemically important payment systems* (2001); the *Recommendations for securities settlement systems* (2001); and the *Recommendations for central counterparties* (2004). The CPSS and IOSCO believe that a single set of principles will provide greater consistency in the oversight and regulation of FMIs worldwide.

Robust and efficient FMIs help to ensure that markets continue to function effectively even in times of crisis and are an essential prerequisite for financial stability. Although FMIs have generally performed well, there are nevertheless lessons to be learnt both from the recent crisis and from the years of more normal operation since the current standards were issued. Compared with the current standards, the new principles introduce more demanding requirements in many important areas including

- the financial resources and risk management procedures an FMI uses to cope with the default of participants;
- the mitigation of operational risk; and
- the links and other interdependencies between FMIs through which operational and financial risks can spread.

There are also principles covering issues that are not fully addressed by the existing standards. These include new principles on segregation and portability, tiered participation and general business risk.

Published along with the report is a cover note which sets out some specific issues on which the committees are seeking comments during the public consultation period.

Comments on the principles are invited from all interested parties and should be sent by 29 July 2011 to both the CPSS secretariat (cpss@bis.org) and the IOSCO secretariat (fmi@iosco.org). The comments will be published on the websites of the BIS and IOSCO unless commentators request otherwise.

After the consultation period, the CPSS and IOSCO will review all comments received and publish a final report in early 2012. As set out in the cover note, the proposal is that relevant authorities will then strive to include the principles in their legal and regulatory framework by the end of 2012 and to apply the principles as part of their regulatory, supervisory and oversight activities as soon as possible. FMIs will be expected to take appropriate and swift action in order to meet the principles.

Speeches

Global liquidity: a view from Basel

Speech by Mr Jaime Caruana, General Manager of the BIS, at the International Capital Markets Association Annual General Meeting and Annual Conference, Paris, 26 May 2011

<http://www.bis.org/speeches/sp110526.htm>

Policymakers have once again entered a discussion of global liquidity. Speaking to a group of capital market participants, the General Manager of the BIS suggested that bankers, bond underwriters and investors, as gatekeepers of credit, play an important role in the determination of global liquidity, defined as the growth and terms of global credit extension. The General Manager illustrated this role by contrasting the growth rates of US dollar credit within and outside the United States. He argued that international credit, including cross-currency credit involving maturity mismatches, tends to amplify domestic credit developments and poses challenges to policymakers. With new institutions and Basel III, policymakers are better equipped to moderate, or at least make the financial system less vulnerable to, swings in global liquidity. But better risk management, better analysis of liquidity risks and better funding strategies on the part of private market participants will be essential.

Capital flows to the emerging market economies: a perspective on policy challenges

Speech by Mr Jaime Caruana, General Manager of the BIS, at the Forty-sixth SEACEN Governors' Conference, Colombo, Sri Lanka, 24–26 February 2011

<http://www.bis.org/speeches/sp110307.htm>

Capital flows to emerging market economies (EMEs) have displayed a dramatic pattern over the past decade. Following the collapse during 2008, capital inflows have rebounded since 2009 to pre-crisis levels. The recent increase in international capital flows is a sign of strength for the world economy, but it also poses unusual policy challenges. Global accommodative financial conditions can spur capital inflows and make it more difficult for EM policymakers to pursue their internal stabilisation objectives. Growing inflation pressures in EMEs and a multispeed global recovery put a premium on the pursuit of sound macroeconomic policy, especially monetary policy. Fiscal policy should aim at reducing debt in good times. Real exchange rate appreciation should form part of the response in rapidly growing EMEs. Macroprudential policies can usefully complement, but not substitute for, such sound macroeconomic policies. Capital controls can only temporarily respond to highly unusual circumstances. Sound national policy action can contribute to better global outcomes, but policymakers in both advanced and emerging economies should take into account the implications of their actions beyond their own borders.