



Irving Fisher Committee on
Central Bank Statistics

BANK FOR INTERNATIONAL SETTLEMENTS

IFC workshop on *“Combining micro and macro statistical data for financial stability analysis. Experiences, opportunities and challenges”*

Warsaw, Poland, 14-15 December 2015

Discussion of session 6 on
*“Intensifying cooperation between national and international institutions:
from a national perspective to the global financial system”¹*

Pietro Franchini, FSB Secretariat

¹ The views expressed are those of the author and do not necessarily reflect the views of the BIS or the central banks and other institutions represented at the meeting.

The logo for the Financial Stability Board (FSB), consisting of the letters 'FSB' in a white, bold, sans-serif font inside a dark blue square.

FINANCIAL
STABILITY
BOARD

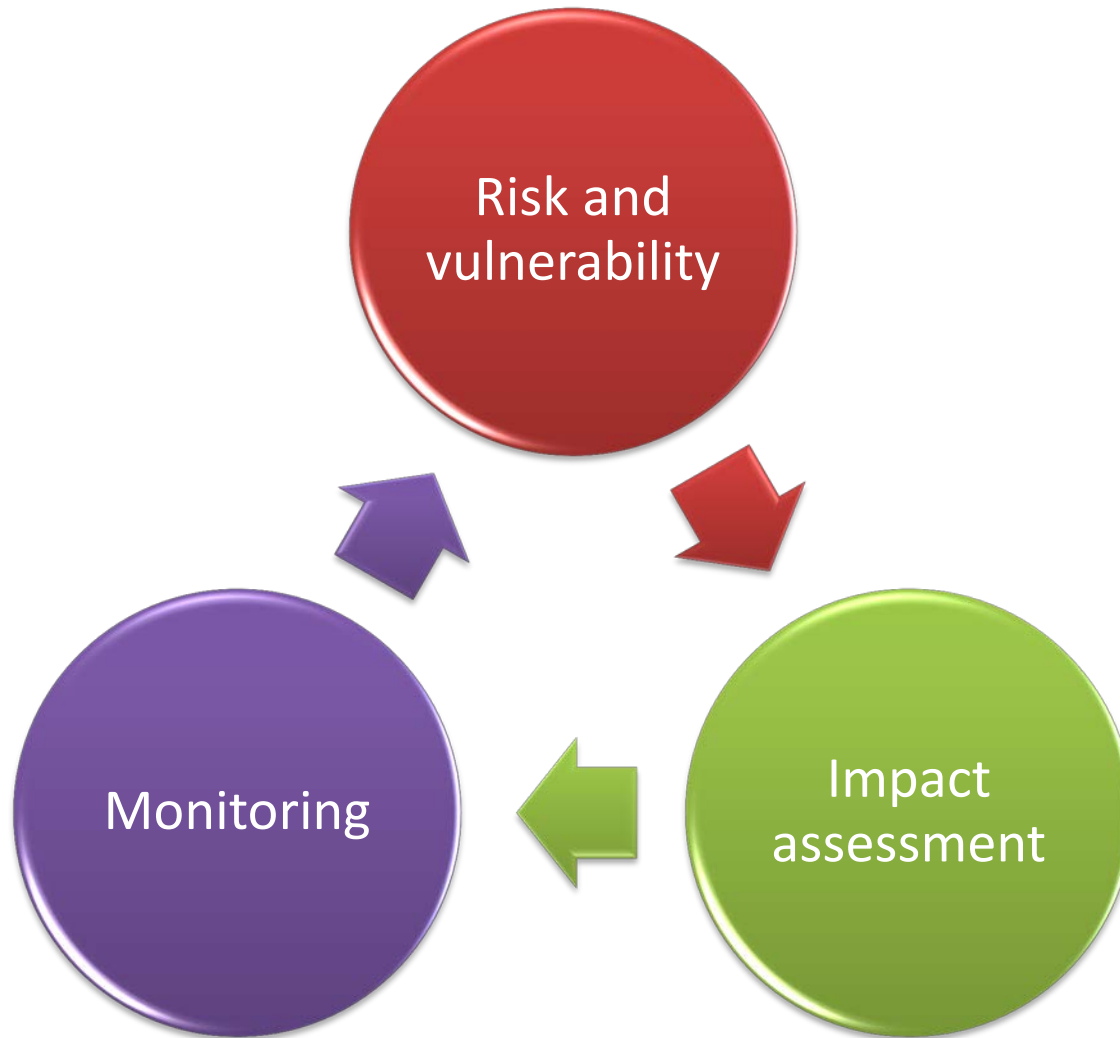
Intensifying cooperation between national and international institutions: from a national perspective to the global financial system

Pietro Franchini

FSB Secretariat

IFC - Warsaw, 14 December 2015

Data for financial stability



- Assess the **structure** and **interconnections** in the global financial **network**
 - Links between **banks** and **non-bank** intermediaries
 - Detect financial institutions not identified as systemic (including shadow banks) but deeply interconnected with several GSIBs
- Identify risk **concentrations** and funding **dependencies**
 - Classification of counterparties (countries, sectors)
- Identify potential **spill-overs** and **externalities**
 - Direct or indirect exposure of a GSIBs to one or several GSIBs themselves exposed to sovereign risk
- Understand financial **innovation** and market **complexity**

- From micro-data ...
credit registers, security-by-security databases, transaction based surveys
... to granular aggregated data
- Front office vs accounting systems vs risk management
 - Consolidation / granularity / timeliness / frequency: cost – quality trade-off?
 - timely information that can be rapidly mobilised and escalated by authorities if problems arise at an institution in the global network
 - Supervisory expectations to improve the quality of risk management data
- Confidentiality: systemic relevance named counterparties for interconnectedness / contagion

FSB policy targets

Policy Development and Coordination

- Building Resilient Financial Institutions
- Addressing SIFIs
- Effective Resolution Regimes and Policies
- More Effective Supervision
- Making Derivatives Markets Safer
- Transforming Shadow Banking
- Additional Policy Areas
 - Addressing Data Gaps
 - Improving Risk Disclosures
 - Accounting Convergence and Enhanced Audit Quality
 - Reforming Financial Benchmarks
 - Reducing Reliance on CRA Ratings
 - Legal Entity Identifier (LEI)

GSIFIs common data template

Global SFT data collection and aggregation

Aggregation of OTC derivatives data

Implementation monitoring

- Progress Reports to the G20
- Monitoring of Priority Areas
- Monitoring of Other Areas
- Peer Reviews
- Initiative on Cooperation and Information Exchange

Data Gaps Initiative

Key Standards for Sound Financial Systems

FSB vulnerability assessment

Macro-financial related vulnerabilities and risks

Arising from structural weaknesses in the financial system

Misaligned incentives, amplification mechanisms or other forms of potential market stress

Potential for international spill-overs across financial systems, difficult to cover in a domestic or regional context

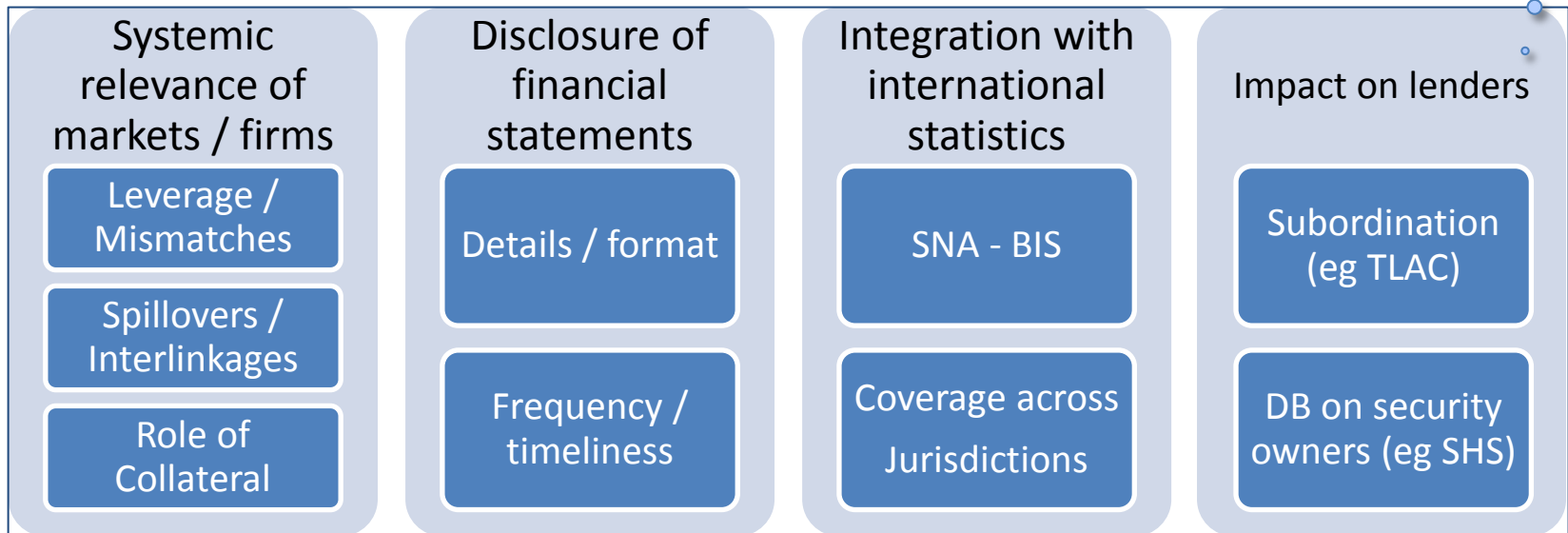
- *Global Shadow Banking Monitoring Report*
- *Corporate Funding Structures and Incentives*
- *Currency Mismatches and Leverage on Corporate Balance Sheets*
- *Early warning exercises (EWE) jointly with IMF, based on forward-looking risk scenarios*

Discussion of the papers


- Matched firm – bond data (BdE)
- Shadow banking (ECB)
- Reporting derivatives transactions (ECB)
- Closing information gaps (BIS)

Matched firm - bond data

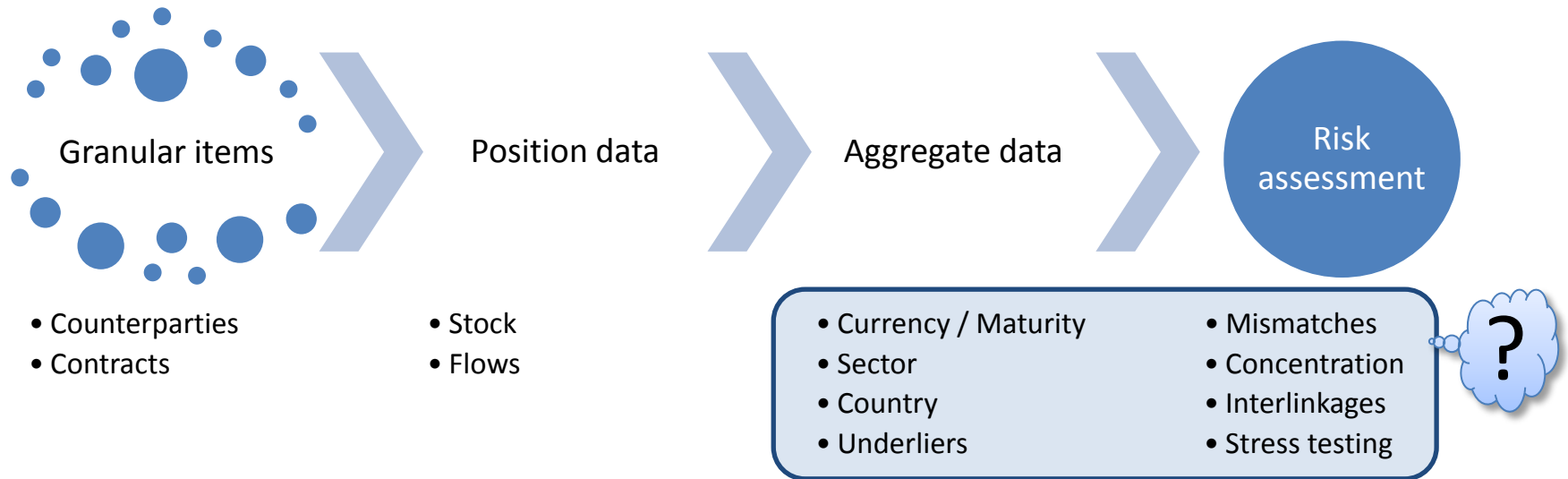
- Granular data do not provide a complete view of risk
 - Exposure data needed (on ultimate risk basis)
 - Intra-group positions, collateral, hedges, bilateral netting agreements
 - Link granular (securities) with firm-level (balance sheet) data
- Pockets of risk: need for individual data / distributions
- Arbitrage between markets with different regulation / disclosure



Shadow banking

- Definition: broad / narrow
 - Role of consolidation
 - National accounts vs. cross-border
 - Need for granular data
- 
- Coverage / details of Flow of funds reporting
 - Avoid arbitrage
 - Interconnection between banks and non-banks credit intermediation
 - More risk data: eg liquidity and maturity transformation

Reporting derivatives transactions



Standardised High Quality Data

Harmonised definitions, identifiers, metadata, consolidation perimeter

Removal of double-counting: UTI / UPI

Disclosure framework (access, format)

Validation rules, global governance

Closing information gaps

- Granular enough for analytical purposes
 - Flexibility
- Consolidated / ultimate risk data
- Common identifiers to combine granular information
- Structured reporting vs surveys vs «big data»
- Policy assessment
 - Consequences over time



Additional dimension: by type of intermediary	Sharing agreements	Integrate different sources
<ul style="list-style-type: none"> • Systemic relevance (size, interconnection, cross-border, etc.) • Avoid arbitrage 	<ul style="list-style-type: none"> • Fit to purpose data for <ul style="list-style-type: none"> • Supervisors • Macro-prudential / financial stability • Market / general public 	<ul style="list-style-type: none"> • Public / private • Risk / accounting • Quality / timeliness

Data Gaps Initiative - I

- Widespread consultation with official users of economic and financial data with a “Users Conference on the Financial Crisis and Information Gaps” jointly organized by IMF and FSB in July 2009
- The key outcomes of the Conference were:
 - “There is a need to strengthen the analytical/conceptual framework for financial stability analysis and global monitoring of financial stability risks”
 - “...the evidence of increasingly global financial transmission mechanisms and strong feedbacks between the financial system and the real economy are considered very important topics for further investigation...”
- In November 2009, the G-20 endorsed 20 recommendations to close the data gaps identified following the global financial crisis in order to support enhanced policy analysis

Data Gaps Initiative - II

- Further work is needed to encourage convergence of data provision among the G-20 economies and to consolidate the progress made during DGI-1
 - data coming out of the DGI are increasingly being used for policy purposes
 - DGI facilitated the dialogue between the national agencies responsible for economic and financial statistics and those for analysis and policy making
- The main focus of the DGI-2 is to consolidate the progress made
 - Implementation and completeness

Regular collection of comparable, integrated, high quality, and standardized statistics

- Consistent and comparable Financial Soundness Indicators
- Regular collection of the International Banking Statistics and the Coordinated Portfolio Investment Survey
- Consistent securities statistics and from-whom-to-whom tables
- Availability of sectoral accounts data
- Timely and comparable general government operations and debt data
- Policy users of the data indicated interest in the regular collection and sharing of data on
 - global systemically important banks (G-SIBs)
 - increasing availability of consistent information on shadow banking
 - household distributional information due to the growing policy issues on income and wealth inequality
- Private sector
 - importance of data standardization through adoption of international standards to allow cross country comparison and consistency, supported by standards such as the Legal Entity Identifier (LEI)

DGI-I and II recommendations

DGI-I Recommendations	DGI-II Recommendations
I.1: Mandate	II.1: Mandate
Build-up of risk in the financial sector	Monitoring risks in the financial sector
I.2: Financial Soundness Indicators (FSI) ● I.3: Tail risk ● I.4: Aggregate Leverage and Maturity Mismatches ● I.5: Credit Default Swaps (CDS) ● I.6: Structured Products ● I.7: Securities data ●	II.2: Financial Soundness Indicators (FSI) II.3: FSI Concentration and Distribution Measures (CDM) II.4: Data for Global Systemically Important Financial Institutions (G-SIFIs) II.5 Shadow Banking II.6 Derivatives II.7 Securities Statistics
Cross-border financial linkages	Vulnerabilities, Interconnections, and Spillovers
I.8 & I.9: Data for Global Systemically Important Financial Institutions (G-SIFIs) ● I.10 & I.11: Coordinated Portfolio Investment Survey (CPIS) and International Banking Statistics (IBS) Participation ● & Enhancement ● I.12: International Investment Position (IIP) ● I.13 & I.14: Financial and Non-financial corporations' cross border exposures ●	II.8: Sectoral accounts II.9: Household Distributional Information II.10: International Investment Position (IIP) II.11: International Banking Statistics (IBS) II.12: Coordinated Portfolio Investment Survey (CPIS) II.13: Coordinated Direct Investment Survey (CDIS) II.14: Cross border exposures of non-bank corporations II.15: Government Finance Statistics (GFS) II.16: Public Sector Debt Database (PSDS) II.17: Residential Property Prices (RPPI) II.18: Commercial Property Prices (CPPI)
Vulnerability of domestic economies to shocks	
I.15: Sectoral accounts ● I.16: Distributional Information ● I.17: Government Finance Statistics (GFS) ● I.18: Public Sector Debt ● I.19: Real Estate Prices ●	
Communication of Official Statistics	Communication of Official Statistics
I.20: Principal Global Indicators ●	II.19: International Data Cooperation and Communication II.20: Promotion of Data Sharing

● Recommendations that are completed based on the targets that were introduced in 2014.

● Recommendations where significant progress was made and are close to completion pending participation by all G-20.

● Recommendations where progress was slow.

DGI-I progress made

	Rec. #2 FSIs	Rec. #5 CDS	Rec. #7 Securities Statistics	Rec. #10/11 (IBS)	Rec. #10/11 CPIS	Rec. #12 IIP	Rec. #17 GFS	Rec. #18 PSD	Rec. #19 Real Estate Prices
1 Argentina	Orange	Black	Green	Orange	Green	Orange	Red	Green	Red
2 Australia	Green	Green	Green	Green	Orange	Green	Green	Green	Green
3 Brazil	Green	Black	Green	Green	Green	Green	Orange	Green	Green
4 Canada	Orange	Green	Green	Green	Green	Green	Green	Green	Green
5 China	Orange	Black	Green	Red	Red	Green	Red	Green	Green
6 France	Green	Green	Green	Green	Green	Green	Green	Green	Green
7 Germany	Green	Green	Green	Green	Green	Green	Green	Green	Green
8 India	Orange	Black	Green	Green	Green	Green	Red	Red	Green
9 Indonesia	Green	Black	Green	Green	Green	Green	Orange	Green	Green
10 Italy	Green	Green	Green	Green	Green	Green	Green	Green	Green
11 Japan	Green	Green	Green	Green	Green	Green	Orange	Green	Green
12 Korea	Green	Black	Green	Green	Green	Green	Orange	Green	Green
13 Mexico	Green	Black	Green	Green	Green	Green	Orange	Green	Green
14 Russia	Green	Black	Green	Orange	Green	Green	Green	Green	Green
15 S.Arabia	Orange	Black	Green	Red	Red	Green	Red	Red	Red
16 S. Africa	Green	Black	Green	Green	Green	Green	Green	Green	Green
17 Turkey	Green	Black	Green	Green	Green	Green	Orange	Green	Green
18 UK	Green	Green	Green	Green	Green	Green	Green	Green	Green
19 US	Green	Green	Green	Green	Green	Green	Green	Green	Green
# of economies	14	all	all	15	16	18	9	17	17
# of economies	5	-	-	2	1	1	6	-	-
# of economies	-	-	-	2	2	-	4	2	2

An integrated framework

