
COMMITTEE ON THE GLOBAL FINANCIAL SYSTEM

September 2000

**REPORT OF THE WORKING GROUP ON THE BIS
INTERNATIONAL BANKING STATISTICS**

**BANK FOR INTERNATIONAL SETTLEMENTS
Basel, Switzerland**

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Chapter I – Summary and recommendations

Summary and mandate of the Working Group

Over the years, the Committee on the Global Financial System has been the designated central bank oversight body for the BIS international banking statistics. A guiding presumption of the Committee is that the statistics should be updated from time to time so as to ensure that they remain a key source of public information on international financial market developments. As a result, the Committee has supported initiatives such as the triennial survey of global derivatives markets (first conducted in 1995).

The Committee has also provided impetus for improvements in existing BIS international banking statistics, for example more timely assembly and release of data, a move to quarterly frequency for the consolidated statistics and the compilation of “ultimate risk basis” statistics in the consolidated statistics. Against this background, in autumn 1999 the Committee established a working group with the task of examining the desirability of modifying the BIS banking statistics, most notably so as to capture derivatives exposures, which had expanded in recent years to constitute a significant proportion of banks’ total cross-border exposures, and enhance details in the statistics as requested by some official sector users. The mandate given to the Working Group was as follows:

Mandate of the Working Group from the Committee on the Global Financial System

With a view to responsibly maintaining the status of international banking statistics as a key data source for developments in international financial markets, the Working Group should:

- (i) review the recommendations made by the Patat Group (addition of banks’ derivatives exposures and introduction of additional breakdowns for consolidated data collected on an immediate borrower basis), subsequently endorsed by the Committee, in its report for improvements in international banking statistics;¹*
- (ii) consider possible additions to the Patat Group’s list of issues that warrant the attention of the Working Group;*
- (iii) develop alternative ways, taking into account data collection under way, in which proposed improvements could be implemented;*
- (iv) gather information required for cost-benefit assessments of implementing proposed improvements by conducting informal fact-finding surveys; and*

¹ Interim Report on *Enhancing the Transparency of Aggregate Information*, June 1999.

- (v) *conduct cost-benefit assessments and, conditional on results of those assessments, set out proposals for a process for bringing about improvements which incorporates considered judgments as to the priorities that should be assigned.*

Overview of discussions

The Working Group met twice, in October 1999 and January 2000, and formed a consensus for improvements in the BIS banking statistics. From the beginning of the deliberations, it was clear that there was broad agreement on the desirable elements to be incorporated in any improvements to the BIS banking statistics, most importantly the inclusion of derivatives exposures.² The central issue was, therefore, how to develop a concrete and workable plan for responsibly improving the statistics, taking into account the heightened concern over the reporting burden and efficient use of public sector resources.

One important input to this effort was the results of informal exchanges of views with banks, which provided the original data that were compiled into statistics. In these interviews, conducted by Working Group members with approximately 50 bank reporters, there was general support for enhancing market transparency through improvements to statistics. At the same time, a strong preference was voiced for collecting data that could be assembled from information compiled by the banks for internal risk management purposes. It was felt that this would ease the reporting burden and make the statistics more compatible and therefore more useful in the risk management process at individual banks.

The Working Group's discussions were also importantly influenced by an ad hoc survey by the Banking Supervision Committee (BSC) of the European System of Central Banks on *EU Banks' Credit Exposures Towards Emerging and Developing Countries*, which was submitted to the Working Group for information. The survey provided country risk data for EU banks reporting on both an immediate borrower and an ultimate risk basis.³ The ultimate risk basis data presented in the report were created from a special survey, and provided insights into the significance of items such as guarantees (public and private) not yet fully captured in the data typically submitted to the BIS. The

² From the beginning of deliberations, the possibility of proposing a country breakdown of the Yoshikuni derivatives statistics was ruled out. The judgment incorporated feedback from reporters of Yoshikuni data received by the central bank statisticians, which highlighted the high reporting burden that would be involved if Yoshikuni derivatives data were to be collected by country of counterparty.

³ The information was collected in a two-stage exercise by the Working Group on Macro-Prudential Analysis of the BSC. First: Information on the overall exposures of all EU banking systems was gathered employing the current methodology used for the BIS consolidated banking statistics. Second, an ad hoc survey of "the most exposed and systemically relevant" EU banks' off-balance sheet exposures and transfers of credit risk was conducted. Data collected were for end-1998. This survey covered 82% of EU banks' total gross exposures towards emerging and developing countries, or 68% of the total banking assets.

survey also highlighted the relevance of measures of contingent credit to the statistical measurement of creditor bank exposures, and showed that exposures to emerging market economies arising from derivatives transactions were generally small.

In the course of its deliberations, the Working Group discussed alternative views as to what goals should be set for consolidated BIS banking statistics. A product of these exchanges was a consensus that while the statistics should have the widest possible uses, attempts to devise catch-all statistics could result in excessive complexity, resulting in quality control problems affecting the integrity of the statistics themselves and reducing accessibility by prospective users of the statistics. Against this background, the Working Group concluded that the consolidated banking statistics should aim to be a key source of information on the country risk exposures of internationally active banks. This view also echoed judgments that emphasis should be placed on improving sources of aggregate market information compatible with individual creditor banks' own risk management practices, which were based on the analysis of internal data collected on an ultimate risk basis.

At the same time, the Working Group appreciates the importance of information based on the residence of the immediate borrower. Such information is crucial, for example, to enable cross-checks on country compilations of external debt statistics. Nonetheless, it is the Working Group's judgment that the focus of the consolidated statistics should be on risk-sensitive measures of creditor positions.

Recommendations

Two considerations played a prominent role in the Working Group's formulation of its recommendations: the information content of the BIS banking statistics was to be increased as regards the assessment of banks' credit exposure towards individual countries, and the focus of the statistics was to be shifted from a flow of funds' perspective to a financial statistics' perspective.

On the basis of these considerations, the Working Group decided to recommend the following actions:

- The BIS consolidated banking statistics should be structured to present data on an ultimate risk basis subject to the cooperation of a "critical mass" of reporting countries. The BIS should continue to compile and publish statistics on an immediate borrower basis.⁴
- To keep down the costs to reporters and statisticians of the change in the reporting basis of the ultimate risk data, the target date for the new data series should be set at the end of 2004.

⁴ In their comments on a draft of this report, most Working Group members strongly urged continued collection and publication of consolidated data reported on an immediate borrower basis, albeit as a secondary source of information.

- Detailed plans on the data series to be collected - including guarantees by third parties, undrawn contingent credit facilities and off-balance sheet financial contracting - should be prepared by the end of 2001, incorporating reporters' comments on the proposed series, with a particular emphasis placed on receiving feedback concerning uses of data. At the same time, the costs and benefits of providing the data should also be taken into account.
- Pending a review of the commitments data now submitted by cooperating central banks, the Working Group recommends that the BIS revise its presentation of the commitments data to emphasise their interpretation as a measure of a contingent source of borrower funding and hence credit risk. At the same time, it is important for the BIS to continue to communicate to data users gaps remaining in the current coverage of the ultimate risk concept in the consolidated banking statistics until the restructuring of statistics is effected, possibly from the end-2004 reporting period.
- Meanwhile, the current statistics should be complemented with off-balance sheet exposure data for important groupings of reporters. If data on derivatives exposures were to be available for banks from a significant grouping of reporting countries, these data would be published with the aggregated contributions of these countries to the consolidated data.

These suggestions by the Working Group for the consolidated data largely overlap with those of the BSC, for example the suggestion to incorporate the current market values of exposures arising from derivatives transactions into the baseline measures of banks' exposures. Support for the thrust of the Working Group's proposals can be found in the report of the Financial Stability Forum's Working Group on Capital Flows.⁵ This report reviewed the statistical coverage of banks' exposures by country and found the current coverage to be inadequate. It comments that data on the country risk of internationally active banks can be improved if they are based on the residence of the party ultimately responsible for the repayment of an obligation (ultimate risk basis) and not on the residence of the immediate borrower. In expanding its discussion of the issue, the FSF's Working Group refers to the desirability of developing consolidated banking statistics as a source of aggregate information compatible with that produced by banks' own internal risk measurement processes.

⁵ *Report of the Working Group on Capital Flows*, Financial Stability Forum, March 2000.

Chapter II – Issues facing the Working Group

Structure of the BIS International Banking Statistics

The BIS currently assembles from national submissions, and disseminates, two published measures of international indebtedness to banks. Both measures are based on reporting by creditor banks. The first set of data is known as BIS locational banking statistics. This reporting system measures the cross-border positions of banking offices vis-à-vis entities located in other countries in a manner consistent with that employed for national accounting, balance of payments and external debt data. The second set of international banking data is known as BIS consolidated international banking statistics. This means that inter-office claims are not reported on a gross basis. The organising principle of these data is the nationality of the country of head office of the reporting bank. The data cover cross-border claims reported by banks headquartered in 18 industrial countries.⁶ Both sets of BIS banking statistics are reported on the basis of the residence of the immediate borrower. In addition, with the publication of the June 1999 consolidated banking data, the BIS began to publish an aggregate measure of cross-border lending on an ultimate risk basis.

Implications of recent financial crises

Over the past decade, banks have progressively moved to incorporate their various activities into corporate-level risk measurement and management processes. At many international banks, post-mortem reviews of the Asian crisis led to changes in the measurement and management of risk related to international credit activities. The Asian crisis also triggered intensive scrutiny by bank stock analysts of their banks' international activities at a time when international bank managements have come to be viewed by shareholders as being accountable for the relative performance of their banks' stock prices.

Another consequence of the Asian crisis was the emergence of a strong consensus in the broader international financial community in favour of heightened transparency to support greater reliance on market discipline. One feature of this environment has been greater emphasis by public authorities on the value of good financial statistics as an aid to informed decision-making by private sector risk managers. It was against this background that the Working Group, in the course of its own

⁶ The data also include unconsolidated claims of banks headquartered in non-reporting countries. The reporting economies are the CGFS member countries plus Austria, Denmark, Finland, Ireland, Norway, and Spain. In August 1998 17 additional countries were invited to submit consolidated banking data to the BIS. Two of these economies, Hong Kong and Portugal, submitted data for year-end 1999.

discussions, developed its shared appreciation of the potential public benefit of sharpening the focus of the consolidated banking statistics on the country risk exposures of internationally active banks.⁷

Meanwhile, the crises also revealed the present inadequacy of statistics on individual country debt, which are essential in formulating appropriate crisis management policies. Consequently, there were suggestions from other public sector bodies that the BIS banking statistics might accommodate some changes so as to enable the estimation of individual country debt from creditor country statistics. The Working Group discussed the feasibility and desirability of this option, particularly from the viewpoint of maintaining the integrity of the statistics.

⁷ The case for this view was developed by the CGFS in a 1998 report titled *On the Use of Information and Risk Management by International Banks*.

Chapter III – Sources of information

Survey results

This chapter reviews the results of an informal survey of reporters conducted by members of the Working Group. This survey focused on issues related to the reporting of data covering contingent credit facilities and guarantees, cross-border exposures related to transactions in over-the-counter derivatives contracts, and some component elements of data reported on an ultimate risk basis. Working Group members conducted interviews with approximately 50 bank reporters. In these interviews, reporters frequently voiced a strong preference for providing data that could be compiled from information collected and assembled by them for internal risk management purposes. Interviewed firms commented on the high systems development costs that would be involved in the reporting of detailed breakdowns of immediate borrower data recommended by the Patat Report.

The Patat Report recommends examination of additional breakdowns by currency, maturity and instrument, and separate identification of arrears. The Report justifies the recommendation by pointing to how the availability of such breakdowns would improve the value of external debt statistics.

The Working Group's discussions also benefited from the information developed through a survey conducted by a working group of the Banking Supervision Committee (BSC) of the European System of Central Banks. Another source of information was comments from individual countries that collected related data currently not reported to the BIS.

These sources provided information for the examination of three areas that the Working Group had taken up: contingent liabilities, derivatives exposures and ultimate risk data. In all instances, the statistics for EU banks produced by the BSC underlined the importance of a more comprehensive coverage of risk exposure data submitted to the BIS. The results of interviews with bank reporters and experience in individual member countries provided valuable information on the characteristics of data outside the European Union and the feasibility and practicality aspect of data collection, important in developing an appropriate strategy to fill any gaps in statistics.

Reporting issues

Contingent liabilities

One of the findings highlighted in the BSC survey concerned EU banks' exposures to emerging markets and developing countries, reported as "contingent liabilities and commitments". The EU Bank Account Directive defines contingent liabilities as comprising all transactions where an institution has

underwritten the obligations of a third party and irrevocable commitments that give rise to payouts. In accordance with this definition, the BSC survey collected data on obligations which if met would result in a cross-border claim of an EU bank on a borrower in an emerging market or developing country.⁸ For the banks surveyed by the BSC, the sum of such contingencies reported on the survey equalled 16% of surveyed EU banks' baseline credit exposures (computed on an immediate borrower basis) to emerging markets and developing countries as of the end of 1998.

Meanwhile, the amounts of undisbursed credits reported to the BIS by each of the G10 member countries from year-end 1990 to end-June 1999 is shown in Table 1. The BIS collected and published these data on undisbursed credit commitments by country. The Working Group believes that these figures were the closest equivalents of "contingent liabilities" in the BSC study. On the one hand, the table reveals very large differences among banks headquartered in the G10 countries in the ratios of reported undisbursed credit commitments to total claims against emerging markets and developing countries. It also reveals high persistence over time in the observed ratios of individual countries.

Table 1
**Undisbursed credit commitments
as a percentage of total claims of BIS reporting banks¹**

Reporting countries	1990	1992	1994	1996	1998	1999 ²
Belgium	17	16	13	21	29	53
Canada	6	8	9	17	12	10
France	26	25	26	27	26	23
Germany	12	16	15	12	10	11
Italy	20	34	48	36	13	14
Japan	8	5	6	9	7	6
Netherlands	23	23	23	24	13	13
Sweden	9	10	10	1	7	6
Switzerland	9	7	9	10	6	8
United Kingdom	13	17	22	23	25	27
United States	20	18	16	17	17	15

¹ Vis-à-vis emerging markets and developing countries. ² End-June.

Source: BIS Consolidated Banking Statistics.

In view of the significant size of these exposures revealed by the BSC study and existing BIS statistics, the Working Group concluded that statistics on contingent claims deserved more attention

⁸ During the course of its discussions, the Working Group briefly considered the possible inclusion of insured risks in a measure of contingent exposure. This was rejected because a bank's payment of an insurance claim would not result in an extension of credit. The absence of a potential credit extension led the Working Group to its judgment against inclusion of a measure of contingent liabilities to be reported with the BIS consolidated banking statistics.

than now accorded to them. The Working Group felt that incorporating the amounts of these contingent liabilities in a measure of reporting banks' total exposures would not be appropriate, because the exposures were still potential and the actual drawing of credits not predictable - a fact confirmed through interviews with market participants.⁹ The consensus of the Working Group is that treating the figures as a separate and important source of potential credit exposures would still usefully introduce a "forward-looking" component into the BIS measure of banks' international exposure, by providing a sense of the magnitude of additional credit that could be extended in exceptional stress situations.

There are, however, some practical considerations pertaining to data collection that need to be taken into account. Most of the firms surveyed by the members of the Working Group remarked on the ready availability of commitments data since such data were assembled for internal risk management processes. On the other hand, a number of surveyed reporters commented on possible differences in national concepts of what was reported in commitments data. The data on undisbursed commitments were originally collected because it was thought that they might act as a useful leading indicator of cross-border bank lending. This proved not to be the case. Once this was established, little attention was devoted to keeping the documentation of these series current in terms of what contingent arrangements are actually being reported. This treatment can in part be accounted for by limited information available to the BIS concerning what types of arrangements were actually captured by the reported data.

To explore what data are now being reported to the BIS, the members of the Working Group reviewed the instructions for the reporting forms used to collect data on undisbursed commitments to the BIS. National instructions were compared with those employed in the United Kingdom, which requires reporters to supply an analysis by country of their total *unused commitments as follows*:

"Institutions should report the unutilised portions of both binding contractual obligations and those commitments which they would regard themselves as obliged to honour whatever the circumstances. Include only those commitments which, if utilised, would be reported in total cross-border claims and non-UK offices' non-local currency claims on local residents. Performance bonds and other forms of guarantee should be reported only if, in the event of the contingency occurring, the resulting claim would impact on total cross-border claims."

⁹ In response to a question concerning information on probable usage of contingent facilities, surveyed firms answered negatively that they attempt to estimate likely usage of credit commitments. A few firms commented on the fact that they accorded 100% and 0% internal risk weightings for commitments and guarantees respectively. This difference in treatment reflected judgments about both the equivalence of loans and commitments, as well as the extreme rarity of the exercise of bank guarantees of third-party obligations. It also revealed an absence of confidence in the banks' ability to forecast both drawdowns of commitments and exercises of guarantees.

Based on the report of these comparisons, the Working Group concluded that the UK definition could be viewed as a reasonable proxy for what is supposed to be reported to the BIS under current reporting instructions. The Working Group was, however, unable to shed additional light on how much of the observed cross-creditor country variation in the offering of credit facilities should be attributed to different interpretations of the general instruction to reported irrevocable credit commitments as opposed to actual differences in terms on which credit commitments were offered. Therefore, members of the Working Group concluded that reporting coverage should be reviewed and certified by national submitters before publicising data on undisbursed commitments as providing a measure of the amount of contingent credit available from bank creditors to potential credit recipients in a country.

Derivatives contracts

The BSC survey found that credit equivalent values of derivatives contracts, as of end-1998, generally equalled between 1% and 4% of BIS baseline exposures to emerging markets and developing countries. Two exceptions on the high side were the Philippines (7%) and Thailand (8%). The percentages reported by EU banks for the ratios of the market value of derivatives exposures to BIS baseline measures of exposure are generally lower than those reported by US banking organisations.¹⁰

These differences may in part be accounted for by a difference in reporting methodology, the BSC's survey data of derivatives exposures for reporting by country are reported on the basis of the residence of the immediate counterparty, whereas the US data are reported on the basis of the location of the party ultimately responsible for the payment of obligation arising from a derivatives contract. This explanation draws support from the concentration of EU banks' derivatives exposures in two offshore financial centres, Hong Kong and Singapore. For those two countries EU banks report derivatives exposures, equal to 10% and 23% respectively of their baseline BIS exposures. The BSC survey contained total exposures on the basis of ultimate risk data, but not specifically derivatives exposures on this basis.

The Working Group also reviewed historical data for US banks' derivatives exposures submitted by the Working Group member from the Federal Reserve Board. This was done to assess the potential sensitivity of market value measures of derivatives exposures to sizeable moves in market risk factors.¹¹ The data show that as of March 1997, just prior to the onset of the Asian crisis, only 10% of the sum of reporting US banks' total exposures to Korea, Indonesia and Thailand was accounted for

¹⁰ Through informal interviews, it was also discovered that Japanese banks would also have reported smaller ratios of the market value of derivatives exposures to BIS baseline exposure than US banking organisations.

¹¹ Data on the market value of derivatives exposures by country has been included in the country exposure survey release (FFIEC E.16) which is jointly published by the Federal Reserve and other US bank supervisors.

by derivatives-based exposures. But by the end of 1997, derivatives exposures had increased by USD 9 billion and accounted for 36% of US banks' total exposures. In the absence of data on derivatives exposures, US banks' reported exposures to Korea, Indonesia and Thailand would have declined by USD 2 billion. The surge reflects the consequences of sharp currency depreciations for the replacement values of derivatives exposures against counterparties in these countries.

Meanwhile, a number of interviewed banks commented positively on the potential value of the inclusion of data on derivatives-related exposures in the consolidated banking statistics. Other interviewed banks observed that their activity in derivatives with counterparties based outside the G10 member countries was limited, and accordingly they would only have limited interest in such data. A number of this latter group of banks went on to express opposition to the reporting because of the costs that would have to be incurred to develop systems to report such data.

On the basis of these inputs, the Working Group concluded that the US data demonstrate the importance for the construction of time series data for banks' exposures to country risk of including derivatives-related exposures. That is, the Working Group believes that a continuing absence of coverage of such exposures in the consolidated data would mean that the series would not provide a time series for a comprehensive measure of bank exposures to country risk. On the other hand, a lesson of the US experience for the Working Group was that the collection of data on the market value of derivatives exposures could not have been used to forecast the amount of exposure that would arise in a crisis period. Based on this lesson, the Working Group reached a consensus view regarding the limited usefulness of derivatives data for forward-looking monitoring of banks' exposures to country risk.¹²

Another issue was data quality. In the course of its discussions, the Working Group was informed by its members from Germany, Italy and Switzerland that data on derivatives exposure by country on an ultimate risk basis could soon be made available to the BIS. Furthermore, the Bank of England briefed the Working Group on the extensive data collected on the market value of derivatives positions for UK banks and UK banking offices on an immediate borrower basis. These differences in reporting basis suggest that a hasty introduction of derivatives exposure statistics could give rise to data quality problems arising from differences in national reporting systems. The ongoing efforts by accounting bodies to more fully recognise derivatives exposures (including the possibility of employing hedge

¹² Banks interviewed were also asked about the possible reporting of the results of simple sensitivity tests of their derivatives exposures by country, which could provide a forward-looking source of information concerning the sensitivity of exposure to changes in market risk factors. Interviewed banks expressed reservations about such reporting, reflecting, in most cases, the limited activity of the respondent in derivatives transactions with counterparties based outside the G10 countries. In other cases the reservations expressed may have reflected concerns about the costs involved in the assembly and maintenance of the required information on the character of exposures to specific markets required for the running of sensitivity tests.

accounting) could also affect the scope and quality of exposure data, as banks gradually implement systems to account for derivative exposures on their balance sheets.

These considerations, including the potentially high reporting burden involved, led the Working Group not to recommend that a programme to collect derivatives data be initiated in advance of the date of implementation for other proposed revisions of the consolidated banking statistics, that is, as of the end of 2004.

Ultimate risk data

The Working Group recognised that the most appropriate statistics measuring banks' consolidated exposures to individual countries would be constructed on an "ultimate risk" basis, which was consistent with banks' internal risk management systems. It also welcomed the publication of such a series from end-June 1999 data. In this regard, the results of the special BSC survey underline the importance of complete reporting of guarantees. The Working Group believes, although major progress has been made with the reporting of banking data on an ultimate risk basis, that a number of outstanding issues need to be resolved.

In mid-February of this year, the BIS staff questioned reporting countries concerning the possible reporting of the consolidated banking data on an ultimate risk basis, net of guarantees from third parties. In response, Germany committed to reporting net of guarantees from September 2000 onwards. France is moving to reporting guarantees as soon as the end of 2001. The Netherlands informed the BIS staff that it has no plans to collect data. The Working Group believes that it is crucial for the BIS to continue to clearly document the evolution of coverage in its publications, so that data users can make informed decisions about the use of the data.

The Working Group is also of the view that piecemeal additions and revisions to the statistics to date, while valuable in their own right, could have resulted in serious data quality problems at reporting banks, central banks and the BIS, as implementation was uneven across reporting countries, reflecting different priorities and idiosyncrasies of individual reporting systems. This echoes the stress placed by banks on the desirability of selecting a reporting structure that can be implemented at one time and can be expected to remain unchanged for an extended period. Accordingly, the Working Group believes that if it is deemed necessary to introduce further revisions to the BIS consolidated banking statistics to enhance information on an ultimate risk basis, a major restructuring of statistics that could be implemented across the board would be preferable.

If the consolidated statistics should be developed as a vehicle to provide information on the amount and character of country credit risk exposures assumed by banks, the Working Group appreciates the concerns of those who utilise portions of the current data to derive series used to describe countries' external debt positions. On the other hand, the Working Group believes that to maintain consistency

and the quality of reported data, it is important for the BIS to focus each set of statistics as much as possible. In any case, to reiterate, the Working Group encourages the Committee to request that the BIS accommodate cooperating central banks by continuing to collect, and to publish, consolidated banking statistics compiled on an immediate borrower basis.

Chapter IV – The recommendations of the Working Group

Rationale

In formulating its recommendations, the Working Group favours developing a statistical system consonant with commercial banks' own risk management practices through the adoption of detailed reporting of data collected on an ultimate risk basis. Consistent with this, the Working Group would have the Committee develop basic guidance concerning the coverage of consolidated statistics. The guidance favoured by the Working Group states that, where feasible, consolidated banking data should cover all relevant aspects of financial institutions' exposures - including guarantees by third parties, undrawn contingent credit facilities and off-balance sheet financial contracting. Meanwhile, the Working Group also appreciates that a move to sharpen the focus of the consolidated data as a source of creditor-side information could have negative implications for the value of the data source to many of the current consumers of the consolidated data, for example the compilers of external debt statistics.

The Working Group believes that the consolidated data are best suited to serve as a source of aggregate information on trends in banks' aggregate exposures to country credit risks, as well as to changes in the concentrations of such exposures among the national banking systems of the various creditor countries.¹³ To fulfil this role, the Working Group recommends the inclusion in the consolidated statistics of the market value of OTC derivatives as part of the baseline measure of reporting banks' exposures. The Working Group believes it is important to incorporate derivatives exposures in aggregate exposure measures, because of the importance of creating appropriate time series measures of the distribution of banks' country risks. Additional maturity detail by sector as compared with the current consolidated banking statistics could also be collected, and reported.

The Working Group suggests that this issue be discussed by an expert group of central bank statisticians.

Presentation

The Working Group also suggests that the amount of contingent facilities should be reported separately from the baseline measure of banks' international exposures, and more prominently than at present. This should be the amount available to borrowers in exceptional circumstances, that is, not

¹³ One issue that needs to be considered is the continued collection of information from foreign banks, which currently report on an unconsolidated basis. This issue should be taken up as part of the 2001 review of future reporting.

subject to pullback in the event of a deterioration in the borrowers' financial conditions. A possible framework summarising the recommendations of the Working Group is shown in Table 2.

Table 2	
Recommended presentation	
Consolidated international exposures of BIS reporting banks	
International claims reported on an ultimate risk basis By sector (sorted by time remaining to maturity)	
1. Banks	
➤	maturity breakdown
2. Non-bank private sector	
➤	maturity breakdown
3. Public sector	
➤	maturity breakdown
4. Market value of OTC derivatives	
	(reported on an ultimate risk basis)
5. Baseline measure of reporting banks' exposures	
	(sum of lines 1, 2, 3 and 4)
6. Contingent facilities	
	(possible sectoral breakdown)
7. Baseline measure of reporting banks' exposures to exceptional circumstances	
	(sum of line 5 and line 6)

Implementation

The Working Group recommends that the necessary changes be implemented with the end-2004 reporting date, based on specific plans formulated no later than year-end 2001. The Working Group's choice of a 2004 transition date overhaul is meant to signal the importance the Working Group attaches to the need to work out the details for the new statistics, and provide for an orderly transition from the perspective of various data users, as well as those of reporters. Furthermore, this target date will also enable adjustment by some current users of the consolidated banking statistics, such as international compilers of external debt statistics. The Working Group understands the importance attached by such users to features of the consolidated data, such as the maturity detail on claims on an

immediate borrower basis.¹⁴ The Committee therefore might wish to begin a review of the locational statistics to fulfil these needs, in time for the restructuring of the consolidated statistics.

In the interim, the Working Group believes that the BIS could publish limited aggregations of national submissions of derivatives data. The Working Group believes that if the BIS chooses to publish aggregation of such data it should be done in such a way as to make readers aware of the incomplete coverage of the data as compared with the consolidated banking statistics. In addition, the Working Group believes that an expert group of central bank statisticians should undertake a review of current national reporting of the items now reported by the BIS under the heading “undisbursed credit commitments and backup facilities,” which could constitute a significant part of by country.

Finally, the Working Group wishes to indicate its support for the efforts of the BIS data compilers to provide as much information as possible to data users concerning the methodology, and coverage, of the BIS international banking statistics. In particular, the Working Group would encourage the BIS data compilers to continue to publish up to date information, over the interim period, concerning the completeness of coverage in publishing the ultimate risk concept, for example if data on the guarantees received by banks from third parties are incorporated.

¹⁴ In most cases, the consolidated data are derived from supervisory returns. External debt estimates are typically assembled from data sources used in the construction of national accounts. The supplementing of these data sources with information from the consolidated data might be accounted for, in part, by the lack of investments in good debt statistics by debtor governments.

Members of the Working Group on the BIS International Banking Statistics

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