

63rd ISI World Statistics Congress (WSC) / IFC-sponsored Invited Paper Sessions (IPS) related to new developments in central bank statistics  
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## Introductory remarks / Statistical challenges posed by globalisation – some remarks from Basel<sup>1</sup>

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<sup>1</sup> This presentation was prepared for the WSC. 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 event.

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# Statistical challenges posed by globalisation some remarks from Basel

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## Main remarks

- **Globalisation challenges**
- **A roadmap**
- **Focus 1: Nationality-based statistics**
- **Focus 2: Cross-border activities**
- **Focus 3: Granular view of financial corporations sector**
- **Questions**

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## Globalisation challenges

- **Important challenges to official statistics, reinforced by**
  - Rapid digital innovation (eg dematerialisation of economic activities)
  - Complexity / limited transparency of multinational corporate structures
  - Increased importance of global financial centres
- **Examples of such challenges**
  - Fragmentation of global production chains across borders
  - Changing nature of foreign direct investment (FDI): increased financial role
  - Difficulties to measure / assess impact of cross-border positions and flows
  - Assessing global exposures (off- and on-balance sheet)
  - Large effect on macro indicators: cf intragroup transfers of intangible assets (eg intellectual property products (IPPs)) in Ireland
  - ...

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## A roadmap looking forward? Lessons from recent IFC work

- **Enhancing the global statistical infrastructure**

- eg legal entity identifier (LEI)

- **Improving the exchange of confidential statistical data**

- eg international data sharing

- **Organising a comprehensive data collection for large corporates**

- cf exercise conducted for global banks at the BIS

- **Enhancing the granularity of SNA aggregates**

- eg identification of special purpose entities (SPEs), foreign-controlled corporations, non-bank financial sub-sectors

- **Complementing the residency-based framework of the SNA**

- eg use information derived from consolidated accounting frameworks

## Contributions of the session presentations

- *“A Roadmap to the Concept of “Nationality” in the External Sector Statistics Revision” (Vieira & Ferreira Lemos, Banco Central do Brasil)*
  - Unique opportunity provided by **ongoing SNA/BPM revisions**
  - **Improved information** on foreign controls, ultimate investors, MNEs, SPEs
- *“An assessment of euro area households’ missing foreign assets” (Martin Schmitz, ECB)*
  - Importance of **asset / liability global discrepancies** (“unrecorded assets”)
  - **Useful new initiatives** (global tax transparency, voluntary disclosures, “mirror” counterparty-country information in BIS banking statistics)
- *“A Typology of Captive Financial Institutions and Money Lenders in Luxembourg” (Di Filippo & Pierret), Central Bank of Luxembourg)*
  - More **granular measurement / typology** of the non-bank financial sector
  - Understanding **intragroup operations & role of global financial centres**

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## Focus 1: Nationality-based statistics

- **The residency-based SNA approach relies on a “triple coincidence”**
  - national territory
  - decision-making unit
  - currency area
- **Nationality-based statistics**
  - **Nationality defined** as the country of residence of a firm’s controlling entity
  - Facilitates the monitoring of global, “**borderless**” **MNEs indicators**
  - Allow balance sheets to be considered on a **consolidated basis**
  - Independently of the location of **controlled affiliates**
  - Help to assess **global exposures**
  - **BIS nationality-based statistics (consolidated or not)** show how this can be done
  - **Complementary** information: parent relationships complex and unstable

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## Focus 2: Cross-border activities

- **Measurement issues**

- **Firms:** cross-border impact of complex intra-group operations
- **Households:** foreign holdings difficult to capture due to tax evasion / role of foreign custodians
- Issues masking the **true geography of investors' exposures**
- Can have sizeable **impact on BoP and IIP indicators**

- **Developing a global view**

- BIS statistics provide **country counterparty breakdowns**
- Cross-border information **linking issuers and ultimate investors**
- Use of **global sources:** mirror data; data sharing; global registers



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## Focus 3: Granular view of financial corporations sector

- **Growing importance of financial globalisation**

- **FDI transactions:** financial purpose instead of “real investment”
- Impact of regulatory/tax optimisation strategies on **MNEs relocation**
- **Complex structures:** network of affiliates with little presence
- **SPEs** treated as institutional units if they are not in the parent economy (even though they may not act independently)

- **Role of financial centres in international capital allocation**

- Main countries involved in FDI operations today are frequently **small open economies and financial and offshore centres**
- Trend reinforced by the **shift in global credit intermediation** from banking to offshore debt issuance (often classified as FDI)
- Need to **better identify** SPEs, foreign firms, and control relationships

# Thank you!!

## Selected references

- [IFC Bulletin, no 52 \(2020\): "Bridging measurement challenges and analytical needs of external statistics: evolution or revolution?"](#)
- [Reporting guidelines for the BIS international banking statistics \(2019\)](#)
- [BIS 87th Annual Report \(2017\): "Understanding globalisation", Chapter VI](#)
- [BIS Working Papers no 587 \(2016\): "Globalisation and financial stability risks: is the residency-based approach of the national accounts old-fashioned?"](#)
- [IFC Report no 2 - An IAG reference document \(2015\): "Consolidation and corporate groups: an overview of methodological and practical issues"](#)

## Questions?

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