

**BANK FOR INTERNATIONAL SETTLEMENTS**

**Monetary and Economic Department**

**GUIDE TO**

**THE BIS STATISTICS ON INTERNATIONAL BANKING**

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## **Introduction**

This guide provides detailed information on the nature and coverage of the international banking statistics published by the BIS. Its purpose is to assist readers of the BIS publications to make the best use of these statistics.

The BIS publishes three sets of international banking statistics derived from two separate reporting systems with different accounting principles, coverage and periodicity. The main purpose of these statistics is to provide information which can be used to monitor and analyse international banking activities. The considerable detail in which the statistics are reported allows them to be aggregated and grouped in a number of ways and to be used to address a variety of questions relating to the role of the international banking system. In order to choose the correct data for analysing a particular aspect of international banking activity, it is important to understand the content of each of the three different sets of statistics.

### **Territorial statistics**

The organising principle behind the first and oldest set of published data, the quarterly territorial statistics, is the location of the banking office, not its ownership or the currency of denomination of its business. This is in keeping with balance-of-payments accounting practices which stress residency or location. The data can therefore be used to address questions related to the role of the international banking system as a whole or of banks operating in individual reporting countries in the provision of short-term balance-of-payments and longer-term structural finance and in exchange rate movements. Similarly, the territorial statistics can be used to analyse the role of the international banking system in global and national credit and liquidity creation. In addition, an extended three-way disaggregation of the data by country, by currency and by sector makes it possible to employ them for a number of other purposes. These include measuring the scale of international interbank transactions, the international role of individual currencies and the magnitude of individual countries' external banking debt. Moreover, the statistics can be used to evaluate the importance of the international banking system as an outlet for the investment of official reserves and as a source of international liquidity creation.

### **Nationality statistics**

The second quarterly set of data published by the BIS relates to the assets and liabilities of banks classified according to their ownership or nationality. Accordingly, external claims of, say, branches of US banks located in London, which in the territorial statistics would be classified as claims of banks in the United Kingdom, are classified as claims of US banks. While

the nationality statistics are compiled from the quarterly territorial reports, the number of reporting countries is smaller and both the conceptual basis and types of aggregation differ from those in the territorial statistics. Reporting banks' international assets and liabilities are shown in the aggregate, with no breakdown between external positions and positions in foreign currency vis-à-vis residents. Moreover, the aggregates are not broken down geographically according to the residence of the counterparty. On the other hand, positions of reporting banks vis-à-vis related offices, as well as positions vis-à-vis other banks and non-banks, are presented separately. Banks' holdings of CDs and their liabilities arising from the issue of CDs and other securities are also shown separately.

The nationality statistics are published from time to time as a separate feature in the quarterly releases. Their main purpose is to show the international role of individual national banking groups and to shed light on the structure of the international interbank market. Because data are provided on positions vis-à-vis different offices of the same bank, it is possible to gauge the relative importance of intra-bank activity in total international interbank operations. The nationality statistics can also be used to evaluate the role of national banking groups as net suppliers or takers of funds from the international banking market.

### **Consolidated maturity statistics**

The third set of international banking data published by the BIS differs in a number of respects from either of the quarterly sets of data. Firstly, the data are collected semi-annually and relate only to the assets side of the banks' balance sheets. Secondly, the number of countries which report data is fewer than in the quarterly territorial data. Thirdly, the banks only report claims on countries outside the reporting area. Fourthly, the data are a hybrid of worldwide consolidated and territorial data. That is to say, banking groups with head offices inside the reporting area report their worldwide consolidated claims (after netting out positions between different offices of the same bank) on outside-area countries, while banking offices located inside the reporting area of banks with head offices elsewhere in the world report their unconsolidated cross-border claims on outside-area countries. Fifthly, banks report a country-by-country breakdown both of the maturity structure of their claims and of their unused credit commitments. Sixthly, the sectoral breakdown of claims is more detailed than in the territorial quarterly statistics.

Because the semi-annual statistics are partly based on banks' worldwide consolidated balance sheets, they do not lend themselves directly to balance-of-payments or exchange rate analysis. Their purpose is rather to show the maturity structure and sectoral breakdown of the indebtedness of individual borrowing countries to the reporting banks.

As indicated above, the various sets of international banking data published by the BIS can be used for a broad range of purposes. Nevertheless, the substantial changes that have taken place in the international financial markets in recent years, most notably the emergence of new types of instruments and the expansion of securities market activities, mean that international banking statistics must be constantly refined and supplemented if they are to maintain their relevance. Consequently, efforts are being made to provide more information on the banks' role in the securities markets, to collect data on the Euro-note and Euro-commercial paper market, and to set up a data base on outstanding international bonds.

## THE TERRITORIAL STATISTICS

### GENERAL

The territorial statistics published quarterly by the BIS are designed to provide comprehensive, and as consistent as possible, data on international<sup>1</sup> banking business conducted in the financial centres making up the BIS reporting area. These statistics are based on returns from banking offices located within the reporting area. Such offices report exclusively on their own (unconsolidated) business, which thus includes international transactions with any affiliates (branches, subsidiaries, joint ventures) located either in other reporting countries or outside the reporting area. Although the basic organising principle is the residence of the banking office and thus conforms with balance-of-payments methodology, data on business with residents in foreign currency are also collected.

Banks in reporting centres do not supply data directly to the BIS but to a central authority in their respective countries, which is usually the central bank. The latter, after aggregating the data submitted to it, transmits these data, expressed in US dollars, to the BIS. The BIS, in turn, further aggregates the data received in this way from all reporting centres to arrive at reporting area totals.

The individual sections in this part look in detail at the countries providing data and the types of financial institutions covered (Section B), the types of asset and liability included (Sections C and D), the way data are reported to the BIS (Sections E and F) and the adjustments to the data made by the BIS (Section G).

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1 In the BIS international banking statistics, the term "international" refers to banks' assets and liabilities vis-à-vis non-residents in any currency (i.e. external or cross-border positions) plus assets and liabilities vis-à-vis residents in foreign currencies.



## REPORTING AREA AND INSTITUTIONS

The reporting area for the territorial statistics comprises twenty-four countries, namely eighteen industrialised countries and six other major banking centres listed in Table I-B-1. Reports from the United States include data on International Banking Facilities (IBFs) and, in addition, provide information on the international operations of the branches of US banks located in Panama. Data from Japan include the international business of banks operating in the Japan Offshore Market.

The reporting institutions are principally deposit-taking banks and other similar financial institutions. In some countries trade-related non-deposit-taking financial institutions also report. More rarely the coverage extends to the international operations of such entities as the central post office or, for certain items only, the banking department of the central bank (Bank of England) or central bank system (Federal Reserve Bank of New York).

The lack of complete homogeneity in reporting principles adopted by individual countries as to who exactly must report, as well as some other deviations from the general reporting practices referred to below, stem from the fact that the BIS statistical systems are based on existing national reporting systems for bank statistics. This accounts for certain borderline cases, in which an institution with sizable international financial assets and liabilities is classified as part of the banking sector in one reporting country and therefore obliged to report, while in another reporting country a similar institution may be regarded as non-financial and therefore not covered by the statistics.

Most industrialised reporting countries collect data from all, or almost all, deposit-taking institutions within their boundaries that have international assets and liabilities of any size. In the case of non-deposit-taking financial institutions specialising in foreign trade finance, the country-specific treatment varies, with, for example, the "Banque Française du Commerce Extérieur" being included and the United States Export-Import Bank being excluded.

As far as the other reporting banking centres are concerned, two of these (Bahrain and Singapore) include in their data only those institutions, or departments of institutions, that are exclusively engaged in offshore business. In the case of Bahrain, these are the so-called "Offshore Banking Units" (OBUs), while for Singapore they are the "Asian Currency Units" (ACUs) of the commercial banks and merchant banks operating in the country.

For the great majority of the twenty-four countries contributing data, the reporting banks account for well over 90 per cent., and in some cases for virtually 100 per cent., of the international assets and liabilities of *all* financial institutions operating within their borders. The only countries where the proportion is known or assumed to be noticeably lower are Bahrain, Denmark and Singapore, and, for liabilities only, Finland, Hong Kong, Spain and Sweden.

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Table I-B-1

**The BIS reporting area: Countries providing data for the territorial statistics**

<b>Industrialised reporting countries</b>	
1. Austria	10. Japan
2. Belgium	11. Luxembourg
3. Canada	12. Netherlands
4. Denmark	13. Norway
5. Finland	14. Spain
6. France	15. Sweden
7. Germany	16. Switzerland
8. Ireland	17. United Kingdom
9. Italy	18. United States*
<b>Other banking centres</b>	
19. Bahamas	22. Hong Kong
20. Bahrain	23. Netherlands Antilles
21. Cayman Islands	24. Singapore

\*The United States provides data on the activities of branches of US banks operating in Panama.

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Several countries (the Bahamas, Denmark, Germany, Hong Kong, Spain, Switzerland and the United States) adopt cut-off points for external assets and liabilities below which an individual institution is not required to report. Some other countries (e.g. the United Kingdom), while including the international business of all reporting institutions in the overall data for their assets and liabilities, do not ask the smaller banks to provide a full country or currency breakdown of their international business.

Central banks located in reporting centres do not, as a rule, report to the BIS on their own international banking business. As mentioned earlier, there are, however, two major exceptions: data for the United Kingdom cover some of the activities of the Banking Department of the Bank of England, and reports for the United States cover the Federal Reserve Bank of New York, which is in charge of international operations carried out by the Federal Reserve System. The BIS, although being classified by other reporters as a bank located in Switzerland, does not itself provide information on its international banking business.

The following pages describe in detail the institutional coverage in each reporting country, indicating where cut-off points are used and, if so, at which level, and also stating where there are financial institutions with significant amounts of international business that do not report. A more synoptic overview is presented in Table I-B-2 to facilitate comparison across countries.

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Table I-B-2

## Types of institutions providing data

Industrialised reporting countries	Deposit-taking institutions <sup>1</sup>	Other financial institutions			Official institutions		Extent of coverage of assets / liabilities <sup>2</sup> %
		Trade-related	Securities brokers / houses	Other	Post office	Central banks	
<b>Austria</b>	All important credit institutions subject to banking law	Yes	No	No	No	No	nearly 100
<b>Belgium</b>	All banks authorised to conduct business in foreign currencies	No	No	Yes	No	No	nearly 100
<b>Canada</b>	All chartered and foreign banks <sup>3</sup>	No	No	No	No	No	90
<b>Denmark</b>	Commercial and savings banks with external positions above D.kr. 1 billion	No	No	No	No	No	74/75
<b>Finland</b>	All banks with foreign exchange rights	No	No	No	No	No	100/90
<b>France</b>	All authorised banks plus credit institutions with special status	Yes	Yes	No	No	No	100
<b>Germany</b>	All credit institutions with external assets or liabilities above DM 10 million	Yes	No	Yes	Yes	No	nearly 100
<b>Ireland</b>	All licensed banks	No	No	No	No	No	100
<b>Italy</b>	All commercial and savings banks authorised to transact business in foreign currency	No	No	No	No	No	100
<b>Japan</b>	All banks authorised to deal in foreign currency	No	No	No	No	No	93/100
<b>Luxembourg</b>	All financial institutions authorised to operate in Luxembourg which have external positions	No	No	No	No	No	100

Table I-B-2 (contd.)

## Types of institutions providing data

Industrialised reporting countries	Deposit-taking institutions <sup>1</sup>	Other financial institutions			Official institutions		Extent of coverage of assets / liabilities <sup>2</sup> %
		Trade-related	Securities brokers / houses	Other	Post office	Central banks	
Netherlands	All financial institutions authorised to conduct business in foreign currency	No	No	No	No	No	n.a.
Norway	Five largest commercial banks having external positions above \$ 100 million, but not foreign-owned subsidiaries in Norway	No	No	Yes	No	No	92
Spain	All ordinary or savings banks with external claims above Pts. 1,000 million or with one or more foreign branches	No	No	No	Yes	No	96/89
Sweden	All banks authorised to conduct business in foreign exchange but not foreign-owned subsidiaries	No	No	No	Yes	No	97/86
Switzerland	Deposit-taking institutions with international business above Sw.fr. 5 million and a balance sheet above Sw.fr. 20 million	No	No	No	No	No	nearly 100/100
United Kingdom	All institutions authorised to take deposits under the Banking Act 1987, with significant international business <sup>4</sup>	Some	No	Yes	No	Part	100
United States	All banking offices in the United States with external assets or liabilities above \$ 30 million	No	Yes	Panama-manian branches	No	Part	nearly 100

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Table I-B-2 (contd.)

## Types of institutions providing data

Other major financial centres	Deposit-taking institutions <sup>1</sup>	Other financial institutions			Official institutions		Extent of coverage of assets / liabilities <sup>2</sup> %
		Trade-related	Securities brokers/houses	Other	Post office	Central banks	
<b>Bahamas</b>	All institutions with external positions in excess of US\$ 10 million	No	No	Development banks	No	No	Reports submitted semi-annually
<b>Bahrain</b>	Only offshore banking units	No	No	Yes	No	No	
<b>Cayman Islands</b>	All category "A" and "B" banks conducting offshore business	No	No	No	No	No	Reports submitted annually
<b>Hong Kong</b>	All licensed banks with external positions above HK\$ 1 million	No	No	No	No	No	
<b>Netherlands Antilles</b>	Offices conducting offshore business exclusively	No	No	No	No	No	
<b>Singapore</b>	Only departments of commercial banks conducting offshore business	No	No	Merchant banks <sup>5</sup>	No	No	

<sup>1</sup> Including autonomous post office banks, but not postal administrations.

<sup>2</sup> Share of reporting banks' external assets and liabilities in the corresponding totals for all banking institutions.

<sup>3</sup> Cut-off points for provision of maturity and sectoral breakdowns.

<sup>4</sup> Cut-off points for provision of geographical and/or currency breakdowns.

<sup>5</sup> Only departments conducting offshore business.

**Austria**

Reporting covers credit institutions as defined by the Banking Law. These credit institutions - at present thirty-nine in all - comprise the commercial banks, some of the biggest savings banks, the central associations of the savings banks, the agricultural credit co-operatives, the ordinary industrial credit co-operatives and also financial institutions which specialise in foreign trade financing and some of which do not take deposits from the general public.

**Bahamas**

All deposit-taking institutions whose total external assets and liabilities amount to at least US\$ 10 million report. The reporting institutions include the commercial banks, the savings and mortgage banks and similar institutions, the development banks (which incur liabilities to governmental entities, to other financial institutions and to non-residents, but not usually to the general public), and finally the so-called "international licence banks". The latter are bank-like "offshore" units which, under special licence or regulation, are permitted to effect transactions exclusively, or at least mainly, with non-residents. It should be added that reports are made only semi-annually, as at end-June and end-December.

**Bahrain**

Reporting covers all "Offshore Banking Units" (OBUs) operating in the country, i.e. banks carrying out international business and holding an OBU licence; this category also includes investment banks (IBLs) which are "exempt companies". All other banks/banking units, including those IBLs that have not been set up under the exempt company provisions, do not report.

**Belgium**

All financial institutions authorised to transact business in foreign currency report. These are mainly banks (incorporated either in the Netherlands or abroad), but private savings banks and the "banking divisions" of five public credit institutions are also authorised to conduct foreign currency business. The external activities of the five public credit institutions are not fully covered by the reports.

**Canada**

Reporting covers the twelve domestic chartered banks as well as all foreign bank subsidiaries operating in Canada under the Bank Act.

**Cayman Islands**

All banks and trust companies located in the Cayman Islands and licensed in category "A" or category "B", i.e. those conducting both domestic and offshore business and those doing only offshore business, submit reports. Statistical returns are received from virtually all deposit-taking institutions including branches of foreign banks which are merely booking centres but which account for a substantial part of the licensed institutions' total external assets and liabilities. Reports are made only for the status as at the end of each calendar year.

**Denmark**

Those commercial banks and saving banks - at present eight institutions - whose total external assets and liabilities each clearly exceed D.kr. 1 billion report. Two specialised credit institutions that finance exports of capital goods and shipbuilding as well as three mortgage institutions engaged in lending and borrowing abroad do not report.

**Finland**

Reporting covers all institutions, both domestic and foreign-owned, that are authorised to deal in foreign exchange; these institutions are the domestic and foreign-owned commercial banks and the post office bank.

**France**

Two categories of financial intermediaries report: firstly, all those credit institutions (including Banque Française du Commerce Extérieur) which, based on the new Banking Law of 24th January 1984, have obtained prior authorisation from the "Comité des Etablissements de Crédit" to carry out banking business; secondly, credit institutions with special legal status: Crédit Foncier, Crédit d'Équipement des Petites et Moyennes Entreprises (C.E.P.M.E.), etc. Reports also cover the "Caisse des Dépôts et Consignations" and stockbrokers ("agents de change") or their "chambre syndicale".

These reporting institutions provide information on their international business conducted from both metropolitan France and French overseas regions and territories.

**Germany**

All credit institutions, as defined by the Banking Law, whose total external claims or total external liabilities exceed DM 10 million report. They include the commercial banks, the central (regional) giro institutions, the savings banks, credit co-operatives and their regional institutions, mortgage banks, banks with special functions (such as institutions that specialise in



foreign trade finance and the private sector business of the "Kreditanstalt für Wiederaufbau"), and postal giro and postal savings bank offices.

### **Hong Kong**

In principle, all licensed banks as well as all other deposit-taking financial institutions, both licensed and registered, operating in Hong Kong must report. Cut-off points are, however, applied so that, in practice, institutions for which total external asset and liability positions at a particular reporting date do not exceed the equivalent of HK\$ 1 million are not required to report their status for the reference date in question.

### **Ireland**

The list of credit institutions which report comprises all licensed banks, these being divided into associated or clearing banks and non-associated banks. There are only four associated banks, while the rather larger number of non-associated banks includes the merchant, commercial and industrial banks operating in the Irish Republic.

### **Italy**

The financial institutions which report in Italy comprise all commercial banks and savings banks authorised to transact business in foreign currency. Only the special credit institutions operating in the areas of trade-related credit, interbank business and participations and which are restricted by law to longer-term lending (exceeding 18 months) do not report; however, their share in financial institutions' total international assets and liabilities is quite small.

### **Japan**

Reporting covers all banks authorised to deal in foreign exchange. Other banks in Japan, as well as non-deposit-taking credit institutions involved in international trade financing, do not report. The credit institutions which are obliged to report include the commercial banks (city banks, regional banks, foreign banks), financial institutions granting long-term credit (long-term credit banks and trust banks), financial institutions for small business (mutual loan and savings banks, credit associations), and finally a special bank for agriculture, forestry and fishery.

**Luxembourg**

All financial institutions authorised to operate in the Grand Duchy and included in the official list published by the Luxembourg Monetary Institute report, insofar as they have external positions. Reporters comprise institutions established under Luxembourg public law, joint-stock banking companies established under Luxembourg law, financial institutions in the form of co-operative associations, and finally financial entities established under foreign company law operating in the form of Luxembourg branches.

**Netherlands**

Reports are made by all financial institutions authorised to transact business in foreign currency (the so-called "Deviezenbanken"). These reporters comprise the commercial banks as well as the central credit institutions of those banks that are organised on a co-operative basis.

**Netherlands Antilles**

Reporting covers the generally licensed "offshore" banks operating in the Netherlands Antilles; these are international deposit-taking credit institutions and credit associations restricted to conducting exclusively non-local-currency business with non-residents.

**Norway**

Reports are made by the five largest commercial banks and two state-owned development banks operating in the country, whereas the banking subsidiaries of foreign banks now operating in Norway do not yet report. Institutions that specialise in foreign trade financing do not report.

**Singapore**

In Singapore all financial institutions with so-called "Asian Currency Units" (ACUs), i.e. the commercial and merchant banks running such separate offshore departments, report on the international operations carried out by these ACUs. The domestic banking units of commercial and merchant banks and also finance companies do not report.

**Spain**

Reports are made by all ordinary banks and all savings banks located in Spain whose total external assets amount to at least Pts. 1,000 million or which have one or more foreign branches. The category of ordinary banks comprises the private commercial banks, the

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industrial or business banks, and the subsidiaries and branches of foreign banks. The category of savings banks also includes the postal savings bank. Public sector credit banks and co-operative credit banks do not report.

### **Sweden**

All banks in Sweden officially authorised to perform transactions with foreign countries (the authorised exchange banks) report, except for the subsidiaries of foreign banks now operating in the country. The reporting institutions include commercial banks, savings banks and also the national Post Office which, through the postal giro system, is permitted to make payments to, and receive payments from, abroad.

### **Switzerland**

Reporting covers all domestic-owned banks whose international business is regarded as substantial, most foreign-owned banks, the branches of foreign banks operating in the country, and also three banks in Liechtenstein which, for reporting purposes, are treated as if they were located in Switzerland.

### **United Kingdom**

Reporting covers all institutions authorised under the Banking Act 1987, except for a few consumer credit institutions whose international business is not significant. In addition, reporting covers the Banking Department of the Bank of England, certain banking-type institutions located in the Channel Islands or on the Isle of Man which have opted to participate in the mainland's monetary control arrangements, plus a number of other financial institutions with banking-type operations (also mainly in the Channel Islands or on the Isle of Man) which, while not opting to participate in the monetary control arrangements, continue to provide statistics. A number of institutions whose external business is small do not provide the full breakdown of their business by country and by currency.

### **United States**

The reporting covers all US-owned banks and banking institutions (including bank holding companies and their subsidiaries), their "Edge Act" subsidiaries,<sup>2</sup> US-located agencies,

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2 In 1919 the Federal Reserve Act was amended by the enactment of a special section to permit national banks to incorporate subsidiaries for international banking and investment. These US-based subsidiaries are called "Edge Act" corporations and are permitted to deal only with overseas customers and that portion of any resident customer's business which is international in nature, such as export-import financing.

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branches and subsidiaries of foreign banks, some New York investment companies which are subsidiaries of foreign banks, the Federal Reserve Bank of New York and - for certain items only - all brokers and security dealers. International banking facilities (IBFs) are included; these may be established by almost any banking institution operating in the United States, the purpose being to enable that institution to conduct business with non-residents from the United States but without being subject to reserve requirements or interest rate ceilings. The reporting also covers US banks' branches operating in Panama. The data on both the IBFs and US banks' branches in Panama are provided separately to the BIS. As the coverage of the IBF data is identical to that of the data for non-IBF US banks, subsequent references to the "United States" should be taken to include IBFs. There is a cut-off point in the volume of an institution's external assets or liabilities below which it is not required to report. At present, this cut-off point is US\$ 30 million for individual offices in the United States and US\$ 150 million for individual foreign branches of banks incorporated in the United States. The United States Export-Import Bank is not a reporter.

## COVERAGE OF EXTERNAL ASSETS AND LIABILITIES

### General

The statistical coverage of reporting institutions' external assets and liabilities is fairly comprehensive, and in some cases is reckoned to be virtually complete. It is important to bear in mind here, however, that, even where the external asset and liability coverage for *reporting* institutions is complete, there may be significant amounts of external financial business that are not covered if other, non-reporting institutions conduct international business.

In the territorial statistics, reporting is restricted to balance-sheet items; thus, international trustee business (which, in the case of Switzerland, for example, is very sizable) is excluded, as are unused credit lines and off-balance-sheet financial commitments (such as NIFs or RUFs).

### Principal items included

All reporting countries other than Hong Kong, which reports only liabilities to non-resident banks, include, as a minimum on the liabilities side, deposits and loans received from non-resident banks and non-banks, and, on the assets side, deposits and balances placed with non-resident banks and loans and advances to foreign non-banks and banking customers. The treatment of other important categories of external business - foreign trade-related credits, holdings and issues of international securities, accrued interest and arrears of interest - is less uniform and explained in the remainder of this section.

### Foreign trade-related credit

In addition to the basic items included in the statistics mentioned above, almost all reporting countries include, on the assets side, data for at least some kind of foreign trade-related credit (Table I-C-1). However, the statistical treatment here can vary substantially, depending both on local banking practices and on the classification rules used in determining whether an asset is considered domestic or external. Thus, a "buyer's credit" (financial trade credit) granted directly by a reporting bank to a foreign importer will, as a rule, be regarded as an external asset. However, "supplier credits", meaning in the broadest sense any credit originally extended to a foreign importer by a domestic exporter which then finds its way onto a bank's balance sheet, could be shown either as a domestic or as an external asset, depending on the reporting country concerned. The main financial instrument used to provide foreign trade-related credit is the foreign trade bill, and the decision as to whether its acquisition by a bank is treated as an addition to the bank's domestic or external assets depends crucially on whether the bill is classified

Table I-C-1

**Treatment of trade-related credit in the reporting of external assets**

Reporting countries	Is trade-related credit included?	Criterion for inclusion of trade bills <sup>1</sup>		Is à forfait trade credit included?	En pension paper?
		Residence of drawee	Residence of presenter		
<b><u>Industrialised reporting countries</u></b>					
Austria	Yes	X		Yes	Yes
Belgium	Yes	X		Yes	Yes
Canada	Yes	X		Yes	Yes
Denmark	Yes	X		Yes	Yes
Finland	No		X	Yes	No
France	Yes	X		Yes	No
Germany	Yes		X	Yes	
Ireland	Yes	X		Yes	NA
Italy	Yes <sup>2</sup>	X		No	NA
Japan	Yes	X		No	No
Luxembourg	Yes	X		Yes	Yes
Netherlands	Yes	X		Yes	Yes
Norway	Yes	X		No	No
Spain	Yes		X	Yes	No
Sweden	Yes	X		No	No
Switzerland	Yes <sup>3</sup>		X	Yes	Yes
United Kingdom	Yes <sup>4</sup>	X		Yes	Yes
United States	Yes	X		Yes	Yes
<b><u>Other major financial centres</u></b>					
Bahamas	No			No	No
Bahrain	No			No	No
Cayman Islands	Yes			Yes	Yes
Hong Kong	Yes				
Netherlands Antilles	Yes	X		No	No
Singapore	Yes	X		Yes	No

NA - not applicable (no such instrument).

<sup>1</sup> When the criterion for the inclusion of trade bills is the residence of the drawee, discounting and rediscounting have no bearing on the statistical treatment. Alternatively, the residence of the presenter, who provides a guarantee by endorsing the bill, determines whether the item is included in the statistics.

<sup>2</sup> In principle included, but in practice not covered because all such credit is granted by institutions that do not report.

<sup>3</sup> Paper with a maturity of less than 180 days.

<sup>4</sup> Excluded when such paper serves as collateral for domestic lending.

according to the residence of the drawee (i.e. the foreign importer) or according to that of the presenter of the bill who has guaranteed payment by endorsing it (usually the domestic exporter).

Banks may acquire external trade bills "à forfait" or "en pension". An "à forfait" purchase is an outright purchase which absolves the seller/presenter of the bill from any obligation should the drawee fail to honour the bill when it matures. When the drawee is a non-resident, such bills are generally considered by banks to be external assets, irrespective of the residence of the presenter. An "en pension" acquisition involves a bank purchasing a foreign trade bill under a sale and repurchase agreement with the domestic exporter, with the bank ultimately returning the bill to the exporter on, or prior to, the maturity date. Again, this type of business is normally recorded by a bank as an external asset. Finally, the currency of denomination (foreign or domestic) and the existence or otherwise of an official guarantee have in most instances no effect on the recording of foreign trade credits.<sup>3</sup>

### International securities

The overwhelming majority of reporting countries include banks' holdings of international bonds and notes as external assets (Table I-C-2). In a number of countries banks' holdings of equities are included, irrespective of whether they are portfolio investments or majority or minority participations in the capital of foreign institutions.

On the liabilities side, securities issued by reporting banks and purchased by non-residents are also generally included; for countries where this is not the case, the reason is often that it is impossible to distinguish between domestic and external issues. Even when information is available on the original allotment of an issue, it may not be possible to detect subsequent changes of ownership. In such cases it is preferable to enter data on securities issues as a separate item rather than to make arbitrary assumptions about the residence of the owners of the paper. Belgium, France, Germany, Ireland, Japan, Luxembourg, Norway, Sweden and the United Kingdom are able to provide a currency breakdown of banks' own issues of securities.

Because of the rapid growth of securities markets, more information is being collected on the role of banks as holders and issuers of securities (excluding equities). In particular, countries are beginning to make the following adjustments in their reporting:

- (i) full inclusion of banks' security holdings in all the relevant breakdowns;

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3 In UK statistics, only a supplier's credit which is financed by a UK bank with an official guarantee is classified as external lending.

Table I-C-2

## Treatment of international securities in the reporting of external positions

Industrialised reporting countries	Inclusion of banks' holdings of securities in external assets				Inclusion of banks' own security issues in external liabilities			
	Types of instruments included	Breakdown			Types of instruments included	Breakdown		
		Geographic	Currency	Sectoral		Geographic	Currency	Sectoral
<b>Austria</b>	Bonds, notes and other foreign securities	Residence of issuer	Yes	Yes	Bonds, notes and other foreign securities	Country where issue was made	Yes	Allocated to banks
<b>Belgium</b>	Bonds, notes and portfolio investment in foreign securities including equity participations	Residence of issuer	Yes	Allocated to non-banks	Bonds and notes in foreign currency	None	Yes	None
<b>Canada</b>	Bonds, notes and equity holdings	Residence of issuer	Yes	Yes	Floating rate notes	Country where issue was made	Yes	Allocated to non-banks
<b>Denmark</b>	None	-	-	-	None	-	-	-
<b>Finland</b>	Notes, bonds and equity holdings	Residence of issuer	Yes	Yes	Notes and bonds	None	None	Practice varies
<b>France</b>	Treasury bills and other short-term government paper and long-term securities, bonds, notes and other securities	None	Partial	None	Notes and bonds	None	Yes	None
<b>Germany</b>	Notes, bonds, Treasury bills, equivalent government issues and other foreign securities, including equity participations	Residence of issuer	Yes	Yes	Long-term foreign currency securities	None	None	None
<b>Ireland</b>	Bonds, notes and other securities, excluding bank equities	Residence of issuer	Yes	Yes	Floating rate notes	None	Yes	None
<b>Italy</b>	Bonds, notes, other securities and equity participations <sup>1</sup>	Residence of issuer	Yes	Yes	Bonds, notes and other securities <sup>2</sup>	-	-	-



Table I-C-2 (contd.)

## Treatment of international securities in the reporting of external positions

Industrialised reporting countries	Inclusion of banks' holdings of securities in external assets				Inclusion of banks' own security issues in external liabilities			
	Types of instruments included	Breakdown			Types of instruments included	Breakdown		
		Geographic	Currency	Sectoral		Geographic	Currency	Sectoral
<b>Japan</b>	Bonds, notes, equity holdings and participations	Residence of issuer	Yes	Yes	Bonds and notes	None	Partial	None
<b>Luxembourg</b>	Bonds, notes and portfolio investment in foreign securities, including equity participations	Residence of issuer	Yes	Allocated to non-banks	Bonds and notes in foreign currency	None	Yes	None
<b>Netherlands</b>	Bonds and notes	Residence of issuer	Yes	Yes	Fixed rate notes in domestic currency	By residence of initial holder	-	Allocated to banks
<b>Norway</b>	Bonds, notes, equity holdings and participations	Residence of issuer	Yes	Yes	Bonds, notes and other securities	None	Yes	None
<b>Spain</b>	Bonds, notes and other securities, including equity participations	Residence of issuer	Yes	Yes	Fixed and floating rate notes	Country of residence of holder	Yes	Yes
<b>Sweden</b>	Bonds and notes	Residence of issuer	Yes	Yes	Bonds and notes	None	Yes	None
<b>Switzerland</b>	None	-	-	-	None	-	-	-
<b>United Kingdom</b>	Bonds, notes, Treasury bills, CDs and other short-term paper	Residence of issuer	Yes	Yes	Bonds, notes and other short-term paper	None	Partial	None
<b>United States</b>	None with over one year's maturity	-	-	-	Negotiable CDs held on behalf of non-residents	Yes, for total liabilities	-	Yes

Table I-C-2 (contd.)

## Treatment of international securities in the reporting of external positions

Other major financial centres	Inclusion of banks' holdings of securities in external assets				Inclusion of banks' own security issues in external liabilities			
	Types of instruments included	Breakdown			Types of instruments included	Breakdown		
		Geographic	Currency	Sectoral		Geographic	Currency	Sectoral
<b>Bahamas</b>	Bonds, notes and portfolio investments in other securities	Country where issue was made	None	Yes	Bonds, notes and other securities	Residence of holder <sup>3</sup>	None	Allocated to non-banks
<b>Bahrain</b>	All types of securities (bonds, notes, shares, etc.), both marketable and non-marketable	Country where issue was made	None	Yes	NA	-	-	-
<b>Cayman Islands</b>	Portfolio holdings of bonds plus bills, promissory notes, CDs, debentures and other securities	Country where issue was made	None	Yes	Bonds, notes, debentures and similar securities	None	None	None
<b>Hong Kong</b>	Bonds and notes issued by non-resident banks	Residence of issuer	Domestic / other	Yes	None	-	-	-
<b>Netherlands Antilles</b>	Bonds and notes	Residence of issuer	None					
<b>Singapore</b>	None	-	-	-	None	-	-	-

NA - Not applicable (no such issues)

- 1 When financed by increasing external liabilities.
- 2 In principle such issues are reported, but to date only negligible amounts have been issued.
- 3 In cases where residence cannot be determined, placed in the "unallocated" category.

- (ii) full inclusion of banks' liabilities arising from their own issuance of international securities; since banks are in general unable to identify the holders of these securities, the data are mostly reported as a separate unallocated item;
- (iii) separate reporting of data on banks' long-term international security holdings;
- (iv) separate reporting of data on banks' total long-term securities issues; and
- (v) separate reporting of data on banks' holdings of Euro-commercial paper and notes.

### **Arrears and provisions**

In all of the industrialised reporting countries, arrears of principal that have not been written down are included in claims on external debtors. Once the asset has been written off or, in some countries (see below), provisioned, the claim does not figure, at least at full nominal value, in the statistical reports. In a number of countries the authorities do not have detailed information on the impact of write-offs and provisions on external claims.

The detailed treatment of arrears of interest is more varied, but in most countries some or all unpaid interest is considered to be an external asset. Canada is the only country where banks do not do so. In the United Kingdom three methods of dealing with interest in arrears have been identified: (i) adding interest to the outstanding loan (capitalisation of interest) so that arrears of interest appear as an external claim; (ii) creation of internal interest-receivable accounts so that interest in arrears does not appear; and (iii) writing off interest so that interest in arrears does not appear.

In some countries interest arrears are not included where there is good reason to doubt that the interest will be paid. There is variation between countries in the length of time that elapses before interest in arrears may or must be treated in a way that eliminates it from the external claims data (written off, or provisioned in countries that record claims net of specific provisions). In France interest overdue for periods in excess of 90 days must be provisioned or written off. In Japan unpaid interest in arrears may be written off after two business years.

As far as the impact of specific provisioning on external claims is concerned, most industrialised reporting countries can be placed in one of two categories. In the first, consisting of Austria, Denmark, France and Ireland, provisioning has an effect on the data since claims are reported net of provisions, although in France deductions are made only when the provisions are in foreign currency. In countries in the second and larger category, provisioning does not affect reported external claims since they are recorded gross until they are written off. Swiss banks do not fit into this mould as their claims may, but need not, be recorded net of provisions. In Switzerland provisions are made by setting up a reserve, which a bank can draw on at considerable discretion to reduce its external claims.

**Other items**

Although in principle the reporting of items is restricted to assets and liabilities on the balance sheets of reporting institutions, data on off-balance-sheet business may be used as supplementary information to refine or adjust the statistics. Data on banks' custody business are provided by two countries, the United Kingdom and the United States. In the case of the United Kingdom the custody data relate solely to CDs which are already included in the reported on-balance-sheet liabilities of the issuing banks. The BIS therefore utilises this information to calculate the geographical breakdown of balance-sheet items which would otherwise remain unallocated. In the case of the United States custody data relate primarily to Treasury bills, negotiable CDs and bankers' acceptances. The BIS uses only the figures on negotiable CDs held in custody on behalf of non-residents for adjusting the data on banks' total external liabilities since in the United States, owing to the difficulty of determining the residence of the ultimate holder, negotiable CDs are in general not reported as external liabilities by issuing institutions.

The treatment of accrued interest not yet due, items in the course of collection and custody operations as they relate to banks' external positions varies between reporting countries. Most countries exclude accrued interest not yet due from external positions. The major exceptions are Bahrain, Belgium, the Cayman Islands, Hong Kong, the Netherlands and Norway, which include it, and Luxembourg, where practices vary from bank to bank.

**Country-by-country summaries**

The following country-by-country summaries give details of the types of business covered in the reports to the BIS.

**Austria**

General:	There is complete coverage of reporting banks' external assets and liabilities.
Trade-related credit:	This kind of credit is included where the drawee is a non-resident. "A forfait" and "en pension" paper is also treated as an external asset.
International investments:	Holdings of international bonds, notes and other foreign securities are included in assets, and own issues of such instruments are reported as liabilities. The geographic breakdown of holdings is according to the country of residence of the issuer.

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In the case of banks' own issues, the geographic allocation is according to the country where the issue was made, with subsequent changes of ownership not being picked up; it is assumed that own issues are held by banks.

Other:

Accrued interest, items in the course of collection and custody items are all excluded. Arrears of interest are included as the interest falls due. Banks' holdings of foreign currency notes and coin, as well as of gold, and their external business denominated in gold are excluded.

### **Bahamas**

General:

There is virtually complete coverage of reporting institutions' external assets and liabilities.

Trade-related credit:

Holdings of obligations issued by residents are excluded, even if there is an expectation that payment may be derived from non-resident sources. This suggests that suppliers' credits acquired by banks are not regarded as an external asset and are therefore not included.

International investments:

Holdings of international bonds and notes and portfolio investments in other foreign securities are included in assets and own issues of such instruments in liabilities. The geographical breakdown is made according to the country of issue; banks' own issues, in cases where the foreign holders' country of residence cannot be identified, are classified as liabilities to foreign non-banks under the item "unallocated". Banks' participations in the capital of foreign institutions and other similar instruments of ownership are excluded.

Other:

Accrued interest, items in the course of collection, custody items and arrears of interest are all

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excluded. Banks' holdings of foreign currency notes and coin, their holdings of gold bullion and their external business denominated in gold are included.

### **Bahrain**

General:	The coverage of reporting institutions' external assets and liabilities is fairly complete.
Trade-related credit:	Reporting institutions' business, which is in its entirety offshore, does not involve the acquisition of foreign trade-related instruments from domestic exporters.
International investments:	All investments made outside Bahrain, both marketable and non-marketable and including all kinds of securities (bonds, notes, shares, etc.), are included and classified geographically according to the country of issue. Banks' own issues abroad do not seem to be relevant.
Other:	Accrued interest (payable and receivable) is included. The treatment of custody items, items in the course of collection, holdings of foreign currency notes and coin as well as of gold, and banks' external business denominated in gold is not specified in the reporting guidelines.

### **Belgium**

General:	There is virtually complete coverage of reporting banks' external assets and liabilities. Asset and liability positions vis-à-vis Luxembourg are <i>not</i> treated as external.
Trade-related credit:	Such credit is included where the drawee is a non-resident. However, the reports do not fully cover the portfolios of the public credit institutions.
International investments:	Banks' holdings of international bonds, notes and other foreign securities (including participations in the capital of foreign institutions) are treated as

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external assets. Own issues denominated in local currency and issued at home are not considered to be external liabilities. Other own issues are included and a currency breakdown of these issues is provided, but no allocation is made according to country or sector.

Other:

Accrued interest and items in the course of collection are included. As for arrears of interest, these generally seem to be included; but so far there is no rule. Custody items, fixed assets, acceptances (liability and asset positions), undistributed capital, profit and loss accounts and debts not immediately due are all excluded. Banks' holdings of foreign currency notes are included and are considered as a claim on the banking sector of the country of issue. Holdings of gold are not entered as assets in banks' balance sheets and therefore not reported.

## **Canada**

General:

A very large proportion of reporting institutions' external assets and liabilities is covered.

Trade-related credit:

Such credit is included where the drawee is a non-resident. "A forfait" paper is also included in external assets.

International investments:

Holdings of international bonds and notes and of foreign institutions' share capital are included in banks' external assets; own issues of share capital and debentures held by non-residents are not included in banks' external liabilities, but floating rate notes are. Such liabilities, for which a currency breakdown is available, are allocated to the non-bank sector of the country where the issue took place.

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**Other:** Accrued interest, arrears of interest and custody items are excluded, as are fixed assets, debentures and shareholders' equity accounts held at foreign subsidiaries and branches. The same holds true for Canadian chartered bank holdings of foreign currency notes and coin and of gold (coin, bullion or certificates), which are all excluded from returns sent to the BIS. Items in the course of collection from foreign branches and subsidiaries are included.

### **Cayman Islands**

**General:** Reporting is based on standard IMF instructions, and coverage of reporting institutions' external assets and liabilities is virtually complete.

**Trade-related credit:** This item is insignificant in the context of the data reported.

**International investments:** Portfolio holdings of international bonds and notes, as well as of bills, promissory notes, negotiable CDs, debentures and other securities, are all included and are classified geographically according to the country of issue. Own issues of international bonds and notes, of debentures and other similar securities are also included but are classified as "unallocated" liabilities. Holdings of equity participations and similar evidence of ownership issued by non-resident financial institutions are excluded.

**Other:** In compliance with standard IMF instructions, accrued interest, arrears of interest, items in the course of collection, holdings of foreign currency notes and coin as well as of gold are all included, while custody items are excluded.



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## Denmark

### General:

About 95 per cent. of the reporting institutions' external assets and 91 per cent. of their external liabilities are covered. Guarantees are included in the main body of Danish banks' balance sheets. In order that Denmark may report to the BIS on the same basis as other countries, Danish banks' data are presented net of guarantees. There is a cut-off point of US\$ 0.5 million per bank for reporting of positions vis-à-vis individual countries.

### Trade-related credit:

This kind of credit is included where the drawee is a non-resident. "A forfait" and "en pension" paper is also included.

### International investments:

International bonds and notes, both holdings and own issues, are excluded, as are banks' participations in the capital of foreign institutions.

### Other:

Accrued interest, items in the course of collection and custody items are all excluded. Arrears of interest are included. In principle, banks' holdings of foreign currency notes and coin are included; in practice, however, these asset items may not be reported because of the US\$ 0.5 million cut-off point. Banks' holdings of gold are of no practical importance.

## Finland

### General:

There is virtually complete coverage of reporting institutions' external assets and liabilities.

### Trade-related credit:

Foreign trade-related instruments issued by domestic exporters and acquired by banks are excluded unless purchased "à forfait", in which case they are included. "En pension" business is excluded.

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**International investments:**

Holdings of international bonds and notes are included and are classified geographically according to the country of residence of the borrower/issuer. Portfolio investments in other foreign securities are also included, as are banks' holdings of equity of foreign institutions. However, direct investment in the form of equity stakes in foreign subsidiaries and associates is excluded. Own issues abroad are included and are, for the most part, not allocated geographically. Varying practices are followed by reporting banks when providing information for the bank/non-bank breakdown.

**Other:**

Arrears of interest, accrued interest, items in the course of collection for customers and custody items are for the most part included. Banks' holdings of foreign currency notes and coin are included.

**France**

**General:**

There is complete coverage of reporting institutions' external assets and liabilities.

**Trade-related credit:**

Foreign trade bills, including those discounted at the Banque de France, are classified as external assets.

**International investments:**

Holdings of Treasury bills and other analogous short-term foreign government paper are included as an external asset. All other international investment holdings, and all own issues abroad, are also included. Neither holdings nor issues are allocated geographically or sectorally, but a partial currency breakdown of holdings and a fuller currency breakdown of issues are provided.

**Other:**

Accrued interest, items in the course of collection and custody items are all excluded. Positions

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arising from "en pension" dealings in securities are included in external assets and liabilities. Banks' holdings of foreign currency notes and coin are included, while their holdings of gold are excluded.

## Germany

### General:

There is virtually complete coverage of reporting institutions' external assets and liabilities. However, positions vis-à-vis the German Democratic Republic are not considered as external.

### Trade-related credit:

Foreign trade bills are classified as external assets only when presented by non-residents. Trade bills purchased "à forfait" from residents are also included.

### International investments:

Holdings of international bonds and notes, of Treasury bills and equivalent foreign government paper and of other foreign securities are included in banks' external assets and allocated according to currency, sector and residence of the issuer. Participations abroad, in particular banks' investments in foreign subsidiaries and associates, and the working capital provided to the banks' foreign branches are also included. Own issues of long-term securities in foreign currencies are included in liabilities.

### Other:

Accrued interest, items in the course of collection and custody items are excluded. Arrears of interest are, however, included when the interest falls due, as are any foreign securities acquired "en pension" when shown on the assets side of banks' balance sheets. Banks' holdings of foreign currency notes and coin (which usually represent less than 1 per cent. of their total foreign currency assets) are included; they are treated as short-term claims on

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the banking sector of the country of issue of the notes and coin in question. Banks' holdings of gold are excluded, while their claims and liabilities denominated in gold vis-à-vis non-residents are included (under "other foreign currencies").

### **Hong Kong**

#### **General:**

The coverage of reporting institutions' external assets should be virtually complete, while only external liabilities to non-resident banks are reported.

#### **Trade-related credit:**

Such credit, being classified as loans and advances and which, it is understood, should also comprise foreign trade bills acquired by banks, is included in the data reported. The treatment of "à forfait" and "en pension" business - if it exists - is not clear.

#### **International investments:**

Holdings of international bonds and notes are included to the extent that they are not perpetual securities (consols) and have been issued by non-resident banks; there is also full geographical allocation according to the residence of the issuer. Holdings of international bonds and notes that have been issued by non-resident non-banks are, however, excluded. Portfolio investments in other foreign securities and banks' participations in the capital of foreign institutions are excluded. Own issues abroad of any kind are also excluded.

#### **Other:**

Interest accrued but not yet due to be received by reporting institutions is included, while corresponding interest payable is excluded. Arrears of interest are included to the extent that they are overdue claims on non-resident banks; all other arrears of interest are excluded. Items in the course of collection for customers and custody items are

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excluded. Banks' holdings of foreign currency notes and coin, as well as of gold bullion, and their external business denominated in gold are all excluded.

## **Ireland**

### **General:**

There is virtually complete coverage of reporting institutions' external positions.

### **Trade-related credit:**

This form of credit is included where the drawee is a non-resident. The small amount of "à forfait" business conducted by reporting banks is included in their external assets. Banks in Ireland do not carry out "en pension" business.

### **International investments:**

In general, banks' holdings of international bonds, notes and other foreign securities are included in banks' external assets. However, international interbank investments, which mainly consist of equity holdings, are excluded. Irish bank issues abroad of securities are included; there is a currency breakdown but neither a sectoral nor a geographical breakdown.

### **Other:**

Arrears of interest are covered, but not accrued interest. An adjustment is made to take items in the course of collection into account. Custody items are excluded. Banks' holdings of foreign currency notes and coin, as well as of gold, and their external business denominated in gold are all excluded. (Banks' holdings of gold are in any case negligible, as is their international business denominated in gold.)

## **Italy**

### **General:**

There is virtually complete coverage of external assets and liabilities of the reporting banks.

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**Trade-related credit:**

In principle, foreign trade-related credits are included where the drawee is a non-resident. In practice, they are excluded because they are granted by specialised credit institutions that do not report. Bills drawn on non-residents and held by banks are at present excluded; the same holds true for foreign trade bills purchased "à forfait". There is no "en pension" business.

**International investments:**

Holdings of international bonds and notes, other foreign securities and participations in the capital of foreign institutions are all included only when their financing takes place in the form of an increase in reporting banks' external liabilities (while these items are excluded when financed out of banks' own funds). Such claims are allocated geographically according to the residence of the issuer. Own issues abroad of bonds, notes and other securities are in principle covered by the statistics, but to date only negligible amounts have been issued.

**Other:**

Accrued interest and items in the course of collection are excluded. Arrears of interest are included only when they become part of banks' external claims after one full year has passed. Banks' holdings of foreign currency notes and coin are not included. Furthermore, banks in Italy are prohibited from either holding gold bullion or carrying out external business denominated in gold.

**Japan**

**General:**

There is virtually complete coverage of reporting institutions' external assets and liabilities.

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Trade-related credit:	Such credit is included where the drawee is a non-resident. "A forfait" and "en pension" paper is not included.
International investments:	Banks' holdings of international bonds and notes are included and allocated geographically. Holdings also include investments in other foreign securities and participations in the capital of foreign institutions. Banks' own issues are reported separately under the heading "securities", and a partial currency breakdown is provided.
Other:	Items in the course of collection and custody items are excluded. Accrued interest not yet due is excluded from banks' external positions. Interest arrears can be added to outstanding claims only in the business year for which they arise. In the case of non-payment they can be written off after two business years. Banks' holdings of foreign currency notes and coin are included; their allocation as external assets is made on the basis of the individual currency-issuing country. Gold bullion and external business denominated in gold are not included.

## **Luxembourg**

General:	There is virtually complete coverage of reporting institutions' external assets and liabilities. Banks are, however, exempted from reporting external business denominated in very infrequently used currencies. Asset and liability positions vis-à-vis Belgium are not treated as external.
Trade-related credit:	Such credit is included where the drawee is a non-resident. "A forfait" and "en pension" paper are also included in banks' external assets.

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International investments:

Holdings of international bonds, notes and portfolio investments in securities (including equity participations) are included and allocated geographically according to the residence of the issuer. Own issues denominated in local currency and issued at home are not considered to be external liabilities. Other own issues are included and a currency breakdown of these issues is provided, but no allocation is made according to country or sector.

Other:

Arrears of interest are included when the interest falls due, while the inclusion of accrued interest not yet due is optional. Items in the course of collection are also included where they represent direct credits; custody items are excluded. Banks' holdings of foreign currency notes and coin are included and are treated as deposits with banks abroad. Holdings of gold are also included. External business in gold for the account of third parties is excluded.

### **Netherlands**

General:

Coverage of reporting institutions' external assets and liabilities is virtually complete.

Trade-related credit:

Such credit is included where the drawee is a non-resident. "A forfait" paper is also included.

International investments:

Holdings of international bonds and notes are included and allocated geographically according to the residence of the issuer; holdings of foreign shares and other participations in the capital of foreign institutions are excluded. The only type of own issue included is fixed rate notes in domestic currency initially purchased by non-residents and not quoted on a stock exchange; the sectoral allocation of such issues is to "banks".



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**Other:** Items in the course of collection and accrued interest are included. Arrears of interest are also included as the interest falls due. Banks' holdings of foreign currency notes and coin are treated as external assets, but gold and external business denominated in gold are excluded from the reports.

### **Netherlands Antilles**

There is no detailed information on the inclusion or otherwise of various items.

### **Norway**

**General:** The coverage of reporting institutions' external assets is about 90 per cent., while that of their corresponding liabilities is almost complete.

**Trade-related credit:** This kind of credit is included where the drawee is a non-resident. "A forfait" as well as "en pension" business seems to be generally excluded.

**International investments:** Holdings of international bonds and notes are included and are classified geographically according to the residence of the issuer. Holdings of other foreign securities and participations in the capital of foreign institutions are included. Own issues abroad of bonds, notes, etc. are included and are entered under the heading "securities" and not allocated sectorally or geographically.

**Other:** Accrued interest is included, as are items in the course of collection. Arrears of interest are also included as the interest falls due. The treatment of custody items is not specified. Banks' holdings of foreign currency notes and coin are excluded. Banks are not allowed to hold gold, and there is no external business denominated in gold.

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### **Singapore**

General:	A very large proportion of reporting institutions' external assets and liabilities is covered.
Trade-related credit:	This kind of credit is included where the drawee is a non-resident. "A forfait" business is also included, whereas "en pension" business is not.
International investments:	Holdings of international bonds, notes and other foreign securities as well as participations in the capital of foreign institutions are excluded. Own issues abroad of bonds and notes are also excluded.
Other:	Arrears of interest, interest accrued, items in the course of collection and custody items are all excluded. Banks' holdings of foreign currency notes and coin, as well as of gold bullion, and their external business denominated in gold are excluded.

### **Spain**

General:	There is virtually complete coverage of reporting institutions' external assets and liabilities.
Trade-related credit:	Buyers' credits granted to non-residents are included, but suppliers' credits discounted by a domestic non-bank with a bank are, with the exception of those purchased "à forfait", not considered to be external assets and are therefore excluded. "En pension" business is not included.
International investments:	Holdings of international bonds, notes and other marketable instruments are included, the geographical allocation being made according to the country of residence of the issuer. Investments in other foreign securities and participations in the capital of foreign institutions are also included. Own issues abroad of fixed and floating rate notes are included in banks' external liabilities and

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broken down by currency and sector; as far as is feasible, the geographical allocation is on the basis of the country of residence of the first purchaser or the last known owner, with unidentified issues being placed in the unallocated category. Own issues abroad of international bonds are, however, excluded.

Other:

Arrears of interest are included as long as loans have not been placed in the "non-accrual" category and as long as the loan is not to a specified problem country. Accrued interest not yet due is excluded. Items in the course of collection, custody items and banks' holdings of foreign currency notes and coin are all excluded. Banks are not authorised to hold gold or do business denominated in gold.

## Sweden

General:

A very high proportion of reporting institutions' external assets and liabilities is covered.

Trade-related credit:

This item is included where the drawee is a non-resident. "A forfait" and "en pension" paper is not included.

International investments:

Holdings of international bonds and notes are included, whereas investments in other foreign securities and participations in the capital of foreign institutions are excluded. Banks' own issues abroad are included and entered under the heading "securities"; a currency breakdown is provided, but no geographic or sectoral breakdown.

Other:

Arrears of interest are included (in close vicinity to the date on which the interest actually falls due). Accrued interest, items in the course of collection and custody items are all excluded. Banks' holdings of foreign currency notes and coin, as well as of gold

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bullion, and their external business denominated in gold are likewise excluded.

### Switzerland

General:	The coverage of both the external assets and liabilities of the reporting institutions is about 90 per cent. Swiss banks' trustee/fiduciary business with non-residents is <i>not</i> included.
Trade-related credit:	In principle, trade bills acquired by banks are classified as external assets when presented by non-residents. However, any bills with a residual maturity of more than 180 days are classified as securities and are excluded from external assets. "A forfait" and "en pension" paper is included.
International investments:	Holdings of international bonds and notes as well as own issues abroad are excluded; also excluded are investments in other foreign securities and participations in the capital of foreign institutions.
Other:	In principle, arrears of interest are included; it is, however, not possible to determine the exact period for which interest must be in arrears before an individual bank includes the amount in question in the data reported. Accrued interest and custody items are excluded. Items in the course of collection are included, but holdings of foreign currency notes and coin, as well as of gold (ingots), and business denominated in gold are all excluded.

### United Kingdom

General:	The coverage of reporting institutions' overall external assets and liabilities is complete; breakdowns by currency and country exclude the business of smaller banks whose external operations are insignificant.
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Trade-related credit:

Such credit is included where the drawee is a non-resident, except that trade bills with non-resident drawees held as collateral for domestic lending are classified as domestic lending. "A forfait" paper is also included.

International investments:

Banks' holdings of international bonds and notes with a contractually defined repayment date as well as their holdings of foreign Treasury bills, certificates of deposit and other short-term paper (with original maturities of less than one year) are included in external claims and allocated geographically according to the country of residence of the issuer and sectorally according to the status (bank/non-bank) of the issuer. However, investments in foreign securities that do not have a contractually defined repayment date and participations in the capital and bond issues of foreign institutions are excluded. Banks' own issues of international securities are included, but disaggregation by sector and according to residence of holder is not possible. The amount in domestic currency is reported and the US dollar component estimated, leaving all other foreign currency issues as a residual.

Other:

External foreign currency liabilities include an adjustment to take account of foreign currency interbank reporting differences. (An adjustment is necessary because, despite the fact that in theory UK banks' liabilities to and their claims on other UK banks should agree, in practice they do not, owing to misreporting and also timing differences. It is therefore assumed that UK banks' claims on other UK banks are reported correctly and that misreporting occurs between UK banks' liabilities to other UK banks and UK banks' liabilities to

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overseas banks. Foreign currency debit and credit items in the course of collection are included as net liabilities. External liabilities also include certificates of deposit (sterling and foreign currency) issued by UK banks and held in custody at UK banks on behalf of non-residents. Foreign currency CDs that cannot be identified as either domestically or externally held are treated as external; the amounts involved are substantial and are included under "unallocated items". UK banks do not treat arrears of interest uniformly. Some banks add arrears of interest to the amount of the outstanding loan, and those arrears will be included in the asset data reported to the BIS. Other banks treat arrears of interest as internal accounts. Reporting banks' own holdings of foreign currency notes and coin and of gold bullion are included, being classified as external claims on banks. External business denominated in gold is also included.

## **United States**

### **General**

The coverage of reporting institutions' external assets and liabilities is virtually complete.

### **Trade-related credit:**

Such credit is included where the drawee is a non-resident. "A forfait" and "en pension" paper is also treated as an external asset.

### **International investments:**

For all banking offices except branches of US banks in certain offshore centres, holdings of international bonds and notes and other international investments of over one year's maturity as well as banks' own issues abroad are excluded. Data on positions of branches of US banks in offshore centres include securities, but these are negligible

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or non-existent. The consolidated semi-annual reports provide information on the external claims of US chartered banks allocated by sector and residence of the issuer.

Other:

*For banking offices in the United States*, the liabilities figures include items in the course of collection as well as custody liabilities (notably US dollar-denominated Treasury bills, certificates of deposit and bankers' acceptances), whereas the assets data include customer claims. (However, when aggregating the US data with those received from the other reporting centres, the BIS removes customer claims and all custody liabilities except negotiable certificates of deposit.) As far as accrued interest is concerned, US Treasury reporting instructions provide that banks in the United States do not report on this item as long as accrued interest is not "past due" - in other words, as long as interest is not in arrears. In this case, banks have been instructed to include the amounts in question in the data reported if the related asset is still on accrual status. However, should the reporting bank have placed the asset on non-accrual status, then interest arrears are not reported. (Compliance with these regulations on interest arrears has not been perfect. While most reporting banks seem to follow the instructions, some are known to have departed in the past from the proper procedures in one way or another.) US banking offices' holdings of foreign currency notes and coin, as well as of gold bullion, and external business denominated in gold are not reported, the reporting instructions specifically excluding these items from among either banks' own claims, claims on customers or custody liabilities.

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For the *US banks' offshore branches*, items in the course of collection, customer claims and custody liabilities are not reported. Accrued interest is included and is placed under the "unallocated" heading, i.e. not allocated by country. Interest arrears are treated like accrued interest until the relevant loan may be placed on non-accrual status, at which time the arrears are excluded. Branch holdings of foreign currency notes and coin are allocated to the appropriate country of issue. If a branch held gold, it would have to be reported under "unallocated" geographically.



## **COVERAGE OF FOREIGN CURRENCY ASSETS AND LIABILITIES VIS-A-VIS RESIDENTS**

Nearly all industrialised countries report their banks' foreign currency claims and liabilities vis-à-vis residents. However, unlike in the case of cross-border business, domestic interbank claims in foreign currency between different offices of the same bank are excluded. The only countries not providing any or comprehensive data on banks' foreign currency business with residents are the United States, where, in general, banks have no such business, and Denmark and Sweden, where banks provide data only on their foreign currency positions vis-à-vis domestic non-banks. The foreign currency business with residents of banks in the other six reporting financial centres is not covered at all by the international banking statistics, as these centres report to the BIS only on their "offshore" (i.e. cross-border) activities.

In Finland, France, Germany, Ireland, Luxembourg, Norway and Spain, the coverage of foreign assets and liabilities vis-à-vis residents corresponds to that vis-à-vis non-residents, which is described in the preceding section. The coverage in other countries is shown in Table I-D-1.

Table I-D-1

**Types of assets and liabilities covered in reports on  
foreign currency assets and liabilities vis-à-vis residents <sup>1</sup>**

	Assets	Liabilities
<b>Austria</b>	Bills and bonds, domestic cheques and paper bearing interest or paying dividends, current and longer-term deposits at the central bank or other banks, loans, other assets.	Deposits, credits from residents except those in the form of securities, other liabilities.
<b>Belgium <sup>2</sup></b>	Deposits, loans to the non-bank sector.	Deposits.
<b>Canada</b>	Deposits, loans, securities.	Deposits.
<b>Denmark</b>	Loans extended to residents to finance commercial transactions with non-residents (amounts negligible).	Deposits of up to ninety days' maturity made by non-bank residents repatriating funds.
<b>Italy</b>	Loans to resident importers and exporters. Claims on banks.	Deposits made by authorised agents (e.g. exporters and importers). Liabilities to banks.
<b>Japan</b>	"Impact loans".	Deposits.
<b>Netherlands</b>	Current-account business with the central bank, banks and non-banks.	As for assets.
<b>Sweden</b>	Positions vis-à-vis non-banks except those in the form of securities.	As for assets.
<b>United Kingdom</b>	Deposits, money market loans, other loans and advances, commercial bills and other short-term paper, loans in gold.	Deposits including CDs, promissory notes, short-term paper, notes, bonds, deposits in gold.
<b>United States</b>	Only banks' offshore branches operating in Panama report on positions vis-à-vis local residents. Coverage corresponds to that vis-à-vis non-residents.	As for assets.

<sup>1</sup> Only for countries where the coverage does not correspond to that for positions vis-à-vis non-residents.

<sup>2</sup> The reporting of foreign currency positions vis-à-vis residents relates to residents of the Belgium-Luxembourg Economic Union.

## DISAGGREGATION OF THE DATA

### General

The territorial statistics contain several breakdowns of reporting banks' international asset and liability positions. There are geographical, currency and sectoral breakdowns of the reporting banks' aggregate external positions. The banks' foreign currency positions vis-à-vis residents are also allocated according to sector (bank/non-bank) and according to currency. The principal breakdowns of the banks' international positions are shown in Diagram I-E-1. Total external positions are first disaggregated into either their geographical components or currency components. Sectoral and currency breakdowns are then applied to these components.

### Geographical breakdown

#### *External positions*

As Diagram I-E-1 shows, two different geographical breakdowns of banks' external positions are shown. The first is by country of location of the reporting bank (*Table 2a*).<sup>4</sup> Assets and liabilities of banks in the industrial reporting countries are given separately, whereas positions of banks in other reporting countries (Bahamas, Bahrain, the Cayman Islands, Hong Kong, the Netherlands Antilles, Singapore and Panama (branches of US banks only)) are shown in the aggregate. Data on international banking facilities (IBFs) and other banks in the United States are given separately because, although the IBFs are located in the United States, they are subject to separate regulatory treatment and resemble offshore financial centres.

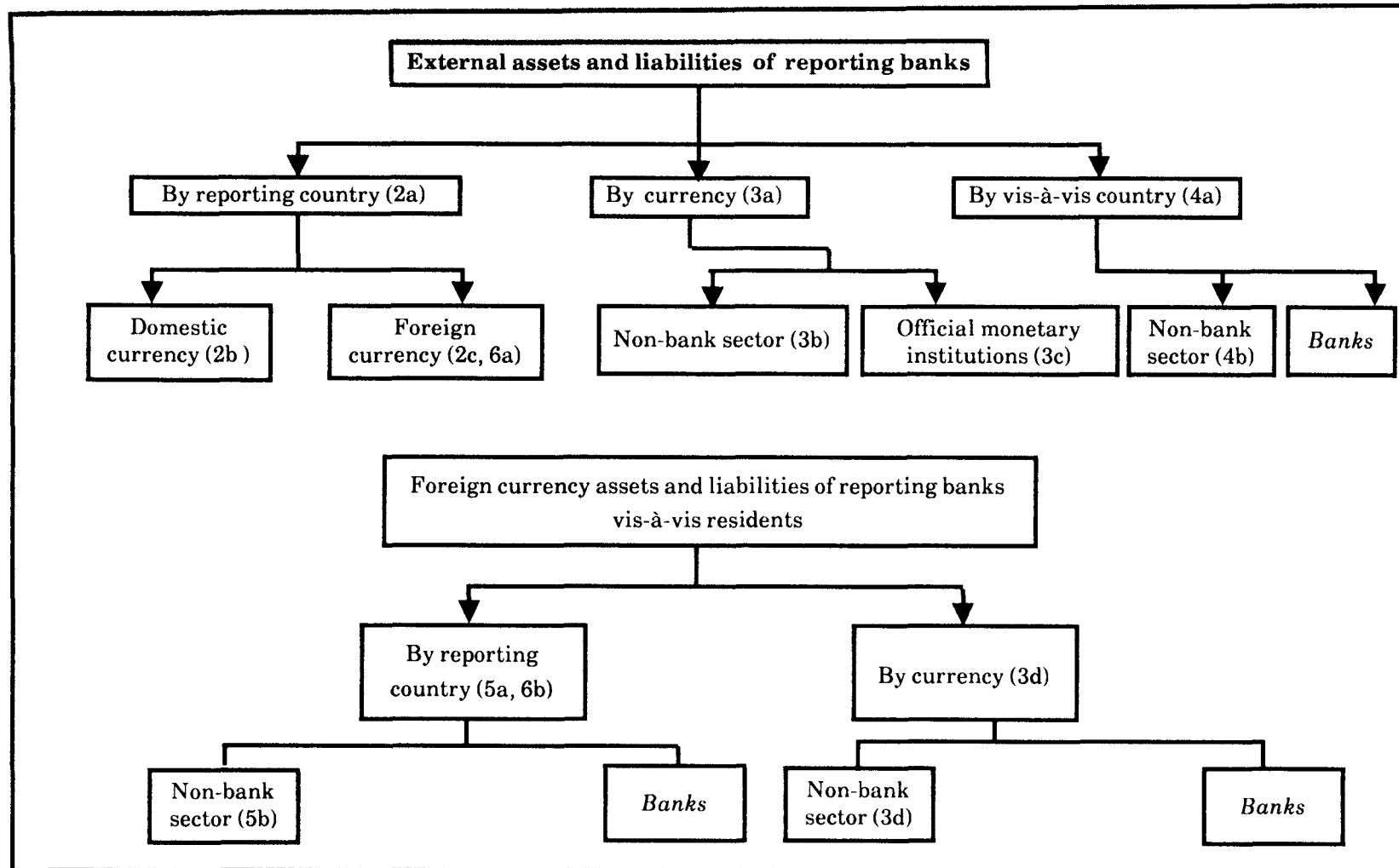
The second geographical breakdown of the data, referred to in this Guide as the "*vis-à-vis presentation*", consists of a breakdown of the reporting banks' aggregate external positions vis-à-vis *all* countries in the world individually (*Table 4a*). Countries are not listed in purely alphabetical order but in the following groups: reporting countries; non-reporting offshore centres; other developed countries; eastern Europe; OPEC countries; non-OPEC developing countries; international institutions; and "unallocated".

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4 The various breakdowns described in this section are found in annex tables to the BIS quarterly publication containing the territorial statistics. The references in italics in parentheses indicate the annex table in question.

Diagram I-E-1

The different breakdowns of the reporting banks' aggregate international positions<sup>1</sup>



<sup>1</sup> The numbers in the boxes refer to the tables in the BIS quarterly publication containing the breakdowns. The breakdowns in italics are not shown but can be computed as the difference between the total and a sub-item presented in the publication.

The vis-à-vis country breakdown is based on comprehensive data from all reporters, with the exception of banks in the United States and the branches of US banks operating in Panama. Banks in the United States report their positions vis-à-vis all industrialised reporting countries except Ireland, which they place in the "other developed countries" category. Outside the reporting area, the country breakdown provided by banks in the United States is rather selective, with positions vis-à-vis many countries being included as residual items for the respective geographical areas. The vis-à-vis countries for which data are available from banks in the United States are denoted with a "U" in the published tables. US banks' branches operating in Panama do not provide a detailed breakdown of their positions vis-à-vis Middle Eastern oil-exporting countries (including Libya). The three African oil-exporting countries (Algeria, Gabon, Nigeria) are included in the respective area asset and liability residuals. For all other "vis-à-vis" countries the breakdown provided by US banks' branches in Panama is complete.

The vis-à-vis country breakdown presents reporting banks' asset and liability positions vis-à-vis international institutions as a separate item, i.e. these institutions are treated statistically in much the same way as an individual country. The Bank for International Settlements is not in this item but is classified by reporters as a bank located in Switzerland (and at the same time as an official monetary authority, i.e. rather like a country's central bank). The two COMECON banks, the International Bank for Economic Co-operation and the International Investment Bank (both being located in Moscow), are classified by reporters under "Soviet Union".

### Currency breakdown

Two currency breakdowns are applied to the reporting banks' external positions:

- (i) the external business of reporting banks in various countries is broken into domestic currency and total foreign currency components (*Tables 2b and 2c*);<sup>5</sup>
- (ii) aggregate external positions of all reporting banks are allocated by currency; the breakdown is according to nine major foreign currencies - the US dollar, pound sterling, Swiss franc, Deutsche Mark, Dutch guilder, French franc, Italian lira, Belgian franc and Japanese yen - together with ECUs (*Table 3a*).

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5 Total foreign currency positions include positions in European currency units (ECUs) which are shown separately (*Table 6a*).

The first of these breakdowns is provided by all reporting banks, with the exception of banks located in the Bahamas, Bahrain, the Cayman Islands, the Netherlands Antilles and Singapore, and of the branches of US banks operating in Panama, which report only foreign currency positions.

As far as the reporting of foreign currency asset and liability positions in the nine major currencies and in ECUs is concerned, the situation is not uniform, either with respect to banks' external foreign currency positions or their corresponding positions vis-à-vis residents (Table I-E-2).

As regards banks' external foreign currency positions, complete data for each currency and for the ECU are provided by all reporting countries, with the exception of Canada, Norway, the United States, the US banks' branches operating in Panama and also the six non-industrial reporting countries (*Table 3d*).

As far as foreign currency positions vis-à-vis residents are concerned, aggregated asset and liability data are provided by all reporters other than banks in the United States (which as a rule conduct no such business), US banks' branches in Panama and banks in the six non-industrial reporting countries. With regard to positions in major individual foreign currencies and in ECUs, all reporters of positions vis-à-vis residents provide separate data for the US dollar and for the other eight major currencies plus ECUs combined.

### **Sectoral breakdown**

Following on from the vis-à-vis country and currency breakdowns described in the two preceding sub-sections, the banks' external positions and their foreign currency positions vis-à-vis residents are broken down into positions vis-à-vis banks and non-banks. In contrast to the geographical and currency breakdowns, where no serious problems of classification arise, the allocation of positions between bank and non-bank counterparties is complicated by two factors: the exact nature of a bank's counterparty may not always be known; and the distinction between bank and non-bank entities is not exactly the same in all reporting countries. As a result, what is reported by one country as a claim on a bank in another reporting country may not be classified as a liability of a reporting bank in the country where the counterparty is located.

As regards external positions, in the vast majority of cases the bank/non-bank breakdown is largely left to the discretion of reporting institutions, with some sort of guidance being given as to what should be considered to be a non-resident bank.<sup>6</sup>

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6 For example, the Deutsche Bundesbank, in its statistical directions to the reporting banks, defines non-resident banks as being entities located abroad which in the respective country are officially considered to be banks.

Table I-E-2

## Gaps in the disaggregated reporting of international business

	Currency breakdown <sup>1</sup>		Sectoral breakdown of external positions	
	External assets and liabilities	Positions vis-à-vis residents in foreign currency	Assets and liabilities vis-à-vis official monetary institutions <sup>2</sup>	Bank/non-bank breakdown <sup>2,3</sup>
<b>Austria</b> <b>Belgium</b> <b>Canada</b>	Only for US dollar, Deutsche Mark, Swiss franc and sterling positions	As for external assets	No data on assets No data on assets	
<b>Denmark</b> <b>Finland</b> <b>France</b> <b>Germany</b> <b>Ireland</b> <b>Italy</b> <b>Japan</b> <b>Luxembourg</b> <b>Netherlands</b> <b>Norway</b>			No data on assets No data on assets No data	
<b>Spain</b> <b>Sweden</b> <b>Switzerland</b>				
<b>United Kingdom</b> <b>United States</b>			No data on assets	
<b>US branches in Panama</b>			No data on assets	
<b>Other major financial centres<sup>5</sup></b>			No data	
	Complete <sup>4</sup>	Only total foreign currency and US dollar positions reported		
	No breakdown	No breakdown	No data on assets	
	No breakdown	No breakdown	No data on assets	
	No breakdown	No such positions	No data	
				Only for domestic currency positions
				Only for positions vis-à-vis US and "unallocated"
				Only for total currency positions

<sup>1</sup> Unless otherwise indicated, countries provide a full breakdown of aggregate positions into assets and liabilities denominated in US dollars, Deutsche Mark, Japanese yen, pounds sterling, Swiss francs, French francs, Dutch guilders, Italian lire, Belgian francs and ECUs.

<sup>2</sup> Data provided unless otherwise indicated.

<sup>3</sup> Unless otherwise indicated, countries provide a full breakdown according to non-bank and residual categories.

<sup>4</sup> No data on positions in ECUs reported.

<sup>5</sup> The Bahamas, Bahrain, the Cayman Islands, Hong Kong, the Netherlands Antilles and Singapore.

By implication, therefore, positions vis-à-vis non-banks become the residual. It should be noted, however, that in the published data positions vis-à-vis non-banks are shown, leaving positions vis-à-vis banks as the difference between the total and this sub-item.

For foreign currency positions vis-à-vis residents, almost all reporting countries either define banks as those domestic institutions entitled by law to conduct a banking business (for which there is a definitive list) or provide definitional guidelines as to what constitutes a domestic bank. In both cases, positions vis-à-vis non-banks appear as a residual.

More generally, positions vis-à-vis non-banks are usually recorded as such even in cases where credits to a non-bank are known to be guaranteed by a bank. Also, credits to banks are - with the exception of buyer credits granted by banks in France and the United Kingdom which have been approved/guaranteed, respectively, by the "Banque Française du Commerce Extérieur"/the Export Credit Guarantee Department - classified as such, even where the ultimate user of the funds is known to be a non-bank.

The fact that the sectoral breakdown is superimposed on the vis-à-vis country and currency breakdowns already discussed means that, for a start, any gaps in the reporting of the latter two breakdowns will be reflected in the bank/non-bank data. In addition, there are other reporting gaps that relate solely to the provision of the sectoral breakdown. They are as follows:

As far as the *vis-à-vis country data* are concerned, for external positions in all currencies (i.e. local and foreign currencies combined) the breakdown is provided by almost all reporters, the only exceptions being Singapore, Hong Kong and the US banks' branches in Panama (*Table 4b*). In Singapore the only sectoral split-up available is for banks' total external positions, without any geographical breakdown. Hong Kong provides the sectoral breakdown only for banks' external assets (on the liability side Hong Kong banks report only their positions vis-à-vis non-resident banks). In the case of US banks' branches in Panama, only positions vis-à-vis the US non-bank sector are available separately; otherwise there is no geographical breakdown.

For total external positions in individual currencies, including local currency and the ECU, there are no gaps in reporting other than those imposed by the currency breakdown (*Table 3b*). The same is true of foreign currency positions vis-à-vis residents, i.e. where data exist for individual reporters' total positions in foreign currency, the sectoral breakdown is also available. This means that the breakdown is altogether absent in the case of banks in the United States, the branches of US banks located in Panama, and banks operating in the six non-industrial reporting countries; in Canada, Germany, Norway and Switzerland the sectoral breakdown is not available for certain foreign currency components.



**Positions vis-à-vis foreign official monetary institutions**

Banks' total external positions vis-à-vis foreign central monetary authorities (excluding those in eastern Europe,<sup>7</sup> China, Mongolia, North Korea and Vietnam) are presented by currency (*Table 3c*). Most reporting countries provide these data for domestic, total foreign currencies and individual foreign currencies. As far as gaps in the reporting of this item are concerned, Norway as well as the six non-industrial reporting countries provide no data at all; for the latter group of countries (plus Panama) the BIS uses - as a partial proxy - information that is available on the external official liability position in all foreign currencies combined of the branches of US banks located in the Bahamas, the Cayman Islands, Hong Kong, Panama and Singapore. Belgium, Canada, Luxembourg, the Netherlands and the United States furnish no information on banks' asset positions vis-à-vis foreign official monetary institutions, while on the liabilities side they all provide data. However, reports from the United States contain no information on liability positions in individual foreign currencies, and Canada limits its reporting of liability positions in individual foreign currencies to those in US dollars, pounds sterling, Deutsche Mark and Swiss francs. Finally, Switzerland and the United Kingdom do not provide the information in question with regard to positions denominated in ECUs.

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7 Albania, Bulgaria, Czechoslovakia, the German Democratic Republic, Hungary, Poland, Romania and the Soviet Union.

## OTHER REPORTING CONVENTIONS

### Netting-out of assets and liabilities

In general, liabilities and assets are recorded on a gross basis in the reports used to construct the territorial statistics. However, in certain countries there is some netting-out of reporting banks' assets and liabilities vis-à-vis their own offices abroad, vis-à-vis other individual banks and vis-à-vis individual non-bank customers. In particular, netting-out occurs, or may occur, in the following countries:

#### *Austria*

Call money credit and debit balances of the same person or corporate body (including partnerships) are netted out when these are denominated in the same currency, are free from any restrictions on disposal and are not earmarked. Savings and time deposits are not, however, netted out.

#### *Belgium*

There is some netting-out of banks' positions vis-à-vis their foreign subsidiaries and branches for assets and liabilities denominated in the same currency.

#### *Canada*

Banks may give separate debit and credit amounts vis-à-vis their own foreign offices or may report a net debit/credit position.

#### *Germany*

Sight assets and liabilities vis-à-vis a single account-holder may be netted out if they are denominated in the same currency and it can be proved that they are given the same treatment for the purpose of calculating interest and commission.

#### *Switzerland*

Netting-out is permitted for reporting banks' assets and liabilities vis-à-vis other individual banks where these have matching maturities and are in the same currency.

*United Kingdom*

Debit balances of foreign branches, subsidiaries or associates of the reporting banks should not be offset against their credit balances; however, it is known that certain reporting banks' accounting systems are such that their positions vis-à-vis some overseas affiliates are shown net rather than gross.

**Currency conversion methods**

All international banking data are reported to the BIS in terms of the US dollar, with the reporting banks' positions in non-dollar currencies being converted into dollars either by the banks themselves or by their central monetary authorities. For the purposes of describing the currency conversion methods that are used, reporting countries can be divided into three groups: those countries where the banks report to their central authorities in US dollar terms; those where they report in domestic currency terms; and those where they report in the currencies in which the positions are actually shown in their books. In Norway banks have the option of reporting either in domestic currency terms or in US dollar terms.

*Banks reporting in US dollar terms.* Those countries whose banks report all their international assets and liabilities to their central monetary authorities in US dollar terms are the Bahamas, Bahrain, the Cayman Islands, Denmark, Japan and the United States. In all these countries, except Japan, the banks convert their non-dollar positions at the relevant exchange rates prevailing on the balance-sheet (i.e. reporting) date. In Japan the banks convert non-dollar positions at exchange rates that are officially designated every six months by the Bank of Japan. Subsequently, the Bank of Japan recalculates these data using the US dollar market exchange rate for the reporting date in question. The branches of US banks operating in Panama have the option of converting at market rates on the reporting date or of following their usual accounting practice, if different.

*Banks reporting in domestic currency terms.* The countries in which banks report their international assets and liabilities to their central monetary authorities in domestic currency terms are Austria, Canada, Finland, Hong Kong, Ireland, Singapore, Spain, Sweden and the United Kingdom. In Austria, Canada, Finland, Ireland and Singapore the banks convert foreign currency positions into domestic currency at rates for the reporting date in question supplied by their central authorities (usually the closing middle market rates or average rates ruling on the reference day or the last market day prior to that date). These countries' central

authorities then use the same rates again to convert the data into US dollars. In Spain, Sweden and the United Kingdom the banks use end-quarter market rates, as do their central authorities. In Hong Kong the banks use either the book rates they adopt or market rates prevailing at the reporting date in question; the Hong Kong authorities then apply the so-called "middle closing TT rate" between the Hong Kong dollar and the US dollar at the reporting date to convert the data into US dollars.

*The Norwegian case.* Banks in Norway supply their data either in US dollar terms or in Norwegian krone terms, using middle market rates prevailing on the reporting date. The central bank, in turn, uses the middle market krone/US dollar rate to convert the data contained in reports drawn up in domestic currency into US dollars.

*Banks reporting in original currency terms.* In all the other reporting countries banks report their international assets and liabilities to their central banks in the currencies in which such assets and liabilities are actually held. In Belgium and Luxembourg, where a dual exchange market exists, the central bank converts non-dollar data into US dollars at the regulated exchange rate prevailing on the reporting date in question, while in France, Italy, the Netherlands and Switzerland conversion takes place at end-period market exchange rates. Swiss banks are requested to report in the original currencies only positions in eight major foreign currencies (US dollar, pound sterling, Deutsche Mark, Japanese yen, French franc, Belgian franc, Dutch guilder and Italian lira); positions in all foreign currencies combined are reported in Swiss francs and then converted into US dollars. In the case of Germany, the Bundesbank first converts all foreign currency positions into Deutsche Mark at official (Frankfurt) middle rates valid for the reporting date in question; for the returns to the BIS, the Bundesbank then converts the amounts expressed in Deutsche Mark into US dollars, again using the Frankfurt middle rate on the date concerned.

## COMPUTATIONS AND ADJUSTMENTS MADE BY THE BIS

### Estimating the net size of the international banking market

The gross aggregate data on international banking activity compiled by the BIS exaggerate the actual amount of credits intermediated by the international banking market. This is due to the double-counting which arises when funds are traded between the reporting banks themselves and when therefore one and the same credit flow through the international market is recorded by several reporting banks and not by just one. At the same time, however, it would not be meaningful to follow the procedures used to construct national financial statistics and to net out all interbank operations. Direct business with non-banks accounts only for a relatively small portion of international bank activity. The international banking market serves as a link between national markets, and this link runs largely via the banking sectors of the countries concerned, whereas most of the associated business with non-banks does not show up in the international banking statistics. This is because it consists of operations between the banks and their domestic customers in domestic currency. Such transactions can nonetheless either be funded in the international market or serve to finance the banks' international lending. Ignoring all interbank operations would, therefore, grossly understate the role of the international banking sector as a channel for international capital flows.

All this means that in order to convey a realistic picture of the net size of the international banking market, namely the amount of credit passing through this market, a middle course has to be followed with respect to operations between the reporting banks themselves. It is necessary to take into account as fully as possible the role of the interbank market in the international allocation of funds, but to eliminate the double-counting that is associated with certain interbank operations.

In practice, the total amount of credit channelled through the international banking market is estimated in the following way. On the assets side of the balance sheets of the reporting banks, international uses of funds are calculated as the sum of three items:

- (a) direct international credit to non-banks in all countries, both cross-border lending in all currencies and credit to domestic customers in foreign currency;
- (b) claims on banks located outside the reporting area;
- (c) the use of international funds by the reporting banks for on-lending in the form of domestic currency credits to domestic non-bank entities.

Items (a) and (b) can be obtained directly from the reported statistics. As regards the reason for including item (b), i.e. claims on banks outside the reporting area, the assumption is made that the non-reporting banks use the funds obtained from the international banking market for on-lending to non-bank entities, either directly or via other banks located outside the reporting area. Of course, there would be double-counting if these banks outside the reporting area were to use the funds for redepositing with banks in the reporting area. It is, however, assumed that banks outside the reporting area find funding costs in the international banking market high in relation to the rates of return they could earn by redepositing these same funds with the reporting banks, and that the amount of double-counting resulting from these kinds of market-making and arbitrage activities of outside-area banks is therefore correspondingly small. It should be noted in this context that for the purpose of estimating total net international bank credit, banks in offshore centres that provide data to the BIS are all considered to be part of the reporting area.

Item (c) (reporting banks' use of international funds for domestic lending) is the most difficult to measure. It is calculated as the sum of two items: (i) banks' net liability position in foreign currency, and (ii) banks' external borrowing in domestic currency. The logic behind (c) (i) is that when a bank has, for example, \$100 million of foreign currency liabilities but only \$40 million of foreign currency assets, the difference of \$60 million must have been switched into domestic currency, and it is assumed that these funds are used for domestic lending. The BIS cannot directly measure the amount of such inward switching by individual reporting banks, since it obtains only aggregated figures for individual banking systems as a whole where external net liability positions of some reporting banks may be offset by net asset positions of other banks. Taking the net position of the banking systems in individual countries as a whole will therefore tend to understate the use of the international market by individual banks for the funding of domestic lending. The BIS in its estimates of the total amount of capital flows channelled through the international banking sector therefore makes some allowance for this element of understatement.

Item (c) (ii) (banks' external borrowing in domestic currency) can be derived directly from the international banking statistics. The assumption again is that these funds will be ultimately used for domestic lending. Double-counting could, of course, result if, contrary to this assumption, the banks re-lent some of these funds abroad. The BIS estimates make allowance for this by subtracting a part of banks' external assets in domestic currency.

On the sources side of the market, the funding of international bank lending is calculated as the sum of four items:

- (d) direct deposits received by the reporting banks either from non-resident non-banks in all countries and in foreign currency from domestic non-bank customers;

- (e) direct deposits received from official monetary institutions within the reporting area;
- (f) deposits received from banks located outside the reporting area;
- (g) outward switching of funds received by the reporting banks from domestic customers in domestic currency.

Item (d) can be derived directly from the reported statistics. Some upward adjustment is, however, made to allow for trustee funds channelled into the international banking market via banks in Switzerland. These trustee funds show up in the statistics as liabilities of banks in other reporting countries vis-à-vis Swiss banks, although the actual owners of these deposits are mostly non-bank entities.

Item (e) can be estimated from other information available to the BIS. The reason for the inclusion of this item is that official deposits constitute an additional source of funds in the international banking market, the macro-economic implications of which are quite different from those of interbank liabilities within the reporting area.

The logic for the inclusion of item (f) is analogous to that for the inclusion of the corresponding item (b) on the uses side of the market. Outside-area banks are not covered by the reporting system, and to the extent that they fund themselves from non-bank deposits or borrowing from other banks outside the reporting area, double-counting does not occur.

Item (g) is estimated in ways analogous to item (c) on the uses side. Since, by definition, the total sources and uses sides of the international banking market must be equal, item (g) can also be obtained as a residual, namely by subtracting the other sources ( $d + e + f$ ) from total uses ( $a + b + c$ ). This provides a check on the realism of the estimates.

Summing up, it must be said that the estimates of the net size of the amount of credit flows intermediated by the international banking market entail a certain amount of guesswork. Nevertheless, by using estimation methods that are consistent over time, it is possible to construct a coherent series which is believed to provide a fairly accurate picture of the role of the international banking market in the intermediation of international credit flows.

### **Estimating the statistical effect of exchange rate movements**

Fluctuations in exchange rates cause changes in the statistics on reporting banks' assets and liabilities when the data are expressed in current US dollars. This exchange rate effect arises because the international assets and liabilities of the reporting banks are denominated in a variety of currencies but are converted into US dollars for reporting purposes at the exchange rates prevailing on each quarterly or semi-annual reporting date. When these exchange rates

change between two reporting dates a comparison between data for the two reporting dates expressed in current dollars will not indicate the magnitude of actual flows of funds between the two reporting dates. In order to eliminate these valuation effects, the BIS calculates and publishes exchange rate adjusted changes in the amounts outstanding. These valuation-adjusted changes are not a full substitute for outright flow data, but they do eliminate one potentially serious obstacle to intertemporal comparisons.

A number of methods exist for making valuation adjustments and no single method is best suited for all purposes. The method employed by the BIS is intended to provide a "slice of time" view of amounts outstanding on a given reporting date and changes between that date and the previous reporting date. The amounts outstanding on the previous reporting date are recalculated at the exchange rates prevailing on the later date, and the difference between the end-of-period amount and the earlier amount is taken to be the exchange rate adjusted change. One advantage of this method is that the amounts at the end of the period and the changes within the period are valued using the same exchange rates, which permits comparisons between end-of-period stocks and the changes over these periods. Such comparisons are not possible when, for example, average exchange rates for the period are used to compute the change, while figures on amounts outstanding are expressed in end-of-period exchange rates.

The exchange rates used for making adjustments are those prevailing at the end of each particular interval in question, not at the end of the entire period if several quarters or years are being considered. In other words, end-March exchange rates are used to compute the exchange rate adjusted changes in amounts outstanding for the first quarter of a calendar year, end-June rates are used for changes in the second quarter, end-September rates for changes in the third quarter, and so on. As a consequence, the sum of the exchange rate adjusted changes over a longer period will generally be closer to one computed using average exchange rates for the period, as is done in balance-of-payments accounting, than the figures for individual quarters. Although the quarterly changes are all computed at constant end-of-quarter exchange rates, these "constant" exchange rates differ from quarter to quarter. This means that, like the stock data, even these valuation-adjusted changes are influenced by exchange rate movements.



## **THE NATIONALITY STATISTICS (QUARTERLY)**

### **General**

The nationality statistics provide information on international banking activity according to the country of incorporation or charter of the parent bank. The organising principle is thus the "nationality" of the controlling interest, not the residence of the operating unit. The nationality statistics are prepared mainly by regrouping data collected for the territorial statistics and are therefore based on the definitions and reporting conventions discussed in Part I. Gross asset and liability positions, as well as net international positions, are presented in the statistics which are published from time to time in the BIS quarterly release.

### **Reporting area**

For the nationality statistics, the reporting area differs from that of the territorial statistics. It comprises the international activities of banks in seventeen of the eighteen industrial reporting countries (Norway being the exception), with information on the cross-border operations of the branches of US banks in the Bahamas, the Cayman Islands, Hong Kong, Panama and Singapore also being provided by the Federal Reserve.

### **Nationality classification**

In order to obtain aggregate figures for banks of different nationalities, the assets and liabilities of banking offices operating in various countries are classified on the basis of the control or ownership of the offices. Classifying banks according to their nationality is, however, not always a simple matter. Whereas local branches of foreign banks always have an identifiable head office located abroad, the treatment of other affiliates of foreign banks may at times be ambiguous. Subsidiaries are invariably incorporated under the laws of the host country and in principle - although rarely in practice - may be fully autonomous. In some cases, notably consortium banks, there may be no simple, clearly identifiable controlling interest. One practical difficulty arises when the parent institution is not considered to be a bank in its country of original incorporation and therefore does not report.

Banking offices located in each of the seventeen reporting countries are classified according to the following nationality or area groups: firstly, each BIS reporting country is listed separately together with a residual item "other BIS reporting countries"; secondly, affiliates of banks with head offices in countries outside the reporting area are grouped into the categories "other developed countries", "eastern European countries", "Latin America" and "Middle East";

thirdly, three additional categories are used to deal with special cases, namely "consortium banks", "others" and "unallocated".

The split-up of the world outside the reporting area into broad geographical sectors of ownership has been made in order to permit classification of local (reporting) affiliates of banks with head offices outside the reporting area. The data reported for these affiliates do not, of course, include the business of their outside-area parent institutions. The "other BIS reporting" and "others" groupings have been used to cope with confidentiality problems arising in individual reporting countries. For example, if in Belgium there were only one Canadian and one Irish affiliate, and if it were not possible to disclose the individual balance-sheet positions of these banks to the BIS, aggregated data would then be shown under "other BIS reporting countries". "Consortium banks" are shown separately because these institutions cannot generally be classified according to a single parent country.

### **Principal items included**

The following end-of-quarter data are included for each nationality group of banks in the figures on total international positions:

- (i) assets and liabilities vis-à-vis non-residents in foreign currency;
- (ii) assets and liabilities vis-à-vis non-residents in domestic currency; and
- (iii) assets and liabilities vis-à-vis residents in foreign currency.

With the exception of the United States and the branches of US banks in the offshore centres, all countries provide the data. The United States submits figures for banks' positions in domestic currency (the US dollar) vis-à-vis non-residents, but provides no data on positions in foreign currency. The branches of US banks in offshore centres report only their positions vis-à-vis non-residents without any currency breakdown; all such positions are assumed to be in non-local currencies.

### **Asset and liability coverage**

In most countries the types of asset and sectoral coverage are comparable to those in the territorial statistics. The major exceptions concern the United States, Luxembourg and the Netherlands. As has already been noted, the United States provides no figures for positions in foreign currency. For Luxembourg and the Netherlands, somewhat different reporting procedures are used for compiling the nationality and the territorial statistics.

At present all reporting countries except Denmark, Switzerland and the United States include banks' holdings and issues of securities in the figures they submit for total

positions. In the case of the United States the only securities items included in the totals are banks' external liabilities arising from the issue of negotiable CDs. In addition, banks in France, Germany, Ireland, the Netherlands, Sweden and the United Kingdom supply separate figures for issues of international CDs and other securities allocated by the parent country (nationality) of the issuing bank. Banks in the United States report separately only negotiable CDs held on behalf of foreigners on this basis.

### **Disaggregation of the data**

The sectoral breakdown in the nationality statistics is somewhat more detailed than in the territorial statistics, but is applied to total international positions, i.e. external assets and liabilities plus positions in foreign currency vis-à-vis residents. Separate sub-totals for international assets and liabilities are given for the following sectors: own related foreign offices (i.e. different offices of the same bank), other banks, non-banks and official monetary institutions.

Because the allocation of banks' own issues of securities according to type of holder (bank/non-bank) is often arbitrary, liabilities arising from banks' issues of CDs and other securities are shown. Data on banks' holdings of securities are also given separately.

Some reporting countries do not provide all the breakdowns. A summary of the major gaps in the data is shown in Table II-1. One important omission with respect to positions vis-à-vis non-residents concerns banks' positions vis-à-vis their own related offices, which are not reported for either domestic or foreign currency by banks in Canada and Italy. Banks in Belgium, Canada and the Netherlands do not report claims on non-resident official monetary institutions in either domestic or foreign currency, whereas the United States reports such claims only in domestic currency. Local (non-cross-border) positions in foreign currency between offices of the same bank are in general excluded.

Positions vis-à-vis own related offices are not strictly comparable across countries because the definition of what constitutes a "related office" differs. In some centres, the guiding principle is "control", which is sometimes defined in terms of a rather low percentage of share ownership, say 25 per cent.; in other cases the criterion is majority ownership; in yet others 100 per cent. share ownership is required. In addition, some countries may apply an asymmetric treatment using different criteria for positions vis-à-vis head offices and those vis-à-vis affiliates or other related banks.

Table II-1

## The nationality structure of the international banking market: Gaps in the reporting of data

Reporting country	External asset and liability positions in foreign currency			External asset and liability positions in domestic currency			Positions vis-à-vis residents in foreign currency	Inclusion of data on international securities in aggregate figures	
	Total	Breakdown		Total	Breakdown			Assets	Liabilities
		Own offices	Official monetary institutions <sub>1</sub>		Own offices	Official monetary institutions <sub>1</sub>			
Austria	NR	NR <sup>2</sup>	NR	NR	NR <sup>2</sup>	NR	NR	NR	NR <sup>3</sup>
Belgium			NR			NR			
Canada									
Denmark									
Finland									
France									
Germany									
Ireland									
Italy		NR			NR				
Japan									
Luxembourg									
Netherlands			NR			NR			
Spain									
Sweden									
Switzerland									
United Kingdom									
United States		NR	NR						

Note: Unless otherwise indicated, figures are available.

NR = not reported.

<sup>1</sup> Assets only.

<sup>2</sup> Only positions of Canadian banks reported.

<sup>3</sup> Only negotiable CDs included.

## THE CONSOLIDATED MATURITY STATISTICS (SEMI-ANNUAL)

### General

The maturity statistics differ in several respects from the territorial and nationality statistics. The maturity statistics are, on the one hand, in certain ways less comprehensive and less detailed than the other two sets of statistics, since data are shown only on a semi-annual basis and a smaller number of reporting countries are covered, only banks' gross international *asset* positions are presented, and neither a currency breakdown nor data on claims on countries inside the reporting area are provided. On the other hand, the analytical conception of the statistics is more ambitious in that it entails a considerable degree of consolidation, encompassing also the local business of reporting banks' foreign affiliates in host countries. It also sheds light on the maturity structure of banks' claims on countries outside the reporting area and provides a detailed sectoral classification (bank, non-bank private, public sector) of banks' positions. Moreover, it is the only set of BIS statistics containing information on unused credit commitments.

These statistics are released twice a year with a lag of about half a year between the date to which they apply and the date of publication. A technical note in the publication, which is entitled *The maturity distribution of international bank lending*, describes the coverage of the data.

### Reporting area and institutions

The maturity statistics are derived from data reported partially on a worldwide consolidated reporting basis and partially on a territorial basis. For this reason it is not possible to speak of a "reporting area" that is well-defined in terms of the location of the banking offices conducting the business in question. The worldwide consolidation of balance-sheet positions means that the activities of a great number of banking offices located outside the principal reporting area are also covered. The expression "reporting area" is used for reasons of convenience to indicate the countries that submit data to the BIS. In its present form the "reporting area" covers banking systems in the seventeen industrialised countries listed in Table III-1.

The reporting institutions may be grouped in three categories. Firstly, banks with head offices in the seventeen countries constituting the reporting area provide worldwide consolidated data on their international activities. Secondly, offices in the reporting area of banks whose head offices or parent institutions are outside this area, or whose nationality cannot be identified, report on a territorial basis. Thirdly, the outside-area affiliates of banks with head offices or parent institutions in the reporting area also provide information on part of their local business in the host country.

Table III-1

**Countries providing data for the consolidated maturity statistics**

<b>1. Austria</b>	<b>10. Japan</b>
<b>2. Belgium</b>	<b>11. Luxembourg</b>
<b>3. Canada</b>	<b>12. Netherlands</b>
<b>4. Denmark</b>	<b>13. Spain</b>
<b>5. Finland</b>	<b>14. Sweden</b>
<b>6. France</b>	<b>15. Switzerland</b>
<b>7. Germany</b>	<b>16. United Kingdom</b>
<b>8. Ireland</b>	<b>17. United States</b>
<b>9. Italy</b>	

As is the case for the territorial and nationality statistics, all reporting banks submit data to their respective central authorities, where the information is processed and forwarded to the BIS for aggregation with the data supplied by other reporting countries.

For the maturity statistics the cut-off points below which banks in some reporting countries are not required to provide data are higher than in the territorial and nationality statistics. This means that in the countries concerned the number of reporting institutions is smaller. Otherwise, there are no significant differences between the institutional coverage of the maturity statistics and those of the other two systems.

**Business reported**

The maturity statistics provide information on banks' gross claims and their undisbursed credit commitments (i.e. open credit lines) vis-à-vis individual borrowing countries outside the reporting area. For the amounts disbursed, two separate breakdowns of total asset positions vis-à-vis each borrowing country are applied: a maturity breakdown and a broad sectoral split. Gaps in the reporting of data are summarised in Table III-2.

More precisely, as a rule banks with head offices in the reporting area submit data on the claims and, separately, the undisbursed credit commitments of all their offices worldwide vis-à-vis individual countries outside the reporting area. (One exception is Italy, where undisbursed credit commitments are reported for bank offices operating in Italy only.) The figures include both cross-border claims/credit lines and, in the case of banking affiliates in outside-area countries, local claims/credit lines denominated in non-local currencies. The data reported by each banking family are on a consolidated balance-sheet basis, which means that claims/credit lines between different offices of the same bank are netted out.

Banking affiliates located in the reporting area with parent institutions outside the area and banks whose nationality cannot be determined report their cross-border claims and undisbursed credit commitments vis-à-vis borrowing countries outside the reporting area on a non-consolidated basis. These data therefore include any positions the banks may have vis-à-vis their own offices in outside-area countries.

In addition, banks with head offices in most reporting countries provide data on local assets and liabilities in *local* currency of their affiliates in individual outside-area countries. The reason for compiling this additional information is that the net claims of outside-area affiliates in local currency on local residents must be funded either from abroad or locally in foreign currency. At present, affiliates of banks with head offices in Austria, Ireland, Luxembourg and Sweden do not report these figures. Banks with head offices in the Netherlands provide the information in question only on a net (i.e. assets minus liabilities) basis.

In addition to the above-mentioned data, banks in reporting countries other than Canada, Finland, France, Luxembourg and Sweden provide separate information on their gross claims on outside-area banks with head offices outside the host country on which these claims are booked. The reason for collecting this item is that double-counting arises when, say, a UK bank reports its claims on the outside-area affiliate of another, say US, bank whose head office is located in the reporting area. If, in this case, the UK bank lends to the US affiliate in, for example, Brazil, and the latter then employs the funds locally, on a consolidated basis this claim will be reported as a claim on Brazil by both the UK and the US bank. To avoid the resultant double-counting, the UK bank's claim on the US banking affiliate in Brazil should be excluded

**Table III-2**  
**Gaps in the reporting of data**

Reporting countries	Distribution of assets by maturity <sup>1</sup>	Distribution of assets by sector <sup>2</sup>	Claims on affiliates of banks with head offices outside the country in question	Local currency positions of reporting banks' foreign affiliates with local residents	Unused credit commitments
Austria				NR	
Belgium					
Canada			NR		
Denmark		NR			
Finland	NR <sup>3</sup>	NR <sup>4</sup>	NR		
France			NR		
Germany					
Ireland				NR	
Italy	NR <sup>5</sup>				NR <sup>6</sup>
Japan					
Luxembourg		NR	NR	NR	
Netherlands				NR <sup>7</sup>	
Spain					
Sweden		NR	NR	NR <sup>8</sup>	
Switzerland					
United Kingdom					
United States					

NR = not reported or not reported using standard definitions.

- <sup>1</sup> Provision of data on cross-border claims in all currencies and local claims in non-local currencies broken down into three maturity classes (one year and under; one to two years; over two years) and an unallocated item.
- <sup>2</sup> Breakdown of data on claims into three sectors (banks; public sector; non-bank private sector) and an unallocated item.
- <sup>3</sup> Only claims with an original maturity of up to and including one year are reported separately; longer-term claims are classified as "unallocated".
- <sup>4</sup> Only the bank/non-bank distribution is reported.
- <sup>5</sup> Data reported for different maturity bands on the basis of original maturity; inter-office claims, which are apparently small, are included.
- <sup>6</sup> Only unused credit commitments of banks operating in Italy are reported.
- <sup>7</sup> Only net positions are reported.
- <sup>8</sup> Such claims are netted out in total assets data reported to the BIS.



from the aggregate data. For practical reasons it has not, however, been possible to differentiate between claims on banking affiliates whose head offices are located within the reporting area and claims on other foreign banks in outside-area countries. The data collected under this heading, and shown separately in the statistical tables, therefore cover all claims of reporting banks on foreign (i.e. non-local) banks operating in outside-area countries. These figures indicate the maximum amount of double-counting that could arise from this feature of the reporting system.

The balance-sheet items included in the aggregates are broadly the same as in the territorial and nationality statistics with, for example, international securities being included by most countries in their reported data. There are, however, some differences between the sets of statistics, in particular in the area of banks' holdings of notes and bonds. Switzerland, which does not provide data on its banks' international holdings of securities in the territorial statistics, includes them in its maturity statistics reports. The United States, which does not submit data on securities holdings in the territorial statistics, does so in the maturity statistics for banks chartered in the United States (but not for the overseas branches of US banks or for foreign banking affiliates in the United States).

### **Undisbursed credit commitments**

Reporting covers all - generally legally binding - credit commitments of the banks concerned vis-à-vis outside-area countries. The information is supplied by all reporting countries, other than Italy, on a worldwide consolidated basis, with credit lines between different offices of the same bank being netted out. In Italy, as has been mentioned earlier, the data reported refer only to commitments of banks operating within Italy's boundaries.

### **Disaggregation of the data**

#### *Maturity breakdown*

The maturity breakdown of reporting banks' international asset positions is based on residual maturities. Three maturity bands are presented:

- up to and including one year;
- over one year and up to two years;
- over two years.

Claims that cannot be classified by maturity are shown separately in an unallocated item.

For banks' assets in the form of rollover credit, the residual maturity is, as a rule, calculated on the basis of the latest date on which repayment is due.

With the exception of Finland and Italy, all reporting countries supply the full maturity breakdown of their banks' international claims on the basis of residual maturities. For banks in Finland the only breakdown available is for claims with original maturities of up to one year; these claims have been placed in the "up to and including one year" category. All claims with original maturities of over one year have been classified under "unallocated". In the case of Italy, data are provided for different maturity bands on the basis of *original* maturity and include inter-office claims (which, however, seem to be quite small). Since the reporting institutions in Italy are, in general, confined to granting shorter-term credits, with longer-term credits being extended by special institutions which do not report to the BIS, the following statistical procedure has been adopted: claims with (original) maturities of up to 18 months inclusive as well as unallocated claims have been reclassified as claims "up to and including one year" by residual maturity; claims with (original) maturities of over 18 months have been included in the category "over two years" by residual maturity. The breakdown of the longer-term claims of French banks is based in part on estimates.

#### *Sectoral breakdown*

A broad sectoral distribution of the reporting banks' total claims on individual borrowing countries is provided in the maturity statistics. The split-up of claims by borrowing sector is as follows:

- claims on the banking sector;
- claims on the public sector;
- claims on the non-bank private sector.

A residual category is used for claims which either cannot be allocated to a particular sector or are reported by countries not providing a sectoral breakdown. At present, the information by sector is not available for banks in Denmark, Finland, Luxembourg and Sweden. In cases where the sectoral breakdown is provided, there are some differences between reporting countries in the precise definition of the sectors.

#### *Geographical breakdown*

A full breakdown according to individual outside-area debtor countries is provided by virtually all countries for most categories of claims, for undisbursed credit commitments, and for local currency asset and liability positions of the reporting banks' foreign affiliates vis-à-vis local residents. These country-by-country statistics are also aggregated into totals for the following country groupings:

- developed countries outside the reporting area;
- eastern Europe;
- OPEC countries (split into Middle East and other);
- non-OPEC developing countries (split into Latin America, Middle East, Africa and Asia).

In addition, figures for offshore banking centres are shown as memorandum items after the grand total. Instances of reporting countries providing incomplete geographical details are negligible.

### **Other reporting conventions**

#### *Currency conversion methods*

All data submitted to the BIS and published in the maturity statistics are expressed in current US dollar terms. The methods used by individual reporting countries to convert non-dollar figures into US dollars are the same as in the territorial system.

## **GLOSSARY OF TERMINOLOGY USED IN THE BIS STATISTICS ON INTERNATIONAL BANKING AND RELATED DOCUMENTS**

### **A**

#### **Affiliates (of banks)**

Branches, subsidiaries and joint ventures.

#### **"A forfait" purchase**

An outright purchase of a trade bill (or similar instrument) which absolves the seller/presenter of the bill from any obligation should the drawee fail to honour the bill when it matures.

### **B**

#### **Balance-of-payments basis**

A reporting convention according to which an asset or liability is external or cross-border only if it is between a resident of the country in question and a resident of another country. Ownership and currency of denomination are not relevant. Accordingly, positions of banks' affiliates located abroad and banks' positions in foreign currency vis-à-vis residents are not included. Banks' external positions shown in the territorial statistics are computed on a balance-of-payments basis.

#### **Banking offices**

Affiliates and head offices.

#### **Banks**

Generally defined as those institutions that are entitled by law to conduct banking business, usually (but not necessarily) including acceptance of deposits from the general public.

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**C****Consolidated reporting of international banking business**

Application of a comprehensive reporting principle whereby the coverage includes the claims on, and liabilities to, individual countries, or groups of countries, of all the offices worldwide of banks with head offices in reporting countries, but excludes positions between different offices of the same bank. In particular, consolidation also extends to the foreign currency claims on, and liabilities to, local residents of affiliates located in outside-area countries as well as to local net creditor positions in local currency.

**Consortium bank**

A joint venture in which no single owner has a controlling interest.

**Cross-border operations**

Transactions between residents of different countries; also referred to as "external" operations (cf. "international" operations, which include, in addition to external business, positions vis-à-vis residents in foreign currency).

**Cut-off point**

The amount of international or external assets and liabilities below which a bank is not required to report.

**E****"En pension" acquisition**

A transaction whereby a bank acquires a foreign trade bill (or similar instrument) from an exporter on the basis of a sale and repurchase agreement. The term may also apply to operations in non-trade-related securities (such as Treasury bills or notes).

**Euro-currency deposits**

Deposits with an institution in a currency other than the local currency of the country in which the deposit-taking institution is located.

**Euro-currency market(s)**

The (international) money and capital market for business with residents or non-residents in currencies other than the currency of the country in which the transaction is being carried out (e.g. deposit-taking and lending in US dollars by banks located outside the United States) includes operations through institutions subject to special regulatory regimes (e.g. international banking facilities).

**Exchange rate adjustment**

Procedure adopted to eliminate the valuation effects arising from movements in exchange rates from data expressed in a common currency (generally the US dollar). When calculating exchange rate adjusted changes in stocks, the BIS applies *end-of-period* dollar exchange rates to the (non-dollar) positions outstanding at the beginning of the period.

**External operations**

See "Cross-border operations".

**F****Final lending**

Final loans to end-users which, for the purposes of the quarterly statistics, include both non-bank entities and non-reporting banks. The ultimate loan in a chain of (mainly interbank) transactions. Includes resident banks' own use of foreign currency for switching into domestic currency and their external borrowing in domestic currency for funding domestic lending.

**Flow figures**

Compiled directly from data on income and expenditure; not to be confused with exchange rate adjusted changes in stocks.

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**Foreign bank**

A bank with its head office outside the country in which it is located (see "Affiliates").

**Foreign currency transactions**

Transactions denominated in a currency other than the domestic currency of the country in which the banking office is located.

**H****Head office (bank)**

A banking office exercising control over and/or ownership of one or more affiliate.

**Host country**

The country where a bank's foreign affiliate is located.

**I****Interbank positions**

Asset and liability positions which banks have with other banks (example: claims of banks in the reporting "offshore" financial centres on banks in the other reporting countries). Includes in the territorial statistics cross-border positions between different offices of the same bank

**International banking business**

In this context, the term "international" refers to banks' transactions in whatever currency with *non-residents* (i.e. their external or cross-border business) as well as their transactions in foreign (non-local) currency with *residents*.

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**International banking facility (IBF)**

A banking unit conducting international business free of many of the restrictions and rules applied in ordinary banking with residents. IBFs are considered residents of the country in which they are located.

**International interbank market**

An international money market in which banks lend each other - either cross-border or locally in foreign currency - large amounts of money, usually at short term between overnight and six months. In the territorial statistics this term applies primarily to business between banks within the reporting area.

**Inter-office business**

Within interbank money market activity, that part of the market which consists of business between related banks (i.e. different offices of the same bank); in BIS statistics it is usually covered only to the extent that it is cross-border, and the data are not consolidated.

**Intra-bank business**

See "Inter-office business".

**J****Joint venture**

A (banking) enterprise in which two or more parties hold major interests.

**L****Local currency transactions**

Banking business carried out in the currency of the country in which the banking office is located.



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**Long-term**

In the BIS statistics the term generally refers to loans and deposits with residual maturities exceeding one year.

**M****Maturity structure**

Breakdown of claims or liabilities according to their residual maturity; also referred to as "maturity profile" or "maturity distribution".

**N****Nationality (of banks)**

Classification according to the location of the head office rather than the location of the banking unit.

**Net takers/exporters of funds**

Banks which on an assets-minus-liabilities basis have a net external asset/liability position.

**Non-banks**

All entities (including individuals but excluding official monetary institutions) other than those defined as "banks" (q.v. ).

**O****Official deposits**

Foreign currency deposits obtained by reporting banks from official monetary institutions.

**Official monetary institutions**

Mainly central banks or related national and international bodies.

**"Offshore" centres**

An expression used synonymously with "other major financial centres" to describe countries with banking sectors dealing with non-residents and/or in foreign currency on a scale out of proportion relative to the size of the host economy.

**Original supplier (of international funds)**

Initial depositor of funds with a bank in a chain of (mostly interbank) transactions; may also refer to reporting banks themselves to the extent that they use domestic currency for switching into foreign currency or for external lending.

**Outside-area countries**

Countries and territories located outside the BIS reporting area.

**Own offices**

Different offices of the same bank, including head office and affiliates. Also sometimes called "Related offices".

**P****Parent institution**

Head office of a bank.

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## **R**

### **Redepositing of funds**

On-lending of funds to other banks.

### **Reporting area**

The whole group of countries which report to the BIS. The reporting area is different for the territorial, nationality and maturity statistics.

### **Related offices**

See "Own offices".

### **Reporting centre/country**

The terms "reporting country" and "reporting centre" are used interchangeably and refer to the industrialised countries and offshore banking centres providing data to the BIS.

### **Reporting institutions**

Generally all those deposit-taking institutions (plus some non-deposit-taking financial institutions) within a reporting country which submit data transmitted to the BIS.

## **S**

### **Short-term**

In the BIS statistics the term generally covers loans and deposits with residual maturities up to and including one year.

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## U

### **Undisbursed (unused) credit commitments**

Open lines of credit which for the lending banks are, in general, legally binding.

## V

### **Vis-à-vis country**

Country of location of the counterparty to a financial contract. The external asset of a reporting bank will be the liability of an entity in the vis-à-vis country.