Discussant comments on session IPM71: Statistics of institutional investors

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All four speakers encompassed the recent activities of institutional investors in their individual countries with deep insight.

Barend de Beer introduced the South African flow of funds compilation procedure. He demonstrated the effectiveness of the flow of funds accounts by analysing the activities of foreign investors. Every central bank faces difficulties in data collection to one degree or another, but the South African Reserve Bank has implemented a very clever technique for classifying and disclosing data from reporting institutions. Such transparency should be followed by other statistics compilers.

Jani Matilainen presented the innovative developments in statistical reporting systems throughout the euro area. The recent Irving Fisher Committee on Central Bank Statistics seminar, one in the International Statistical Institute series, featured new compilations adopted by the European System of Central Banks. As Jani explained, European central bankers provide investment funds with the option of reporting either individual securities or their aggregate holdings. Such flexibility minimises reporting burdens.

Jani also took the position that securitisation involves “de-recognition” in accounting frameworks. His argument is so critical that a lack of understanding of the entire system of financial products in a quantitative manner will inevitably lead to mistake in policy decisions of monetary authorities.

Ian Nield made a persuasive case for compiling flow of funds accounts. Recently, the Reserve Bank of New Zealand obtained comprehensive information on securities transactions by requesting it from a settlement system, Austraclear New Zealand. I suppose that building a good relationship with the central securities depository is one approach for monetary authorities, while obstacles remain to accessing classified data on individual trade. In my view, hedge funds tend to use foreign agent banks which keep the records secret.

Robert Gadsby highlighted the risk-averse behaviour of institutional investors using a quantitative approach. The study is the successful outcome of integrating the European statistical framework into the euro area accounts (EAA). His empirical results showed that the degree of risk aversion accelerated around 2007 if the amount of institutional investors’ assets is included in non-financial sectors such as households. Investment funds are usually blamed for propagating shocks. However, funds in the euro area behaved conservatively in the past two years. Such unexpected results allow policymakers to understand the nature of investment behaviour. The study shows the importance of enhancing financial statistics.

At the IPM 71, we discussed the obstacles to expanding reporting of financial statistics. Efficiency, a cooperative response and the time required to compile all the data seem to be the key factors.

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