

Other Financial Corporations Survey in Japan

- Compilation measures and recent features -

9th IFC Biennial Conference

“Are post-crisis statistical initiatives completed?”

Session 4.B - Evolving patterns in financial intermediation

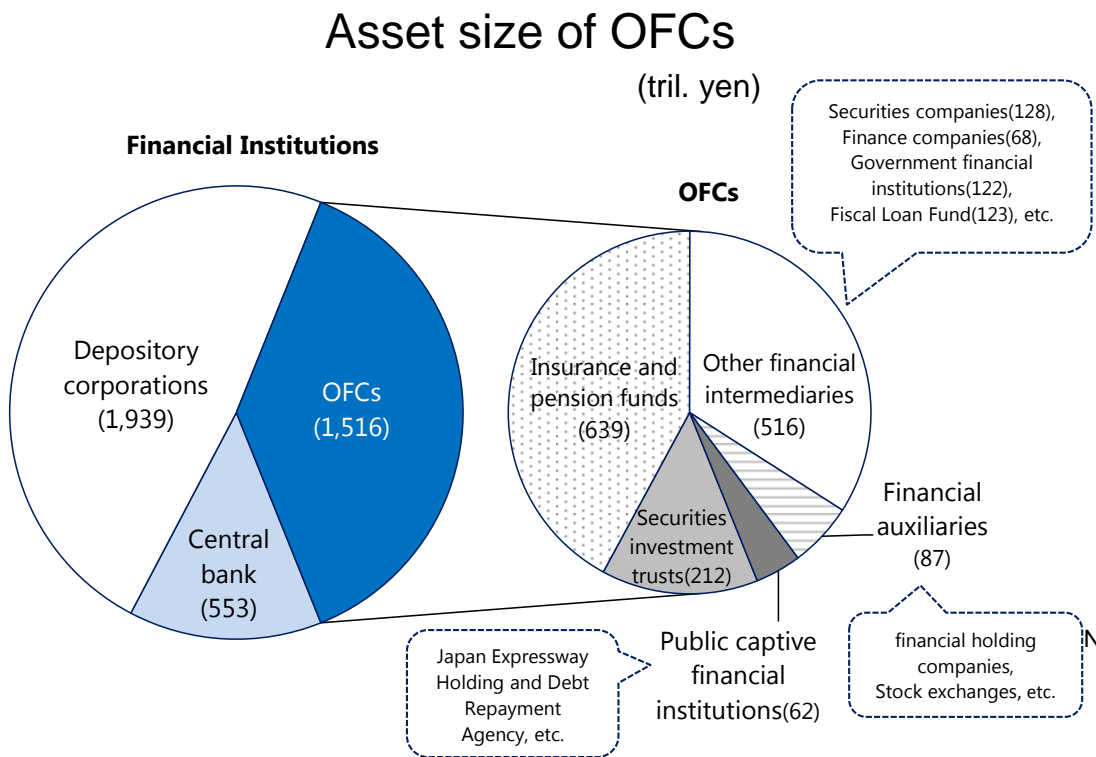
Haruko Kato
Bank of Japan

30-31 August 2018
BIS, Basel

Other Financial Corporations Survey (OFCS)

A framework that seeks to capture a wide range of financial activities and risks inherent in these activities of Other Financial Corporations (OFCs) - financial entities other than the central bank and depository corporations -.

✓ One of the nine data categories of the SDDS Plus



Items recorded in OFCS

Asset of OFCs (Credit to ~)	
Overseas	
Central government	
Depository corporations	
Other sectors	
Liability of OFCs (Credit from ~)	
Overseas	
Central government	
Depository corporations	
Other sectors	
Capital (Shares and other equity)¹	
Other items (net)²	

Notes: 1. Shares issued by OFCs are not included in Liability, but in Capital.
 2. "Other items" records not only shares issued by OFCs that OFCs hold, but also items not included in any other categories.

Note: The data are as of March 2018.

• OFCS Compilation

Basic policy in compilation:

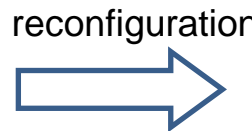
- ✓ **Make full use of existing statistics**
 - The Flow of Funds Accounts (J-FFA)
 - The Balance of Payment statistics
 - External statistics
- ✓ **Use micro data depending on the needs**
 - Source data of J-FFA

◆ Example 1 (treasury discount bills)

➤ Reconfiguration of J-FFA figures

J-FFA data

	Financial institutions							
			Central bank		Depository corporations		OFCs	
	Asset	Liability	Asset	Liability	Asset	Liability	Asset	Liability
...								
T-bills								
...								
Total								



OFCS data

Asset of OFCs (Credit to ~)	
...	
Central government	
...	
Liability of OFCs (Credit from ~)	
...	
Capital (Shares and other equity) ¹	
Other items (net) ²	

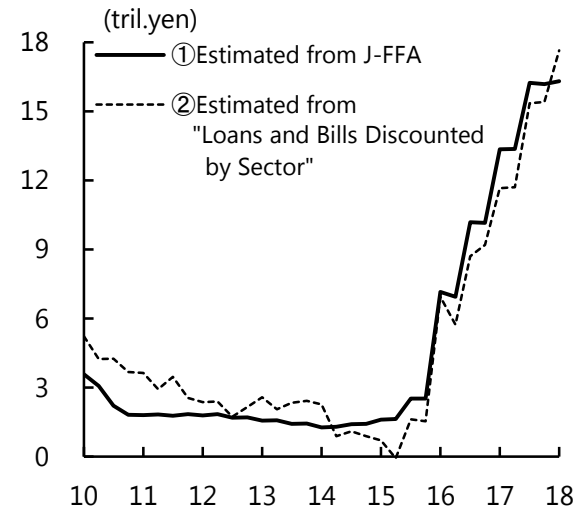
• OFCS Compilation

◆ Example 2 (lending between OFCs and depository corp.)

➤ Use J-FFA + its source data

Borrower sector \ Lender sector	Depository corporations	OFCs	Financial institutions (Depository corporations + OFCs)
	Depository corporations	OFCs	Financial institutions (Depository corporations + OFCs)
Depository corporations	Obtained by subtraction	Obtained by subtraction	Specified in J-FFA
OFCs	Estimated by adding up the breakdown items.	Obtained by subtraction	
Financial institutions (Depository corporations + OFCs)	Specified in J-FFA		

Lending from OFCs to Depository Corp. (Consistency check)



◆ Example 3 (repurchase agreements & securities lending transactions)

➤ Use J-FFA + Balance of Payments + certain assumptions

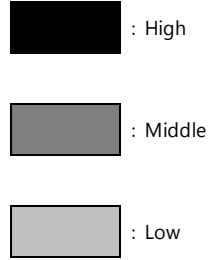
Asset \ Liability	Depository corporations	OFCs	Overseas	Other sectors	Total
	Depository corporations	OFCs	Overseas	Other sectors	Total
Depository corporations	Assumed to be zero	②	Balance of Payments	Depository corp. ↔ Central Bank	Specified in J-FFA
OFCs	②	④	①	③	
Overseas	Balance of Payments	①		Balance of Payments	
Other sectors	Depository corp. ↔ Central Bank	③	Balance of Payments	Central Gov. ↔ Central Bank	
Total	Specified in J-FFA				

- Use BoP for transactions with Overseas
- Calculate ①
- Assumption of and
- Calculate ③
- Calculate ④ as a residual

• Estimation accuracy

- ✓ The estimation accuracy is relatively high in the overseas sector (direct use of Balance of Payment statistics) and government sector (transaction item basis data are available as source data of the J-FFA).
- ✓ According to the estimation methods presented earlier, the items are with reasonable accuracy in depository corporations.

	Asset of OFC (Credit to ~)					Liability of OFC (Credit from ~)				
	Overseas	Central government	Depository corporations	Other sectors (Households, Nonfinancial corporations, Local governments, NPISH, Central bank)	OFCs	Overseas	Central government	Depository corporations	Other sectors (Households, Nonfinancial corporations, Local governments, NPISH, Central bank)	OFCs
Currency and deposits			High							
Deposits with the Fiscal Loan Fund					High	High	High	High	High	High
Loans	High	Middle	Middle	Middle	Middle	High	Middle	Middle	Middle	Middle
Loans by private and public financial	High	High	Middle	Middle	Middle			Middle		Middle
Repurchase agreements and securities lending	High	Middle		Middle	Middle	High	Middle	Middle	Middle	Middle
Debt securities		Middle		Middle		Middle	Middle	Middle	Middle	Middle
Equity			Middle	Middle			Middle	Middle	Middle	Middle
Investment fund shares				Middle			Middle	Middle	Middle	Middle
Insurance, pension and standardized guarantees					Middle			Middle	Middle	Middle
Financial derivatives, etc.	Middle	Middle				Middle	Middle	Middle	Middle	Middle
Deposits money	Middle	High	Middle	Middle		Middle	Middle	Middle	Middle	Middle
Trade credits and foreign trade credits	High	High		Middle	Middle	High	High		Middle	Middle
External claims, etc.	Middle					Middle				



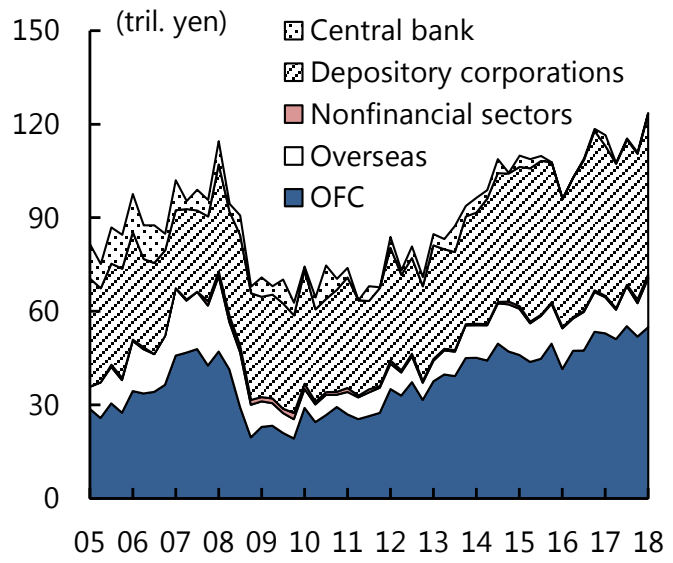
Note: Empty cells indicate that there is no figure compiled.

Recent features in the OFCS

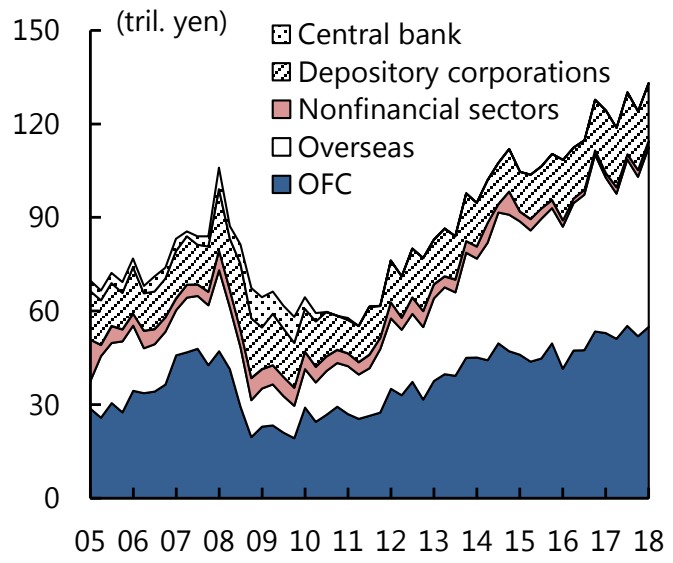
◆ Repurchase agreements & securities lending transactions

- ✓ Expanding needs of foreign currency funding by depository corporations and insurance companies due to the increase in their foreign bond holdings as part of their portfolio allocation strategy.
- ✓ OFCs, in particular broker dealers, are working as intermediaries and overseas are responding to these demands.

OFCs' asset side by counterparty sector



OFCs' liability side by counterparty sector

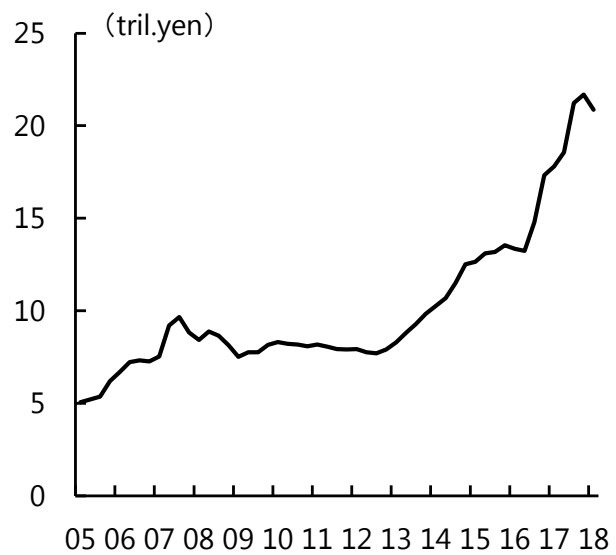


Note: The latest data are as of March 2018.

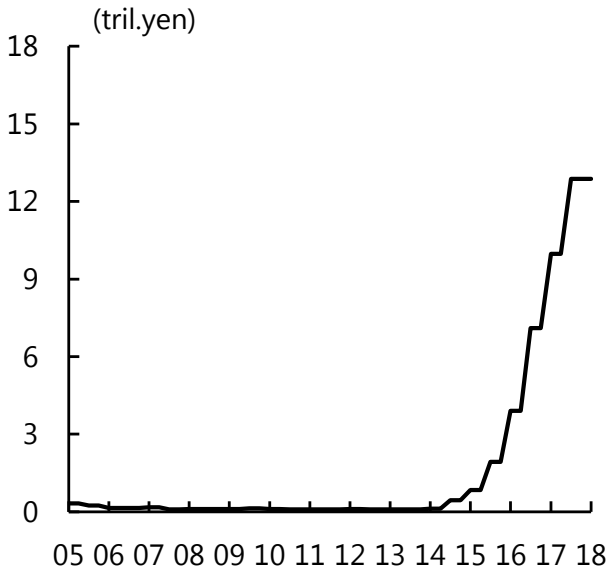
Recent features in the OFCS

- ◆ Debt securities issues and intra-group lending by bank holding companies
 - ✓ G-SIBs have been working to come into line with TLAC regulations by issuing debt securities from holding companies (OFCs) in foreign currency.
 - ✓ The capital raised in that manner is used as holding companies' lending to their subsidiary depository corporations (internal TLAC)

Securities Issued by OFCs Held by Overseas



Loans from Holding Companies to Subsidiaries



Note: The latest data are as of March 2018.

• **Summary**

- **The OFCS is an important step forward to understanding the trend of OFCs.**
- **In the OFCS compilation, we use various measures by utilizing other statistics and some micro data depending on the needs.**
- **The breakdowns of the OFCS data confirm that OFCs play a significant role while Japanese depository corporations extend their business overseas.**

Thank you!