

# Statistical Annex

## The international banking market

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## 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).<sup>1</sup>

### 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 55 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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<sup>1</sup> 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, June 2011<sup>1</sup>**

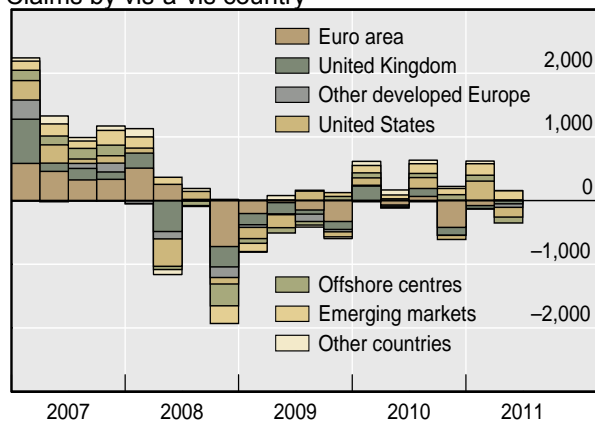
In billions of US dollars

	Vis-à-vis developed countries	Vis-à-vis offshore centres	Vis-à-vis emerging markets					All countries
			Total	Africa	Asia	Europe	Latin America	
<b>Amounts outstanding</b>								
<b>Total claims</b>	<b>26,650</b>	<b>4,490</b>	<b>3,823</b>	<b>512</b>	<b>1,670</b>	<b>940</b>	<b>701</b>	<b>35,604</b>
<b>Total cross-border claims</b>	<b>23,737</b>	<b>3,945</b>	<b>3,242</b>	<b>505</b>	<b>1,316</b>	<b>822</b>	<b>599</b>	<b>31,567</b>
Loans	16,909	3,238	2,536	458	1,037	620	421	23,013
Securities	5,095	570	392	23	150	93	126	6,161
Claims on banks	15,029	2,464	1,756	205	863	444	244	19,786
Claims on non-banks	8,708	1,482	1,486	301	453	378	355	11,781
US dollar	8,928	2,508	1,292	286	410	204	393	12,812
Euro	10,443	329	516	96	52	339	29	11,409
<b>Foreign currency claims on residents</b>	<b>2,912</b>	<b>545</b>	<b>581</b>	<b>7</b>	<b>354</b>	<b>118</b>	<b>102</b>	<b>4,038</b>
<b>Estimated exchange rate adjusted changes during the quarter<sup>2</sup></b>								
<b>Total claims</b>	<b>-262</b>	<b>-47</b>	<b>169</b>	<b>-7</b>	<b>120</b>	<b>17</b>	<b>38</b>	<b>-124</b>
<b>Total cross-border claims</b>	<b>-263</b>	<b>-90</b>	<b>145</b>	<b>-6</b>	<b>108</b>	<b>10</b>	<b>33</b>	<b>-192</b>
Loans	-217	-93	123	-6	97	3	29	-173
Securities	-73	0	3	1	3	0	0	-62
Claims on banks	-299	-89	92	-8	71	3	25	-293
Claims on non-banks	36	0	53	1	37	7	8	101
US dollar	-167	-106	59	-6	40	4	21	-212
Euro	-24	-5	-6	-1	-2	-7	5	-28
<b>Foreign currency claims on residents</b>	<b>1</b>	<b>43</b>	<b>24</b>	<b>0</b>	<b>12</b>	<b>7</b>	<b>4</b>	<b>68</b>
<b>Amounts outstanding</b>								
<b>Total liabilities</b>	<b>22,774</b>	<b>5,293</b>	<b>2,946</b>	<b>820</b>	<b>1,162</b>	<b>426</b>	<b>538</b>	<b>34,414</b>
<b>Total cross-border liabilities</b>	<b>19,665</b>	<b>4,440</b>	<b>2,325</b>	<b>811</b>	<b>752</b>	<b>318</b>	<b>443</b>	<b>29,832</b>
Deposits	17,219	4,280	2,237	796	719	315	407	24,188
Securities	1,508	104	28	10	11	0	7	4,397
Liabilities to banks	14,441	3,042	1,401	509	480	224	188	21,665
Liabilities to non-banks	5,225	1,398	924	302	272	94	255	8,167
US dollar	7,860	2,869	1,264	527	276	129	332	13,030
Euro	8,136	489	338	138	45	110	45	9,780
<b>Foreign currency liabilities to residents</b>	<b>3,108</b>	<b>853</b>	<b>622</b>	<b>9</b>	<b>410</b>	<b>108</b>	<b>95</b>	<b>4,583</b>
<b>Estimated exchange rate adjusted changes during the quarter<sup>2</sup></b>								
<b>Total liabilities</b>	<b>-126</b>	<b>-93</b>	<b>42</b>	<b>16</b>	<b>35</b>	<b>-12</b>	<b>3</b>	<b>-149</b>
<b>Total cross-border liabilities</b>	<b>-142</b>	<b>-120</b>	<b>40</b>	<b>16</b>	<b>26</b>	<b>-9</b>	<b>7</b>	<b>-194</b>
Deposits	-157	-130	38	14	27	-9	6	-241
Securities	29	8	2	2	-2	0	1	51
Liabilities to banks	-103	-168	14	11	17	-7	-6	-244
Liabilities to non-banks	-39	47	26	5	9	-1	13	50
US dollar	-185	-122	43	24	13	0	5	-258
Euro	36	-18	-27	-15	-6	-5	-1	-21
<b>Foreign currency liabilities to residents</b>	<b>16</b>	<b>27</b>	<b>2</b>	<b>0</b>	<b>9</b>	<b>-3</b>	<b>-4</b>	<b>45</b>

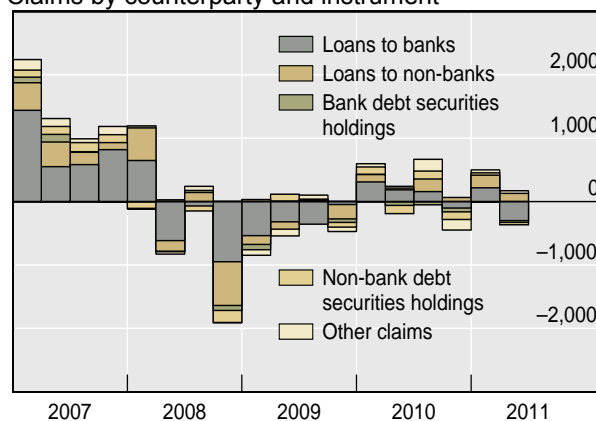
### Cross-border positions

Exchange rate adjusted changes in stocks

Claims by vis-à-vis country



Claims by counterparty and instrument



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

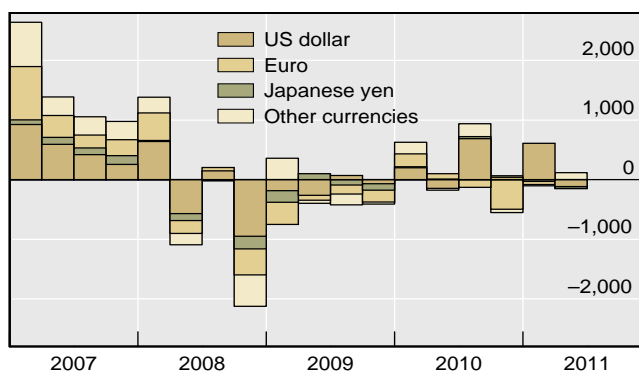
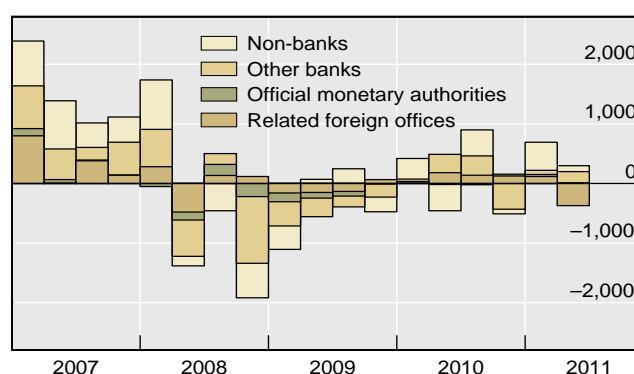
**Table 1B: International positions of banks by nationality of head office, June 2011<sup>1</sup>**

In billions of US dollars

	Nationality of banks										All countries
	France	Germany	Italy	Netherlands	Spain	Switzerland	United Kingdom	Japan	United States	Emerging markets	
<b>Amounts outstanding</b>											
<b>Total claims</b>	<b>4,501</b>	<b>4,290</b>	<b>1,022</b>	<b>1,585</b>	<b>850</b>	<b>2,549</b>	<b>4,830</b>	<b>3,839</b>	<b>4,095</b>	<b>1,363</b>	<b>35,583</b>
on banks	3,092	2,402	611	966	496	1,590	2,878	1,584	2,783	712	21,101
on related foreign offices	1,306	1,298	342	461	319	689	1,544	729	1,847	212	10,876
on other banks	1,761	1,094	268	502	176	898	1,303	855	935	468	10,098
on official monetary institutions	25	10	0	2	1	3	30	0	2	32	127
on non-banks	1,410	1,888	412	619	354	959	1,952	2,255	1,311	651	14,483
US dollar	1,408	1,308	176	417	263	1,239	2,031	1,979	2,840	944	14,468
Euro	2,300	2,345	751	850	388	654	1,675	509	551	126	12,096
Other currencies	794	636	95	318	199	655	1,124	1,351	704	294	9,020
<b>Estimated exchange rate adjusted changes during the quarter<sup>2</sup></b>											
<b>Total claims</b>	<b>15</b>	<b>2</b>	<b>14</b>	<b>28</b>	<b>2</b>	<b>97</b>	<b>-18</b>	<b>-23</b>	<b>-242</b>	<b>85</b>	<b>-33</b>
on banks	18	-11	7	2	-6	79	-3	-3	-261	41	-161
on related foreign offices	28	-28	9	-4	-11	43	25	-35	-101	12	-63
on other banks	-10	18	-1	10	5	39	-12	31	-160	22	-82
on official monetary institutions	0	-2	-1	-4	0	-4	-17	0	0	7	-16
on non-banks	-3	13	7	26	8	18	-15	-19	20	43	128
US dollar	30	-4	1	8	-21	8	19	-19	-230	68	-114
Euro	-4	-4	9	22	11	57	-13	-5	-30	-1	-5
Other currencies	-11	10	4	-2	13	32	-24	1	19	18	85
<b>Amounts outstanding</b>											
<b>Total liabilities</b>	<b>4,298</b>	<b>3,438</b>	<b>1,043</b>	<b>1,625</b>	<b>1,126</b>	<b>2,705</b>	<b>4,816</b>	<b>2,157</b>	<b>4,664</b>	<b>1,428</b>	<b>34,435</b>
to banks	2,860	1,985	729	1,175	562	1,500	2,430	1,275	2,592	784	19,787
to related foreign offices	1,193	1,290	233	372	255	799	1,272	580	1,602	180	9,498
to other banks	1,556	600	467	765	268	683	1,048	649	843	589	9,467
to official monetary institutions	111	95	29	38	39	18	110	46	148	14	822
to non-banks	1,439	1,453	314	450	564	1,205	2,386	881	2,072	645	14,648
US dollar	1,475	1,385	190	564	316	1,254	1,695	1,266	3,479	937	15,192
Euro	1,988	1,341	734	648	619	735	1,591	257	521	133	10,694
Other currencies	835	712	119	413	191	715	1,530	633	664	359	8,548
<b>Estimated exchange rate adjusted changes during the quarter<sup>2</sup></b>											
<b>Total liabilities</b>	<b>76</b>	<b>12</b>	<b>0</b>	<b>-4</b>	<b>44</b>	<b>87</b>	<b>-70</b>	<b>-11</b>	<b>-271</b>	<b>54</b>	<b>-75</b>
to banks	7	-11	-10	9	14	81	-107	-11	-98	22	-173
to related foreign offices	-5	-10	0	-4	-26	43	-119	-32	-224	18	-373
to other banks	22	-10	-4	15	29	37	24	17	117	6	193
to official monetary institutions	-10	8	-5	-2	11	1	-12	4	9	-2	8
to non-banks	69	23	9	-13	29	7	37	0	-173	32	97
US dollar	64	29	2	28	-18	4	-53	-3	-305	44	-214
Euro	19	-27	-5	-29	61	61	0	-5	5	-2	34
Other currencies	-6	10	3	-4	1	23	-16	-3	29	11	104

**International positions of BIS reporting banks**

Exchange rate adjusted changes in stocks

**Claims by currency**

**Liabilities by sector of counterparty**


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

**Table 2A: Consolidated claims, immediate borrower basis, June 2011<sup>1</sup>**

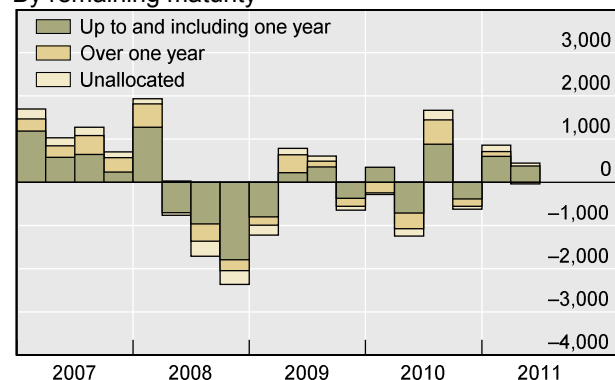
Amounts outstanding, in billions of US dollars

	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	
<b>Foreign claims</b>	<b>24,180</b>	<b>5,945</b>	<b>10,211</b>	<b>1,062</b>	<b>2,624</b>	<b>5,670</b>	<b>674</b>	<b>2,105</b>	<b>1,530</b>	<b>1,360</b>	<b>32,616</b>
<b>International claims</b>	<b>15,571</b>	<b>2,635</b>	<b>7,629</b>	<b>654</b>	<b>2,084</b>	<b>3,231</b>	<b>439</b>	<b>1,386</b>	<b>859</b>	<b>547</b>	<b>21,025</b>
Up to and including one year	8,233	999	3,778	527	1,048	1,695	210	912	321	252	11,008
Over one year	4,856	979	2,646	70	612	1,216	207	319	462	229	6,730
Unallocated by maturity	2,482	657	1,205	57	424	319	22	155	76	66	3,287
<b>Local currency claims</b>	<b>8,609</b>	<b>3,310</b>	<b>2,582</b>	<b>408</b>	<b>541</b>	<b>2,439</b>	<b>235</b>	<b>719</b>	<b>671</b>	<b>813</b>	<b>11,591</b>
<b>Local currency liabilities</b>	<b>6,381</b>	<b>2,550</b>	<b>1,931</b>	<b>267</b>	<b>449</b>	<b>1,708</b>	<b>203</b>	<b>476</b>	<b>399</b>	<b>631</b>	<b>8,539</b>
	<b>Unadjusted changes during the quarter<sup>2</sup></b>										
Foreign claims	338	97	175	-33	81	253	5	135	22	90	687
International claims	169	17	110	-37	62	162	3	95	26	37	407
Local currency claims	169	80	65	4	19	91	3	40	-4	53	280
Local currency liabilities	136	34	64	4	-8	24	-5	20	-21	31	151
<b>Nationality of reporting banks:</b>	<b>Foreign claims</b>										
<b>Domestically owned banks (total)</b>	<b>20,160</b>	<b>5,592</b>	<b>8,138</b>	<b>759</b>	<b>2,539</b>	<b>5,222</b>	<b>630</b>	<b>1,831</b>	<b>1,476</b>	<b>1,285</b>	<b>28,057</b>
Euro area	9,310	1,774	4,884	223	482	2,439	244	361	1,201	634	12,289
Switzerland	1,500	750	356	85	216	177	28	80	23	47	1,901
United Kingdom	2,638	1,150	1,059	120	604	967	235	497	63	172	4,242
Japan	2,009	1,028	531	0	557	325	32	208	24	60	2,890
United States	1,968	0	720	298	408	772	61	370	77	264	3,168
Other countries <sup>3</sup>	2,735	890	588	34	272	542	29	315	90	108	3,567
<b>Other foreign banks</b>	<b>4,020</b>	<b>353</b>	<b>2,073</b>	<b>303</b>	<b>86</b>	<b>447</b>	<b>45</b>	<b>274</b>	<b>53</b>	<b>75</b>	<b>4,559</b>
	<b>International claims, all maturities</b>										
<b>Domestically owned banks (total)</b>	<b>11,551</b>	<b>2,282</b>	<b>5,556</b>	<b>351</b>	<b>1,998</b>	<b>2,783</b>	<b>394</b>	<b>1,112</b>	<b>805</b>	<b>471</b>	<b>16,467</b>
Euro area	5,402	694	3,071	114	427	1,203	170	262	603	168	7,091
Switzerland	741	159	340	41	202	143	25	65	21	32	1,092
United Kingdom	1,239	392	629	63	289	424	94	234	43	53	1,986
Japan	1,666	767	505	0	517	254	32	141	23	58	2,438
United States	1,347	0	647	114	354	412	44	214	47	107	2,131
Other countries <sup>3</sup>	1,155	271	364	18	209	347	29	196	69	54	1,729
<b>Other foreign banks</b>	<b>4,020</b>	<b>353</b>	<b>2,073</b>	<b>303</b>	<b>86</b>	<b>447</b>	<b>45</b>	<b>274</b>	<b>53</b>	<b>75</b>	<b>4,559</b>
	<b>International claims, short-term</b>										
<b>Domestically owned banks (total)</b>	<b>5,381</b>	<b>811</b>	<b>2,343</b>	<b>238</b>	<b>992</b>	<b>1,401</b>	<b>183</b>	<b>699</b>	<b>296</b>	<b>224</b>	<b>7,804</b>
Euro area	2,392	325	1,099	61	207	462	67	131	194	69	3,067
Switzerland	435	87	193	22	133	79	19	36	10	14	649
United Kingdom	565	177	279	33	163	234	41	144	25	24	964
Japan	221	77	65	0	55	91	7	70	6	8	367
United States	1,078	0	490	107	314	354	37	195	37	84	1,760
Other countries <sup>3</sup>	691	145	218	14	119	181	12	123	23	24	997
<b>Other foreign banks</b>	<b>2,852</b>	<b>188</b>	<b>1,435</b>	<b>290</b>	<b>56</b>	<b>294</b>	<b>28</b>	<b>213</b>	<b>26</b>	<b>28</b>	<b>3,204</b>

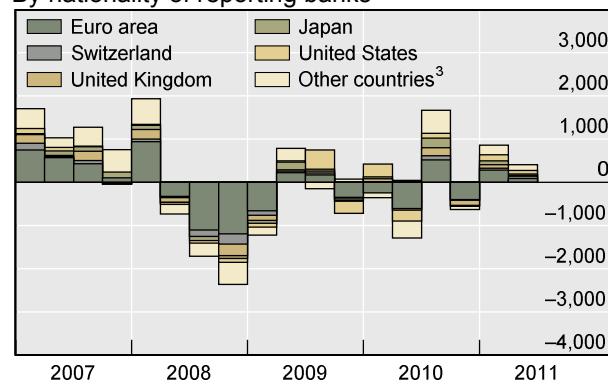
**International claims of BIS reporting banks on an immediate borrower basis<sup>4</sup>**

 Changes in stocks<sup>2</sup>

By remaining maturity



By nationality of reporting banks



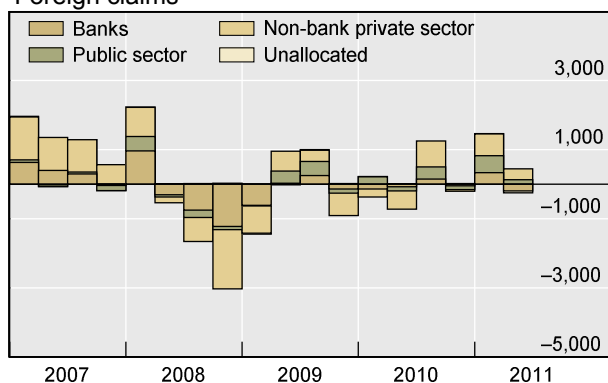
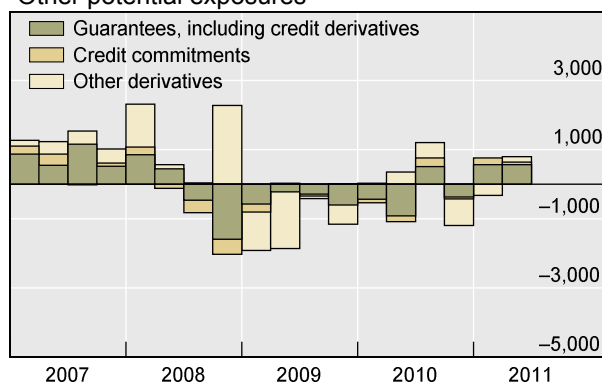
<sup>1</sup> Detailed breakdowns and time series data are available at <http://www.bis.org/statistics/consstats.htm> (Tables 9A–9B and BIS WebStats). <sup>2</sup> Quarterly difference in outstanding stocks, excluding effects of breaks in series. <sup>3</sup> Domestically owned banks in other reporting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

**Table 2B: Consolidated claims, ultimate risk basis, June 2011<sup>1</sup>**

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	
<b>Foreign claims</b>	<b>19,769</b>	<b>5,640</b>	<b>7,973</b>	<b>809</b>	<b>1,921</b>	<b>5,050</b>	<b>601</b>	<b>1,778</b>	<b>1,411</b>	<b>1,259</b>	<b>26,892</b>
Banks	4,820	888	2,212	245	179	961	99	513	194	156	5,969
Public sector	3,819	1,329	1,608	312	189	1,283	124	390	317	453	5,407
Non-bank private sector	10,989	3,367	4,126	250	1,523	2,780	378	870	883	648	15,316
Unallocated	141	57	26	2	30	25	1	6	18	2	199
<b>Cross-border claims</b>	<b>10,534</b>	<b>2,421</b>	<b>5,402</b>	<b>326</b>	<b>1,212</b>	<b>2,202</b>	<b>350</b>	<b>930</b>	<b>537</b>	<b>385</b>	<b>14,094</b>
<b>Local claims in all currencies</b>	<b>9,235</b>	<b>3,220</b>	<b>2,571</b>	<b>483</b>	<b>709</b>	<b>2,847</b>	<b>252</b>	<b>848</b>	<b>874</b>	<b>874</b>	<b>12,797</b>
<b>Unadjusted changes during the quarter<sup>2</sup></b>											
Foreign claims	-44	80	-5	14	2	219	9	113	16	82	195
Cross-border claims	-254	3	-84	8	-15	102	4	71	9	19	-151
Local claims in all currencies	210	77	80	6	18	117	5	42	7	63	346
<b>Nationality of reporting banks<sup>3</sup></b>											
<b>Foreign claims</b>											
<b>Total</b>	<b>19,769</b>	<b>5,640</b>	<b>7,973</b>	<b>809</b>	<b>1,921</b>	<b>5,050</b>	<b>601</b>	<b>1,778</b>	<b>1,411</b>	<b>1,259</b>	<b>26,892</b>
Euro area	9,140	1,785	4,793	227	382	2,358	239	342	1,143	634	11,941
France	2,670	593	1,472	145	109	497	130	139	186	42	3,285
Germany	2,596	559	1,229	57	160	356	62	104	144	45	3,144
Italy	705	44	577	...	16	236	12	22	196	7	962
Spain	965	230	274	1	22	559	5	12	51	492	1,548
Switzerland	1,561	777	404	83	152	161	19	73	25	44	1,883
United Kingdom	2,621	1,124	1,053	137	547	978	230	510	64	175	4,180
Japan	2,003	1,125	472	0	346	312	30	195	23	63	2,661
United States	2,043	0	731	328	307	763	60	366	75	262	3,144
Other countries	2,401	828	520	34	186	479	24	293	80	82	3,084
<b>Cross-border claims</b>											
<b>Total</b>	<b>10,534</b>	<b>2,421</b>	<b>5,402</b>	<b>326</b>	<b>1,212</b>	<b>2,202</b>	<b>350</b>	<b>930</b>	<b>537</b>	<b>385</b>	<b>14,094</b>
Euro area	5,046	780	2,997	96	291	928	176	231	383	138	6,326
France	1,496	230	837	65	79	283	86	96	68	34	1,866
Germany	1,881	378	1,062	22	137	269	58	69	101	41	2,319
Italy	312	27	216	...	15	55	6	14	27	7	387
Spain	200	22	117	1	13	55	5	11	5	34	269
Switzerland	731	176	387	39	120	126	16	58	23	29	984
United Kingdom	1,187	367	611	61	180	346	67	195	38	46	1,746
Japan	1,669	877	446	0	296	217	30	104	22	61	2,182
United States	1,142	0	660	112	234	359	40	189	42	88	1,765
Other countries	759	221	301	18	90	227	21	152	30	24	1,091
<b>Other potential exposures<sup>4,5</sup></b>											
Derivatives contracts	3,194	821	1,233	108	128	194	32	92	26	44	3,537
Guarantees extended	6,664	799	2,391	198	253	1,080	129	317	354	280	8,147
Credit commitments	2,969	891	1,055	60	221	609	79	186	147	196	3,803

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

 Changes in stocks<sup>2</sup>
**Foreign claims**

**Other potential exposures<sup>4,5</sup>**


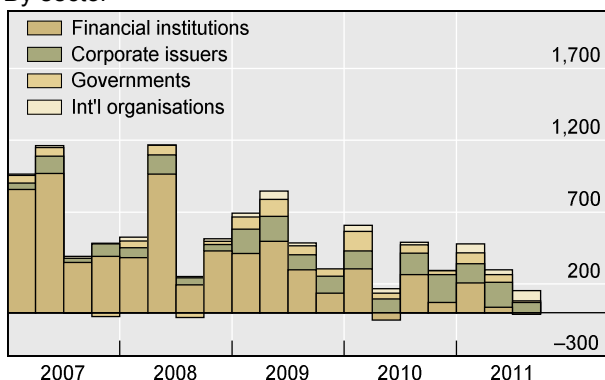
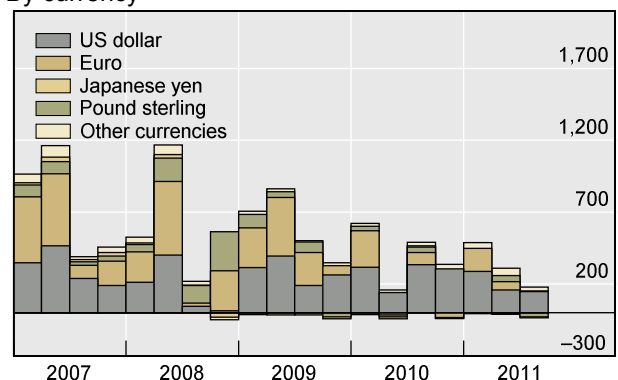
<sup>1</sup> Detailed breakdowns and time series data are available at <http://www.bis.org/statistics/consstats/htm> (Tables 9C–9E). <sup>2</sup> Quarterly difference in outstanding stocks, excluding effects of breaks in series. <sup>3</sup> Worldwide consolidated positions of domestically owned banks of 24 reporting countries.

<sup>4</sup> Not included in foreign claims. <sup>5</sup> 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, September 2011<sup>1</sup>**

In billions of US dollars

	Developed countries				Off-shore centres	Emerging markets					Int'l organisations	All countries
	Total	United States	Euro area	Japan		Total	Africa	Asia	Europe	Latin America		
<b>Amounts outstanding</b>												
<b>Total issues</b>	<b>25,817</b>	<b>6,825</b>	<b>12,688</b>	<b>176</b>	<b>1,595</b>	<b>1,271</b>	<b>161</b>	<b>341</b>	<b>311</b>	<b>458</b>	<b>1,093</b>	<b>29,776</b>
<b>Money market instruments</b>	<b>897</b>	<b>75</b>	<b>527</b>	<b>1</b>	<b>47</b>	<b>8</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>1</b>	<b>28</b>	<b>980</b>
Financial institutions	827	75	476	1	46	7	0	5	0	1	0	880
Corporate issuers	37	1	29	0	1	0	0	0	0	0	0	38
Governments	33	0	21	0	0	1	1	0	0	0	0	34
US dollar	298	68	144	0	19	5	1	3	0	1	13	336
Euro	393	4	268	0	8	1	0	1	0	0	8	410
Other currencies	206	4	115	1	20	2	0	2	0	0	6	235
<b>Bonds and notes</b>	<b>24,919</b>	<b>6,750</b>	<b>12,161</b>	<b>175</b>	<b>1,548</b>	<b>1,263</b>	<b>160</b>	<b>335</b>	<b>311</b>	<b>457</b>	<b>1,066</b>	<b>28,796</b>
Financial institutions	19,320	4,833	9,502	134	1,435	324	45	154	39	86	0	21,079
Corporate issuers	3,587	1,905	980	39	70	327	52	106	40	129	0	3,985
Governments	2,012	12	1,679	2	42	612	62	76	232	242	0	2,666
US dollar	8,770	5,874	1,224	57	1,100	897	112	267	149	368	333	11,100
Euro	12,232	545	9,970	12	187	207	21	11	131	44	363	12,990
Other currencies	3,917	331	968	107	260	159	26	57	31	44	370	4,706
Floating rate	7,455	1,093	4,149	22	561	89	27	35	11	16	73	8,179
Straight fixed rate	17,086	5,515	7,894	124	926	1,113	124	257	297	435	993	20,117
Equity-related	378	142	118	29	61	61	9	43	3	6	0	500
<b>Net issuance during the quarter</b>												
<b>Total issues</b>	<b>54</b>	<b>69</b>	<b>10</b>	<b>-2</b>	<b>2</b>	<b>15</b>	<b>-1</b>	<b>4</b>	<b>0</b>	<b>11</b>	<b>71</b>	<b>142</b>
<b>Money market instruments</b>	<b>3</b>	<b>-3</b>	<b>19</b>	<b>0</b>	<b>6</b>	<b>1</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>-1</b>	<b>12</b>	<b>21</b>
Financial institutions	1	-3	19	0	6	0	0	1	0	-1	0	8
Corporate issuers	-5	0	-5	0	0	0	0	0	0	0	0	-5
Governments	6	0	5	0	0	0	0	0	0	0	0	7
US dollar	-6	-2	13	0	3	0	1	0	0	-1	4	1
Euro	18	-1	8	0	2	0	0	0	0	0	7	27
Other currencies	-8	-1	-2	0	1	0	0	0	0	0	1	-6
<b>Bonds and notes</b>	<b>51</b>	<b>72</b>	<b>-9</b>	<b>-2</b>	<b>-3</b>	<b>14</b>	<b>-2</b>	<b>3</b>	<b>0</b>	<b>12</b>	<b>59</b>	<b>121</b>
Financial institutions	-11	25	-21	2	-7	0	0	-1	-1	1	0	-19
Corporate issuers	69	47	23	-3	3	4	0	1	-1	4	0	75
Governments	-6	0	-11	0	1	10	-1	3	2	7	0	5
US dollar	128	102	-5	5	-3	12	-1	3	0	10	10	147
Euro	-51	-22	-8	-1	-7	-1	0	-1	1	0	36	-22
Other currencies	-26	-8	4	-5	7	3	-1	1	-1	3	13	-4
Floating rate	-90	-37	-13	0	-5	-1	0	-2	1	0	2	-94
Straight fixed rate	143	106	5	2	3	16	-1	6	-1	12	57	217
Equity-related	-1	3	-1	-4	-1	0	0	0	0	0	0	-2
<i>Memo: Announced international equity issuance</i>	<i>54</i>	<i>22</i>	<i>20</i>	<i>1</i>	<i>3</i>	<i>20</i>	<i>1</i>	<i>17</i>	<i>1</i>	<i>1</i>	<i>0</i>	<i>77</i>

**Net international debt securities issuance**
**By sector**

**By currency**


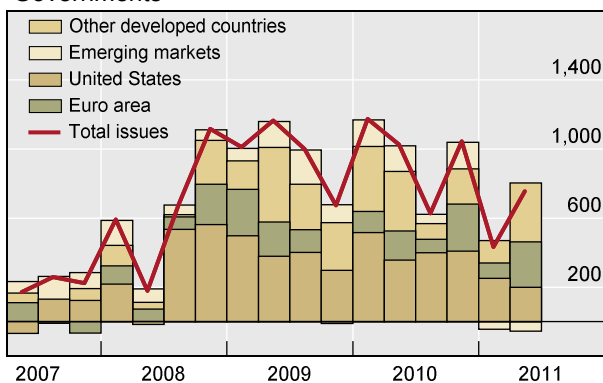
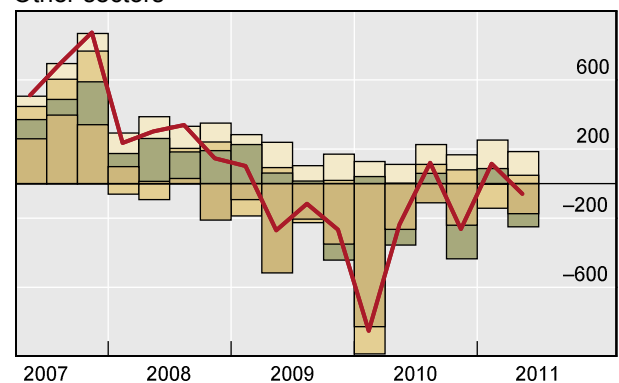
<sup>1</sup> Detailed breakdowns and time series data, including for gross international debt securities issuance, are available at <http://www.bis.org/statistics/secstats.htm> (Tables 11, 12A–D, 13A–B, 14A–B, 15A–B and 17B).



**Table 3B: Domestic debt securities issuance, June 2011<sup>1</sup>**

In billions of US dollars

Amounts outstanding											
	All countries	United States	Euro area	France	Germany	Italy	Spain	Other developed	Canada	Japan	United Kingdom
<b>Total issues</b>	<b>69,913</b>	<b>25,474</b>	<b>14,494</b>	<b>3,562</b>	<b>2,854</b>	<b>3,343</b>	<b>1,595</b>	<b>20,338</b>	<b>1,610</b>	<b>14,172</b>	<b>1,713</b>
Governments	41,059	11,606	8,108	1,941	1,919	2,174	737	15,550	1,135	12,091	1,382
Of which: short-term <sup>2</sup>	10,298	2,587	1,906	435	554	450	180	4,152	220	3,530	227
Financial institutions	21,820	10,940	4,986	1,316	521	785	833	3,521	290	1,180	310
Of which: short-term <sup>2</sup>	6,272	2,638	1,150	485	385	24	70	1,489	95	453	310
Corporate issuers	7,034	2,928	1,399	306	415	384	25	1,266	185	902	21
Of which: short-term <sup>2</sup>	844	148	199	77	72	1	0	157	12	121	1
	Emerging markets	Brazil	China	Chinese Taipei	Czech Republic	India	Malaysia	Mexico	South Africa	South Korea	Turkey
<b>Total issues</b>	<b>9,607</b>	<b>1,543</b>	<b>3,141</b>	<b>273</b>	<b>91</b>	<b>712</b>	<b>282</b>	<b>481</b>	<b>202</b>	<b>1,229</b>	<b>225</b>
Governments	5,795	957	1,485	164	62	611	128	284	139	534	223
Of which: short-term <sup>2</sup>	1,652	353	552	21	14	27	1	105	28	150	4
Financial institutions	2,372	575	1,053	38	19	76	62	157	35	264	0
Of which: short-term <sup>2</sup>	995	575	119	8	0	76	28	33	5	124	0
Corporate issuers	1,440	12	603	70	10	25	91	40	28	430	2
Of which: short-term <sup>2</sup>	339	12	148	26	0	25	4	2	0	112	0
Changes in stocks during the quarter											
	All countries	United States	Euro area	France	Germany	Italy	Spain	Other developed	Canada	Japan	United Kingdom
<b>Total issues</b>	<b>685</b>	<b>25</b>	<b>187</b>	<b>81</b>	<b>1</b>	<b>51</b>	<b>-8</b>	<b>390</b>	<b>124</b>	<b>240</b>	<b>30</b>
Governments	750	200	262	75	69	43	17	342	98	210	30
Of which: short-term <sup>3</sup>	-127	-167	-3	6	-5	-6	4	159	2	155	6
Financial institutions	-163	-173	-93	-7	-73	11	-27	12	3	21	0
Of which: short-term <sup>3</sup>	-73	-62	-68	-38	-28	0	-4	37	4	40	0
Corporate issuers	98	-2	18	14	4	-3	1	36	23	9	0
Of which: short-term <sup>3</sup>	16	3	-3	0	-5	0	0	14	0	12	0
	Emerging markets	Brazil	China	Chinese Taipei	Czech Republic	India	Malaysia	Mexico	South Africa	South Korea	Turkey
<b>Total issues</b>	<b>83</b>	<b>-46</b>	<b>53</b>	<b>9</b>	<b>1</b>	<b>...</b>	<b>2</b>	<b>25</b>	<b>7</b>	<b>21</b>	<b>1</b>
Governments	-54	-65	-35	6	0	...	2	20	7	7	1
Of which: short-term <sup>3</sup>	-116	-32	-78	0	0	...	0	8	1	0	0
Financial institutions	91	18	65	1	1	...	0	4	0	-1	0
Of which: short-term <sup>3</sup>	19	18	0	0	0	...	0	2	0	-2	0
Corporate issuers	45	1	23	2	0	...	0	1	0	15	0
Of which: short-term <sup>3</sup>	2	1	1	0	0	...	0	0	0	0	0

**Changes in stocks of domestic debt securities**
**Governments**

**Other sectors<sup>4</sup>**


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, Chile, China, Chinese Taipei, Colombia, Croatia, the Czech Republic, Hong Kong SAR, Hungary, India, Indonesia, Lebanon, Malaysia, Mexico, Pakistan, Peru, the Philippines, Poland, Russia, Singapore, South Africa, South Korea, Thailand, Turkey, Venezuela.

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

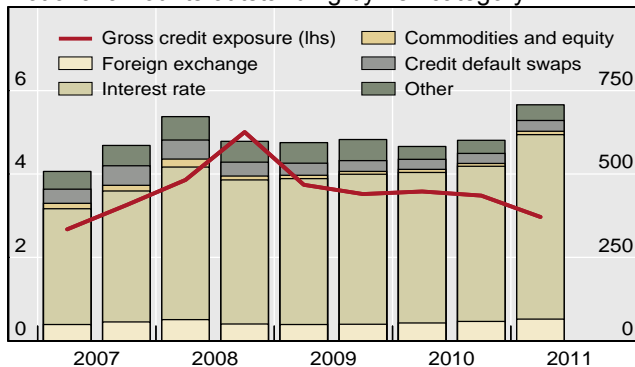
**Table 4: Global OTC derivatives market, end-June 2011<sup>1</sup>**

In billions of US dollars

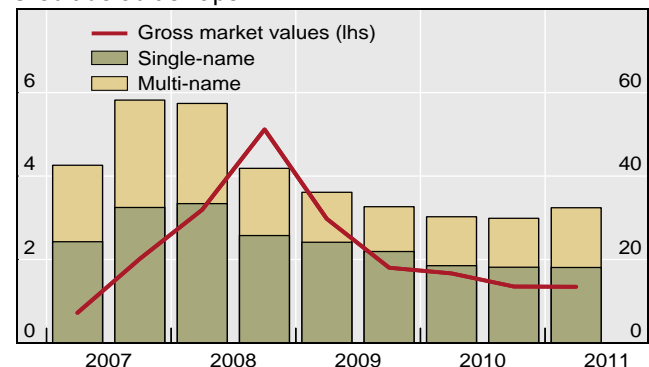
	Forwards and swaps				Options			
	Total	with reporting dealers	with other financial institutions	with non-financial customers	Total	with reporting dealers	with other financial institutions	with non-financial customers
<b>Notional amounts outstanding</b>								
<b>All contracts<sup>2</sup></b>	<b>628,722</b>	<b>178,009</b>	<b>400,536</b>	<b>47,898</b>	<b>78,847</b>	<b>42,129</b>	<b>29,345</b>	<b>6,231</b>
<b>Foreign exchange</b>	<b>53,341</b>	<b>21,007</b>	<b>24,278</b>	<b>8,055</b>	<b>11,358</b>	<b>5,163</b>	<b>4,575</b>	<b>1,619</b>
US dollar	45,414	19,202	20,336	5,876	8,621	3,900	3,457	1,265
Euro	20,805	7,582	9,209	4,014	4,168	1,818	1,584	766
Japanese yen	9,477	4,715	3,566	1,195	3,591	1,984	1,241	366
Pound sterling	6,304	2,185	2,974	1,145	707	299	277	132
Other	24,682	8,329	12,471	3,881	5,628	2,325	2,592	711
Up to one year	39,290	14,557	18,798	5,934	8,442	3,515	3,671	1,256
Over one year	14,051	6,450	5,480	2,121	2,915	1,648	904	363
<i>Memo: Exchange-traded<sup>3</sup></i>	205	.	.	.	184	.	.	.
<b>Interest rate</b>	<b>497,457</b>	<b>127,347</b>	<b>333,984</b>	<b>36,127</b>	<b>56,423</b>	<b>32,309</b>	<b>20,384</b>	<b>3,729</b>
US dollar	154,726	40,081	104,480	10,165	15,932	8,136	6,761	1,035
Euro	192,979	41,451	138,361	13,167	26,703	15,697	9,357	1,649
Japanese yen	58,310	20,555	31,398	6,357	7,181	5,457	1,565	158
Pound sterling	46,190	8,583	34,472	3,134	3,932	2,155	1,603	174
Other	45,253	16,676	25,273	3,304	2,675	864	1,098	713
Up to one year	231,169	61,409	156,101	13,660	15,559	7,571	6,782	1,206
Over one year	266,288	65,938	177,884	22,467	40,863	24,739	13,602	2,523
<i>Memo: Exchange-traded<sup>3</sup></i>	28,933	.	.	.	47,105	.	.	.
<b>Equity</b>	<b>2,029</b>	<b>598</b>	<b>1,103</b>	<b>328</b>	<b>4,813</b>	<b>1,885</b>	<b>2,455</b>	<b>472</b>
<i>Memo: Exchange-traded<sup>3</sup></i>	1,197	.	.	.	5,219	.	.	.
<b>Commodities</b>	<b>2,129</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>1,068</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>Credit default swaps</b>	<b>32,409</b>	<b>17,348</b>	<b>14,823</b>	<b>238</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>Unallocated</b>	<b>41,357</b>	<b>11,709</b>	<b>26,347</b>	<b>3,151</b>	<b>5,186</b>	<b>2,771</b>	<b>1,930</b>	<b>410</b>
<b>Gross market values</b>								
<b>All contracts</b>	<b>16,657</b>	<b>5,041</b>	<b>10,460</b>	<b>1,157</b>	<b>2,353</b>	<b>1,315</b>	<b>789</b>	<b>249</b>
<b>Foreign exchange</b>	<b>2,005</b>	<b>705</b>	<b>878</b>	<b>422</b>	<b>332</b>	<b>170</b>	<b>95</b>	<b>67</b>
US dollar	1,556	603	670	284	252	132	67	54
Euro	792	237	353	203	102	45	33	23
Japanese yen	378	169	137	72	162	98	35	30
Pound sterling	239	64	106	69	12	5	5	3
Other	1,043	337	491	215	136	60	51	24
<b>Interest rate</b>	<b>11,925</b>	<b>3,135</b>	<b>8,197</b>	<b>593</b>	<b>1,319</b>	<b>842</b>	<b>419</b>	<b>58</b>
US dollar	5,266	1,313	3,765	187	479	315	142	21
Euro	4,157	1,041	2,861	255	639	400	212	26
Japanese yen	915	349	527	39	97	72	24	2
Pound sterling	893	204	624	64	77	44	29	4
Other	694	227	420	47	28	12	12	4
<b>Equity</b>	<b>176</b>	<b>32</b>	<b>102</b>	<b>42</b>	<b>532</b>	<b>208</b>	<b>217</b>	<b>106</b>
<b>Credit default swaps</b>	<b>1,345</b>	<b>804</b>	<b>525</b>	<b>16</b>	<b>...</b>	<b>...</b>	<b>...</b>	<b>...</b>
<b>Unallocated</b>	<b>1,207</b>	<b>365</b>	<b>758</b>	<b>84</b>	<b>170</b>	<b>95</b>	<b>57</b>	<b>18</b>

**Global OTC derivatives<sup>4</sup>**

Notional amounts outstanding by risk category



Credit default swaps



<sup>1</sup> 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). <sup>2</sup> Due to incomplete counterparty breakdowns for the commodity derivatives, components do not add up to the total. <sup>3</sup> 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. <sup>4</sup> 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, Curacao, Cyprus, Denmark, Finland, Greece, Guernsey, Hong Kong SAR, India, Ireland, Isle of Man, Jersey, Korea, Luxembourg, Macao SAR, Malaysia, Mexico, the Netherlands Antilles (till Q3 2010), 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. 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. In table 2B, German banks' foreign claims vis-à-vis developed countries are on an immediate borrower basis. 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.

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### Types of claims

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<b>A</b> Cross-border claims	<b>B</b> Local claims of foreign affiliates in foreign currency	<b>C</b> Local claims of foreign affiliates in local currency	<b>D</b> Domestic claims in the reporting country
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***International claims*** (A + B)

***Foreign claims*** (A + B + C)

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

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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/consstats.htm>.

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>.

## Special features in the BIS Quarterly Review

September 2011	The trade balance and the real exchange rate	E Kharroubi
September 2011	Global credit and domestic credit booms	C Borio, R McCauley and P McGuire
September 2011	The rise of sovereign credit risk: implications for financial stability	M Davies and T Ng
June 2011	The global output gap: measurement issues and regional disparities	P Gerlach
June 2011	Rating methodologies for banks	F Packer and N Tarashev
June 2011	The predictive content of financial cycle measures for output fluctuations	T Ng
June 2011	Expansion of central clearing	D Heller and N Vause
March 2011	Systemic importance: some simple indicators	M Drehmann and N Tarashev
March 2011	Inflation expectations and the great recession	P Gerlach, P Hördahl and R Moessner
March 2011	The use of reserve requirements as a policy instrument in Latin America	C Montoro and R Moreno
March 2011	Foreign exchange trading in emerging currencies: more financial, more offshore	R McCauley and M Scatigna
December 2010	The \$4 trillion question: what explains FX growth since the 2007 survey?	M R King and D Rime
December 2010	Derivatives in emerging markets	D Mihaljek and F Packer
December 2010	Counterparty risk and contract volumes in the credit default swap market	N Vause
December 2010	A user's guide to the Triennial Central Bank Survey of foreign exchange market activity	M R King and C Mallo
September 2010	Debt reduction after crises	G Tang and C Upper
September 2010	The collapse of international bank finance during the crisis: evidence from syndicated loan markets	M Chui, D Domanski, P Kugler and J Shek
September 2010	Options for meeting the demand for international liquidity during financial crises	R Moessner and W A Allen
September 2010	Bank structure, funding risk and the transmission of shocks across countries: concepts and measurement	I Fender and P McGuire
June 2010	Policy responses to dislocations in the FX swap market: the experience of Korea	N Baba and I Shim
June 2010	Currency collapses and output dynamics: a long-run perspective	C E Tovar
June 2010	Was it credit supply? Cross-border bank lending to emerging market economies during financial crisis	E Takáts
June 2010	European banks' US dollar funding pressures	I Fender and P McGuire

# Recent BIS publications<sup>1</sup>

## BIS Papers

### **Portfolio and risk management for central banks and sovereign wealth funds**

October 2011

<http://www.bis.org/publ/bppdf/bispap58.htm>

This volume is a collection of papers presented at the Third Public Investors Conference, which was jointly organised by the Bank for International Settlements (BIS), the European Central Bank (ECB) and the World Bank (WB). This event, which took place on 2–3 November 2010 at the BIS's head office in Basel, brought together over 80 participants from more than 50 institutions comprising central banks, sovereign wealth funds and public pension funds with the aim of discussing issues of specific relevance to public sector investors.

### **The influence of external factors on monetary policy frameworks and operations**

October 2011

<http://www.bis.org/publ/bppdf/bispap57.pdf>

Economic and financial integration has reshaped the monetary policy frameworks and transmission channels in the emerging market economies (EMEs) over the past two decades. Economic and financial linkages have become stronger, resulting in greater synchronisation of business cycles across advanced and emerging market economies. This has led to the faster transmission of shocks, especially through financial channels. Against this background, the 16th annual meeting of Deputy Governors from the major emerging market economies, held at the BIS in Basel in February 2011, addressed the question of how external factors had affected monetary policy in EMEs over the past few years. The present volume brings together papers prepared for that meeting. The discussion was organised around four broad topics: (i) international banks, new liquidity rules and monetary policy in EMEs; (ii) exchange rates and monetary policy frameworks in EMEs; (iii) the implications of foreign exchange market intervention for central bank balance sheets; and (iv) additional supporting policies that central banks can use to address the policy dilemmas from the influence of external factors. One of the main conclusions of the meeting was that financial globalisation has multiplied the number of transmission channels and associated risks through which external factors influence domestic economic and financial conditions in EMEs. This complicates the assessment of the outlook for inflation and growth. It also introduces an additional dimension – the evaluation of financial stability risks – to the objectives of central banks. Monetary policy in EMEs has become much more complex as a result.

### **Central banking in Africa: prospects in a changing world**

September 2011

<http://www.bis.org/publ/bppdf/bispap56.pdf>

Governors and senior officials representing some two dozen central banks from Africa and other regions of the world met at the BIS in May 2011 to discuss the monetary policy and financial stability issues facing Africa after the global financial crisis. This volume brings together the background papers prepared for that meeting. The papers cover four broad areas where the crisis could have had potentially the largest impact on central banking in Africa: (i) financial access; (ii) governance arrangements for financial stability; (iii) changes in monetary policy transmission mechanisms; and (iv) capital flows, commodity prices and exchange rates. An overview chapter summarises the main points raised in the discussions and in the background papers. A special feature of the volume are the opening remarks on financial inclusion and the regulation of microfinance, followed by a transcript of the question and answer session with Professor Muhammad Yunus, the 2006 Nobel Peace Prize laureate.

## Working Papers

### **China's evolving reserve requirements**

Guonan Ma, Yan Xiandong and Liu Xi

<http://www.bis.org/publ/work360.pdf>

This paper examines the evolving role of reserve requirements as a policy tool in China. Since 2007, the Chinese central bank (PBC) has relied more on this tool to withdraw domestic liquidity surpluses, as a cheaper substitute for open-market operation instruments in this period of rapid FX accumulation. China's reserve requirement system has also become more complex and been used to address a range of other policy objectives, not least being macroeconomic management, financial stability and credit policy. The preference for using reserve requirements reflects the size of China's FX sterilisation task and the associated cost considerations, a quantity-oriented monetary policy framework challenged to reconcile policy dilemmas and tactical considerations. The PBC often finds it easier to reach consensus over reserve requirement decisions than interest rate decisions and enjoys greater discretion in applying this tool. The monetary effects of reserve requirements need to be explored in conjunction with other policy actions and not in isolation. Depending on the policy mix, higher reserve requirements tend to signal a tightening bias, to squeeze excess reserves of banks, to push market interest rates higher, and to help widen net interest spreads, thus tightening domestic monetary conditions. There are, however, costs to using this policy tool, as it imposes a tax burden on Chinese banks that in turn appear to have passed a significant portion of this cost onto their customers, mostly depositors and SMEs. However, the pass-through onto bank customers appears to be partial.

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<sup>1</sup> 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](http://www.bis.org)).

## **Bank heterogeneity and interest rate setting: what lessons have we learned since Lehman Brothers?** Leonardo Gambacorta and Paolo Emilio Mistrulli

<http://www.bis.org/publ/work359.pdf>

A substantial literature has investigated the role of relationship lending in shielding borrowers from idiosyncratic shocks. Much less is known about how lending relationships and bank-specific characteristics affect the functioning of the credit market in an economy-wide crisis, when banks may find it difficult to perform the role of shock absorbers. We investigate how bank-specific characteristics (size, liquidity, capitalisation, funding structure) and the bank-firm relationship have influenced interest rate setting since the collapse of Lehman Brothers. Unlike the existing literature, which has focused chiefly on the amount of credit granted during the crisis, we look at its cost. The data on a large sample of loans from Italian banks to non-financial firms suggest that close lending relationships kept firms more insulated from the financial crisis. Further, spreads increased by less for the customers of well-capitalised, liquid banks and those engaged mainly in traditional lending business.

## **News driven business cycles and data on asset prices in estimated DSGE models** Stefan Avdjiev

<http://www.bis.org/publ/work358.pdf>

The existing literature on estimated structural News Driven Business Cycle (NDBC) models has focused almost exclusively on macroeconomic data and has largely ignored asset prices. In this paper, we present evidence that including data on asset prices in the estimation of a structural NDBC model dramatically affects inference about the main sources of business cycle fluctuations. Combined with the large body of evidence that asset price movements reflect changes in expectations of future developments in the economy, our results imply that data on asset prices should always be used in the estimation of structural NDBC models because they contain information that cannot be obtained by using solely macroeconomic data.

## **Rescue packages and bank lending** Michael Brei, Leonardo Gambacorta and Goetz von Peter

<http://www.bis.org/publ/work357.pdf>

This paper examines whether the rescue measures adopted during the global financial crisis helped to sustain the supply of bank lending. The analysis proposes a setup that allows testing for structural shifts in the bank lending equation, and employs a novel dataset covering large international banks headquartered in 14 major advanced economies for the period 1995–2010. While stronger capitalisation sustains loan growth in normal times, banks during a crisis can turn additional capital into greater lending only once their capitalisation exceeds a critical threshold. This suggests that recapitalisations may not translate into greater credit supply until bank balance sheets are sufficiently strengthened.

## **The impact of the international financial crisis on Asia and the Pacific: highlighting monetary policy challenges from a negative asset price bubble perspective** Andrew Filardo

<http://www.bis.org/publ/work356.pdf>

The international financial crisis of the late 2000s has revived interest in asset price bubble research. For some, the event confirmed the enduring relevance of studying asset price bubbles in our economies. For others, it was a realisation that asset price bubbles are of much greater significance than previously thought. This paper contributes to our understanding of asset price bubbles by looking at assets when they are underpriced, ie, when there are negative asset price bubbles. In particular, the focus is on how cross-border spillovers led to the severe underpricing of various types of assets in Asia and the Pacific. The paper begins with a brief discussion of a negative asset price bubble and a narrative of the international financial crisis in Asia and the Pacific. The paper then presents a simple model of endogenous asset price bubbles to clarify some of the policy issues. This type of model elevates the importance of tail risk considerations for policymakers and the associated complex monetary policy trade-offs.

## **Anchoring countercyclical capital buffers: the role of credit aggregates** Mathias Drehmann, Claudio Borio and Kostas Tsatsaronis

<http://www.bis.org/publ/work355.pdf>

We investigate the performance of different variables as anchors for setting the level of the countercyclical regulatory capital buffer requirements for banks. The gap between the ratio of credit-to-GDP and its long-term backward-looking trend performs best as an indicator for the accumulation of capital as this variable captures the build-up of system-wide vulnerabilities that typically lead to banking crises. Other indicators, such as credit spreads, are better in indicating the release phase as they are contemporaneous signals of banking sector distress that can precede a credit crunch.

## **Rediscovering the macroeconomic roots of financial stability policy: journey, challenges and a way forward** Claudio Borio

<http://www.bis.org/publ/work354.pdf>

The recent financial crisis has triggered a major rethink of analytical approaches and policy towards financial stability. The crisis has encouraged a sharper focus on systemic risk, the inclusion of a financial sector in macroeconomic models, a shift from a microprudential to a macroprudential orientation in regulation and supervision, and questions about whether price stability is a sufficient criterion to guide monetary policy. In the process, it has led to a rediscovery of the macroeconomic roots of financial instability. This paper argues that this development is welcome but has not gone far enough. To substantiate this conclusion, the paper documents this analytical and policy journey before suggesting a way forward.

## Central banking post-crisis: What compass for uncharted waters?

Claudio Borio

<http://www.bis.org/publ/work353.pdf>

The global financial crisis has shaken the foundations of the deceptively comfortable pre-crisis central banking world. Central banks face a threefold challenge: economic, intellectual and institutional. This essay puts forward a compass to help central banks sail in the largely uncharted waters ahead. The compass is based on tighter integration of the monetary and financial stability functions, keener awareness of the global dimensions of those tasks, and stronger safeguards for an increasingly vulnerable central bank operational independence.

### The real effects of debt

Stephen Cecchetti, Madhusudan Mohanty and Fabrizio Zampolli

<http://www.bis.org/publ/work352.pdf>

At moderate levels, debt improves welfare and enhances growth. But high levels can be damaging. When does debt go from good to bad? We address this question using a new dataset that includes the level of government, non-financial corporate and household debt in 18 OECD countries from 1980 to 2010. Our results support the view that, beyond a certain level, debt is a drag on growth. For government debt, the threshold is around 85% of GDP. The immediate implication is that countries with high debt must act quickly and decisively to address their fiscal problems. The longer-term lesson is that, to build the fiscal buffer required to address extraordinary events, governments should keep debt well below the estimated thresholds. Our examination of other types of debt yields similar conclusions. When corporate debt goes beyond 90% of GDP, it becomes a drag on growth. And for household debt, we report a threshold around 85% of GDP, although the impact is very imprecisely estimated.

## Basel Committee on Banking Supervision

### The internal audit function in banks - consultative document

December 2011

<http://www.bis.org/publ/bcbs210.htm>

The Basel Committee on Banking Supervision is issuing this revised supervisory guidance for assessing the effectiveness of the internal audit function in banks, which forms part of the Committee's ongoing efforts to address bank supervisory issues and enhance supervision through guidance that encourages sound practices within banks. The document replaces the 2001 document Internal audit in banks and the supervisor's relationship with auditors. It takes into account developments in supervisory practices and in banking organisations and incorporates lessons drawn from the recent financial crisis.

The document builds on the Committee's Principles for Enhancing Corporate Governance which require banks to have an internal audit function with sufficient authority, stature, independence, resources and access to the board of directors. Independent, competent and qualified internal auditors are vital to sound corporate governance.

As a strong internal control framework including an independent, effective internal audit function is part of sound corporate governance. Banking supervisors must be satisfied as to the effectiveness of a bank's internal audit function, that effective policies and practices are followed and that management takes appropriate corrective action in response to internal control weaknesses identified by internal auditors. An effective internal audit function provides vital assurance to a bank's board of directors and senior management (and bank supervisors) as to the quality of the bank's internal control system. In doing so, the function helps reduce the risk of loss and reputational damage to the bank.

The document is based on 20 principles, organised in three sections: A) Supervisory expectations relevant to the internal audit function, B) The relationship of the supervisory authority with the internal audit function, and C) Supervisory assessment of the internal audit function. This approach seeks to promote a strong internal audit function within banking organisations and addresses supervisory expectations for the internal audit function and the supervisory assessment of that function. It also encourages bank internal auditors to comply with and to contribute to the development of national and international professional standards, such as those issued by The Institute of Internal Auditors, and it promotes due consideration of prudential issues in the development of internal audit standards and practices. An annex to the consultative document details responsibilities of a bank's audit committee.

The Basel Committee welcomes comments on the proposed consultative document. Comments should be submitted by Friday 2 March 2012 by email to: [baselcommittee@bis.org](mailto:baselcommittee@bis.org). Alternatively, comments may be sent by post to the Secretariat of the Basel Committee on Banking Supervision, Bank for International Settlements, CH-4002 Basel, Switzerland. All comments may be published on the Bank for International Settlements's website unless a commenter specifically requests confidential treatment.

### Basel III counterparty credit risk – Frequently asked questions

November 2011

<http://www.bis.org/publ/bcbs209.htm>

The Basel Committee on Banking Supervision has received a number of interpretation questions related to the 16 December 2010 publication of the Basel III regulatory frameworks for capital and liquidity and the 13 January 2011 press release on the loss absorbency of capital at the point of non-viability. To help ensure a consistent global implementation of Basel III, the Committee has agreed to periodically review frequently asked questions and publish answers along with any technical elaboration of the rules text and interpretative guidance that may be necessary.

This document sets out the first set of frequently asked questions that relate to the counterparty credit risk sections of the Basel III rules text. The questions and answers are grouped according to the relevant paragraphs of the rules text.



## **Interpretive issues with respect to the revisions to the market risk framework – updates from 16 November 2011**

<http://www.bis.org/publ/bcbs208.htm>

In this document, the Basel Committee on Banking Supervision ("the Committee") provides responses to interpretive issues regarding the Revisions to the Basel II market risk framework ("the Revisions") and the Guidelines for computing capital for incremental risk in the trading book ("the IRC Guidelines"). Updated versions of this document will be published on the Committee's website if and when additional interpretive issues arise.

Unless stated otherwise, paragraph numbers given in the remainder of this document refer to the International convergence of capital measurement and capital standards: A revised framework, comprehensive version, June 2006, as amended through the Revisions to the Basel II market risk framework (updated as of 31 December 2010), February 2011. Questions which have been added since the previous version of the FAQs are shaded yellow, changes are shaded red.

## **Global systemically important banks: Assessment methodology and the additional loss absorbency requirement**

<http://www.bis.org/publ/bcbs207.htm>

The rules text sets out the Basel Committee's framework on the assessment methodology for global systemic importance, the magnitude of additional loss absorbency that global systemically important banks (G-SIBs) should have and the arrangements by which the requirement will be phased in. The cover note to the rules text sets out the Committee's summary and evaluation of the public comments received on the July 2011 consultative document. The rules text was finalised following a careful review of the public comments received. The work of the Basel Committee forms part of a broader effort by the Financial Stability Board to reduce the moral hazard of global systemically important institutions.

The rationale for the policy measures set out in the rules text is to deal with the cross-border negative externalities created by G-SIBs which current regulatory policies do not fully address. The measures will enhance the going-concern loss absorbency of G-SIBs and reduce the probability of their failure.

The assessment methodology for G-SIBs is based on an indicator-based approach and comprises five broad categories: size, interconnectedness, lack of readily available substitutes or financial institution infrastructure, global (cross-jurisdictional) activity and complexity.

The additional loss absorbency requirements will range from 1% to 2.5% Common Equity Tier 1 (CET1) depending on a bank's systemic importance with an empty bucket of 3.5% CET1 as a means to discourage banks from becoming even more systemically important.

The higher loss absorbency requirements will be introduced in parallel with the Basel III capital conservation and countercyclical buffers, ie between 1 January 2016 and year end 2018 becoming fully effective on 1 January 2019.

## **Capitalisation of bank exposures to central counterparties – consultative document**

<http://www.bis.org/publ/bcbs206.htm>

The Basel Committee issued today its second consultative paper on the Capitalisation of bank exposures to central counterparties.

The Committee's proposals relate to the capitalisation of bank exposures to a central counterparty (CCP) and cover both capital requirements for default fund exposures and trade-related exposures to CCPs. The Committee will finalise the rules around year end and expects that they will be implemented in its member jurisdictions by January 2013.

The Committee conducted an initial consultation on this topic in December 2010. Today's consultative paper takes account of the responses received during this earlier consultation as well as the results of various impact assessments. The Committee also consulted closely with the Committee on Payment and Settlement Systems (CPSS) and the Technical Committee of the International Organization of Securities Commissions (IOSCO).

The Basel Committee welcomes comments on the proposed rules text. Comments should be submitted by Friday, 25 November 2011 by email to: [baselcommittee@bis.org](mailto:baselcommittee@bis.org). Alternatively, comments may be sent by post to the Secretariat of the Basel Committee on Banking Supervision, Bank for International Settlements, CH-4002 Basel, Switzerland. All comments may be published on the Bank for International Settlements' website unless a commenter specifically requests confidential treatment.

## **Treatment of trade finance under the Basel capital framework**

<http://www.bis.org/publ/bcbs205.pdf>

The Basel Committee on Banking Supervision has evaluated the impact of Basel II and Basel III on trade finance in the context of low income countries. As a result, it adopted two technical changes to the Basel regulatory capital adequacy framework related to the treatment of trade finance that will help promote trade with low income countries. The Committee conducted its evaluation in consultation with the World Bank, the World Trade Organisation and the International Chamber of Commerce. The agreed changes will improve the access to and lower the cost of trade finance instruments for low income countries.

## **Basel III definition of capital – Frequently asked questions**

<http://www.bis.org/publ/bcbs204.pdf>

The Basel Committee on Banking Supervision has received a number of interpretation questions related to the December 2010 publication of the Basel III regulatory frameworks for capital and liquidity and the 13 January 2011 press release on the loss absorbency of capital at the point of non-viability. To help ensure a consistent global implementation of Basel III, the Committee will continue to review frequently asked questions and to periodically publish answers along with any technical elaboration of the rules text and interpretative guidance that may be necessary.

The frequently asked questions (FAQs) published in this document correspond to the definition of capital sections of the Basel III rules text. These FAQs are in addition to the first set of FAQs published in July 2011. The questions and answers are grouped according to the relevant paragraphs of the rules text. FAQs that have been added since the publication of the first version of this document are shaded yellow; the earlier July 2011 FAQs that have been revised are shaded red.

This document is also available in German, Italian and Spanish. The German and the Spanish translation represent the initial document from July 2011 and will be updated soon. A translations into French will also be published soon.

## **Progress report on Basel III implementation** **October 2011**

<http://www.bis.org/publ/bcbs203.pdf>

The Basel Committee's first *Progress report on Basel III* implementation provides a high-level view of its members' progress in adopting Basel II, Basel 2.5 and Basel III, as of end September 2011. It focuses on the status of domestic rule-making processes to ensure that the Committee's capital standards are transformed into national law or regulation according to the internationally agreed timeframes. The Committee believes that disclosure will provide additional incentive for members to fully comply with the international agreements.

This report is one element of the Committee's comprehensive framework to monitor and review its members' implementation of the Basel regulatory capital framework, which was announced on 28 September 2011. A subsequent element of the Committee's framework will be to review the consistency of members' national rules or regulations with the international minimum standard to identify differences that could raise prudential or level playing field concerns. The framework will also review the measurement of risk-weighted assets in both the banking book and the trading book to ensure consistency in practice across banks and jurisdictions. The Committee's preparations are well advanced so that these reviews can commence by the beginning of 2012.

## **Assessment of the macroeconomic impact of higher loss absorbency for global systemically important banks** **October 2011**

<http://www.bis.org/publ/bcbs202.pdf>

In April 2011, the FSB and Basel Committee reconvened the Macroeconomic Assessment Group (MAG) to investigate the macroeconomic costs and benefits of the Basel Committee's proposals for improving the loss absorbency of global systemically important banks (G-SIBs). The MAG comprises macroeconomic modelling experts from central banks and regulators in 15 countries and a number of international institutions. In its work, the MAG drew on its earlier assessment of the transitional costs of the proposals for strengthened capital and liquidity requirements under Basel III, and on the long-term cost-benefit analysis performed by the Basel Committee's Long-term Economic Impact (LEI) study.

The costs of the G-SIB proposals stem from the adverse impact on economic activity, especially investment, of banks' actions to increase interest rate spreads and cut lending in order to build up their capital buffers. The MAG estimated the impact of higher capital requirements on G-SIBs by scaling the impact of raising capital requirements on the banking system as a whole, reported by the MAG in 2010, by the share of G-SIBs in domestic financial systems. While these shares vary across jurisdictions, the share of the top 30 potential G-SIBs (using the Basel Committee's proposed methodology and end-2009 data) averages about 30% of domestic lending and 38% of financial system assets in the MAG economies.

If we use lending shares as a scaling factor, raising capital requirements on the top 30 potential G-SIBs by 1 percentage point over eight years leads to only a modest slowdown in growth. GDP falls to a level 0.06% below its baseline forecast, followed by a recovery. This represents an additional drag on growth of less than 0.01 percentage points per year during the phase-in period. The primary driver of this macroeconomic impact is an increase of lending spreads of 5–6 basis points. Soon after implementation is complete, growth is forecast to be somewhat faster than trend until GDP returns to its baseline. The aggregate figures conceal significant differences across countries, which reflect differences in the role of G-SIBs in the domestic financial system and in current levels of bank capital buffers. International spillovers are also important, and in some countries are likely to be the dominant source of macroeconomic effects.

The impact of the Basel III proposals, using the end-2009 global capital levels as a starting point, was calculated by the MAG in 2010. On top of this, we assume for illustrative purposes that the top 30 G-SIBs will need to raise their capital ratios by an additional 2 percentage points, and that both parts of the reform are implemented over eight years. Adding together these two components, we find that the impact is again quite small, with GDP at the point of peak impact forecast to have fallen 0.34% relative to its baseline level. Roughly 0.04 percentage points are subtracted from annual growth during this period, while lending spreads rise by around 31 basis points. As before, different assumptions lead to different effects, with faster implementation or a weaker monetary policy response increasing the impact on GDP.

The benefits of the G-SIB framework relate primarily to the reduction in the exposure of the financial system to systemic crises that can have long-lasting effects on the economy. The LEI estimated the benefits of Basel III by multiplying the degree to which it reduces the annual probability of a systemic crisis, by an estimate of the overall cost of a typical crisis in terms of lost output. Drawing on the LEI's results, the MAG estimated that raising capital ratios on G-SIBs could produce an annual benefit in the order of 0.5% of GDP, while the Basel III and G-SIB proposals combined contribute an annual benefit of up to 2.5% of GDP – many times the costs of the reforms in terms of temporarily slower annual growth.

## **Committee on the Global Financial System**

### **The macrofinancial implications of alternative configurations for access to central counterparties in OTC derivatives markets** **November 2011**

<http://www.bis.org/publ/cgfs46.htm>

The G-20 leaders' commitment that all standardised over-the-counter (OTC) derivatives will be centrally cleared by the end of 2012 is intended to increase the safety and resilience of the global financial system. Achieving these objectives

depends importantly on the arrangements through which market participants obtain access to central clearing. Such arrangements could include increased use of existing global CCPs; the establishment of domestic CCPs in a number of jurisdictions; and the possible construction of links between CCPs. This report analyses the potential implications for financial stability and efficiency of these alternative access arrangements to CCPs.

## **Global liquidity – concept, measurement and policy implications** **November 2011**

<http://www.bis.org/publ/cqfs45.htm>

Global liquidity has become a key focus of international policy debates over recent years. This reflects the view that global liquidity and its drivers are of major importance for international financial stability. The concept of global liquidity, however continues to be used in a variety of ways and this ambiguity can lead to unfounded and potentially destabilising policy initiatives.

This report analyses global liquidity from a financial stability perspective, using two distinct liquidity concepts. One is official liquidity, which can be used to settle claims through monetary authorities and is ultimately provided by central banks. The other concept is private (or private sector) liquidity, which is created to a large degree through cross-border operations of banks and other financial institutions.

Understanding the determinants of private liquidity is of particular importance. As many financial institutions provide liquidity both domestically and in other countries, globally, private liquidity is linked to the dynamics of gross international capital flows, including cross-border banking or portfolio movements. This international component of liquidity can be a potential source of instability because of its own dynamics or because it amplifies cyclical movements in domestic financial conditions and intensifies domestic imbalances.

Policy responses to global liquidity call for a consistent framework that considers all phases of global liquidity cycles, countering both surges and shortages. Measures to prevent unsustainable booms in private liquidity are linked with micro- and macroprudential policies as well as the financial reform agenda. Country-specific or regional liquidity shocks, in turn, may effectively be addressed through self-insurance in the form of precautionary foreign exchange reserves holdings and existing arrangements which essentially redistribute liquidity. However, truly global liquidity shocks necessitate direct interventions in amounts large enough to break downward liquidity spirals. Only central banks have this ability.

## **Committee on Payment and Settlement Systems**

### **Statistics on payment, clearing and settlement systems in the CPSS countries – Figures for 2010 – preliminary release** **September 2011**

<http://www.bis.org/publ/cpss98.htm>

This is an annual publication that provides data on payments and payment, clearing and settlement systems in the CPSS countries.

This version of the statistical update contains data for 2010 and earlier years. There are detailed tables for each individual country as well as a number of comparative tables.

Please note that this publication contains some provisional data for 2010 while some others are not yet available.

### **Payment, clearing and settlement systems in the CPSS countries – Volume 1** **September 2011**

<http://www.bis.org/publ/cpss97.htm>

The Committee on Payment and Settlement Systems (CPSS) publishes – under the aegis of the Bank for International Settlements (BIS) – reference works on the payment systems and other financial market infrastructures of various countries, widely known as Red Books.

The Red Book for the CPSS countries was last published in April 2003. After the enlargement of the CPSS to 24 countries in 2009, this edition of the Red Book for the CPSS countries is in two volumes. This first volume comprises 10 CPSS countries: Australia, Brazil, Canada, India, Korea, Mexico, Russia, Singapore, Sweden and Switzerland. The second volume, which covers Belgium, China, France, Germany, Hong Kong SAR, Italy, Japan, the Netherlands, Saudi Arabia, South Africa, Turkey, the United Kingdom and the United States and also has chapters on the euro area and international payment arrangements, is planned to be published in 2012.

Properly functioning financial market infrastructures enhance the stability of the financial sector, reduce transaction costs in the economy, promote the efficient use of financial resources, improve financial market liquidity and facilitate the conduct of monetary policy. I hope that this new edition of the CPSS Red Book will contribute to the general understanding and awareness of these issues by providing information on the arrangements in the CPSS countries.

I would like to thank all those who contributed to the publication of this Red Book by writing their country texts. Thanks also to the BIS staff for making this volume ready for publication, and particularly to David Maurer, who coordinated the production and led the process of editing the country texts.

William C Dudley, Chairman, Committee on Payment and Settlement Systems

## **Speeches**

### **Financial and real sector interactions: enter the sovereign "ex machina"**

Speech by Mr Jaime Caruana, General Manager of the BIS, at the CAFRAL/BIS conference on "Financial sector regulation for growth, equity and stability in the post-crisis world", Mumbai, 15 November 2011.

<http://www.bis.org/speeches/sp111118.htm>

Recent events underscore the lesson that financial stability depends not only on the links between banks and the corporate and household sectors, but also on those between banks and the sovereign. The sovereign must be prepared

to act as ultimate backstop for the financial system. But this requires that fiscal buffers be built up in good times. Otherwise, the sovereign can itself become a source of financial instability, as its credit risk interacts in a malign way with bank and other private sector credit risks. Sovereigns must now earn back their reputation as borrowers that are practically risk-free. Ultimately, the sovereign's solvency is a precondition for the central bank's success in dealing with threats to monetary and financial stability.

### **Panel remarks on "Welfare effects of financial innovation"**

Panel remarks by Mr Jaime Caruana, General Manager of the BIS, at the DNB conference in honour of Nout Wellink on "Welfare effects of financial innovation", Amsterdam, 11 November 2011.

<http://www.bis.org/speeches/sp111114.htm>

Financial innovation can unlock economic value but, if banks are to reap the benefits, they need robust defenses against risk. Over the past two decades, bank profits have been underpinned by high leverage, creating vulnerabilities. The role of prudential regulation is to ensure that banks are well equipped to deal with risk, thereby stabilising their profitability. The Basel Committee on Banking Supervision under Nout Wellink's chairmanship has made important progress towards this goal.

### **The rules of the road making the financial system safe for everyone**

Speech by Mr Stephen G Cecchetti, Economic Adviser and Head of Monetary and Economic Department of the BIS at the CFA Institute, Paris, France, 03 November 2011.

<http://www.bis.org/speeches/sp111103.htm>

### **Sovereign risk in bank regulation and supervision: Where do we stand?**

Speech by Mr Hervé Hannoun, Deputy General Manager of the BIS, at the Financial Stability Institute High-Level Meeting, Abu Dhabi, UAE, 26 October 2011.

<http://www.bis.org/speeches/sp111026.htm>

The sovereign debt strains in most advanced economies have focused attention on the treatment of sovereign risk in banking regulation and supervision. This speech highlights the recent rise in sovereign risk and the exposures of banks to some sovereigns as reflected in BIS data. Then it reviews recent criticisms of the supervisory treatment of sovereign risk. It argues that complacent pricing and accumulation of sovereign risk was largely a market outcome that should not be laid at Basel II's door. On the contrary, the treatment by large banks of sovereign credit as risk-free should be regarded as inconsistent with Basel II. Sovereigns should aim to restore their low-risk (if not risk-free) status in the bond market through fiscal reform and consolidation and banks' exposure to sovereign risk will need to be properly measured and covered by adequate capital.

### **Basel III: New strains and old debates – challenges for supervisors, risk managers and auditors**

Speech by Mr Jaime Caruana, General Manager of the BIS, at the Bank of Portugal conference on "Basel III and the new challenges for supervisors, risk managers and auditors", Lisbon, 14 October 2011.

<http://www.bis.org/speeches/sp111014.htm>

Full, timely and global implementation of Basel III and other reforms is essential for strengthening the financial system. Responsibility for Basel III does not rest only with the regulatory community. Bank boards, senior management and risk managers all have a clear role in adapting to the new framework. Auditors also play a key part in providing independent and disciplined review and feedback on management's efforts. But regulation is only part of the broader public policy agenda. We need to continue with the finalisation and implementation of regulatory reform. Safeguarding financial stability, however, requires action in all areas of public policy – including fiscal, monetary and macroprudential measures. These policies need to take a long-term view and to better internalise systemic risk. And, lastly, various institutional reforms and private sector reforms are essential if confidence in the financial system is to be restored. The private sector also has a vital part to play in building a more resilient financial system.

### **Monetary policy lessons learned from the crisis and the post-crisis landscape**

Remarks by Mr Stephen G Cecchetti, Economic Adviser and Head of Monetary and Economic Department of the BIS, prepared for the SEACEN-CEMLA Conference, Kuala Lumpur, 13 October 2011.

<http://www.bis.org/speeches/sp111013.htm>

In my remarks, I would like to examine three main themes, drawing out the main lessons from the crisis for central banking in the post-crisis era. They are:

- The future of inflation targeting
- The future of central banks' operational frameworks
- The future of global central bank cooperation

It is immediately clear to everyone here that we have seen each of these aspects – inflation targeting, central banks' operational frameworks and global central bank cooperation – put to the test. In each case, the experience of the last three years has changed the way in which we do and should think about how central banks go about meeting their macroeconomic stabilisation objectives. But, not only do these lessons influence how we formulate policy frameworks, they also have implications for how we should go about constructing a credible and consistent governance structure. After all, governance is the enduring core of central banking. Without appropriate governance arrangements, policymakers cannot even set out on the difficult path that they need to follow.

## **Global imbalances: current accounts and financial flows**

Remarks by Mr Stephen G Cecchetti, Economic Adviser and Head of Monetary and Economic Department of the BIS, prepared for the Myron Scholes Global Markets Forum, University of Chicago, 27 September 2011.

<http://www.bis.org/speeches/sp110928.htm>

My topic today is cross-border flows. It is difficult to find anyone who would protest the increase in international trade. To give you some sense of the magnitude: in a span of 30 years, the global ratio of exports plus imports to GDP has risen from 43%, in 1980, to 59%, in 2010. Even in the United States, notoriously less open than other industrialised countries, the same measure rose from a much more modest 21% to a still relatively low 32%. The benefits we all reap from this are so easy to see that virtually no one seriously suggests reversing the tide. In fact, I would count the fact of so much more trade openness, as well as society's attitude towards it, as one of the great successes of the latter half of the 20th century. And, I consider the fact that the ugly spectre of protectionism has not raised its head during the last four crisis-ridden years as both a victory and a relief.