Statistical Annex

The international banking market

Securities markets

Derivatives markets

The BIS international financial statistics summary tables

The BIS publishes a variety of international financial statistics, most of them on a quarterly basis. They cover banking statistics on both a locational and a consolidated basis, debt securities issues in both domestic and international markets, and statistics on derivatives traded on exchanges and over the counter. The main purpose of the statistics is to provide a measure of the size and structure of key segments of the global financial market and to monitor their development. A summary of the most recent data is presented in seven tables (see below).[1]

1. International banking statistics (Tables 1A, 1B, 2A and 2B)

The locational reporting system provides quarterly data on the international financial claims and liabilities of banks resident in the 43 reporting countries on a gross basis. The methodology is consistent with the principles underlying the compilation of national accounts, balances of payments and external debt statistics. Breakdowns are provided in terms of instrument, currency, sector and vis-à-vis country. The currency breakdown allows the BIS to approximate global bank credit flows adjusted for exchange rate fluctuations.

The consolidated banking statistics cover banks' worldwide on-balance sheet claims, on both a contractual (immediate borrower) and an ultimate risk basis (ie net of risk mitigants such as guarantees and collateral). Positions are reported by head offices in their home country and include all branches and subsidiaries on a worldwide consolidated basis, net of inter-office accounts. Breakdowns are available in terms of instrument, sector, maturity and vis-à-vis country. Information is also available on key off-balance sheet items such as guarantees extended, credit commitments and derivative contracts. Currently 30 countries provide consolidated banking data.

While the locational statistics are appropriate for measuring lending flows in a given period, the consolidated statistics are more suited to gauging the size of banks' country and liquidity risk exposures. The data are compiled by the BIS on the basis of national data reported by the respective central banks, which in turn collect these data from the internationally active banks in their jurisdiction.

2. Debt securities statistics (Tables 3A and 3B)

These statistics are derived from various national, market and institutional data sources and provide information on amounts outstanding and flows of debt securities issuance in both international and domestic markets. Nominal values are used and the data are broken down using similar criteria as for the banking statistics, ie sector, currency and maturity. However, only the liabilities of the issuers are covered.

International debt securities comprise domestic and foreign currency issues by residents of a given country outside their respective domestic market, foreign currency issues by residents in their domestic market and foreign and domestic currency debt securities issued in the domestic market by non-residents. Breakdowns are available in terms of currency, sector and maturity.

Domestic debt securities comprise issues in domestic markets in national currency for 49 countries. Breakdowns are provided in terms of sector and maturity. As far as possible, the BIS endeavours to eliminate any overlap between its international and domestic debt securities statistics.

3. Derivatives statistics (Table 4)

Semi annual data are compiled for activity in over-the-counter (OTC) markets whilst quarterly data are available on activity in exchange-traded markets. The data on OTC derivatives are based on the reporting to the BIS by central banks in major financial centres that in turn collect the information on a consolidated basis from reporting dealers headquartered in their respective country, while those on exchange-traded derivatives are obtained from market sources.

The derivatives data cover notional amounts outstanding and gross market values for a number of risk categories: foreign exchange, interest rates, equity-linked, commodities and credit default swaps. Gross credit exposure in OTC markets after bilateral netting is also available.

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[1] More detailed tables and options to download the data in time series form are available at http://www.bis.org/statistics/index.htm.

Table 1A: International positions of banks by residence of counterparty, March 2010[1]

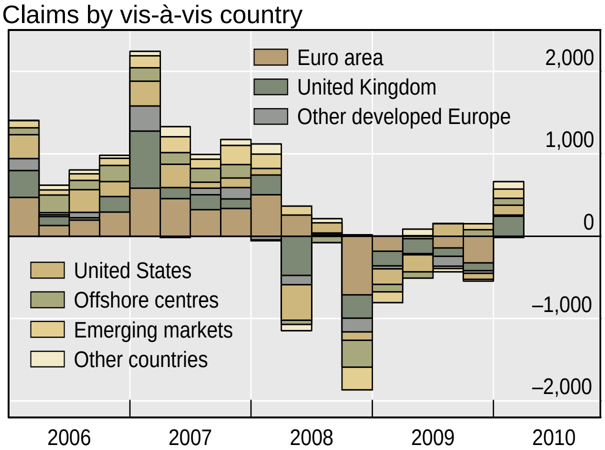
In billions of US dollars

	Vis-à-vis developed countries	Vis-à-vis offshore centres	Vis-à-vis emerging markets					All countries
			Total	Africa	Asia	Europe	Latin America	
Amounts outstanding								
Total claims	**25,764**	**4,024**	**2,955**	**477**	**1,148**	**822**	**508**	**33,444**
Total cross-border claims	**22,878**	**3,637**	**2,515**	**473**	**863**	**746**	**433**	**29,731**
Loans	16,228	3,009	1,974	433	655	585	301	21,494
Securities	5,381	508	320	20	120	88	91	6,301
Claims on banks	14,847	2,322	1,230	191	545	366	129	19,001
Claims on non-banks	8,031	1,316	1,285	283	318	381	304	10,730
US dollar	8,502	2,450	1,056	269	297	206	284	12,094
Euro	10,078	331	478	85	44	331	19	11,108
Foreign currency claims on residents	**2,886**	**387**	**440**	**4**	**285**	**76**	**75**	**3,713**
Estimated exchange rate adjusted changes during the quarter[2]								
Total claims	**358**	**118**	**160**	**4**	**122**	**0**	**33**	**700**
Total cross-border claims	**387**	**82**	**113**	**3**	**89**	**-6**	**26**	**648**
Loans	301	83	79	1	73	-10	15	480
Securities	78	-9	28	1	13	5	9	116
Claims on banks	201	59	75	-1	68	-3	11	381
Claims on non-banks	186	23	38	5	21	-3	15	267
US dollar	142	68	23	-13	27	-4	13	246
Euro	207	-15	-2	4	3	-10	1	224
Foreign currency claims on residents	**-29**	**35**	**46**	**1**	**32**	**6**	**7**	**53**
Amounts outstanding								
Total liabilities	**20,863**	**5,131**	**2,609**	**737**	**1,000**	**423**	**449**	**31,911**
Total cross-border liabilities	**18,015**	**4,420**	**2,093**	**730**	**657**	**323**	**384**	**27,836**
Deposits	16,167	4,300	2,029	722	629	321	356	22,881
Securities	1,273	91	20	3	9	0	8	3,982
Liabilities to banks	13,416	3,139	1,281	485	416	231	148	20,546
Liabilities to non-banks	4,599	1,282	813	244	241	92	235	7,290
US dollar	7,302	2,835	1,115	431	260	128	296	12,279
Euro	7,297	577	366	157	40	131	38	9,166
Foreign currency liabilities to residents	**2,849**	**710**	**516**	**7**	**343**	**100**	**65**	**4,075**
Estimated exchange rate adjusted changes during the quarter[2]								
Total liabilities	**465**	**-91**	**55**	**-11**	**30**	**26**	**9**	**489**
Total cross-border liabilities	**552**	**-106**	**17**	**-13**	**-1**	**26**	**5**	**524**
Deposits	478	-115	20	-12	6	26	1	397
Securities	64	9	-11	-1	-11	0	0	72
Liabilities to banks	400	-72	7	-12	-10	25	5	387
Liabilities to non-banks	152	-34	10	-1	10	1	0	137
US dollar	173	-89	-44	-32	-12	2	-2	30
Euro	305	6	22	10	-4	13	3	361
Foreign currency liabilities to residents	**-87**	**15**	**38**	**2**	**31**	**1**	**4**	**-35**

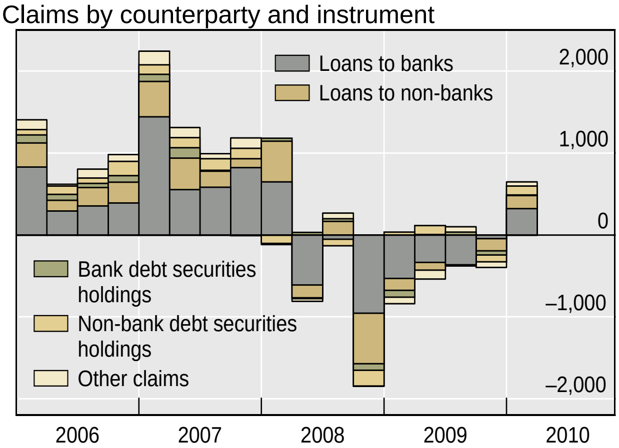
Cross-border positions

Exchange rate adjusted changes in stocks

Claims by vis-à-vis country



Claims by counterparty and instrument



[1] Detailed breakdowns and time series data are available at http://www.bis.org/statistics/bankstats.htm (Tables1–7B). [2] Taking into account exchange rate effects on outstanding balances in non-dollar currencies.

Table 1B: International positions of banks by nationality of head office, March 2010[1]

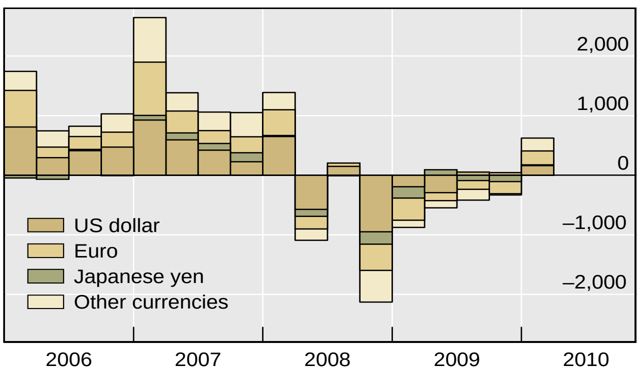
In billions of US dollars

	Nationality of banks										All countries
	France	Germany	Italy	Nether-lands	Spain	Switzer-land	United Kingdom	Japan	United States	Emerging markets	
	Amounts outstanding										
Total claims	**4,315**	**4,574**	**996**	**1,926**	**938**	**2,435**	**4,050**	**3,230**	**3,815**	**1,050**	**33,353**
on banks	2,890	2,522	611	1,044	534	1,561	2,302	1,271	2,689	541	19,459
on related foreign offices	1,137	1,343	267	434	356	737	1,076	564	1,747	130	9,544
on other banks	1,720	1,167	344	608	178	811	1,191	706	937	392	9,786
on official monetary institutions	32	12	0	2	0	13	35	0	5	19	129
on non-banks	1,426	2,052	385	882	404	874	1,748	1,960	1,125	509	13,893
US dollar	1,385	1,371	200	535	330	1,197	1,746	1,622	2,720	709	13,444
Euro	2,164	2,465	706	995	425	575	1,389	520	502	101	11,726
Other currencies	767	738	91	396	184	664	915	1,088	592	240	8,183
	Estimated exchange rate adjusted changes during the quarter[2]										
Total claims	**147**	**-116**	**32**	**49**	**-42**	**-23**	**271**	**71**	**159**	**50**	**621**
on banks	111	-79	9	21	-30	-49	162	-30	111	26	221
on related foreign offices	30	18	1	-15	6	-10	128	-4	54	1	176
on other banks	82	-102	9	35	-35	-37	17	-26	58	24	30
on official monetary institutions	-1	4	0	1	0	-1	17	0	-1	0	15
on non-banks	36	-37	22	28	-13	25	109	101	48	25	401
US dollar	51	-103	11	27	-25	-48	155	36	74	25	162
Euro	76	2	19	20	-32	1	75	-5	33	7	233
Other currencies	19	-15	1	3	14	23	40	41	52	18	226
	Amounts outstanding										
Total liabilities	**4,046**	**3,413**	**998**	**1,949**	**1,009**	**2,670**	**4,109**	**1,757**	**4,394**	**1,139**	**31,846**
to banks	2,732	2,432	691	973	615	1,515	2,055	1,082	2,381	615	18,836
to related foreign offices	1,151	1,385	204	451	312	913	941	487	1,647	104	9,174
to other banks	1,469	972	454	487	266	588	990	556	602	491	8,897
to official monetary institutions	113	76	33	35	37	15	124	38	133	20	765
to non-banks	1,313	981	307	976	395	1,155	2,055	676	2,012	524	13,010
US dollar	1,434	1,286	214	602	389	1,248	1,471	947	3,387	727	14,000
Euro	1,783	1,328	671	859	419	697	1,281	275	437	115	9,793
Other currencies	829	800	114	488	202	725	1,358	535	570	297	8,053
	Estimated exchange rate adjusted changes during the quarter[2]										
Total liabilities	**142**	**-52**	**37**	**18**	**-17**	**-30**	**233**	**-6**	**43**	**42**	**403**
to banks	89	-48	24	-42	-9	-14	110	-49	35	29	125
to related foreign offices	42	-34	19	-65	-8	-44	104	-16	66	5	73
to other banks	35	-24	-1	18	-6	25	0	-28	-8	26	46
to official monetary institutions	11	10	7	6	4	5	6	-5	-23	-2	7
to non-banks	54	-5	13	60	-8	-15	123	43	8	13	278
US dollar	27	-51	18	-2	-17	-66	101	-5	5	23	-59
Euro	93	24	34	16	1	19	75	6	-4	7	333
Other currencies	23	-25	-15	4	-2	17	57	-7	42	12	129

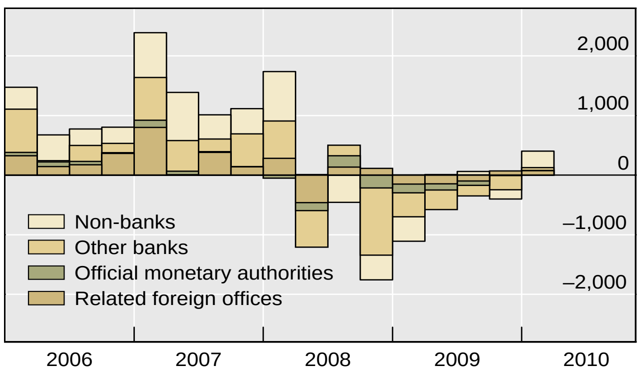
International positions of BIS reporting banks

Exchange rate adjusted changes in stocks

Claims by currency



Liabilities by sector of counterparty



[1] Detailed breakdowns and time series data are available at http://www.bis.org/statistics/bankstats.htm (Tables 8A–8B). [2] Taking into account exchange rate effects on outstanding balances in non-dollar currencies.

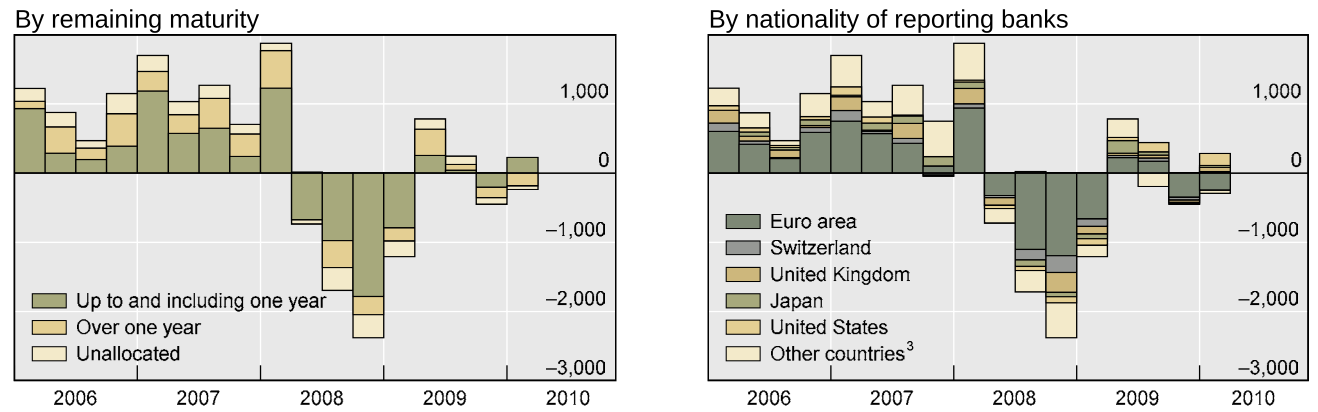
Table 2A: Consolidated claims, immediate borrower basis, March 2010[1]

Amounts outstanding, in billions of US dollars

	Vis-à-vis developed countries				Vis-à-vis offshore centres	Vis-à-vis emerging markets					All countries
	Total	United States	Euro area	Japan		Total	Africa	Asia	Europe	Latin America	
Foreign claims	**23,534**	**5,434**	**10,559**	**976**	**2,193**	**4,555**	**613**	**1,527**	**1,366**	**1,049**	**30,375**
International claims	**15,521**	**2,520**	**8,018**	**559**	**1,738**	**2,576**	**403**	**958**	**790**	**425**	**19,928**
Up to and including one year	7,906	883	3,824	451	832	1,234	191	588	270	185	9,991
Over one year	5,197	986	2,969	70	589	1,093	192	254	452	194	6,916
Unallocated by maturity	2,419	651	1,224	38	317	249	20	116	67	46	3,021
Local currency claims	**8,013**	**2,914**	**2,541**	**417**	**455**	**1,979**	**210**	**568**	**576**	**624**	**10,447**
Local currency liabilities	**6,210**	**2,527**	**1,863**	**314**	**420**	**1,456**	**197**	**405**	**357**	**497**	**8,087**
	Unadjusted changes during the quarter[2]										
Foreign claims	*-335*	*42*	*-352*	*-16*	*85*	*157*	*19*	*123*	*-24*	*40*	*-87*
International claims	*-188*	*34*	*-228*	*-35*	*79*	*97*	*13*	*81*	*-22*	*24*	*-7*
Local currency claims	*-147*	*8*	*-124*	*19*	*6*	*61*	*6*	*41*	*-2*	*16*	*-79*
Local currency liabilities	*82*	*74*	*20*	*19*	*-6*	*36*	*7*	*30*	*-7*	*5*	*112*
Nationality of reporting banks:	**Foreign claims**										
Domestically owned banks (total)	**19,681**	**5,153**	**8,402**	**713**	**2,115**	**4,291**	**572**	**1,391**	**1,322**	**1,005**	**26,175**
Euro area	9,875	1,771	5,295	243	515	2,153	234	329	1,079	511	12,588
Switzerland	1,343	642	328	83	154	132	24	62	18	28	1,635
United Kingdom	2,607	1,164	1,060	112	520	701	210	338	38	116	3,850
Japan	1,799	888	508	0	400	244	27	150	22	44	2,443
United States	1,814	0	704	256	308	642	51	321	59	212	2,765
Other countries[3]	2,243	688	507	18	217	419	26	191	107	95	2,895
Other foreign banks	**3,853**	**281**	**2,157**	**263**	**77**	**264**	**41**	**135**	**43**	**44**	**4,200**
	International claims, all maturities										
Domestically owned banks (total)	**11,668**	**2,239**	**5,861**	**296**	**1,660**	**2,312**	**362**	**823**	**747**	**381**	**15,728**
Euro area	6,016	772	3,489	97	453	1,128	168	234	565	161	7,641
Switzerland	694	149	305	40	146	106	21	49	17	18	951
United Kingdom	1,231	408	631	55	250	270	84	131	26	29	1,772
Japan	1,506	672	481	0	370	197	27	106	22	43	2,074
United States	1,243	0	632	94	271	339	37	184	34	84	1,853
Other countries[3]	978	239	322	10	170	273	25	119	83	46	1,437
Other foreign banks	**3,853**	**281**	**2,157**	**263**	**77**	**264**	**41**	**135**	**43**	**44**	**4,200**
	International claims, short-term										
Domestically owned banks (total)	**5,148**	**741**	**2,360**	**196**	**779**	**1,082**	**166**	**498**	**252**	**167**	**7,027**
Euro area	2,464	320	1,152	37	192	419	67	110	180	61	3,078
Switzerland	414	74	170	28	92	56	16	26	7	6	564
United Kingdom	580	159	322	35	134	140	37	76	15	12	858
Japan	183	70	58	0	40	67	7	49	5	6	290
United States	948	0	460	90	230	284	29	169	23	64	1,462
Other countries[3]	559	119	198	7	92	117	10	68	22	17	775
Other foreign banks	**2,758**	**142**	**1,465**	**254**	**54**	**152**	**25**	**90**	**18**	**18**	**2,964**

International claims of BIS reporting banks on an immediate borrower basis[4]

Changes in stocks[2]



[1] Detailed breakdowns and time series data are available at http://www.bis.org/statistics/consstats.htm and http://www.bis.org/statistics/consstatsweb.htm (Tables 9A–9B and CB10). [2] Quarterly difference in outstanding stocks, excluding effects of breaks in series. [3] Domestically owned banks in other reporting countries. [4] Worldwide consolidated positions of domestically owned banks and unconsolidated positions of foreign banks in 30 reporting countries.

Table 2B: Consolidated claims, ultimate risk basis, March 2010[1]

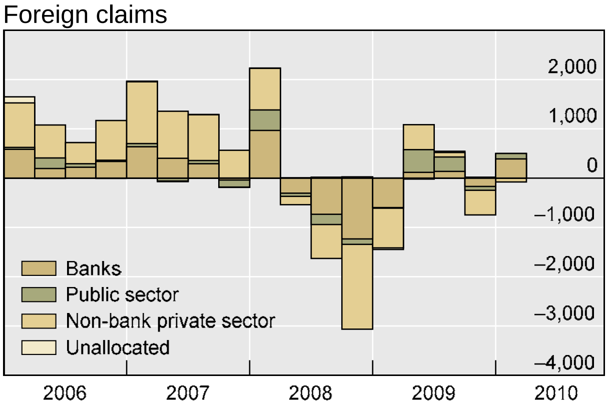
Amounts outstanding, in billions of US dollars

	Vis-à-vis developed countries				Vis-à-vis offshore centres	Vis-à-vis emerging markets					All countries
	Total	United States	Euro area	Japan		Total	Africa	Asia	Europe	Latin America	
Foreign claims	**19,677**	**5,175**	**8,422**	**756**	**1,659**	**4,118**	**544**	**1,317**	**1,283**	**975**	**25,531**
Banks	5,331	821	2,620	210	132	746	98	331	194	122	6,217
Public sector	3,607	961	1,797	312	157	969	91	279	270	329	4,791
Non-bank private sector	10,575	3,315	3,977	232	1,342	2,385	353	705	804	523	14,308
Unallocated	163	78	26	2	28	19	1	1	15	1	214
Cross-border claims	**11,019**	**2,311**	**5,864**	**275**	**1,098**	**1,807**	**320**	**663**	**516**	**309**	**13,995**
Local claims in all currencies	**8,658**	**2,864**	**2,558**	**481**	**561**	**2,312**	**224**	**654**	**767**	**667**	**11,535**
	Unadjusted changes during the quarter[2]										
Foreign claims	*218*	*97*	*-77*	*-5*	*70*	*134*	*19*	*101*	*-22*	*36*	*422*
Cross-border claims	*291*	*66*	*58*	*-29*	*65*	*82*	*15*	*66*	*-18*	*19*	*439*
Local claims in all currencies	*-73*	*31*	*-110*	*24*	*5*	*52*	*4*	*34*	*-4*	*18*	*-17*
Nationality of reporting banks[3]	**Foreign claims**										
Total	**19,677**	**5,175**	**8,422**	**756**	**1,659**	**4,118**	**544**	**1,317**	**1,283**	**975**	**25,531**
Euro area	9,742	1,776	5,228	252	430	2,064	218	292	1,053	501	12,267
France	2,968	573	1,693	157	131	431	118	107	166	40	3,538
Germany	2,630	516	1,311	52	167	325	47	78	166	34	3,129
Italy	706	52	575	…	17	208	11	15	175	6	936
Spain	860	192	269	2	25	395	5	6	9	375	1,282
Switzerland	1,377	661	366	74	108	123	19	58	17	29	1,616
United Kingdom	2,595	1,143	1,055	125	465	704	207	345	37	115	3,785
Japan	1,810	960	485	0	239	226	25	133	22	46	2,275
United States	2,205	0	854	287	263	637	52	319	57	209	3,105
Other countries	1,947	635	435	18	153	364	22	170	98	75	2,482
	Cross-border claims										
Total	**11,019**	**2,311**	**5,864**	**275**	**1,098**	**1,807**	**320**	**663**	**516**	**309**	**13,995**
Euro area	5,625	815	3,414	93	345	867	162	189	387	129	6,867
France	1,636	213	957	52	100	233	78	70	56	28	1,977
Germany	1,934	349	1,138	20	147	243	46	53	113	31	2,331
Italy	312	30	222	…	15	44	5	8	24	6	377
Spain	231	28	148	2	14	51	5	5	4	37	299
Switzerland	656	161	342	31	88	103	16	45	16	26	853
United Kingdom	1,187	385	625	43	166	209	61	103	23	22	1,583
Japan	1,522	755	457	0	205	164	25	73	22	44	1,890
United States	1,378	0	775	99	216	302	35	170	29	68	1,896
Other countries	652	194	251	9	78	162	20	84	39	19	906
	Other exposures[4, 5]										
Derivatives contracts	3,708	925	1,480	99	146	177	34	72	26	46	4,043
Guarantees extended	6,151	745	2,438	215	369	764	111	246	278	129	7,286
Credit commitments	2,828	944	954	53	314	594	88	171	132	203	3,739

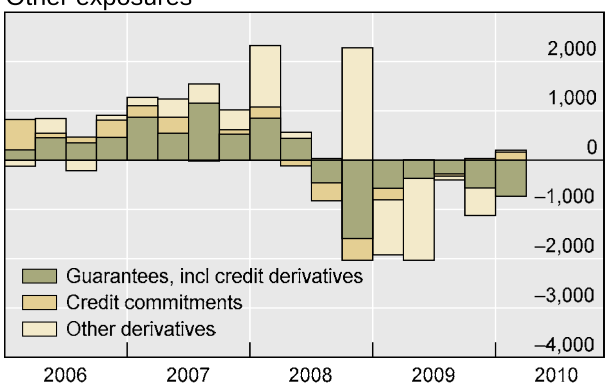
Consolidated claims and other exposures of BIS reporting banks on an ultimate risk basis

Changes in stocks[2]

Foreign claims



Other exposures[4, 5]



[1] Detailed breakdowns and time series data are available at http://www.bis.org/statistics/consstats/htm (Tables 9C–9D). [2] Quarterly difference in outstanding stocks, excluding effects of breaks in series. [3] Worldwide consolidated positions of domestically owned banks of 24 reporting countries. [4] Not included in foreign claims. [5] Derivatives relate to positive market values recorded as on- or off-balance sheet items. Credit commitments and guarantees are recorded as off-balance sheet items.

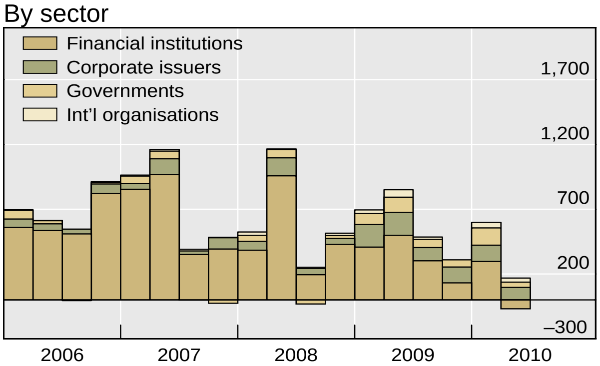
Table 3A: International debt securities issuance, June 2010[1]

In billions of US dollars

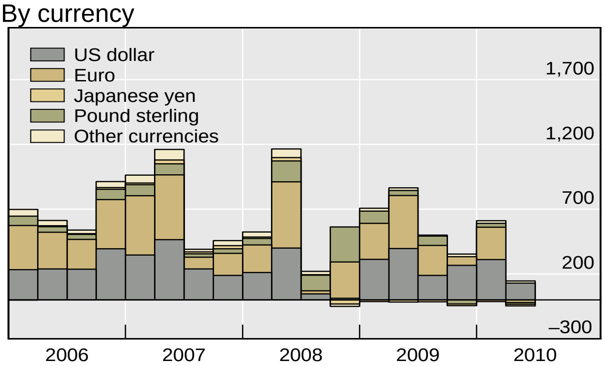
	Developed countries				Off-shore centres	Emerging markets					Int'l organi-sations	All countries
	Total	United States	Euro area	Japan		Total	Africa	Asia	Europe	Latin America		
	Amounts outstanding											
Total issues	**22,231**	**6,175**	**10,512**	**168**	**1,471**	**1,045**	**141**	**293**	**247**	**363**	**823**	**25,570**
Money market instruments	**836**	**77**	**444**	**2**	**23**	**8**	**0**	**6**	**0**	**1**	**10**	**877**
Financial institutions	772	76	397	2	23	7	0	6	0	1	0	802
Corporate issuers	33	2	25	0	0	0	0	0	0	0	0	33
Governments	31	0	23	0	0	0	0	0	0	0	0	31
US dollar	296	67	135	0	12	4	0	3	0	1	8	319
Euro	390	5	244	0	3	1	0	1	0	0	1	395
Other currencies	150	5	65	2	9	3	0	2	0	0	1	163
Bonds and notes	**21,395**	**6,098**	**10,068**	**166**	**1,448**	**1,037**	**141**	**287**	**247**	**362**	**813**	**24,693**
Financial institutions	17,023	4,699	7,946	118	1,350	254	40	134	29	52	0	18,627
Corporate issuers	2,770	1,388	780	45	59	259	43	89	33	94	0	3,088
Governments	1,602	11	1,342	2	39	524	58	65	185	217	0	2,164
US dollar	7,778	5,248	1,108	42	1,051	746	99	235	117	295	297	9,871
Euro	10,146	523	8,101	13	181	174	16	12	109	37	226	10,727
Other currencies	3,472	328	858	111	216	117	26	40	21	30	290	4,095
Floating rate	6,758	1,175	3,486	20	581	85	33	33	9	11	56	7,480
Straight fixed rate	14,308	4,815	6,478	107	807	897	101	209	236	350	758	16,769
Equity-related	329	108	104	39	60	55	7	44	2	1	0	443
	Net issuance during the quarter											
Total issues	**51**	**94**	**-26**	**-7**	**-12**	**30**	**2**	**2**	**9**	**17**	**31**	**99**
Money market instruments	**-26**	**15**	**-13**	**-1**	**-4**	**0**	**0**	**0**	**0**	**0**	**3**	**-27**
Financial institutions	-26	16	-15	-1	-4	0	0	0	0	0	0	-30
Corporate issuers	4	-1	4	0	0	0	0	0	0	0	0	4
Governments	-4	0	-2	0	0	0	0	0	0	0	0	-4
US dollar	-23	19	-22	0	1	-1	0	-1	0	0	3	-20
Euro	3	-4	7	0	-3	0	0	0	0	0	1	1
Other currencies	-6	0	2	-1	-2	0	0	0	0	0	-1	-8
Bonds and notes	**77**	**79**	**-13**	**-6**	**-8**	**30**	**2**	**2**	**9**	**17**	**27**	**126**
Financial institutions	-30	11	-32	-4	-9	-1	-3	0	-2	4	0	-39
Corporate issuers	76	68	12	-2	1	16	2	1	5	8	0	92
Governments	30	0	8	0	0	15	4	1	5	5	0	46
US dollar	102	98	-14	0	1	26	3	6	5	12	21	150
Euro	-27	-9	6	-1	-4	5	0	-1	4	2	3	-22
Other currencies	1	-9	-5	-5	-6	-1	0	-2	0	3	3	-2
Floating rate	-89	-16	-16	-1	-6	-6	-3	-3	-1	1	2	-99
Straight fixed rate	154	82	3	-3	1	36	5	5	10	16	26	216
Equity-related	12	14	-1	-2	-2	0	0	0	0	0	0	10
Memo: Announced international equity issuance	*78*	*40*	*15*	*1*	*4*	*35*	*3*	*16*	*5*	*13*	*0*	*117*

Net international debt securities issuance

By sector



By currency



[1] Detailed breakdowns and time series data, including for gross international debt securities issuance, are available at http://www.bis.org/statistics/secstats.htm (Tables 11, 12A–D, 13A–B, 14A–B, 15A–B and 17B).

Table 3B: Domestic debt securities issuance, March 2010[1]

In billions of US dollars

Amounts outstanding

	All countries	United States	Euro area	France	Germany	Italy	Spain	Other developed	Canada	Japan	United Kingdom
Total issues	**64,560**	**24,978**	**14,485**	**3,094**	**2,631**	**3,495**	**1,802**	**16,794**	**1,364**	**11,555**	**1,525**
Governments	34,685	9,982	6,762	1,621	1,477	1,898	563	12,624	952	9,764	1,194
Of which: short-term[2]	9,143	2,540	1,694	399	404	435	166	3,073	211	2,533	180
Financial institutions	22,923	12,158	5,725	1,194	811	1,121	593	3,127	261	1,044	310
Of which: short-term[2]	6,621	2,876	1,526	509	776	22	88	1,337	92	352	310
Corporate issuers	6,952	2,839	1,998	280	343	476	646	1,042	152	747	21
Of which: short-term[2]	631	109	185	71	39	1	29	125	11	94	1

	Emerging markets	Brazil	China	Chinese Taipei	Czech Republic	India	Malaysia	Mexico	South Africa	South Korea	Turkey
Total issues	**8,303**	**1,218**	**2,647**	**227**	**75**	**652**	**203**	**393**	**148**	**1,141**	**225**
Governments	5,317	787	1,478	136	51	560	103	231	93	471	224
Of which: short-term[2]	1,836	278	735	18	11	30	1	96	20	128	9
Financial institutions	1,914	422	776	31	16	76	42	131	31	317	0
Of which: short-term[2]	881	422	74	7	0	76	18	30	4	236	0
Corporate issuers	1,073	9	392	60	8	17	57	32	23	353	0
Of which: short-term[2]	212	9	76	24	0	17	3	2	1	73	0

Changes in stocks during the quarter

	All countries	United States	Euro area	France	Germany	Italy	Spain	Other developed	Canada	Japan	United Kingdom
Total issues	**687**	**33**	**185**	**145**	**6**	**46**	**-22**	**224**	**25**	**185**	**78**
Governments	1,183	514	129	37	30	53	-2	380	18	239	84
Of which: short-term[3]	150	50	-19	-11	-14	15	-2	54	-13	43	25
Financial institutions	-612	-542	34	88	-45	-6	4	-132	3	-27	-7
Of which: short-term[3]	-8	7	10	42	-17	0	-1	-37	-2	-12	-7
Corporate issuers	116	61	23	20	21	-2	-24	-24	3	-27	0
Of which: short-term[3]	3	16	12	12	0	0	0	-31	-1	-30	0

	Emerging markets	Brazil	China	Chinese Taipei	Czech Republic	India	Malaysia	Mexico	South Africa	South Korea	Turkey
Total issues	**245**	**9**	**81**	**7**	**-3**	**28**	**…**	**13**	**6**	**23**	**7**
Governments	161	1	18	4	-3	11	5	11	6	33	7
Of which: short-term[3]	66	0	22	0	0	0	0	0	2	0	0
Financial institutions	28	8	24	0	0	20	…	1	-1	-23	0
Of which: short-term[3]	12	8	0	1	0	20	…	-1	-2	-15	0
Corporate issuers	55	0	38	4	0	-3	…	1	1	14	0
Of which: short-term[3]	6	0	8	3	0	-3	…	-1	0	0	0

Changes in stocks of domestic debt securities

Governments | Other sectors[4]

Euro area: Austria, Belgium, Cyprus, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, the Netherlands, Portugal, Slovakia, Slovenia, Spain; Other developed countries: Australia, Canada, Denmark, Iceland, Japan, New Zealand, Norway, Sweden, Switzerland, the United Kingdom; Emerging markets: Argentina, Brazil, Bulgaria, Chile, China, Chinese Taipei, Colombia, Croatia, the Czech Republic, Egypt, Hong Kong SAR, Hungary, India, Indonesia, Lebanon, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Russia, Singapore, South Africa, South Korea, Thailand, Turkey, Venezuela.

[1] Detailed breakdowns and time series data are available at http://www.bis.org/statistics/secstats.htm (Tables 16A–16B and 17A). [2] Issues with a remaining maturity to final repayment of up to one year. [3] Money market instruments. [4] Financial institutions plus corporate issuers.

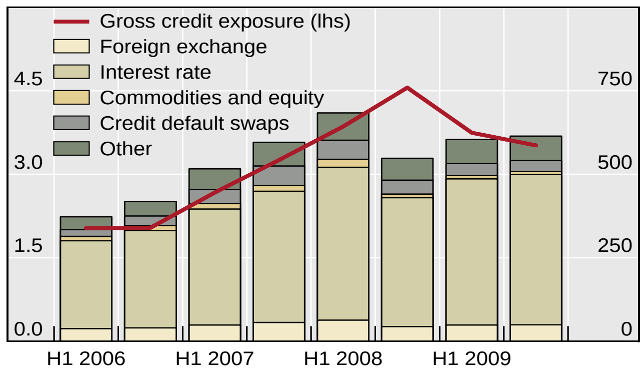
Table 4: Global OTC derivatives market, end-December 2009[1]

In billions of US dollars

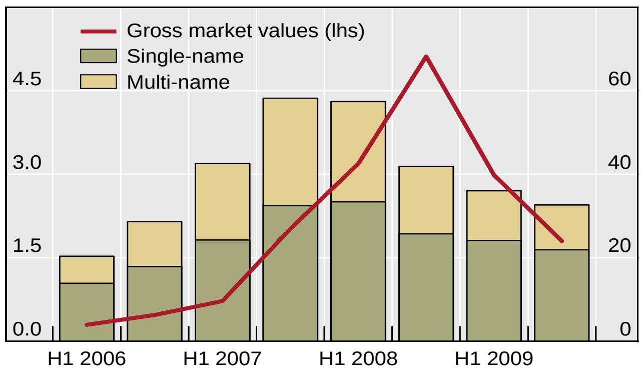
	Forwards and swaps				Options			
	Total	with reporting dealers	with other financial institutions	with non-financial customers	Total	with reporting dealers	with other financial institutions	with non-financial customers
	Notional amounts outstanding							
All contracts[2]	**541,656**	**168,395**	**324,410**	**46,720**	**72,351**	**32,962**	**31,840**	**6,335**
Foreign exchange	**39,638**	**14,795**	**17,779**	**7,064**	**9,543**	**4,101**	**3,666**	**1,775**
US dollar	33,381	13,324	14,994	5,064	7,540	3,318	2,827	1,395
Euro	17,075	5,850	7,562	3,663	3,289	1,353	1,203	734
Japanese yen	7,259	3,339	2,804	1,117	3,979	1,890	1,419	670
Pound sterling	5,386	1,774	2,411	1,200	543	215	201	127
Other	16,176	5,303	7,787	3,085	3,734	1,426	1,683	625
Up to one year	24,767	9,635	10,194	4,938	5,847	2,681	1,965	1,201
Over one year	14,871	5,160	7,585	2,126	3,696	1,420	1,701	575
Memo: Exchange-traded[3]	*181*	.	.	.	*147*	.	.	.
Interest rate	**401,067**	**115,346**	**253,510**	**32,210**	**48,808**	**23,233**	**22,178**	**3,397**
US dollar	138,074	42,995	84,439	10,640	15,299	6,603	7,395	1,302
Euro	150,432	36,618	103,562	10,253	25,358	12,657	11,227	1,475
Japanese yen	50,348	17,148	26,860	6,340	3,507	2,167	1,200	140
Pound sterling	31,548	7,885	20,896	2,767	2,710	1,011	1,504	195
Other	30,666	10,702	17,753	2,211	1,933	796	852	286
Up to one year	168,641	57,284	90,265	21,092	11,366	5,845	4,287	1,234
Over one year	232,426	58,062	163,246	11,118	37,441	17,389	17,891	2,162
Memo: Exchange-traded[3]	*20,628*	.	.	.	*46,429*	.	.	.
Equity	**1,652**	**413**	**953**	**287**	**4,285**	**1,688**	**2,191**	**406**
Memo: Exchange-traded[3]	*965*	.	.	.	*4,807*	.	.	.
Commodities	**1,876**	**...**	**...**	**...**	**1,068**	**...**	**...**	**...**
Credit default swaps	**32,693**	**17,717**	**13,400**	**1,575**	**...**	**...**	**...**	**...**
Unallocated	**64,730**	**20,124**	**38,769**	**5,583**	**8,646**	**3,939**	**3,805**	**757**
	Gross market values							
All contracts	**18,445**	**5,381**	**11,730**	**1,334**	**2,524**	**1,252**	**1,030**	**241**
Foreign exchange	**1,726**	**567**	**778**	**381**	**343**	**165**	**111**	**67**
US dollar	1,388	495	625	267	274	137	85	52
Euro	780	216	360	204	84	35	25	24
Japanese yen	347	142	139	66	192	106	49	37
Pound sterling	269	71	114	84	13	5	4	3
Other	669	209	319	141	124	48	56	20
Interest rate	**12,656**	**3,261**	**8,729**	**666**	**1,364**	**709**	**585**	**71**
US dollar	4,813	1,274	3,299	241	533	267	239	27
Euro	5,412	1,289	3,850	273	661	356	276	28
Japanese yen	780	280	462	38	63	40	21	2
Pound sterling	959	196	688	75	79	33	38	9
Other	692	223	429	40	27	12	11	4
Equity	**176**	**33**	**105**	**38**	**531**	**237**	**219**	**76**
Credit default swaps	**1,801**	**912**	**792**	**97**	**...**	**...**	**...**	**...**
Unallocated	**2,085**	**608**	**1,326**	**151**	**285**	**142**	**116**	**27**

Global OTC derivatives[4]

Notional amounts outstanding by risk category



Credit default swaps



[1] Detailed breakdowns and time series data are available at http://www.bis.org/statistics/derstats.htm (Tables 19, 20A–C, 21A–C, 22A–C and 23A–B). [2] Due to incomplete counterparty breakdowns for the commodity derivatives, components do not add up to the total. [3] Futures and options. Data on exchange-traded and OTC derivatives are not directly comparable; the former refers to open interest while the latter refers to gross positions. [4] In trillions of US dollars.

Notes to tables

Data for the most recent period are provisional. Data on changes in stocks have been calculated by converting the relevant stocks into their original currencies using end-of-period exchange rates and subsequently converting the changes in stocks into US dollar amounts using period average rates. Flow and turnover data have been calculated by converting flows and turnover in original currencies into US dollar amounts using period average exchange rates.

Tables 1A–1B The data in Tables 1A–1B (the locational BIS banking statistics) cover banks' unconsolidated gross international on-balance sheet assets and liabilities. These data are based on the residence of the reporting institution and therefore measure the activities of all banking offices residing in each reporting country. Such offices report exclusively on their own unconsolidated business, which thus includes international transactions with any of their own affiliates. BIS reporting banks include banks residing in the G10 countries, plus Australia, Austria, the Bahamas, Bahrain, Bermuda, Brazil, the Cayman Islands, Chile, Chinese Taipei, Cyprus, Denmark, Finland, Greece, Guernsey, Hong Kong SAR, India, Ireland, Isle of Man, Jersey, Korea, Luxembourg, Macao SAR, Malaysia, Mexico, the Netherlands Antilles, Norway, Panama, Portugal, Singapore, South Africa, Spain and Turkey. Breakdowns by currency are compiled from actual reported data and do not include any estimates done by the BIS for reporting countries that provide incomplete or partial currency information. Table 1A provides aggregated figures by residence of banks in all reporting countries. Table 1B provides figures by nationality of banks in reporting countries. The nationality statistics are prepared by regrouping the locational data into categories based on the control or ownership of the banking offices in question. Thus, for a reporting country, total assets and total liabilities of all banks reported under locational by residence statistics should be equal to the total assets and total liabilities of all banks reported under nationality statistics. Locational by residence data of Mexico and "Non-US banks in Bahamas" relate to 2009Q4. Locational by nationality data of Bahamas relate to 2009Q4. Detailed tables, including time series data in CSV files, guidelines and information on breaks in series in the locational banking statistics, are available on the BIS website under http://www.bis.org/statistics/bankstats.htm.

Tables 2A–2B The consolidated statistics are based mainly on the country of incorporation of the reporting institutions and measure the international lending activities of banks' head offices in the reporting countries and all their offices at home and abroad, with positions between offices of the same bank being netted out. The data in Table 2A cover BIS reporting banks' worldwide consolidated claims on an immediate borrower basis. These contractual claims are not adjusted for risk mitigants, such as guarantees and collateral. The 30 reporting countries comprise the G10 countries plus Australia, Austria, Brazil, Chile, Chinese Taipei, Denmark, Finland, Greece, Hong Kong SAR, India, Ireland, Luxembourg, Mexico, Norway, Panama, Portugal, Singapore, Spain and Turkey. The data in Table 2B cover BIS reporting banks' worldwide consolidated claims on an ultimate risk basis. These contractual claims are adjusted for risk mitigants, such as guarantees and collateral. The reporting population is a subset of 24 countries which reports both sets of data and comprises Australia, Austria, Belgium, Canada, Chile, Chinese Taipei, Finland, France, Germany, Greece, India, Ireland, Italy, Japan, the Netherlands, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The data in Table 2A cover both foreign and international claims, while Table 2B covers foreign claims only. International claims are defined as BIS reporting banks' cross-border claims in all currencies plus the local claims of their foreign affiliates in foreign currency. Foreign claims include, in addition, reporting banks' foreign affiliates' local claims in local currency, as shown below.

Types of claims

A	B	C	D
Cross-border claims	Local claims of foreign affiliates in foreign currency	Local claims of foreign affiliates in local currency	Domestic claims in the reporting country

International claims (A + B)

Foreign claims (A + B + C)

The shaded area indicates claims excluded from the consolidated banking statistics; bold italics indicate claims published within the consolidated banking statistics.

Austria and Portugal report on a partially consolidated basis. Detailed information on breaks in series in the consolidated banking statistics is available on the BIS website under http://www.bis.org/statistics/breakstables.pdf. The first quarter data of Mexico has been rolled forward from the fourth quarter of 2009.

Tables 3A–3B

The methodology used to compile the international and domestic debt securities statistics and a description of the coverage can be found on pages 13 to 17 of the *Guide to the international financial statistics*, available at http://www.bis.org/publ/bispap14.htm.

The sectoral breakdown presents data based on the sector of the borrower itself and not on the sector of the parent company of the borrower or any guarantor. "Governments" comprise central governments, other governments and central banks. "Financial institutions" comprise commercial banks and other financial institutions.

The international debt securities data include "repackaged securities", for example the new global issues of Argentina, resulting from the April 2005 exchange offer.

Table 4

The data in Table 4 cover the activity recorded in the global over-the-counter (OTC) and exchange-traded derivatives markets. The data on exchange-traded derivatives are obtained from market sources, while those on OTC derivatives are based on the reporting to the BIS by central banks in major financial centres that in turn collect the information on a consolidated basis from reporting dealers headquartered in their respective countries.

The data on OTC derivatives are available in terms of notional amounts outstanding, gross market values and gross credit exposure. Gross credit exposure excludes credit default swap contracts for all countries except the United States. These statistics are adjusted for inter-dealer double-counting and cover foreign exchange, interest rate, equity, commodity and credit derivatives.

For the exchange-traded derivatives, data on open interest measured in terms of US dollars are available for the main financial derivatives contracts (interest rate, currency and equity-linked derivatives).

Information on the methodology used to compile these statistical sets and a more detailed description of their coverage can be found on pages 18 to 21 of the *Guide to the international financial statistics*, available at http://www.bis.org/publ/bispap14.htm.

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Recent BIS publications[1]

BIS Papers

The international financial crisis and policy challenges in Asia and the Pacific
July 2010

http://www.bis.org/publ/bppdf/bispap52.htm

This volume is a collection of the speeches, presentations and papers from a conference on "The international financial crisis and policy challenges in Asia and the Pacific". The event was co-hosted by the People's Bank of China (PBC) and the Bank for International Settlements (BIS) to mark the formal completion of the BIS Asian Research Programme. It was held on 6-8 August 2009 in Shanghai, China, at the same location where the establishment of the Programme was first announced in 2006. Senior officials from all 12 Asian Consultative Council (ACC) central banks, as well as academic scholars and economists from the BIS Representative Office for Asia and the Pacific attended the conference. The formal addresses included speeches by Jaime Caruana, General Manager of the BIS, Zeti Akhtar Aziz, Chair of the ACC and Governor of the Central Bank of Malaysia, and Zhou Xiaochuan, Governor of the PBC. The conference provided an opportunity to re-examine the existing approaches to preserving monetary and financial stability in Asia and the Pacific, in the light of the lessons of the international financial crisis. Even though the impact of the crisis was more muted in this region than elsewhere, there are many lessons to be learned.

Working Papers

Ageing and asset prices
Előd Takáts

http://www.bis.org/publ/work318.htm

The paper investigates how ageing will affect asset prices. A small model is used to show that economic and demographic factors drive asset, and in particular house, prices. These factors are estimated in a panel regression framework encompassing BIS real house price data from 22 advanced economies between 1970 and 2009. The estimates show that demographic factors affect real house prices significantly. Combining the results with UN population projections suggests that ageing will lower real house prices substantially over the next forty years. The headwind is around 80 basis points per annum in the United States and much stronger in Europe and Japan. Based on the analysis, global asset prices are likely to face substantial headwinds from ageing.

Countercyclical capital buffers: exploring options
Mathias Drehmann, Claudio Borio, Leonardo Gambacorta, Gabriel Jimenez and Carlos Trucharte

http://www.bis.org/publ/work317.htm

This paper provides some general lessons for the design of countercyclical capital buffers. Its main empirical contribution is to analyse conditioning variables which could guide the build-up and release of capital. A major distinction for countercyclical capital schemes is whether conditioning variables are bank-specific or system-wide. The evidence presented in the paper indicates that the idiosyncratic component can be sizeable when a bank-specific approach is used. This makes a system-wide approach preferable, for which the best variables as signal for the pace and size of the accumulation of the buffers are not necessarily the best for the timing and intensity of the release. The credit-to-GDP ratio seems best for the build-up phase. Some measure of aggregate losses, possibly combined with indicators of credit conditions, seem to perform well for signalling the beginning of the release phase. Nonetheless, the analysis indicates that designing a fully rule-based mechanism may not be possible at this stage as some degree of judgment seems inevitable. A parallel exercise indicates that reducing the sensitivity of the minimum capital requirement is an important element of a credible countercyclical buffer scheme.

Funding liquidity risk: definition and measurement
Mathias Drehmann and Kleopatra Nikolaou

http://www.bis.org/publ/work316.htm

Funding liquidity risk has played a key role in all historical banking crises. Nevertheless, a measure based on publicly available data remains so far elusive. We address this gap by showing that aggressive bidding at central bank auctions reveals funding liquidity risk. We can extract an insurance premium from banks' bids which we propose as measure of funding liquidity risk. Using a unique data set consisting of all bids in the main refinancing operation auctions conducted at the ECB between June 2005 and October 2008 we find that funding liquidity risk is typically stable and low, with occasional spikes, especially around key events during the recent crisis. We also document downward spirals between funding liquidity risk and market liquidity. As measurement without clear definitions is impossible, we initially provide definitions of funding liquidity and funding liquidity risk.

The determinants of cross-border bank flows to emerging markets: new empirical evidence on the spread of financial crises
Sabine Herrmann and Dubravko Mihaljek
http://www.bis.org/publ/work315.htm

[1] Requests for publications should be addressed to: Bank for International Settlements, Press & Communications, Centralbahnplatz 2, CH-4002 Basel. These publications are also available on the BIS website (www.bis.org).

This paper studies the nature of spillover effects in bank lending flows from advanced to the emerging market economies and identifies specific channels through which such effects occur. Based on a gravity model we examine a panel data set on cross-border bank flows from 17 advanced to 28 emerging market economies in Asia, Latin America and central and eastern Europe from 1993 to 2008. The empirical analysis suggests that global as well as country specific factors are significant determinants of cross-border bank flows. Greater global risk aversion and expected financial market volatility seem to have been the most important factors behind the decrease in cross-border bank flows during the crisis of 2007-08. The decrease in cross-border loans to central and eastern Europe was more limited compared to Asia and Latin America, in large measure because of the higher degree of financial and monetary integration in Europe, and relatively sound banking systems in the region. These results are robust to various specification, sub-samples and econometric methodologies.

Chronicle of currency collapses: re-examining the effects on output
Matthieu Bussière, Sweta C Saxena and Camilo Tovar

http://www.bis.org/publ/work314.htm

The impact of currency collapses (ie large nominal depreciations or devaluations) on real output remains unsettled in the empirical macroeconomic literature. This paper provides new empirical evidence on this relationship using a dataset for 108 emerging and developing economies for the period 1960-2006. We provide estimates of how these episodes affect growth and output trend. Our main finding is that currency collapses are associated with a permanent output loss relative to trend, which is estimated to range between 2% and 6% of GDP. However, we show that such losses tend to materialise before the drop in the value of the currency, which suggests that the costs of a currency crash largely stem from the factors leading to it. Taken on its own (ie ceteris paribus) we find that currency collapses tend to have a positive effect on output. More generally, we also find that the likelihood of a positive growth rate in the year of the collapse is over two times more likely than a contraction; and that positive growth rates in the years that follow such episodes are the norm. Finally, we show that the persistence of the crash matters, ie one-time events induce exchange rate and output dynamics that differ from consecutive episodes.

Banks and financial intermediation in emerging Asia: reforms and new risks
Madhusudan Mohanty and Philip Turner

http://www.bis.org/publ/work313.htm

The conventional view is that microeconomic reforms after the 1997-98 Asian financial crisis have greatly strengthened banking systems in Asia. Banks have become better capitalised, external exposures have been reduced and credit risk has been managed more effectively. But this conventional view does not take enough account of the macroeconomic background. A sharp rise in domestic savings, combined with the recent large-scale sterilised intervention and easy monetary policy, has led to very easy financing conditions for banks. Bank credit expanded. Banks have accumulated a large stock of government bonds. How these conditions will change and how this will affect banks in Asia is uncertain. Supervisory authorities therefore need to be sure that the present very liquid position of most banking systems in Asia does not allow significant (but so far only latent) increases in market and credit risk to go undetected.

China's high saving rate: myth and reality
Guonan Ma and Wang Yi

http://www.bis.org/publ/work312.htm

The saving rate of China is high from many perspectives - historical experience, international standards and the predictions of economic models. Furthermore, the average saving rate has been rising over time, with much of the increase taking place in the 2000s, so that the aggregate marginal propensity to save exceeds 50%. What really sets China apart from the rest of the world is that the rising aggregate saving has reflected high savings rates in all three sectors - corporate, household and government. Moreover, adjusting for inflation alters interpretations of the time path of the propensity to save in the three sectors. Our evidence casts doubt on the proposition that distortions and subsidies account for China's rising corporate profits and high saving rate. Instead, we argue that tough corporate restructuring (including pension and home ownership reforms), a marked Lewis-model transformation process (where the average wage exceeds the marginal product of labour in the subsistence sector) and rapid ageing process have all played more important roles. While such structural factors suggest that the Chinese saving rate will peak in the medium term, policies for job creation and a stronger social safety net would assist the transition to more balanced domestic demand.

Resolving the financial crisis: are we heeding the lessons from the Nordics?
Claudio Borio, Bent Vale and Goetz von Peter

http://www.bis.org/publ/work311.htm

How does the management and resolution of the current crisis compare with the response of the Nordic countries in the early 1990s, widely regarded as exemplary? We argue that, while intervention has been prompter, the measures taken so far remain less comprehensive and in-depth. In particular, the cleansing of balance sheets has proceeded more slowly, and less attention has been paid to reducing excess capacity and avoiding competitive distortions. In general, policymakers have given higher priority to sustaining aggregate demand in the short term than to encouraging adjustment in the financial sector and containing moral hazard. We argue that three factors largely explain this outcome: the more international nature of the crisis; the complexity of the instruments involved; and, hardly appreciated so far, the effect of accounting practices on the dynamics of the events, reflecting in particular the prominent role of fair value accounting (and mark to market losses) in relation to amortised cost accounting for loan books. There is a risk that the policies followed so far may delay the establishment of the basis for a sustainably profitable and less risk-prone financial sector.

Basel Committee on Banking Supervision

Proposal to ensure the loss absorbency of regulatory capital at the point of non-viability - consultative document
August 2010

http://www.bis.org/publ/bcbs174.htm

The Basel Committee on Banking Supervision has issued for consultation a proposal to ensure that all regulatory capital instruments are able to absorb losses in the event that the issuing bank reaches the point of non-viability. It is based on a requirement that the contractual terms of capital instruments will allow them at the option of the regulatory authority to be written-off or converted to common shares in the event that a bank is unable to support itself in the private market in the absence of such conversions.

The proposal is an important element of finalising the Committee's package of measures to strengthen the resilience of the banking sector, set out in the December 2009 consultative document Strengthening the resilience of the banking sector.

The Committee welcomes comments on all aspects of this proposal by Friday 1 October 2010. Comments should be submitted by post (Secretariat of the Basel Committee on Banking Supervision, Bank for International Settlements, CH-4002 Basel, Switzerland) or email (baselcommittee@bis.org). Comments may be published on the Bank for International Settlements' website unless a commenter specifically requests anonymity.

An assessment of the long-term economic impact of stronger capital and liquidity requirements
August 2010

http://www.bis.org/publ/bcbs173.htm

The Financial Stability Board (FSB) and Basel Committee on Banking Supervision (BCBS) today published reports prepared as inputs to the calibration of the new bank capital and liquidity standards and to inform the transition arrangements for implementation of the new standards.

The two reports are "An assessment of the long-term economic impact of stronger capital and liquidity requirements," prepared by the Basel Committee, and "Assessing the macroeconomic impact of the transition to stronger capital and liquidity requirements ", the interim report of the joint FSB-BCBS Macroeconomic Assessment Group (MAG). Together, the two reports provide an assessment of both the net economic impact of stronger capital and liquidity reforms once implementation is complete and the macroeconomic implications during the transition to full implementation.

The Basel Committee's assessment of the long-term economic impact finds that there are clear net long term economic benefits from increasing the minimum capital and liquidity requirements from their current levels in order to raise the safety and soundness of the global banking system. The benefits of higher capital and liquidity requirements accrue from reducing the probability of financial crisis and the output losses associated with such crises. The benefits substantially exceed the potential output costs for a range of higher capital and liquidity requirements.

The FSB-BCBS MAG assessment of the macroeconomic transition costs, prepared in close collaboration with the International Monetary Fund, concludes that the transition to stronger capital and liquidity standards is likely to have a modest impact on aggregate output. If higher requirements are phased in over four years, the group estimates that each one percentage point increase in bank's actual ratio of tangible common equity to risk-weighted assets will lead to a decline in the level of GDP relative to its baseline path by about 0.20% after implementation is completed. In terms of growth rates, this means that the annual growth rate would be reduced by an average of 0.04 percentage points over a four and a half year period, with a range of results around these point estimates. A 25% increase in liquid asset holdings is found to have an output effect less than half that associated with a one-percentage point increase in capital ratios. The projected impacts arise mainly from banks passing on higher costs to borrowers, which results in a slowdown in investment. A two-year implementation period leads to a slightly larger reduction from the baseline path, with the trough occurring after two and a half years, while extending the implementation period beyond four years makes little difference. In all of these estimates, GDP returns to its baseline path in subsequent years.

Principles countercyclical capital buffer proposal - consultative document
July 2010

http://www.bis.org/publ/bcbs172.htm

The agreement of the Group of Central Bank Governors and Heads of Supervision, set out in its 7 September 2009 press release, included a commitment to introduce a framework for countercyclical capital buffers above the minimum requirement. Subsequently, the Basel Committee agreed that a building block approach should be adopted to organise the work on procyclicality. The aim of this approach was to align the development of tools to address procyclicality according to a specific set of objectives. The four key objectives identified by the Committee were set out as follows in the December 2009 Consultative Document Strengthening the resilience of the banking sector: dampen any excess cyclicality of the minimum capital requirement; promote more forward looking provisions; conserve capital to build buffers at individual banks and the banking sector that can be used in stress; and

achieve the broader macroprudential goal of protecting the banking sector from periods of excess credit growth.

The December 2009 Consultative Document included a proposal for a capital conservation buffer to address the third objective above and set out some potential elements of a regime to address the fourth objective. The Macro Variables Task Force (MVTF) was formed to further develop a proposal to address the fourth objective with the goal of providing a fully detailed proposal for review by the Basel Committee at its July 2010 meeting. The proposal takes into consideration the formal feedback on a summary of the broad concept of a countercyclical buffer contained in the December Consultative Document.

Committee on the Global Financial System

Long-term issues in international banking
July 2010

http://www.bis.org/publ/cgfs41.htm

This International banking has been an important driver of financial globalisation and integration, thus contributing to welfare gains over time and across countries. During the recent crisis, however, the plight of many internationally active banks epitomised the fragility of the financial system. This underscored the importance of a proper understanding of the drivers and effects of cross-border intermediation.

This report - prepared by a Study Group chaired by Hans-Helmut Kotz, formerly of the German Bundesbank - documents general trends in the historical evolution of international banking, discusses various drivers of this evolution and examines the impact of international banking on financial stability and the macroeconomy. It also analyses possible future developments in cross-border intermediation, paying particular attention to the interplay between market- and bank-based activities.

Research on global financial stability: the use of BIS international financial statistics
June 2010

http://www.bis.org/publ/cgfs40.htm

One of the lessons of the global financial crisis which started in August 2007 is the crucial importance for policy makers and supervisors of having access to a wide range of reliable, timely and detailed financial statistics. The BIS has long been playing a pioneering role in collecting and providing, under the auspices of the Committee on the Global Financial System (CGFS), financial statistics which have been actively used to better understand the crisis and international financial trends and linkages. To take stock of how BIS international financial statistics have helped academic and central bank researchers to improve our understanding of global financial stability issues, the CGFS sponsored a second workshop on "Research on global financial stability: the use of BIS international financial statistics". The event was held in December 2008 in Basel and this volume contains papers presented at the workshop.

Speeches

General Manager's statement

Statement by Mr Jaime Caruana, General Manager of the BIS, at the BIS press conference on the occasion of the Bank's Annual General Meeting, Basel, 28 June 2010.

http://www.bis.org/speeches/sp100628b.htm

This year's BIS Annual Report focuses on the legacy of the financial crisis. The exceptional measures taken worldwide over the past two years succeeded in preventing a financial system meltdown and in bringing to an end the great contraction in global economic activity.

But policy challenges today are no less daunting than they were a year ago. The room for manoeuvre for macroeconomic policies has narrowed. Most advanced economies are reaching the limits of fiscal expansion. The essential task of reducing leverage and repairing balance sheets is not finished. Extraordinary measures seek to help an orderly adjustment, but we must recognise that some of them are delaying the necessary changes.

Steering economic policy in such circumstances requires a delicate balance. A well-articulated medium-term perspective is needed to guide all policies - including those aimed at supporting a still-fragile recovery and keeping the financial system operating. Policymakers also have to foster adjustment in the financial sector and the development of a less credit-dependent growth model.

The specific policy measures that are needed will vary according to the different circumstances in each country. The scale of fiscal problems and the strength of local banking systems differ across countries. There is therefore no single policy prescription for all.

Let me underline three broad policy challenges.

First, a convincing start needs to be made to reducing fiscal deficits in the advanced economies. In many countries, growth can no longer be sustained by fiscal expansion and front-loaded fiscal consolidation is required. Recent announcements of fiscal consolidation plans and targets by a number of countries are therefore welcomed. The alternative of having to cope with the financial and macroeconomic disruption from a sudden loss of market confidence would be far worse.

Over the past year, growth in many emerging market economies has recovered strongly. This has helped to improve global demand conditions. But inflation and capital inflow pressures in many of these economies are now raising difficult policy dilemmas. A more flexible exchange rate could help relieve inflation pressure in some countries, as well as promote more balanced global growth.

The second challenge is that authorities must foster the necessary strengthening of balance sheets in the financial sector. This is the precondition for restoring financial stability and scaling back public sector involvement in financial intermediation. Banks have raised new equity capital, but some are still not well positioned to absorb the losses and risks that may lie ahead. In addition, some banks have yet to make transparent the scale of losses already on their balance sheets, and remain too dependent on very short-term borrowing.

Exceptional government and central bank support was needed to quell the enormous uncertainty and market disruption during the crisis. But keeping support measures in place over a long period creates moral hazard. The public sector must actively promote adjustment to a more stable financial sector.

Third, we need to finalise international agreements on the reform of financial regulation. A coherent global financial stability framework is a precondition for a safer, more resilient financial system. It is therefore very encouraging that the Financial Stability Board has made considerable progress on its reform agenda.

The Basel Committee is well advanced in its preparation of regulatory reforms addressing the core elements of bank soundness - capital, liquidity and leverage. The Committee's reforms are being prepared in consultation with the industry, and the measures are undergoing rigorous quantitative testing, including a macroeconomic impact study.

A sustained global recovery requires a stable and resilient financial system. The long-term benefits of lowering the probability and cost of financial crisis are substantial, and the reforms will quickly generate significant benefits from enhanced resilience. The new regulations need to be phased-in in a way that is compatible with the ongoing recovery. According to preliminary estimates, the net impact on global output during the phasing-in of the new regulatory regime is likely to be small and transitory.

Finally, the role of macroeconomic stabilisation policies - that is, monetary and fiscal policy - in ensuring financial stability must be recognised. Unsustainably high fiscal deficits can quickly destabilise financial markets. And long periods of extremely low policy rates give rise to financial stability risks. This means that, in order to play their financial stability roles effectively, central banks need realistic financial stability objectives and effective tools that are consistent with their monetary policy responsibilities.

Let me conclude. In today's fragile economic and financial environment, rebuilding confidence is an enormous challenge. We cannot wait for stronger global growth to facilitate policy adjustment. Credible actions for meaningful fiscal adjustment and for restructuring the financial system would boost confidence. Finalising international agreements on regulatory reform on schedule will reduce uncertainty and also send a positive signal, not only to markets, but also to the public at large.

Recently announced policy measures represent significant steps in the right direction: fiscal consolidation in some countries, the publication of stress test results for European banks, and the support of the G20 for the regulatory reform agenda are all important steps forward

The expanding role of central banks since the crisis: what are the limits?

Speech by Mr Hervé Hannoun, Deputy General Manager of the Bank for International Settlements, at the 150th Anniversary of the Central Bank of the Russian Federation, Moscow, 18 June 2010

http://www.bis.org/speeches/sp100622.htm

The role of central banks has expanded considerably since the crisis. Central banks are now expected not only to ensure price stability, but also to have a mandate for financial stability and systemic risk oversight. The broader role of central banks in promoting financial stability is a permanent and welcome development. But central banks also expanded their role during the crisis by intervening directly in some key financial markets. While the unconventional measures have on the whole been effective, they may also have some undesirable side effects - in particular, the risk that market participants may come to expect central banks to stay involved in shaping the long-term segment of the yield curve. Large-scale central bank intervention in financial markets should therefore remain an exceptional development and not become a new permanent policy tool.

Macroprudential policy: what we have learned and where we are going

Keynote speech by Mr Jaime Caruana, General Manager of the BIS, at the Second Financial Stability Conference of the International Journal of Central Banking, Bank of Spain, Madrid, 17 June 2010.

http://www.bis.org/speeches/sp100618a.htm

Experience suggests that pre-emptive prudential measures can make financial institutions and markets more resilient to systemic risk and perhaps moderate credit and asset price booms as well. Central banks can play a prominent role in such macroprudential policies.

To guide their contribution to macroprudential policy, central banks need to adopt a strategy that will make them accountable. Research is needed to improve measures of both the time and cross-sectional dimensions of systemic risk, as well as to enhance knowledge of the effectiveness of specific policy instruments in mitigating it.

The promotion of financial stability requires a broad policy framework, in which prudential policy plays only a part. Contributions must be made by macroeconomic policies, both monetary and fiscal, as well as the institutional framework for effective enforcement of regulation and monitoring. International cooperation is needed on all of these fronts.

Making OTC derivatives less OTC

Remarks by Mr Stephen G Cecchetti, Economic Adviser and Head of Monetary and Economic Department of the BIS, prepared for the conference "The Squam Lake Report: Fixing the Financial System", New York, 16 June 2010

http://www.bis.org/speeches/sp100616.htm

The Squam Lake report 2 provides recommendations to, among other things, (i) protect against a systemic failure arising from a failure in the credit default swap (CDS) market, (ii) improve transparency in the CDS market and (iii) reduce the risk of runs on prime brokers and dealers. The recommendations focus on the use of central counterparties (CCPs), derivatives trade reporting, stricter regulation of liquidity requirements for dealers, and segregation of customer assets. Additional steps that would help further the goals of the report are: move end user derivatives trades onto CCPs; adopt standardised exchange traded derivatives for all risk types covered by OTC derivatives and higher regulatory capital requirements for non-standardised contracts; and establish safety-related registration of all financial products.

Current efforts to enhance global financial supervision

Remarks by Mr Stephen G Cecchetti, Economic Adviser and Head of Monetary and Economic Department of the BIS, prepared for the Federal Reserve Bank of San Francisco Asia Banking and Finance Conference, 7-8 June 2010

http://www.bis.org/speeches/sp100608.htm

The recent financial crisis highlighted the costs of international financial integration. Problems spread rapidly across borders, and some banks had to scramble to fund large open foreign currency positions. A strengthened regulatory framework is required if the future benefits of global financial integration are to outweigh the costs. Absent a global supranational authority, this framework is likely to be formulated and agreed by national authorities, with the appropriate flexibility to allow local situations to be addressed. While substantial progress has been made in strengthening regulation of institutions, notably through enhanced capital and liquidity buffers, the framework should also tackle instruments, probably via some form of product registration, and infrastructure (eg via moves to establish central counterparties). One area not yet adequately addressed is the application of regulatory standards to institutions and markets outside the banking sector. The costs of an improved regulatory framework are likely to be modest, especially when compared to those of financial instability.