



国家外汇管理局

State Administration of Foreign Exchange



BANK FOR INTERNATIONAL SETTLEMENTS

Who holds banks' debt securities? Statistical methods for allocation by holders

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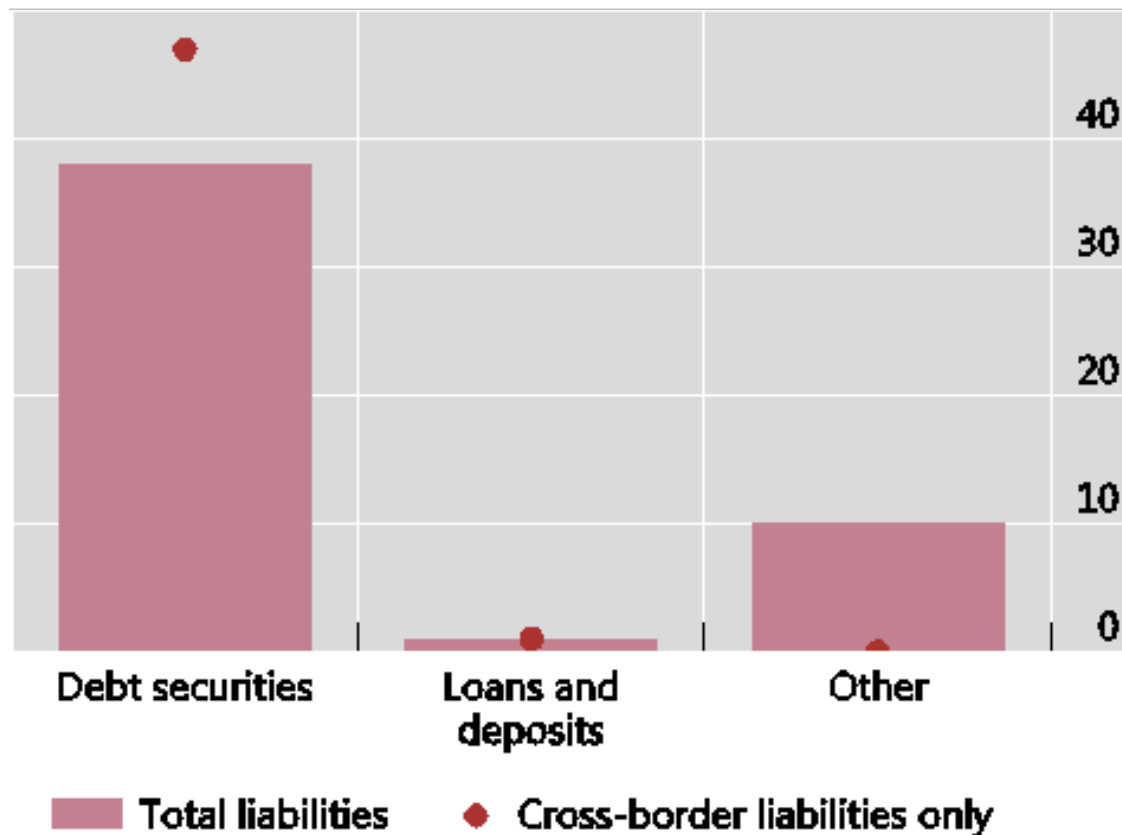
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40% of total debt securities liabilities is unallocated

Unallocated residence in total per instruments

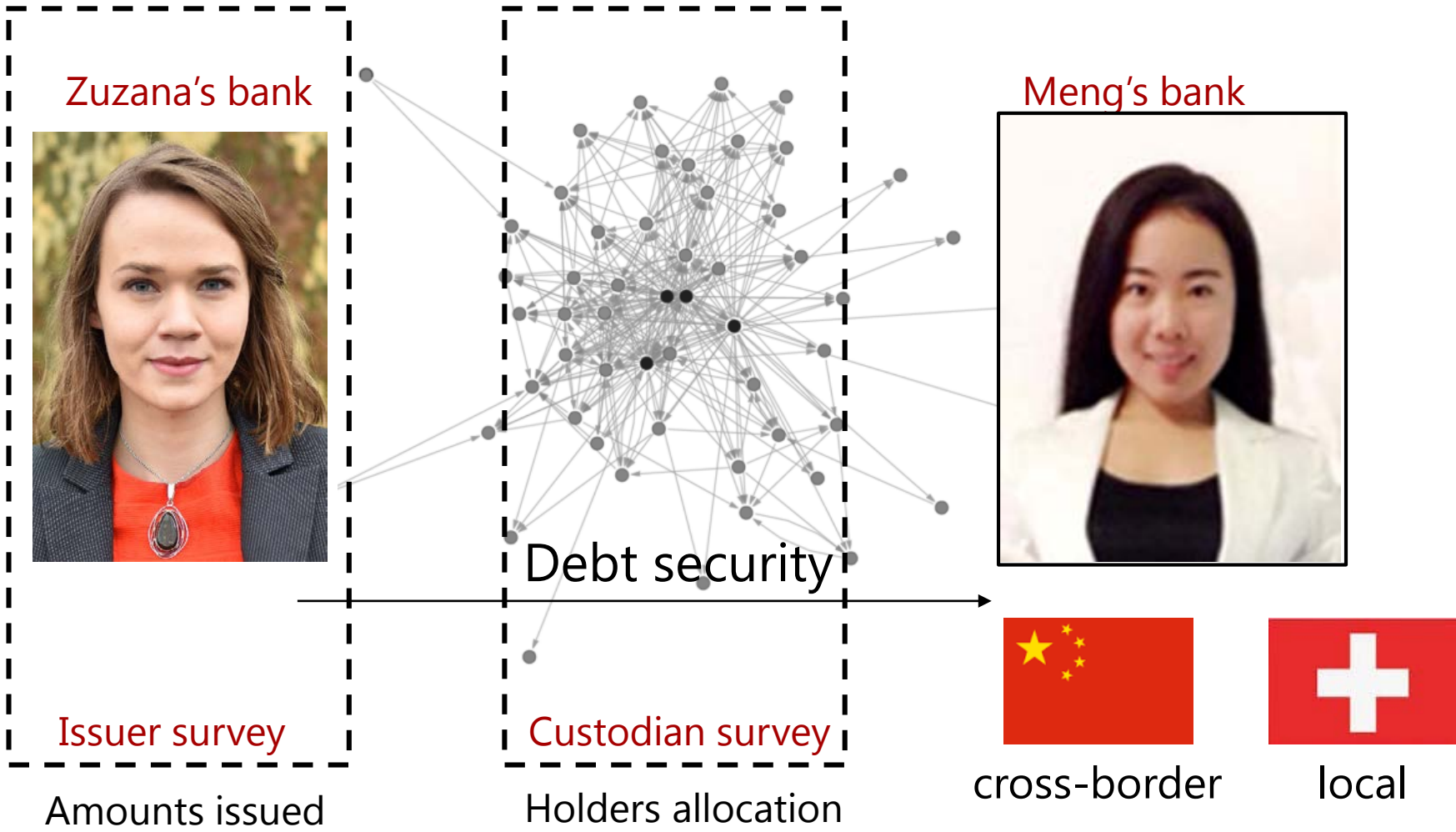


For issuers it is more difficult to identify the holders of their debt securities than other instruments

→ And that's why they report them as unallocated

Data source: BIS locational banking statistics (LBS) by residence





Two main challenges:

- A. Negotiability
- B. Intermediation



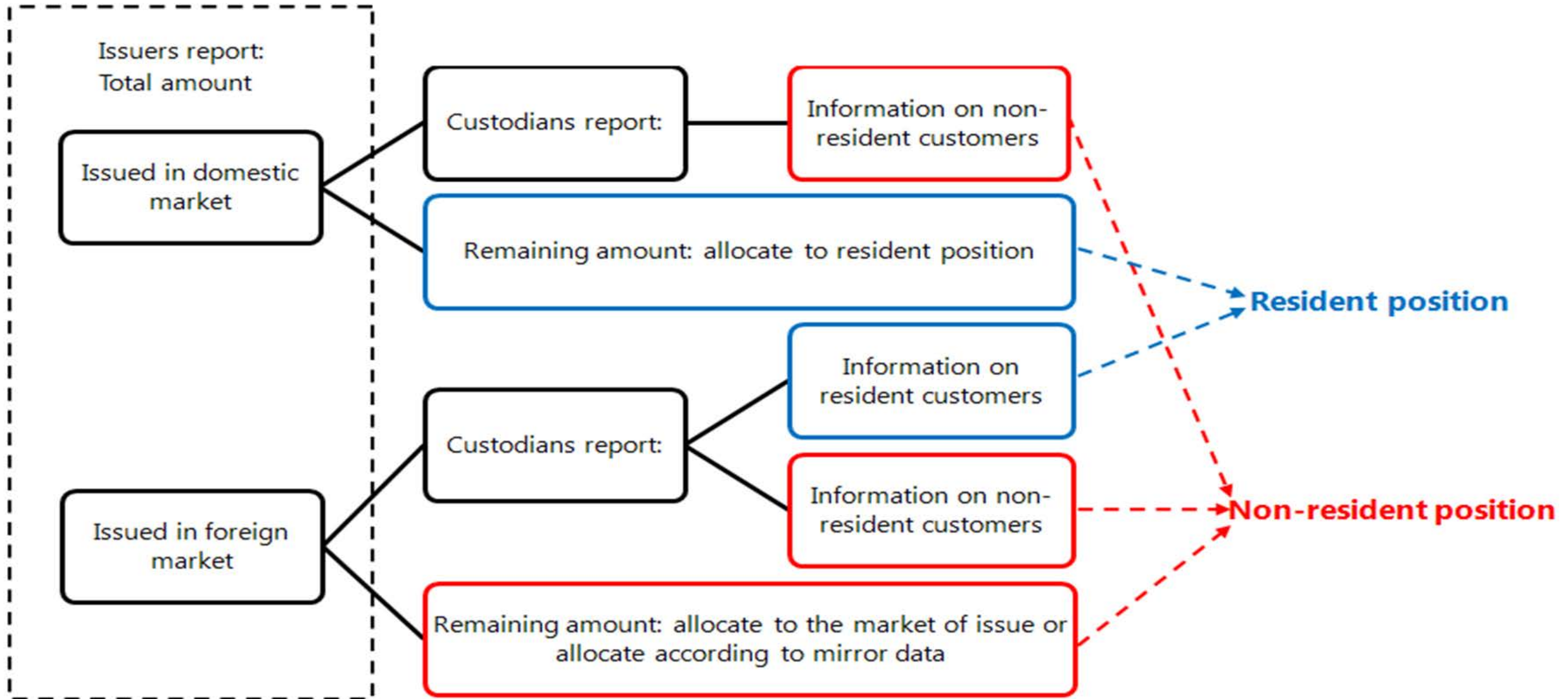
Conceptual Options

Pros and cons of different surveys

	Pros	Cons
Issuers survey	<ul style="list-style-type: none"> • Precise amount of total debt securities issued • Precise information in case of direct investment • Already covered in central banks' jurisdiction • If no domestic custodian hired, issuer may have superior information 	<ul style="list-style-type: none"> • <u>Information potentially outdated</u>
Custodian survey	<ul style="list-style-type: none"> • Precise and up-to-date information • Cost-effectiveness 	<ul style="list-style-type: none"> • Non-bank custodians potentially not covered in central banks' jurisdiction • If hired by another custodian, may still not identify the end-beneficiary • Risk of over- and <u>under-reporting</u>
Combined approach	<ul style="list-style-type: none"> • Precise amount of total debt securities issued • Precise and up-to-date information from custodians • Precise information from issuers in case of direct investment • Issuers already covered in central banks' jurisdiction • If no domestic custodian hired, issuer may have superior information • Cost-effectiveness in covering custodians 	<ul style="list-style-type: none"> • Non-bank custodians potentially not covered in central banks' jurisdiction • If hired by another custodian, may still not identify the end-beneficiary • Risk of over-reporting



Combined approach - solution to double counting



Survey results

	Results	Number	Percentage
Combined survey	Method 1	2	11%
	Method 2	1	6%
Issuer survey	Market of issue	1	6%
	Primary purchaser	4	22%
	Mix	5	28%
Estimation	External or internal sources	3	17%
Not replied or no allocation		2	11%
Total		18	100%



Country practices: Combined survey

Method 1 Reporting practices depending on where a domestic bank issues

Market	Respondent	Information
All markets	Resident custodian	Security-by-security
Foreign markets	Issuing bank	Market of issue as counterparty country with no resident custodians involved, security-by-security

Method 2 Reporting practices depending on where and how a domestic bank issues

Market	Situation	Respondent	Information
Domestic	Non-resident investors invest directly	Central security depository	Residence and sector of non-resident investors, positions
	Non-resident investors entrust domestic custodians to administer transactions	Domestic custodian (bank & non-bank)	Residence and sector of non-resident trustee, positions
Foreign	Bank issues debt security directly	Issuing bank	Residence and sector of non-resident trustee, positions Holders' residence: if holders can be identified, they are allocated accordingly; if holders cannot be identified, the market of issue is reported as counterparty country
	Bank issues credit linked notes to specific countries	Issuing bank	Residence of holders, positions



Country practices: Issuer survey and mirror data

Countries surveying issuers

Main Constraints

- Lack of legal authority
- Domestic banks often issue debt securities in overseas market
- Costs

Main practices

- Report primary purchasers
- Report market of issue as counterparty country
- Mix

Countries using mirror data (ECB's SHS)

1. Require issuing domestic banks to report the ISIN codes of their debt securities.
2. With the ISIN codes, compilers search for information on holders within the SHS database.
 - 2.1 If in the database full information on holders is available, then it is straightforward to allocate the counterparty countries accordingly.
 - 2.2 If no information on holders is available, the debt security is assigned as unallocated.
 - 2.3 If only partial information can be found, then the remaining unknown amount is allocated according to the proportions of known amounts.



How we contribute to the post-crisis statistical initiatives

- ① Unique survey of current practices of identifying debt securities counterparty countries;
- ② Combined approach using mirror data for cross-checking, possibly with a centralized security depository as the main data resource for domestic market

Suggestions for compilers:

- ① To thoroughly research their market and related institutions and to adjust their collecting framework with reference to the methods discussed in here.
- ② To use estimation and cross-checking by taking advantage of established databases.

Unallocated position is not necessarily a good indicator of data quality: It is indeed recommended that compilers search for ways to break down residence and sector of debt securities counterparties, but allocating the positions to wrong counterparties could worsen the data quality and thereby undermine the comparability of data for research and policy analysis.

Thank you!

