

Discussant comments on session IPM68: Risks in finance – the state of the art in statistical methods

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This session covered two approaches to risks in finance and to the management of those risks: a data collection approach – the European Central Bank (ECB) and South African Reserve Bank (SARB) papers – and a research approach

The paper by the **ECB** focused on the opaqueness of credit risk transfer (CRT) and the lack of available information. The ECB response to this problem is twofold: developing new or enhanced euro area statistics, and improving the existing statistics on credit derivatives and reusing supervisory information. The discussion centred on the future challenges as regards CRT measurement, highlighting the need to enhance the data on the shadow banking sector (financial intermediation by institutions, markets and products outside the banking sector and traditional securities markets), to develop harmonised definitions, to widen the scope of CRT statistics, to promote transparency in financial innovation, and to further coordinate efforts among supervisory authorities, policymakers, statisticians and, possibly, market players.

The paper by the **SARB** presented a widely used tool to assess the soundness of the financial system, whereby quantitative information is complemented by qualitative information on structure and regulation. The paper covered two major components, scenario analysis and stress testing. The authors also elaborated on the identification of macroprudential indicators and different assessment methods. The discussion focused on possible further work concerning refinements to the SARB methodology, which included, inter alia, capturing the whole distribution of losses to reflect unexpected as well as expected losses, considering credit risk alone vs credit risk combined with counterparty, liquidity and market risk, modelling the macroeconomic feedback loop, and allowing for some non-linearities, eg time-varying default dependencies.

There was also a reference to the International Monetary Fund-Financial Stability Board Users Conference on the Financial Crisis and Information Gaps. In particular, emphasis was placed on the need to strengthen the analytical and conceptual framework for financial stability analysis, which would be helpful in clarifying data priorities. Moreover, it was mentioned that further investigating the increasingly global financial transmission mechanisms as well as the interactions between the financial system and the real economy would reinforce the importance of international and inter-agency cooperation and information sharing in data collection and improve data harmonisation. Furthermore, it was recognised that additional coordination in data collection between supervisory authorities and economic statisticians would reduce the respondents' burden. Finally, it was acknowledged that data gaps should be prioritised on the basis of cost-benefit analysis, especially considering the need for capacity building in some countries.

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