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## Locating global value: National statistical infrastructures and multinational banks<sup>1</sup>

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# Locating Global Value: National Statistical Infrastructures and Multinational Banks

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## Abstract

In this article, we argue that attention to the infrastructural work of statistics can help to specify the spaces of capital flows. Global finance is often characterized as a realm that supersedes the nation-state. In contrast, we show that financial statistics produce specific geographies that are both national and globalized.

Statistical infrastructures facilitate the circulation of capital that, with the rise of financialization, has become increasingly central to daily life. The BIS is one of the world's premier financial monitoring institutions, and nations are integral to their efforts to classify multinational banks. This article analyzes two sets of distinctions in BIS banking statistics: first, the distinction between bank nationality and residency, and second, that between domestic, international, local, foreign and/or cross-border claims.

These distinctions change depending on who observes them (Esposito 2013; see also Stark 2013) and where they are reported. So, rather than a view from nowhere (Haraway 1988) or a deterritorialized space of flows (Castells 1998), BIS statistics rely upon a grounded view of capital as a substance that flows through discrete passages (P. Peters, Kloppenburg, and Wyatt 2010) or channels (Tsing 2000). The globalization that emerges can be viewed as a form of infrastructural globalism (Edwards 2006) that complexly performs the nation-state.

## Tax Inversion: Traitors to all Nations

In the 18<sup>th</sup> century Atlantic, a ship's flag was a marker of identity. It indicated which state or empire the ship's crew served and, as a result, who their enemies were. Caribbean pirates used to play off such symbolism by varying their ship's flag depending on the situation. One day, they might display a Spanish flag when approaching a Spanish ship, then raise their pirate flag to terrify their victims as they drew near. The next day, they might display a French flag in order to 'legally' attack a British ship—that is, if the British and French happened to be at war. In part because of these practices, pirates weren't considered to be ordinary criminals. Instead, they were called 'villains of *all nations*' (Rediker 2004, emphasis added) or 'enemy of mankind' (*hostis generi humanis*) (Schmitt 2011 [1937]), a move that has inspired some to liken pirates to terrorists (Cowen 2014; e.g. Puchala 2005).<sup>i</sup> It wasn't the trespass of the laws of a single state or empire that so angered the authorities. It was the pirates' decision to adopt different laws and nationalities at will. It was their instrumental use of the notion of *the state* itself (Rediker 2004; Schmitt 2011 [1937]).

In the 21<sup>st</sup> century, some corporations operate with similar logic when they selectively use state boundaries in order to make a profit. Through a sort of international loophole, the right tax acrobatics can allow them to avoid criminal litigation, get around legal protections, lower their tax rate, and otherwise maximize their returns. For example, in 2014, an international uproar erupted over the related practice of *tax inversion*, where corporations renounce their U.S. citizenship and legally become Dutch or Irish, for example—metaphorically raising a different flag over the same ship in order to avoid taxes. They do so by merging with a small company in the new nation, then reincorporating their headquarters there—but generally without moving the bulk of the company abroad. This in turn drives *tax competition*—a race to the bottom in which different national governments lower their tax rates as a way of drawing in multinational corporations (McCauley, McGuire, and von Peter 2010).

In recent years, a string of well known companies have 'inverted', or reincorporated abroad, in order to evade U.S. taxes on corporate profits. Among others, they include Fruit of the Loom, Chiquita, and Burger King. So like pirates, multinational corporations use the flag of nations instrumentally in order to increase their returns—and like pirates, the implications can be a matter of profiting from life and death. But the comparison should not be taken too far. For not all large corporations have inverted, even in cases where they might lose profits, and not all international financial institutions (IFIs) have the same 'anything goes' reputations as do corporations. What then, of the stalwarts of finance: the traditional, supposedly respectable banks? What role does the nation-state play in banks that, like corporations, are increasingly multinational?

## Measuring Multinationals at the BIS

Many of the debates over tax inversion focus on how it is a betrayal of the nation-state, a theft of taxes that are used for social programs, infrastructure, and public goods. However, this focus on single nations omits one key aspect of IFIs: multinationality. Participants tend to mistakenly assume that it even makes sense for

such large and heterogeneous institutions to belong to any one nation. Yet, banks are often so multinational that it can be very difficult, even on a practical level, to pinpoint the numerous branches, assets, and liabilities that—not unlike pirate networks—are spread across innumerable jurisdictions. This difficulty is compounded by the fact that, until recently, scarce publicly available information existed on the international holdings of both retail and commercial banks—let alone corporations. In the past few decades this has begun to change, however, as waves of banking data have been initiated, and the volume reported has increased after every successive financial crisis (BIS 2013; BIS 2009). Grudgingly, banks have begun to give their information to regulators, including both supranational entities like the Organization for Economic Cooperation and Development (OECD) (Drucker 2014), as well as central banks like the Dutch National Bank and the Federal Reserve, that collect data at the national level.

The Bank for International Settlements (BIS) was one of the first organizations to broaden the scope of this central bank data by collecting and aggregating data from multiple nations and supranational entities. To date, the BIS continues to be unique. It produces some of the only, not to mention some of the most widely-used, international datasets on multinational banks. The BIS is an emblematic supranational institution. It was created in 1930, making it a predecessor to other supranational financial institutions such as the IMF and the World Bank, which were the outcome of the Bretton Woods conference that followed World War II. However, the BIS has evaded some of the criticism of these other institutions by focusing not on direct economic or political transformation at a broad level, but rather on incremental change in close working contact with bankers and heads of state. It therefore represents an ideal case with which to study the multinationality of contemporary banks.

## Locating Banks and Tracing Claims

The BIS international banking statistics are released in two groups: *locational* and *consolidated*. Both groups are designed to measure banks' exposures (risk of loss) in particular countries. The locational statistics are the largest and oldest datasets that the BIS collects, and they date back to the mid-1960s (BIS 2009). They are 'locational' because they separate out subsidiaries in the countries where they operate. The consolidated statistics are slightly younger, dating to the 1970s spread of offshore finance—i.e. the deliberate location of companies in small havens like the Cayman Islands to avoid paying taxes. The consolidated statistics are 'consolidated' because they give a bank's overall exposure, with all of a bank's subsidiaries are consolidated to the bank's head office. The locational statistics are further divided into two groups: respectively, the *residence* and *nationality* of banks. In combination, these two subsets of the locational data include a broader picture of the spread and location of bank activity by nation.

As a geographic category, the nation is thus integral to the classification of BIS statistics. This article analyzes two primary distinctions: first, between the nationality and residency of a *bank* in the locational statistics, and second, in the consolidated statistics, those between *claims* that are classified as domestic, international, local and/or foreign. Since the statistics for a particular flow can change depending on who observes it and where it is being measured, the BIS statisticians make no

explicit pretensions to a 'view from above' (Haraway 1988) or a view from outside the economy (Esposito 2013; see also Stark 2013). In this context, during our interviews, they readily allowed that no observer is outside the system, and eschew purely objective data in favor of 'best practices'. As such, in their statistics, a specific form of globality emerges from a recasting of existing geographic categories like *domestic* and *international*. Those categories become increasingly tangled as they are applied across—among others—currencies, securities, collateral, international counterparties, and branches of multinational banks.

This article analyzes the specific globalities of multinational banks that are performed through BIS statistics. We do so in order to demonstrate the variety and multiplicity of globalization even among the financial institutions that are allegedly at its core. Like the high seas, finance has no single legal or regulatory body. Thus, rather than a deterritorialized space of flows (Castells 1998), BIS statistics describe sets of flows through discrete passages (P. Peters, Kloppenburg, and Wyatt 2010) or channels (Tsing 2000) among different regulators, regimes, and institutions for the movement of capital. In addition, the determination of both flows and channels are infused with institutional and political legacies, as can be seen by the continuing prevalence of the nation-state. Thus authority and legitimacy—as well as nationality—must constantly be renegotiated and performed anew (Esposito 2013; 2011).

So, whereas in tax inversion debates, it is sometimes assumed that large institutions have one primary nationality, by contrast the intricate intertwining of categories like *domestic* and *foreign*, or *local* and *international* in BIS statistics serves to demonstrate the complicated role of the nation-state under processes of globalization—processes that stretch back much further than tax inversion, or even 18<sup>th</sup> century Caribbean pirates. Indeed, a closer look at the BIS's recent banking statistics reveals simultaneous continuity and change, both mess and hierarchical network. Therefore, rather than an all-encompassing break, BIS statistics embody specific forms of globality that complexly incorporate and perform the nation-state.

We thus consider the nation-state as part of the BIS' classificatory system, and not as a given entity. The BIS, we argue, incorporates a contingent conception of the nation-state, and in statistics based on its classifications, it in turn performs the nation-state in a highly particular way that does not necessarily overlap with other existing conceptions. Even in these statistics, which are a core infrastructure of international finance, globalization and the nation thus emerge as processes that are changeable, bounded, and contingent.

For analyzing systems for the long-distance coordination and standardization of information, the literatures in science and technology studies (STS), sociology, and media studies are especially relevant. In the next section, we argue that conceiving of BIS statistics as a case of what Paul Edwards (2006) calls 'infrastructural globalism' therefore allows for a more textured view of globalization on the ground.

## BIS Statistics as a Case of Infrastructural Globalism

In 1998, when then US Treasury secretary Lawrence Summers commented on the Asian financial crisis of the late 1990s, he argued against the (alleged) flow of capital from rich to poor countries, for the liberalization of markets, and for a 'strong domestic financial infrastructure'. Primarily, this infrastructure should involve certain accounting standards. Employing an analogy between financial markets and jet aircraft, Summers argued:

"No one sensible is against jets. But everyone sensible is for safety regulations (...) Countries need bankruptcy laws. And they need judiciaries to enforce them. That is the price of being part of a global capital market. We also need procedures for countries which get themselves into profound difficulties with their sovereign debt." (quoted in Panitch and Gindin 2013, 278)

The BIS is very much part of that 'infrastructure', but it is far from 'domestic'—or at least, as we show, it is not and cannot be straightforwardly so. Taking finance's infrastructural character literally, we argue, is helpful for understanding the very meaning of a concept like *capital market* and its relation to a concept like *globality*. Recently, a growing literature on infrastructure has emerged in STS and related fields such as media studies and architecture and design. In particular, Susan Leigh Star has, by herself and in various collaborations, contributed to a conception of infrastructure as not only hugely networked systems that enable circulation (as it is understood for instance in Graham & Marvin (2001)), but also as a work of categories, naming conventions and standards. For many authors, a key feature of infrastructure is its 'invisibility' (Lampland and Star 2009, 17, 207), its 'concealment' (Parks 2010) or its 'forgetting' (J. D. Peters 2015, 36). This invisibility is part of infrastructure's operating in the background. In a sense, the BIS functions as a typical infrastructure in this respect, since its workings are usually invisible, and are surrounded by a shroud of mysteriousness (Durden 2015; LeBor 2013), even giving rise to conspiracy theories (e.g. Garner 2010).

The invisibility of the BIS is relative, however, and its published reports provide ample insight into its workings. In addition, this article draws on over 30 interviews that we have conducted with key workers at the BIS. However, Star and Ruhleder (1996) emphasize that infrastructure is a highly relational concept, meaningful only in particular organizational practices. In other words, infrastructure is observer-dependent. What is infrastructure for some, is a brick wall for others (Lampland and Star 2009, 17). So, too, may the visibility of infrastructure be relative. Another way, then, to consider the invisibility of the BIS as an infrastructural organization is to note that infrastructure is usually not subject to democratic governance, and here the BIS fits the profile very well.

Keller Easterling argues that much infrastructure is in fact highly visible in today's globalized world. She calls such work 'extrastatecraft' indicating that increasingly, infrastructural work constitutes governing power that bypasses democratic control. She describes extrastatecraft as "a portmanteau describing the often undisclosed activities outside of, in addition to, and sometimes even in partnership with statecraft" (2014, 14). So while she considers infrastructure as 'far from hidden'

(2014, 11), she notes how what she calls infrastructure space is a medium of extrastatecraft, which includes various 'undisclosed' practices. Here, too, infrastructural visibility is relative. Easterling considers the spatio-legal concept of the 'zone' as a key technique of extrastatecraft, and, though unmentioned by her, the BIS offers a striking illustration here. The BIS resides in Basel, but formally it is exempted from Swiss territory and law, and it controls its own premises.

Extrastatecraft, for Easterling, is a key feature of what she calls 'global infrastructure'. As such, it can also be considered as key to the very notion of 'globality'. As Paul Edwards has shown, earth-spanning governing organizations such as the WMO (World Meteorological Organization) have been crucial in providing credibility to conceptions of 'the world'. Edwards therefore speaks of an 'infrastructural globalism', by which he understands "the (...) phenomenon by which 'the world' as a whole is produced and maintained — as both object of knowledge and unified arena of human action — through global infrastructures" (2006, 230). Such infrastructural globalism can be considered as key to modernity in general (Edwards 2002), and as central to the formation of global economic spaces, such as global capital markets, in specific. Without global governing institutions such as the IMF, the World Bank and the WTO, the global economy could scarcely exist (Peet 2009). Bretton Woods was thus a key moment in economic infrastructural globalism. We argue that the BIS, a forerunner of Bretton Woods, should be considered as a crucial element in this economic infrastructural globalism.

In terms of the emerging organizational infrastructure supported by the BIS, the Basel accords have sparked a number of initiatives that seek to control capital markets. The accords are determined by the heads of various Central Banks and G-20 representatives, who convene at the BIS as the Basel Committee on Banking Supervision (BCBS). Additionally, the BIS collects, organizes and publishes key statistics on international capital flows. As such, the BIS delivers forms of standardization and ordering of fundamental terms to global markets that are profoundly infrastructural (Lampland and Star 2009; J. D. Peters 2015, 37). Edwards emphasizes a 'force-amplifying' character when he defines infrastructures as "large, force-amplifying systems that connect people and institutions across large scales of space and time" (2002, 221). Considered as such, we argue that BIS statistics help structure and order global capital markets, help to channel capital flows, and in the process perform the nation-state as part of a particular type of globality. Due attention to the practice of the BIS' infrastructural statistical work helps bring into focus a more concrete rendering of the global space of capital flows, which forms a global circuitry facilitating the circulation of capital that has, with the rise of financialization in the economy, become ever more important (Lapavistas 2013; LiPuma and Lee 2004).

Global infrastructure is key to understanding notions such as 'global flows' or 'circulation of capital', since the global is not a 'smooth space' of continuous free-flowing, nomadically traversing capital (Deleuze 1988). Rather, it is a 'striated space' that is differentiated, gridded, and internally bounded in multiple ways, but that is also calculable and measurable. When, in 1983, the BIS's Concordat of 1975 was expanded towards the requirement that banks report their international transactions to national bank supervisors, this was accompanied by rules for both overseeing and enabling cross-border capital flows (Panitch and Gindin 2013, 236). As is often the case, the division between *measurement* or *recording* and

*management or regulation* is hard to make, but the BIS fulfils a crucial infrastructural function when it contributes to *the striation of the global space of the circulation of capital by recording it*. Indeed, this striation is so complex that even the idea of ‘international transactions’ is too simple to capture what goes on between bank transactions across countries or domiciles. In order to illustrate the complexities of the BIS’ statistical infrastructural work, here we practice a form of what Geoffrey Bowker (1994) has called ‘infrastructural inversion’, bringing into the light what is usually hidden, and foregrounding a key aspect of what normally forms the background of global capital traffic.

## The Nation-State by the Numbers

We now return to Lawrence Summers who, although a known proponent of deregulation, nonetheless argues that “No one sensible is against jets. But everyone sensible is for safety regulations” (Panitch and Gindin 2013, 278). In the longer block quotation that opens the previous section, Summers compares the regulation of jets to the regulation of finance in an attempt to make visible a financial infrastructure that is inscrutable to many. Indeed, although the crisis that began in 2008 has helped to steer attention towards regulation, public understandings of finance continues to draw heavily upon tropes that are, at times, hundreds of years old.

The figure of the financier in popular culture has not kept pace with changes in global finance. Evidence of this can be seen most easily in the long-term evolution of the character of Ebenezer Scrooge. From his origins as a businessman and moneylender in Charles Dickens’s *A Christmas Carol*, Scrooge has featured in innumerable adaptations of the original work, including the Disney character Scrooge McDuck and Bill Murray’s portrayal of a TV executive in *Scrooged* (Donner 1988). Within each story, Scrooge transforms from cold-hearted miser to generous benefactor after being visited by three ghosts of Christmas. Over time, his evolution across adaptations has paralleled this change as, overall, Scrooge is intended to be far more empathetic for contemporary viewers. For example, Scrooge McDuck is a caring single parent for his three nephews, and Jim Carrey’s portrayal of Scrooge reimagines him, not unpredictably, as a comedic action hero.

But if Scrooge is a major and often-updated stereotype of finance in popular culture, nonetheless the depiction of his professional affairs remains unchanged. His character’s personality evolves over time, but his business practices continue to reflect those of 19<sup>th</sup>-century finance. This shows the difficulties that broader perceptions of finance have had in terms of adapting to the sweeping changes in finance over the past fifty years. Even in contemporary adaptations, Scrooge McDuck still presides over oceans of coins that he stockpiles in one location, where he is depicted diving into his personal vaults. He is rarely, if ever, shown jet setting around the globe. He does not manage his money online or store it in offshore accounts. His value is still measured in hard gold.

This popular notion, that wealth involves the hoarding of physical currency, might persist because recent developments in finance are so difficult to visualize or even imagine over the past 100 years. Finance, and bankers in particular, served as figureheads that represented both stability and power, even as this representation



was continually contested over time through protests and the labor movement. Yet today's banks are incredibly complicated. Wealth has arguably become more consolidated over time, but there is not necessarily one stable symbol, or one dominant bank in any single location. This is likely at least partly by design to avoid taxes and other responsibilities. In addition, formal banks are losing ground to 'shadow' banking practices that exist in no small part to evade regulation.

However, this doesn't mean that global financial infrastructure is indescribable. Nor does it suggest that it is truly global, since certainly places exist that are unserved, or damagingly served, by global banks. But it does suggest that more attention needs to be paid to attempts to describe, measure, and visualize global finance, including BIS statistics. It is precisely to this that we now turn. Two main aspects of the ongoing changes in global financial infrastructure are especially evident in BIS banking statistics. First, whereas Scrooge served as an identifiable figurehead, instead today the structure of many banks is a complex web of entities, sometimes without any clear center, that is defined *relationally* in terms of its location. We explore this in more detail below. Second, in terms of nationality, banks are constituted through claims that, although bulwarked by national laws, themselves simultaneously cross a multitude of borders.

The idea of one vault, or even one bank, existing within the purview of a single nation-state is not as salient as it might once have been. Indeed, even when *A Christmas Carol* was written, finance was already thoroughly international and colonial. But nonetheless the image that persists is of a Scrooge that is very much of one nationality, whether English as in the original, or another nation in the many later adaptations. In contrast to this depiction, as banking has become systemically diffuse, it has also become geographically complex. A single transaction might originate in one country, be collateralized in another, paid for in a third, travel through a fourth—only to be deposited in the territory of a fifth nation. And this is a simplified representation! To better understand attempts to classify and measure global banking, we now analyze the classification systems of the BIS banking statistics, one of the most widely influential attempts to concretize just these kinds of practices.

## No Head Office is Discernible: Classifying Banks by Nationality and Residency

As we have argued, banks are not bounded by the nation-state, but they are shot through with it in innumerable ways that differ depending on one's vantage point. In the BIS banking statistics, nations are explicitly present in nearly every category, but the 'nationality' of a bank is present in a highly complex and contingent way. The definition of nationhood is textured, informed both by official lists as well as by colloquial notions of a 'country' [March 2013, v] in cases where a particular nation-state might not be internationally recognized, but where banks identify as belonging to that unrecognized country. This is especially relevant for some offshore centers that are not independent nations, but that may be recognized as such for the BIS's statistical purposes. The determinations of nationality also must be made multiple times for each bank. Indeed, no single bank, or even a single branch of a bank, has one individual nationality. Different nationalities can be

attributed to a bank's head office, subsidiaries, consortium partners, employees, exchanges, collateral holders, and infrastructure.

Thus a bank has multiple attributes, all of which might have different nationalities that are defined based on both formal and colloquial notions of nationhood. If this were not complicated enough, the extent to which these entities are considered local or foreign, domestic or international, also depends on the viewer—or, in this case, where the statistic is recorded. Indeed, the terms themselves imply relationality. For, if we say that a particular transaction is *local* or *domestic*, this raises the questions: For whom is it local? Domestic with respect to which nation? What might be local to some will be foreign to others. And although *domestic* can be construed to include, for example, every transaction that doesn't cross any national borders, in practice different nations define those borders in varying ways. They depend in part on whether each of the aspects noted above (head office, subsidiaries, etc.) is domestic as well. To understand how the statistics seek to contend with these issues, we now delve deeper into one particular classification: the locational statistics.

At the broadest level, the BIS *locational* statistics—as opposed to the consolidated statistics, which are dealt with in the next section—are grouped by country. The main division within the statistics is that between nationality and residency, both of which rely upon the category of the nation. Therefore, they include bank assets and liabilities that are located in one particular country—for example, the holdings of all of the banks that are located in the Republic of Korea, whether those banks are Korean or not. Alternately, it's also possible to see, for instance, the holdings of all Korean banks regardless of location. Then, on the next level of specificity, the statistics are split between local and foreign holdings or debts, and domestic and international ones. These terms of *local/foreign* and *domestic/international* all have precise definitions that we explore below—definitions that do not always coincide with the colloquial uses of the terms. As a result, using the locational statistics, it is possible to speak of local-domestic or foreign-international holdings, which makes some intuitive sense. However, perhaps less intuitively, the statistics also enable an examination of local-international and foreign-domestic holdings, which deserve further explanation.

To examine the role of these crisscrossing divisions and what they mean, we will now consider nationality and residency in turn. The determination of a bank's nationality is particularly important. Nationality impacts the how assets and liabilities are classified further down the line, because it is essential to later determinations of local/foreign and domestic/international. Yet deciding a bank's overall nationality is far from a straightforward process. The BIS guidelines note that: "Classifying banks according to their nationality is not a simple matter because it depends on the identification of a single controlling parent institution." (BIS 2013, 16). So how is overall nationality determined? There are numerous issues to consider, including subsidiaries, consortiums that have "no clearly identifiable controlling parent" (BIS 2013, 16) and international organizations that "are considered to be resident in an economic territory of their own, and not of the economy in which they are physically located" (BIS 2013, 15).

While determining nationality, the regulators also have to assess the substance of any individual office. Because of offshoring and related practices like tax inversion

described earlier, some controlling parents are simply front agencies. In light of such attempts, the BIS attributes nationality using three main indicators. The controlling parent is determined according to the following criteria. Paraphrased from the documentation (BIS 2014, 4), the office must be one or more of the following:

1. It is where important decisions are made and/or over 50% of available capital is used.
2. It is the highest level that regulatory authority can supervise.
3. It is where the head office is located.

There are three major implications of these three indicators for considerations of the role of the nation-state. First, banks are attributed nationality in ways that are analogous to how people are attributed nationalities, but there's actually far greater official acknowledgement of transnationalism than there often is for individuals. Banks can belong to a nation-state if they do two of these three things there: make major decisions, are regulated, or locate their head office. A bank's 'nationality', then, is the contingent outcome of a classification that consists of highly heterogeneous activities. This is part of what provides banks with opportunities for tax inversion. For while it can be exceedingly difficult for an individual to obtain formal residency, not to mention citizenship, in a new country, banks are often heartily welcomed with tax breaks and other subsidies. In this way, banks are a bit like professional sports teams. A team's home city or country can inspire loyalty, but this masks the fact that many of the players might come from elsewhere, live elsewhere, and that the team might be owned by a corporation or person who is based elsewhere. The players may also spend their time away playing in tournaments and matches sponsored by an international organization that is owned by a conglomerate with no specific national headquarters.

The second implication for considerations of the nation-state is that the current home country is by no means a simple legal category. Indeed, it is not apparent at the outset, nor does it necessarily align with colloquially accepted ideas of a bank's nationality. It requires negotiation within the statistics unit of the BIS based on the three indicators listed above. So while many would assume that, for example, Chase Bank is from the USA, this may not have any bearing on its classification in the statistics. The determination might also differ from more formally accepted conceptions of nationality. For example, the guidelines note that, if the indicator of the highest applicable regulatory authority is used, then it is possible that "the home country from a prudential perspective could differ from the country where the ultimate parent is located" (BIS 2013, 17 n.2). This is because the statisticians are interested in where the bank is primarily operating, more than where it legally might be headquartered (such as the Cayman Islands). When you add in the need to also classify the nationalities of counterparties and entities that hold collateral for the bank, determinations of nationality quickly become immensely complicated. They require detailed knowledge of the banking industry and the pragmatic effects of official designations such as 'ultimate parent'.

Third, each bank's nationality is not necessarily determined by the same criteria as another's. Since two of the three criteria are used in any one case, then the criteria for different banks don't necessarily overlap entirely. So for example, one bank may

be 'Indian' because of how it is subject to regulatory authorities (indicator 2), while another bank may also be 'Indian' because it does the majority of its business in India (indicator 1), and a third bank may be 'Indian' because its head office is in India, even though it does most of its business in a different country. However, this isn't apparent from the statistics themselves after the fact. It is part of the deeper process of classification that makes the statistics possible. There also is an option for being unallocated to any nation, in the case of consortiums, but this is treated as a residual category, and the vast majority of banks are not in it, which demonstrates that nationality still holds sway, not least because national governments still play a major regulatory role. Overall, the three indicators that are used to determine nationality show how much work goes into maintaining notions of nationality despite the geographical complexities involved.

In addition to nationality, residency is the second most high-level category. In comparison to notions of a bank's overall nationality, bank residency seems to be more straightforward, since in theory each branch is resident in one specific nation, and these could simply be listed.<sup>ii</sup> Yet, in practice, the BIS's classification of residency is entirely dependent upon the nationality determination just outlined. Resident banks are broken into the following categories (BIS 2013, 12, Table B2): domestic banks, foreign subsidiaries, foreign branches, and consortiums. The *domestic banks* are defined as "banks whose controlling parent institution is located in the reporting country" (ibid.)—and this controlling parent is determined according to the three criteria described above. It is important to note that the BIS collects and standardizes statistics rather than making them themselves, so the *reporting country* is the country that provides statistics to the BIS. However, the BIS only accepts statistics that are formatted and produced according to the guidelines that we are examining throughout this article. So in essence, they control the official form of the statistics. Even though the central banks of individual countries are responsible for providing the content.

After domestic banks, the difference between *foreign subsidiaries* and *foreign branches* is simply that subsidiaries are incorporated in the reporting country, whereas branches are unincorporated. Both are foreign because their nationality (controlling parent institution) is not the same as that of the reporting country. As noted earlier, consortiums are something of a special category. Although at times exempt from nationality, this is actually because they have too many nationalities, and so determining one controlling nationality is challenging and, to some extent, inaccurate.

There are two important implications of this breakdown into classifications like *domestic banks* and *foreign branches*. One, as already briefly mentioned, it's not just that banks belong to a specific country, have a clear nationality, even if they're located somewhere else. Instead, it's that the classification of where they're located (i.e. whether they're a domestic bank or foreign branch) also depends on conceptions of nationality, with respect to the 'controlling parent'. So nationality is infused throughout residency. Two, also as noted, the classification is also always already relational to a reporting country. So a Dutch bank is domestic with respect to the Netherlands, but foreign with respect to Britain.

As with determinations of nationality, residency quickly becomes incredibly tangled. For example, in the UK you might find a branch of a Dutch subsidiary that in turn is

owned by a British company (in terms of 50% of capital) that also, by nationality, belongs to the Virgin Islands (because its ultimate parent is incorporated there), but whose ultimate regulatory authority is still in the UK. So, is the branch's nationality from the Netherlands, the UK, or the Virgin Islands? The answer is that it would be worked out in practice with BIS oversight, in relation to both controlling parents and reporting countries. Thus the attribution of nationality is intricate and related to other nationalities throughout, in ways that are obscured through statistical tables that list, for example, assets of Dutch banks or, alternately, assets of banks residing in the Netherlands. A bank can belong to multiple nations and multiple levels and in multiple ways, and the popular view of a bank consisting of a vault in one location is an unfitting representation for today's banks.

## Defining Banks by What They're Not: Local and Cross-Border Claims

The challenges of nationality become even more intricate when we consider how spatial categories are attributed to claims that can cross national borders. While banks are still one of the most visible and well-known financial institutions, they are no longer the only dominant players in comparison to other financial institutions, as well as to shadow banks that are formed in such a way as to avoid regulations. Up until the latter half of the twentieth century, banks largely avoided being involved in risky financial speculation, but all of that has changed in recent decades. In the current crisis, it has become apparent just how exposed banks have become, including to shadow banks.

A financial *claim* is an exposure between banks, for example a debt, under some kind of contractual agreement. A claim might consist of an agreement to pay back a specific debt at a future date. So if banks are 'objects' or institutions, then a claim is a relationship between banks. Banks and other institutions become entangled through claims, such that a bank that may appear to be fully solvent and have high liquidity might in fact be bankrupt due to outstanding claims (in this case, debts) that other institutions have upon it. During the crisis, systemic financial institutions folded, and many more threatened to fold, like dominoes because of these kinds of exposures. Once investors start to lose faith in financial institutions, they rush in droves to get any outstanding debts repaid to them, and this means that one institution might be hit all at once by a multitude of requests to repay its innumerable outstanding claims. So claims are crucial to understanding the financial and geographic interdependencies in global finance.

Like banks themselves, claims are often not bounded by individual nation-states, but they are infused with national categories. In the last section, we focused on the banks and their classification through the BIS locational statistics, which are an older type of classification. We now turn to the *consolidated* statistics, which were created as a response to the beginning of the crisis in 2008. As we saw, locational statistics are released by country, not by individual banks or groups of banks. In contrast, consolidated statistics are provided for banks (in aggregate), rather than by country. Thus the breakdowns are related, but reversed. So as we discussed, locational statistics have a row for a nation, then are broken down by nationality or residence, and then by type of institution (domestic bank, foreign subsidiaries, and so on). In contrast, consolidated statistics have a row for bank type, and this is then broken down by country. The reason this is done is so that consolidated statistics can focus

on the claims that are held upon on different types of banks, since outstanding claims have played such a big role in the crisis.

Yet this raises the question: how is it possible to determine whether individual claims are local or foreign, domestic or international? Such determinations are important because they help regulators to determine where those claims should be regulated, which government's laws apply is something goes wrong. In the last section we looked at nationality and residence, but now let's investigate the spatial categorizations that follow from attributing nationality to banks. In the consolidated statistics, statistics for claims are broken down according to the terms already noted: local, foreign, domestic, and international (as well as one additional term *cross-border*). However, perhaps surprisingly, any one claim might belong to all these categories at once. For example, consider a claim that is made inside the reporting country, and that is between one domestic bank and one foreign subsidiary (of another bank), and denominated in foreign currency. To give a hypothetical example, say that, in Japan, one Japanese bank that 'resides' in Japan might owe money in US dollars to a subsidiary of a Brazilian bank. So, when Japan's central bank reports its statistics to the BIS, it might classify this claim as follows:

1. It is local, in terms of where the claim's contract is in force (Japan).
2. It is foreign, in terms of the currency (US Dollars).
3. It is domestic, in terms of the residence of the counterparties (both Japan).
4. It is international, in terms of the nationality of one counterparty (Brazil).

In addition, this is all with respect to Japan as a reporting country. The same claim could also be reported by the USA and Brazil, and the determinations would differ in each case, although the statistics are organized in such a way that such double or triple reporting is taken into account.

The statistics are constructed to account for these layers of belonging, both in terms of double reporting and in the reporting of individual countries. To understand how, it is necessary to look in greater depth at the consolidated statistics. To determine locality or foreignness, for example, the claims are sorted by the following seven aspects—aspects that we are here paraphrasing from the BIS documentation (BIS 2014, 10, see Table 21; 2009):

1. The nationality of the claimant (in this case, Brazil)
2. The residency of the claimant (Japan, since the Brazilian bank branch is in Japan)
3. The nationality of the counterparty (in this case, Japan, the bank that owes money)
4. The residency of the counterparty (Japan)
5. The location where the claim is booked (Japan)

6. The nation that issued the currency of the claim (USA)
7. Whether any one of the above aspects crosses a border (which this example does)

These seven aspects are used to classify the claim on four levels according to whether it's considered domestic, foreign, local, international, and/or cross-border. The four levels are as follows, in descending order:

1. Domestic or foreign
2. Local or cross-border
3. Local or foreign
4. Domestic or international

At the first of the four levels, *domestic* refers to claims on residents of the reporting country, and *foreign* refers to claims on residents who are not residents of the reporting country. So our example claim would indeed be domestic, because the Japanese bank owes money, and Japan is the reporting country. At the second level, *local* refers to claims booked by offices inside the reporting or counterparty country, and *cross-border* refers to claims booked by offices outside the reporting or counterparty country. In this case, the example claim would be local, because it takes place within Japan.

At the third level, *local* refers to claims in local currency, and *foreign* refers to claims in foreign currency. So then the claim would be foreign, because it is in US Dollars. At the fourth and finest level, *domestic* refers to claims on residents of the reporting country that are booked inside the reporting country, and are in local currency. Foreign claims can also be domestic if they are on non-residents of the reporting country, are booked inside the counterparty country, and are in local currency for the counterparty country. *International* refers to everything that doesn't meet the above two options, and indeed our example would also be international.

So, the example is then domestic-local-foreign-international, and only with respect to Japan as a reporting country! Residence and nationality feed in at every level, and it is all framed with respect to the reporting country as seen, for instance, in determining local currency or foreign currency. This is just for a specific claim between two specific organizations. To figure this out for a branch, one would have to look at it for every transaction for every subsidiary and branch.

Through these mechanisms, the statistics describe banks, of multiple nationalities and residencies, who interact through claims that also have multiple nationalities and residencies. The resulting classifications change depending upon who is observing and reporting the statistics. The nation-state is thus incorporated throughout the statistics in a manner that is incredibly complicated, yet nonetheless also entirely salient in a global context. Rather than losing one nationality, global banks gain many. In addition, there is no overhead view of, say, a claim, but rather each claim is defined with respect to its constituents, and to its observers. Rather

than abandoning such everyday notions of closeness and foreignness in a push for a space of flows, the BIS statistics therefore specify and incorporate them into the backbone of the infrastructure of global finance.

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## Endnotes

<sup>i</sup> In an NPR *On Point* radio broadcast on on tax inversion, one caller named Gigi obliquely referenced this by claiming that: "capital is its own country without allegiance to a nation" (Ashbrook 2014, 41:10).

<sup>ii</sup> This of course assumes that every place in the world belongs to a nation, which is itself problematic—not least for people who are officially viewed as 'stateless'.



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## Locating global value: National statistical infrastructures and multinational banks<sup>1</sup>

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<sup>1</sup> This presentation was prepared for the meeting. The views expressed are those of the author and do not necessarily reflect the views of the BIS, the IFC or the central banks and other institutions represented at the meeting.

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# Locating Global Value

National Statistical Infrastructures and Multinational Banks

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# Monitoring

How a system watches itself

Inherent part of doing anything

Increasingly professionalized

Finance, climate, and migration

Technologies and practices transfer

Less understanding of how and why

‘Better’ stability

Monitoring ecologies



# How much are banks worth, and where?

Global complexities

End of history (Fukuyama), space of flows (Castells), non-places (Augé)

Difficulty of determining where banks' claims and liabilities are

Regulation is national, banks operate more globally?

The specific scales of multinational banks

Enduring but changing role of the nation-state

# Infrastructural Globalism

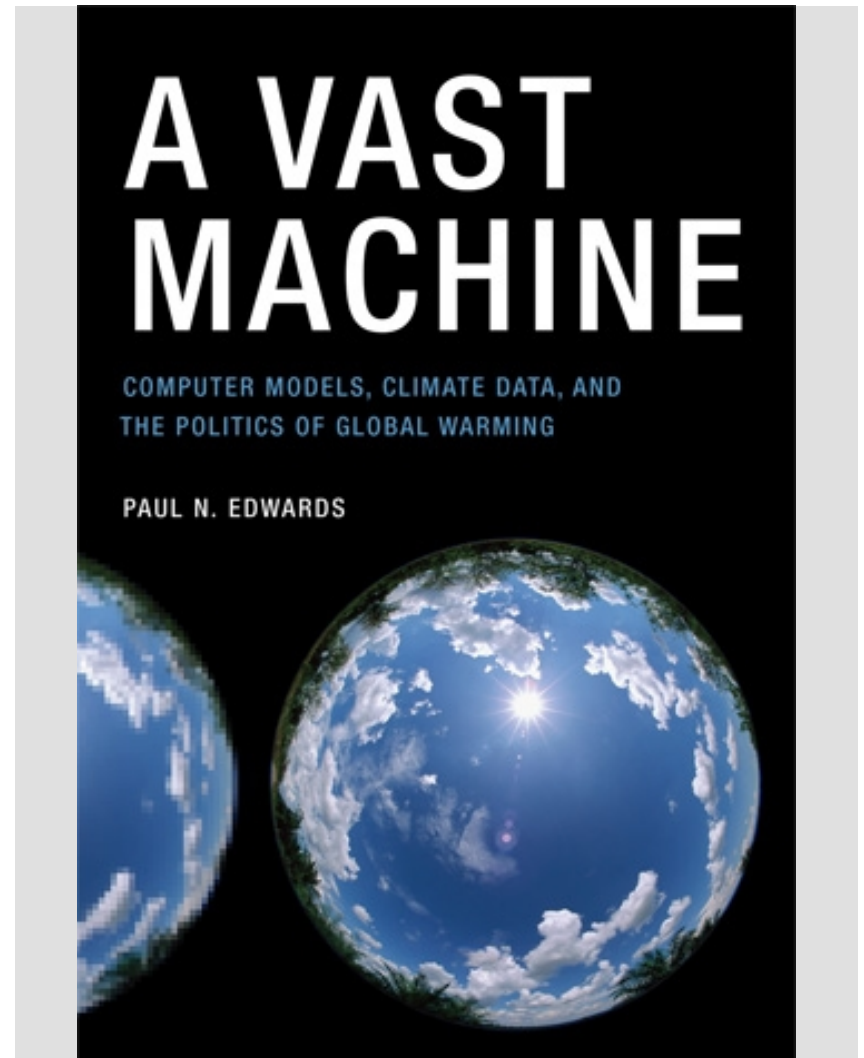
“The world’ as a whole is produced and maintained...through global infrastructures” (p. 230)

Physical infrastructure

Digital infrastructure

Data standards and classification

Geographic categories and nation-state institutions



# Locating Banks

Local, foreign, domestic, cross-border, international, national

Reference the nation-state

BIS technical definitions

Standardization

Contextual

Coordination not equivalence

Policy and public debate



"In an effort to make this sales meeting more pleasant, I have taken the liberty of rotating our sales graph counter clockwise a full ninety degrees."