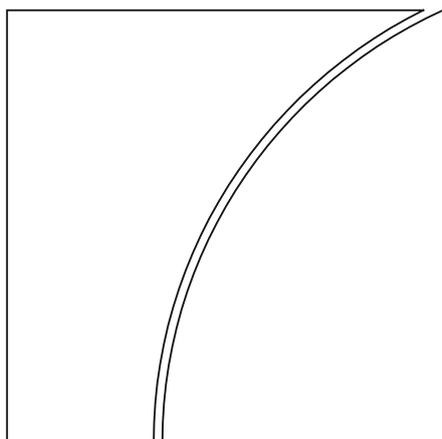




BANK FOR INTERNATIONAL SETTLEMENTS



Reporting guidelines for the BIS international banking statistics

Monetary and Economic Department

July 2019

Queries about the Guidelines and suggestions for improvements may be addressed to: for the locational banking statistics, ibfs.locational@bis.org, and for the consolidated banking statistics, ibfs.consolidated@bis.org.

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Reporting guidelines for the BIS international banking statistics

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¹ This version of the guidelines was prepared under the direction of Philip Wooldridge, Head of International Banking and Financial Statistics (2012–19), and drafted by Koon Goh, Senior Statistical Analyst. Many staff at the BIS and reporting authorities contributed to the guidelines.

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Conventions used in this publication

...	not available
.	not applicable
–	nil or negligible

The term “country” as used in this publication also covers territorial entities that are not states as understood by international law and practice but for which data are separately and independently maintained.

List of abbreviations

BIS	Bank for International Settlements
BoP	balance of payments
BPM6	<i>Balance of Payments and International Investment Position Manual</i> – sixth edition
CBS	consolidated banking statistics
CBSI	CBS on an immediate counterparty basis
CBSG	CBS on a guarantor basis
CGFS	Committee on the Global Financial System
ECB	European Central Bank
EFSF	European Financial Stability Facility
EFSM	European Financial Stabilisation Mechanism
EMEs	emerging market economies
ESM	European Stability Mechanism
EU	European Union
FC	foreign currency
FX	foreign exchange
G-SIB	global systemically important bank
IBS	international banking statistics
IMF	International Monetary Fund
LBS	locational banking statistics
LBSR	LBS by residence
LBSN	LBS by nationality
LC	local currency
mn	millions
NPISHs	non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
SAR	Special Administrative Region
SNA 2008	System of National Accounts 2008

Currency codes

AUD	Australian dollar
CAD	Canadian dollar
CHF	Swiss franc
EUR	euro
GBP	pound sterling
JPY	Japanese yen
SDR	Special Drawing Right
USD	US dollar

1. Introduction

BIS international banking statistics

1.1. Under the auspices of the Committee on the Global Financial System (CGFS) and in cooperation with central banks and other national authorities worldwide, the Bank for International Settlements (BIS) compiles and publishes statistics on the international business of banks.² The BIS international banking statistics (IBS) comprise two data sets:

- The locational banking statistics (LBS), which provide information about the currency composition of banks' balance sheets and the geographical distribution of their counterparties. The LBS capture the outstanding financial assets and liabilities of internationally active banks located in reporting countries against counterparties residing in more than 200 countries. Banks record their positions on an unconsolidated, standalone basis, including intragroup positions between entities that are part of the same banking group as well as inter-office positions with non-resident branches. The LBS are compiled according to principles and concepts that are consistent with balance of payments (BoP) and international investment position statistics.
- The consolidated banking statistics (CBS), which capture the worldwide consolidated positions of internationally active banking groups headquartered in reporting countries. The CBS include the business of banks' foreign affiliates but exclude intragroup positions, similarly to the consolidation approach followed by banking supervisors.

1.2. The LBS and CBS are reported to the BIS at a country rather than individual bank level. Banks submit data to an official authority in their country, usually the central bank, which then aggregates the data and submits country-level aggregates to the BIS for global aggregations, analysis and publication.

1.3. The LBS and CBS are best suited for macro analysis of economic and financial stability issues. They can help monitor the evolution of the financial landscape and reveal emerging vulnerabilities (BIS (2015)). Within a multipronged approach to systemic risk assessment, the LBS and CBS serve as a starting point for a fuller analysis based on more detailed data.

Reporting countries

1.4. The term "reporting countries" refers to countries with an authority that participates in the collection of the LBS or CBS. The number of reporting countries varies by data set and year. The number of LBS-reporting countries increased from 15 in 1977 to 28 in 2000 and 47 in 2016. The number of CBS-reporting countries increased from 15 in 1983 to 23 in 2000 and 31 in 2011. Countries with authorities that participate in the LBS and CBS are listed on the BIS website (www.bis.org/statistics/rep_countries.htm).

1.5. The IBS aim to provide comprehensive information about the business of internationally active banks. Owing to the concentration of international banking business, this aim can be satisfied through the participation of countries and financial centres with substantial cross-border banking business; it is not necessary to seek the participation of all countries in the world. The BIS, in consultation with reporting countries and the CGFS, invites new authorities to participate in the LBS or CBS when the international business of banks in their country becomes substantial.

² The CGFS monitors financial market developments for central bank Governors and analyses the implications for financial stability and central bank policy (www.bis.org/cgfs). The CGFS comprises over 20 central banks and is located at the BIS. It was established in 1971, and until 1999 was known as the Euro-currency Standing Committee.

1.6. The share of banks in LBS-reporting countries in the estimated cross-border financial assets of all banks worldwide rose from about 50% in 1977 to 90% in 2000 and 93% in 2016 (BIS (2018)).

1.7. Although the number of CBS-reporting countries is less than the number of LBS-reporting countries, the coverage is not necessarily lower because, in the CBS, banks submit data on a consolidated group basis. Therefore the CBS capture not only the balance sheets of banks located in the reporting countries but also the balance sheets of their foreign affiliates around the world.

1.8. The reporting guidelines distinguish between data that authorities are required to report to meet their obligations as a reporting country and data that authorities are encouraged to report on a best effort basis to enhance the analytical usefulness of the data set. Authorities in countries that are represented in the CGFS or that are home to a global systemically important bank (G-SIB) are expected to report all encouraged items.

Enhancements over the decades

1.9. Since their introduction, the IBS have been enhanced several times to better capture the financial landscape and associated risks. These enhancements were usually spurred by financial crises, which revealed gaps in existing data.

1960s and 1970s

1.10. The LBS were introduced in 1964 to monitor the development of international deposit markets (so-called “eurocurrency” markets). The early statistics focused on banks’ international asset and liability positions decomposed by major currencies and were used to extend domestic monetary aggregates. In the 1970s, policy concerns shifted to the recycling of oil-related surpluses (“petrodollars”) and the accompanying rise in international indebtedness. Consequently, in 1977 the LBS were expanded to capture a complete country breakdown of banks’ counterparties.

1.11. The CBS had their origins in the expansion of international banking activity in the Caribbean and other offshore centres in the 1970s. At the time, very little information was available about such activity. Therefore, those central banks that contributed to the LBS asked their banks to consolidate any positions booked at their offshore offices with positions booked at their head offices. Banks provided information about the county and maturity of their (partially consolidated) claims, though only for claims on counterparties in emerging market economies (EMEs).

1980s and 1990s

1.12. The onset of debt crises in Mexico and other EMEs in the early 1980s stimulated further enhancements. In 1983, many Caribbean and other offshore banking centres started to participate in the LBS. Also in 1983, the CBS were expanded to better capture the exposures of national banking systems to EMEs, particularly their transfer risk exposures, ie the risk associated with policy measures that have a territorial jurisdiction, such as capital controls and payment moratoriums. Banks were asked to fully consolidate their on-balance sheet claims, and the sector breakdown was refined.

1.13. The debt crises also led to the joint publication in 1984 by the BIS and the Organisation for Economic Co-operation and Development (OECD) of external debt estimates based on the IBS and other sources of creditor data. National statistical authorities subsequently started making use of the LBS to improve the coverage and accuracy of BoP and external debt statistics. An instrument breakdown was introduced in the LBS in 1995 to facilitate such use. The joint estimates of external indebtedness were expanded in 1999 with additional data from the International Monetary Fund (IMF) and the World Bank, and today the IBS remain a core part of the Joint External Debt Hub that brings together data from creditor, market and national sources (www.jedh.org).

1.14. The Asian financial crisis of 1997–98 motivated the next set of enhancements. A lack of transparency was frequently cited as a factor contributing to the crisis. Therefore a concerted effort was made to improve the timeliness, frequency and coverage of the CBS. They began to be published quarterly instead of semiannually; the reporting lag was shortened; additional countries, including Hong Kong SAR and Singapore, started to report the CBS; and the counterparty country breakdown was expanded to include all countries instead of only EMEs.

1.15. Moreover, in the 1990s attention shifted from transfer risk exposures to country risk exposures, or the risk associated with the economic, business, political and social environment in which the debtor operates.

2000s and beyond

1.16. The CBS were expanded to capture guarantees received and other credit enhancements that result in the reallocation of banks' risk exposures from the immediate counterparty to another (ultimate) obligor. The CGFS also recommended in 2000 that the CBS be revamped to incorporate risk reallocations, derivatives exposures, guarantees extended and credit commitments (CGFS (2000)). This led to the introduction in 2005 of the CBS on an ultimate risk basis.

1.17. The global financial crisis that started in 2007 highlighted the need for better data on major banking systems' funding and lending. In 2011–12, the CGFS approved major enhancements to the LBS and CBS designed to meet this need (CGFS (2012), Avdjiev et al (2015)). The basic thrust of these enhancements was twofold. First, they expanded the coverage of banks' balance sheets to include their domestic positions, not just their international activities. Second, they provided more information about the sector of banks' counterparties, in particular banks' exposures to and reliance on funding from non-bank financial counterparties.

1.18. The CGFS working group that designed the 2011–12 enhancements identified several possible improvements as worthwhile to pursue over the medium to longer term, including a harmonised definition for the perimeter of consolidation and a better alignment between the IBS and supervisory data. The BIS formed a study group to explore these improvements, and in 2017 the CGFS endorsed the study group's recommendations (BIS (2017)).

Changes to the reporting guidelines

1.19. These guidelines provide authorities in reporting countries with definitions and requirements for reporting the LBS and CBS to the BIS. They replace the March 2013 version of the reporting guidelines.

1.20. Compared with the March 2013 version, the main changes to the current guidelines concern the 2017 recommendations of the study group as well as the clarifications and revisions proposed by the BIS in 2014 (BIS (2014, 2017)). In addition, the allocation of counterparty countries to regions was discontinued, and a few reporting requirements were simplified. Furthermore, some details from other documents, in particular the data structure definitions, were integrated into the guidelines; cross-references to other statistical and prudential standards were expanded; and the guidelines were reorganised to improve their readability.

1.21. The horizon over which reporting practices converge with these guidelines depends on the circumstances in each reporting country. To help users understand the comparability of data across reporting countries, the BIS periodically collects and publishes information about reporting practices (Annexes G and H).

1.22. To ensure that the IBS remain a key source of data to monitor the evolution of the financial landscape and assess risks to financial stability, the reporting guidelines are regularly reviewed. However, significant changes are infrequent, considering the high costs of changing reporting systems.

1.23. The main forum for reviewing the reporting guidelines is regular meetings of central bank experts on the IBS. Occasionally, the CGFS also forms working groups to review the usefulness of new data, such as the Ad Hoc Group for the Review of Statistical Proposals that designed the 2011–12 enhancements (CGFS (2012)). As the oversight body for the IBS, the CGFS approves significant changes to the IBS after taking into account the benefits and reporting burden.

1.24. The BIS periodically publishes frequently asked questions that provide more detailed guidelines on specific issues (Annex E).

1.25. The code structure and other technical documents explaining how to submit data to the BIS are available on the BIS website (www.bis.org/statistics/count_rep_practices.htm).

2. LBS: definitions and coverage

2.1. The purpose of the LBS is to capture the currency and geographical composition of internationally active banks' balance sheets.

2.2. The LBS are compiled according to the residence of banks on an unconsolidated, standalone basis. As such, they include banks' intragroup positions with subsidiaries and other legal entities that are part of the same banking group, as well as inter-office positions with their non-resident branches, but they exclude inter-office positions with banks' resident branches.

2.3. The LBS complement BoP and flow of funds data. Indeed, BoP compilers in many countries make use of the LBS to improve their estimates.³ In principle, the definitions and coverage in the LBS are aligned with those in the sixth edition of the IMF's *Balance of Payments and International Investment Position Manual* (BPM6). However, there are some conceptual differences: for example, the definition of nationality in the LBS differs from direct investment relationships in BPM6. Also, reporting practices across countries might diverge from these guidelines (Annex F).

Reporting population

2.4. The reporting population for the LBS consists of internationally active banks located in each reporting country. In principle, LBS-reporting banks are a subset of all banks located in a country.

Types of reporting bank

2.5. **Banks** are financial institutions whose business is to receive deposits, or close substitutes for deposits, and to grant credits or invest in securities on their own account. LBS-reporting banks include commercial banks, savings banks, credit institutions, savings and loan associations, credit unions or cooperative credit banks, building societies, post office giro institutions, and other government-controlled savings banks. The definition of "banks" in the LBS is the same as "deposit-taking corporations, except the central bank" in BPM6.

2.6. **Internationally active banks** are banks that have substantial international business, meaning business with non-residents or business in foreign currencies. LBS-reporting banks comprise all foreign banks located in a reporting country, as well as domestic banks that have substantial international business. The distinction between domestic and foreign depends on the nationality of the bank (paragraph 2.9). Reporting authorities may determine what constitutes substantial international business by referring to absolute thresholds, shares of a bank's overall business, or any other criteria.

2.7. **Banks located in a country** are resident banks. The residence of a bank is the economic territory where it has the strongest connection, expressed as its centre of predominant economic interest (BPM6, paragraph 4.113).

2.8. There are three types of resident bank: domestic banks, foreign subsidiaries and foreign branches. These are defined in Table 2.1 and illustrated with examples in Annex C. Consortium banks, for which it is difficult to identify a single controlling parent, are classified as either foreign subsidiaries or foreign branches (paragraph 2.13).

³ For example, the LBS on banks' liabilities to residents of a given country are often used by BoP compilers to improve estimates of households' deposits with banks abroad.

Types of LBS-reporting bank

Table 2.1

Domestic banks [D]	Banks incorporated in the reporting country that have a controlling parent also incorporated in the reporting country. In the LBS, head offices and subsidiaries that are part of the same corporate group are considered separate entities, ie a group may have several legal entities that are each classified as a domestic bank. Domestic banks' branches located in the reporting country are consolidated by their parent and not considered separate entities.
Foreign subsidiaries [S]	Banks incorporated in the reporting country that have a controlling parent incorporated outside the reporting country.
Foreign branches [B]	Entities that are wholly owned by a controlling parent incorporated outside the reporting country. Branches are normally not incorporated as separate legal entities, and for statistical purposes are considered quasi corporations. In the LBS, as in the BPM, branches that are located in a different country from their parent are considered separate entities (BPM6, paragraph 4.26).

Nationality of reporting banks

2.9. An important characteristic of reporting banks is their nationality. Nationality refers to the country where the bank's controlling parent is incorporated. The controlling parent is the entity that has the power to make important decisions about the management of the bank, whether through direct control (eg participation exceeding 50% of the subscribed capital of the bank) or indirect control.

2.10. For the purpose of the LBS, the controlling parent is the highest-level entity in the corporate group over which consolidated supervision is exercised by prudential authorities. For a reporting bank that is the highest-level entity in the corporate group (ie there is no higher intermediate or ultimate entity in the group), then the bank itself is the controlling parent. For other reporting banks, the controlling parent is either the bank's intermediate parent or its ultimate parent, depending which entity is subject to prudential supervision.

- For a reporting bank that is part of a financial group, the ultimate parent at the top of the group is usually subject to prudential supervision (eg banking group, insurance company, financial holding company). If this is the case, then the controlling parent is the ultimate parent.
- For a reporting bank that is part of a diversified group, the ultimate parent may be an entity that is not subject to prudential supervision, such as an investment holding company, shell company or a non-financial company like an automobile group. If this is the case, then controlling parent is the highest-level intermediate entity that is subject to prudential supervision, such as the highest banking entity in the group.
- If neither the ultimate parent nor the intermediate parent is subject to prudential supervision, then the controlling parent is the reporting bank itself.

2.11. The nationality of an LBS-reporting bank that is part of a financial group is usually synonymous with the country where the home supervisor of the group is located.⁴ Nationality is also often, but not necessarily, synonymous with the country where the head office of the controlling parent is located. The nationality of banks is illustrated with examples in Annex C.

2.12. The nationality of LBS-reporting banks should be aligned with the nationality of their parents in the CBS (paragraph 4.12). The nationality of some foreign subsidiaries may be ambiguous. Subsidiaries are

⁴ The relevant home supervisor is the group-level supervisor, which may be different from the banking supervisor. The group-level supervisor is responsible for all areas of group-wide supervision not covered by insurance, banking or securities supervision (Joint Forum (2012)). The group-wide supervisor is also responsible for coordination among the sectoral supervisors and typically carries out supervision of the largest part of the group. If the group-wide supervisor is part of a supranational authority, then nationality may be based on the country where the head office of the financial group is located.

typically incorporated under the laws of the host country, may be listed separately from their parents, and in principle, although not necessarily in practice, are fully autonomous. To resolve complicated cases, the BIS collects information about the nationality of each reporting bank and uses this information to facilitate discussions among reporting authorities.

2.13. If it is not possible to identify a single controlling parent, then for the purpose of identifying the nationality the LBS-reporting bank may be defined as a consortium bank [1G].

Business covered

2.14. The LBS capture all financial assets and liabilities recorded on banks' balance sheets as well as trustee business regardless of whether it is recorded by banks on or off their balance sheet. Trustee business is included because it is difficult for banks' counterparties to distinguish between a bank's own positions and positions the bank holds on behalf of third parties. The inclusion of trustee business thus helps to reconcile interbank assets and liabilities.⁵

2.15. Financial assets – also known as claims – are assets that have a corresponding liability. Non-financial assets such as real estate, equipment, machinery and vehicles are excluded.

2.16. Financial assets and liabilities to banks that are part of the same banking group – related entities within the group's perimeter of consolidation – are included. Such intragroup positions include those on the head office, resident and non-resident subsidiaries, and non-resident branches of the group, but exclude positions on resident branches. For example, intragroup positions include those between the Tokyo and London branches of a reporting bank in Japan, but exclude those between the Tokyo and Osaka branches of the bank.

Instruments

2.17. Financial assets and liabilities are categorised into four financial instruments: loans and deposits, debt securities, derivatives and other instruments. These are defined in Table 2.2.

Coverage of financial assets and liabilities		Table 2.2
Instrument	Definition	Examples
Loans/deposits	Debt instruments that not negotiable and are either created when a creditor lends funds directly to a debtor or represented by evidence of a deposit (BPM6, paragraphs 5.39 and 5.51). Includes working capital between related banks. The LBS do not distinguish between loans and deposits; loans and deposits are included in the same category.	Deposits (including transferable deposits and interbank positions), instalment loans, hire-purchase credit, loans to finance trade credit, financial leases, repurchase agreements. Includes currency, ie banks' holdings of notes and coins that are in circulation and commonly used to make payments. For securities or commodities borrowed or lent against cash collateral, the cash leg is included under loans/deposits.
Debt securities	Debt instruments that are negotiable and give the holders the unconditional right to fixed or contractually determined variable interest payments (BPM6, paragraph 5.44). Short sales (ie sales of securities that the bank does not own, such as securities received under a repurchase agreement) should be reported as	Bills, bonds, notes, negotiable certificates of deposit, commercial paper, debentures, asset-backed securities, banker's acceptances, money market instruments.

⁵ In contrast, in BPM6 trusts are considered quasi corporations and trustee business is separated from banks' own business (BPM6, paragraph 4.48).

	negative assets rather than as liabilities (BPM6, paragraph 7.28).	Includes loans that have become negotiable and for which there is evidence of secondary market trading.
Derivatives	Financial instruments that are linked to another financial instrument, indicator or commodity and through which financial risks (eg interest rate, foreign exchange, equity, commodity price, or credit risk) can be traded in their own right in financial markets (BPM6, paragraph 5.80).	Forwards, options, swaps, futures.
Other instruments	Financial instruments not categorised as loans/deposits, debt securities or derivatives, ie residual financial assets and liabilities.	Accounts receivable/payable, equity securities, retained earnings, deferred taxes.

2.18. Funds lent or deposited by a bank in its own name but on behalf of third parties are classified under financial assets as “loans/deposits”, and funds received by a bank on a trust basis are classified under liabilities as “loans/deposits”. Securities held by a bank in its own name but on behalf of third parties are classified under financial assets as “debt securities” or “other instruments”, as appropriate, and securities issued on a trust basis are similarly classified under liabilities.

2.19. Short selling occurs when a bank sells securities that it does not own. For example, a bank sells a security that it received through a repurchase agreement. Banks should report short sales of securities as negative assets, subtracting them from debt securities or other instruments as appropriate (BPM6, paragraph 7.28). This treatment is followed to avoid double counting holdings of securities when aggregating the balance sheets of buyers. Short sales refer to the value of the securities lent and sold, not the value of the short selling position itself.

Valuation and netting

2.20. In principle, all financial assets and liabilities should be valued at market prices. In other words, banks’ should value their outstanding positions as if they were acquired in market transactions on the reference date. When valued according to market prices, debtors record the same amount as creditors for positions in the same financial instrument. This helps to ensure that positions are reported in a consistent and comparable way across banks and reporting countries.

2.21. In practice, the availability of market prices depends on instruments’ negotiability and market liquidity. Financial instruments that are not traded in markets on a regular basis or are not negotiable cannot be valued directly using transacted or quoted prices. For such instruments, other valuation methods must be used.

2.22. Instruments that are negotiable and traded frequently in financial markets, such as equity securities, can be valued directly using transacted or quoted prices. Instruments that are negotiable but not traded frequently in financial markets, such as some debt securities, can be valued using recent transaction prices for similar instruments, net asset values or other estimates of market prices. Instruments that are not negotiable, in particular loans and deposits, can be valued at nominal value. Nominal value measures a debtor’s contractual liability (including accrued but not yet paid interest), whereas market prices measure the value that debtors and creditors currently attribute to an instrument (IMF (2013)).

2.23. The valuation methods recommended for different instruments are summarised in Table 2.3. National accounting standards may require other valuation methods, such as amortised cost, book value, face value or historical cost.⁶

⁶ For an explanation of the different valuation methods, see BPM6, paragraph 3.88.

Valuation methods

Table 2.3

Negotiable?	Traded frequently in financial markets?	Recommended valuation method	Examples of financial instruments
Yes	Yes	Fair value (observed market price)	Debt securities, listed equities, exchange-traded derivatives
Yes	No	Fair value (estimated market price)	Debt securities, unlisted equities, OTC derivatives
No	No	Nominal value	Loans/deposits, accounts receivable/payable

2.24. In the LBS, financial assets and liabilities should not be netted; financial assets and liabilities should be reported on a gross basis. In particular, financial assets and liabilities on the same counterparty should be reported separately and not offset against each other.

2.25. Derivatives should also be reported on a gross basis, before taking into account any netting agreements. All derivatives with a positive market value should be treated as assets and those with a negative market value as liabilities. Derivatives should be reported on a contractual, post-novation basis.

2.26. For derivatives contracts that involve multiple or two-way payments, such as swaps and forwards, the market value is the net present value of the payments to be exchanged by counterparties between the reference date and the contract's maturity. In other words, forwards and swaps should be recorded as if they were one transaction and not two separate legs. Consider a foreign exchange (FX) swap in which a bank initially exchanges USD 140 million for EUR 100 million. Table 2.4 illustrates the notional and market values of the contract at different exchange rates. If the USD depreciates to EURUSD 1.5, then for the bank that receives USD at maturity the market value of the swap is negative and so is reported as a liability of USD 10 million. If the USD appreciates to EURUSD 1.3, then for the same bank the market value is positive and so the swap is reported as an asset.

Example of how to report a foreign exchange swap

Table 2.4

Reference date	Exchange rate on reference date	Instrument	Notional value (in USD mn)	Market value (in USD mn)
t = 0 (initiation)	EURUSD 1.4	Assets: derivatives Liabilities: derivatives	140 (receive USD 140m) 140 (pay EUR 100m)	0
t + 3 months	EURUSD 1.5	Assets: derivatives Liabilities: derivatives	140 (receive USD140m) 150 (pay EUR 100m)	. 10
t + 6 months	EURUSD 1.3	Assets: derivatives Liabilities: derivatives	140 (receive USD 140m) 130 (pay EUR 100m)	10 .

2.27. Loan claims should be reported gross of provisions, without subtracting allowances for credit losses. While the nominal value of a loan minus provisions provides an approximate measure of fair value, subtracting provisions undermines the comparability of data across countries because there is no common definition of provisions.

Currency of denomination

2.28. All financial assets and liabilities should be allocated according to the currency in which they are denominated.

2.29. The currency of denomination is the currency specified in the contract that determines the value of flows and positions. The currency of denomination may be different from the currency of settlement. Cash flows are determined using the currency of denomination and, if necessary, converted into another currency for the purpose of settlement. For example, if a currency-linked bond is issued and payable in Brazilian reais (BRL) but coupon and principal payments are calculated with reference to the USDBRL exchange rate, then the denomination is USD even though the payments are settled in BRL.

2.30. For foreign exchange (FX) derivatives, the currency of denomination depends on the market value of the contract on the reference date. If an FX derivative is reported as an asset (ie the market value of the contract is positive), then the currency of denomination is the currency of the long leg: the currency received at maturity. If an FX derivative is recorded as a liability (ie the market value of the contract is negative), then the currency of denomination is the currency of the short leg: the currency paid at maturity. The switching between short and long positions reflects the bank's net exposure to movements in the exchange rate.

2.31. In the example from paragraph 2.26, where a bank exchanges USD 140 million for EUR 100 million: if the USD depreciates to EURUSD 1.5, then the bank that receives USD at maturity will report the swap as a liability of USD 10 million denominated in EUR. If the USD appreciates to EURUSD 1.3, then the same bank will report the swap as an asset of USD 10 million denominated in USD.⁷

2.32. The domestic currency of the reporting country should be distinguished from foreign currencies. The domestic currency refers to the currency that is legal tender in the reporting country, which is typically the currency issued by the reporting country's central bank or monetary authority. All other currencies are foreign currencies.

2.33. In the LBS, the terms "domestic currency" and "local currency" are used interchangeably. By contrast, in the CBS the domestic currency is not the same as the local currency. In the CBS, local currency refers to the currency of the country where the counterparty resides (paragraph 4.50).

2.34. In the LBS, the main foreign currencies are CHF, EUR, GBP, JPY and USD (Box 1).

Box 1

Currency breakdown: future addition of the Chinese renminbi?

In future, the list of foreign currencies in the LBS may be expanded to include the Chinese renminbi. Since the late 2000s, the use of the renminbi for international transactions has increased substantially, albeit from a low base. This increased use was one of the factors that led the IMF in October 2016 to add the renminbi to the basket of currencies that constitute the Special Drawing Right (SDR). In 2016, the results of the BIS Triennial Central Bank Survey indicated that the renminbi was the eighth most traded currency in foreign exchange spot and OTC derivatives markets, behind the USD, EUR, JPY, GBP, AUD, CAD and CHF. The BIS, in consultation with reporting authorities, will review the list of foreign currencies reported in the LBS after the results of the 2019 Triennial Survey are published.

Counterparties

2.35. All financial assets and liabilities should be allocated according to the country and sector of the immediate counterparty.

2.36. In practice, reporting banks may face challenges identifying holders of their own debt securities and other negotiable liabilities. For a discussion of different methods for identifying holders of debt securities, see He and Filková (2019) and Falcão Silva and Pradhan (2019).

⁷ In the case of an FX derivative between two LBS-reporting banks, each bank will report a different currency.

Country allocation

2.37. The country of the counterparty refers to the residence of the counterparty. For guidelines about how to identify the residence of an entity, see BPM6, paragraphs 4.113–4.144.

2.38. Countries are understood to include territories and economies that are not states but have been assigned official codes under the ISO 3166-1 standard.⁸ For the purpose of allocating positions by country, only territories with officially assigned ISO 3166-1 codes are recognised; territories with user-assigned ISO codes are not recognised.

2.39. Selected dependent territories, in particular those that are uninhabited or have no sizeable economic or financial activity, may be reported together with their governing state, as shown in Table 2.5.

	Dependent territory	Governing state		Dependent territory	Governing state
AS	American Samoa	United States	NC	New Caledonia	France
AX	Åland Islands	Finland	NF	Norfolk Island	Australia
BL	Saint Barthélemy	France	NU	Niue	New Zealand
BV	Bouvet Island	Norway	PF	French Polynesia	France
CC	Cocos Islands	Australia	PM	Saint Pierre and Miquelon	France
CK	Cook Islands	New Zealand	PN	Pitcairn	United Kingdom
CX	Christmas Islands	Australia	PR	Puerto Rico	United States
GF	French Guiana	France	RE	Réunion	France
GP	Guadeloupe	France	SH	Saint Helena, Ascension & Tristan da Cunha	United Kingdom
GS	South Georgia & South Sandwich Islands	United Kingdom	SJ	Svalbard & Jan Mayen	Norway
GU	Guam	United States	TF	French Southern Territories	France
HM	Heard & McDonald Islands	Australia	TK	Tokelau	New Zealand
IO	British Indian Ocean Territory	United Kingdom	UM	United States Minor Outlying Islands [‡]	United States
MC	Monaco [†]	France	VI	US Virgin Islands	United States
MF	Saint Martin (French part)	France	WF	Wallis and Futuna	France
MP	Northern Mariana Islands	United States	YT	Mayotte	France
MQ	Martinique	France			

* Selected dependent territories that have been assigned official codes under the ISO 3166-1 standard. Territories that have been assigned official ISO 3166-1 codes and are not listed in the table should always be reported separately from their governing state. † Self-governing state; not a dependent territory. ‡ Includes islands formerly grouped under the code PU (US Miscellaneous Pacific Islands).

2.40. Positions that cannot be allocated to specific countries may be reported as either “unallocated location” [5M], if the residence of the counterparty is unknown, or “unallocated non-residents” [5Y], if the residence of the counterparty is known to be outside the reporting country.⁹

⁸ Countries previously grouped under the BIS-defined codes 1W (British Overseas Territories) and 1Z (UK West Indies) should be reported under their respective ISO codes.

⁹ Historically, the BIS grouped countries into six regions: developed countries, offshore centers, developing Asia and the Pacific, developing Europe, developing Latin America and developing Middle East and Africa. Until the end-2021 reference period, codes for the unallocated component of these regions remain valid in case authorities are unable to report a full country breakdown.

2.41. International organisations are considered to be resident in an economic territory of their own and not in the country where they are physically located.¹⁰ In the counterparty country dimension, banks' positions on international organisations should not be assigned to the country where the organisation is located but rather should be reported as a distinct entry: "international organisations" [1C].

2.42. There are exceptions to the treatment of international organisations: the BIS and central banks of currency unions. International organisations that undertake activities similar to those of central banks should be reported as residents of the country where they are located.¹¹ In particular, the BIS should be reported as a resident of Switzerland; the Bank of Central African States (BEAC) as a resident of Cameroon; the Central Bank of West African States (BCEAO) as a resident of Senegal; the Eastern Caribbean Central Bank (ECCB) as a resident of St Kitts and Nevis; and the European Central Bank (ECB) as a resident of Germany.

Sector allocation

2.43. Financial assets and liabilities should be allocated by counterparty into four sectors and six subsectors, as defined in Table 2.6. In the LBS, the definitions of counterparty sectors are consistent with the institutional sectors defined in BPM6 (paragraph 6.9).

2.44. International organisations other than those considered central banks do not need to be allocated by sector and may be reported as unallocated by sector [U].¹² As discussed in paragraph 2.42, the BIS, BEAC, BCEAO, ECCB and ECB should be classified as central banks.

¹⁰ For a list of international organisations, see the [BOP Vademecum](#) prepared by Eurostat (Eurostat (2017)).

¹¹ In BPM6, central banks of currency unions are considered residents of the union as a whole (BPM6, paragraph 4.106).

¹² In a clarification to BPM6, the IMF (2018) recommends that international organisations not be classified according to sectors designed for domestic institutional units. Instead, BPM6 allocates international organisations to the following sectors: central bank of currency union, international financial organisation and other international organisation.

Sector of counterparty

Table 2.6

Sector	Subsector	Definition
Bank [B]		I + J + M
	Related office [I]	Entities that are part of the same banking group, ie that are within the perimeter of consolidation of the controlling parent institution. Includes the controlling parent institution, the head office of the bank (if different), and branches or subsidiaries that are part of the consolidated reporting entity.
	Unrelated bank [J]	Entities that stay outside a banking group (ie do not have the same consolidated reporting entity).
	Central bank [M]	Central banks; currency boards or independent currency authorities that issue national currency that is fully backed by foreign exchange reserves; government-affiliated agencies that are separate institutional units and primarily perform central bank activities; and international organisations that undertake activities similar to those of central banks.
Non-bank financial institution [F]		Private or public financial institutions, other than banks, engaged primarily in the provision of financial services and activities auxiliary to financial intermediation such as fund management. Includes special purpose vehicles, hedge funds, securities brokers, money market funds, investment funds, pension funds, insurance companies, financial leasing corporations, central clearing counterparties, unit trusts, other financial auxiliaries and other captive financial institutions. It also includes any public financial institutions such as development banks and export credit agencies.
Non-financial sector [P]		G + C + H
	General government [G]	Includes the central government, state government, local government, and social security funds. Also includes non-profit institutions engaged in non-market production that are controlled and mainly financed by government units and social security funds. Central banks, other official monetary authorities and public corporations are not part of the general government sector.
	Non-financial corporation [C]	Privately and publicly owned corporations as well as unincorporated enterprises that function as if they were corporations, such as limited liability partnerships and the branches of foreign corporations.
	Household including NPISHs [H]	Individuals, families, unincorporated enterprises owned by households, and non-profit institutions serving households (NPISHs) such as charities, religious institutions, trade unions and consumer associations.
Unallocated [U]		International organisations other than those considered central banks, and any positions for which the sector of the counterparty is unknown. For example, banks know the counterparties on which they have claims but may not always know the counterparty for their liabilities, particularly for negotiable instruments such as their own issues of debt securities.

3. LBS: specific reporting requirements

3.1. The LBS comprise two complementary data sets: LBS by residence (LBSR) and LBS by nationality (LBSN). The LBSR and LBSN differ in two ways: first, how the bank-level data are grouped to construct the country-level aggregates reported to the BIS; and second, what breakdowns are reported for each grouping of banks. Reporting authorities are required to report both data sets.

3.2. The LBSR and LBSN can be compiled from the same bank-level data. Reporting authorities can use the same sample of reporting banks and the same balance sheet items reported by them to compile the LBSR and LBSN for reporting to the BIS.

Groupings of reporting banks

3.3. In the LBSR, reporting banks are grouped into three types: domestic banks, foreign subsidiaries and foreign branches (Table 2.1).

3.4. In the LBSN, reporting banks are grouped into as many bank nationalities as are represented in the reporting population. For example, if the reporting population comprises 30 banks with parents in 12 countries, then 12 bank nationalities should be reported.

3.5. For each bank nationality in the LBSN, reporting authorities are encouraged to report complete breakdowns by counterparty country, counterparty sector and currency, as explained in paragraphs 3.8 to 3.10. At a minimum, for each bank nationality a basic country breakdown between residents and non-residents is required, together with complete sector and currency breakdowns. For domestic banks and the largest bank nationalities in the reporting country, where the largest nationalities are identified according to the sum of their reported assets and liabilities, positions on non-residents should be allocated to specific counterparty countries.¹³

3.6. For groupings comprising all reporting banks and domestic banks, totals reported in the LBSR should equal totals reported in the LBSN (Table 3.1).

Groupings of reporting banks		Table 3.1
LBSR	LBSN	
All reporting banks [A] by bank type	All reporting banks [A] by bank nationality	
Domestic banks [D]	[ISO of reporting country]	} Largest bank nationalities, including domestic banks
Foreign branches [B]	} [AD] ... [ZW]	
Foreign subsidiaries [S]	} Consortium banks [1G]	} Smaller bank nationalities
	} Unallocated by parent [5M]	

¹³ To ensure comprehensive coverage of G-SIBs in the LBSN, reporting authorities are encouraged to report a complete country breakdown for the following bank nationalities, even if they are not among the largest in the reporting country: CA, CH, CN, DE, ES, FR, GB, IT, JP, NL and US.

Breakdowns by country, sector, currency and instrument

3.7. For each grouping of banks, financial assets and liabilities are allocated according to the following four breakdowns: country of the counterparty, sector of the counterparty, currency, and instrument. Country, sector and currency breakdowns are required in both the LBSR and the LBSN, but the instrument breakdown is required only in the LBSR.

3.8. **Country breakdown:** Reporting authorities are required to allocate reporting banks' financial assets and liabilities by country of their counterparty. A complete breakdown is encouraged, which distinguishes between the 249 territories that have been assigned official codes according to the ISO 3166-1 standard (paragraph 2.38). At a minimum, 99% of positions on non-residents are required to be allocated to specific counterparty countries. For selected groupings of banks – in particular, groupings by bank type in the LBSR and of smaller nationalities in the LBSN – a basic country breakdown may be reported, which distinguishes between positions on residents, non-residents and unallocated.

3.9. **Sector breakdown:** Reporting authorities are required to allocate reporting banks' financial assets and liabilities by sector of their counterparty. A complete breakdown by sector and subsector is encouraged, which distinguishes between 10 sectors and subsectors (Table 2.6). At a minimum, five sectors are required: bank, intragroup, non-bank financial, non-financial and unallocated.

3.10. **Currency breakdown:** Reporting authorities are required to allocate reporting banks' financial assets and liabilities by the currency in which they are denominated. A complete breakdown by currency is encouraged, which distinguishes between all currencies that have been assigned official codes under the ISO 4217 standard. At a minimum, seven currencies are required: the domestic (local) currency of the reporting country, CHF, EUR, GBP, JPY, USD, and other foreign currencies [TO3]. Together with the currency denomination, reporting authorities are required to identify whether the currency is domestic or foreign (paragraph 2.32).

3.11. **Instrument breakdown:** In the LBSR, reporting authorities are required to allocate reporting banks' financial assets and liabilities by instrument. A complete breakdown into four instruments – loans and deposits, debt securities, derivatives and other instruments – is required (paragraph 2.17). In the LBSN, an instrument breakdown is not required, except for banks' own issues of debt securities. In the LBSR and LBSN, banks' own issues of debt securities with a remaining maturity of one year or less should be separately reported.

3.12. The breakdowns are crossed with each other, meaning that details from one breakdown are reported together with details from the other breakdowns. The details reported differ depending on the grouping of banks. The details reported for each grouping and breakdown are summarised in Table 3.2. The most important breakdown is by country, followed by sector, currency and finally instrument.

LBS: Groupings, breakdowns and crossings

required encouraged not reported

Table 3.2

Data set	Groupings of banks		Breakdowns reported by banks: details to be crossed						
	Bank nationality	Bank type	Instrument	Counterparty country [†]	Counterparty sector [†]		Currency [‡]		
LBSR	All nationalities	All types	Financial assets	4-249	5	10	7	>7	
			loans/deposits	4-249	5	10	7	>7	
			debt securities	4-249	5	10	7	>7	
			derivatives	3	4-249	5	10	7	>7
			other instruments	3	4-249	5	10	7	>7
			Financial liabilities	4-249	5	10	7	>7	
			loans/deposits	4-249	5	10	7	>7	
			debt securities	3	4-249	5	10	7	>7
			<= 1 year [§]	3					
			derivatives	3	4-249	5	10	7	>7
	other instruments	3	4-249	5	10	7	>7		
	All nationalities	Domestic banks	Financial assets	3	5	10	7	>7	
			loans/deposits	3	5	10	7	>7	
			debt securities	3	5	10	7	>7	
		Foreign branches	derivatives	3	5	10	7	>7	
			other instruments	3	5	10	7	>7	
		Foreign subsidiaries	Financial liabilities	3	5	10	7	>7	
			loans/deposits	3	5	10	7	>7	
			debt securities	3	5	10	7	>7	
			derivatives	3	5	10	7	>7	
		other instruments	3	5	10	7	>7		
LBSN	All nationalities	All types	Financial assets	4-249	5	10	7	>7	
			Financial liabilities	4-249	5	10	7	>7	
			debt securities	3	4-249	5	10	7	>7
			<= 1 year [§]	3					
	Largest nationalities	All types	Financial assets	4-249	5	10	7	>7	
			Financial liabilities	4-249	5	10	7	>7	
			debt securities	3	4-249	5	10	7	>7
			<= 1 year [§]	3					
	Smaller nationalities	All types	Financial assets	3	4-249	5	10	7	>7
			Financial liabilities	3	4-249	5	10	7	>7
			debt securities	3	4-249	5	10	7	>7
			<= 1 year [§]	3					

* Counterparty country: "3" = residents, non-residents, unallocated; "4-249" = "3" + countries that have been assigned official ISO codes. † Counterparty sector: "5" = bank, intragroup, non-bank financial, non-financial, unallocated; "10" = "5" + unrelated bank, central bank, general government, non-financial corporation, household. ‡ Currency: "7" = domestic currency, CHF, EUR, GBP, JPY, USD, TO3; ">7" = "7" + other currencies that have been assigned official ISO codes. § By remaining maturity.

4. CBS: definitions and coverage

4.1. The purpose of the CBS is to capture the country risk exposures of internationally active banks. They provide simple measures of exposures that are intended to be comparable across the banks of different countries.

4.2. The CBS are compiled according to the nationality of banks on a worldwide consolidated group basis, similarly to the consolidation approach followed by banking supervisors.

4.3. The CBS comprise two data sets, which use different criteria to identify the obligor. The CBS on an immediate counterparty basis (CBSI) identify the obligor as the direct party to a contract. The CBS on a guarantor basis (CBSG) identify the obligor as the ultimate party to a contract, who is contractually bound to become the obligor in the event of default by the immediate counterparty.¹⁴

4.4. Conceptually, the CBSG provide better measures of country risk exposures than the CBSI because they take into account ways that banks mitigate the risks to which they are exposed. The CBSG are useful as a starting point for analysing country risk exposures. However, they are statistical measures, which provide only part of the information needed for a comprehensive analysis. Information about probabilities of default and losses-given-default are also relevant for estimating expected losses or conducting stress tests, and about business strategies for understanding how banks might respond to developments abroad. Another limitation of the CBSG is that the data are complex for banks to compile and consequently their quality is lower than for the CBSI (BIS (2017)).

4.5. In many areas, the guidelines for the CBSI and CBSG are aligned with standards for prudential reporting, in particular the standards agreed by the Basel Committee on Banking Supervision (BCBS).¹⁵ The benefit of such alignment is that it promotes the use of a common, transparent methodology; reduces the reporting burden on banks; and makes it easier for users to compare country-level aggregates from the CBS with institution-level data from financial statements and prudential reports. However, alignment comes at the cost of comparability because the BCBS's standards leave room for national interpretation. In particular, comparability is impeded by differences in risk management practices across banks and accounting and prudential standards across countries.

4.6. Therefore, while the guidelines strive for alignment with prudential standards where practical, the main objective is to compile data that are comparable. To help users of the CBS understand the comparability of data across reporting countries, the BIS periodically collects and publishes information about reporting practices (Annex G).

¹⁴ The CBS on a guarantor basis were previously labelled the CBS on an ultimate risk basis. The methodology is the same; only the label has changed. As discussed in BIS (2017), the label "ultimate risk" is potentially misleading because the data provide an incomplete picture of risk exposures. Also, most claims continue to be allocated to the immediate counterparty even after adjustment for risk transfers because only a small proportion of claims are covered by risk transfers.

¹⁵ Historically, the guidelines for the CBS were not aligned with prudential standards. When the CGFS agreed in 2000 to expand the CBS, "a strong preference was voiced for collecting data that could be assembled from information compiled by the banks for internal risk management purposes" (CGFS (2000), p 2). This preference changed following the 2007–09 financial crisis; and when the CGFS agreed in 2012 to a further expansion, "the Group thought that, in principle, achieving a better alignment between the IBS and supervisory data would be important" (CGFS (2012), p 7).

Reporting population

4.7. The reporting population for the CBS consists mainly of internationally active banking groups that have a controlling parent incorporated in the reporting country.¹⁶

Domestic banking groups

4.8. Banks that have a controlling parent incorporated in the reporting country submit data on a worldwide consolidated group basis, where intragroup positions between entities that are part of the same banking group are eliminated and the balance sheets of subsidiaries are combined with the parent's. They are known as domestic banking groups.¹⁷

4.9. To identify entities that are part of the same banking group, domestic banking groups should apply the perimeter of consolidation defined by national prudential authorities. In some countries the prudential perimeter is aligned with the accounting perimeter, but in others the two are different (BIS (2017)). Differences between the accounting and prudential perimeters of consolidation are illustrated in Annex A.

4.10. Whereas the accounting perimeter of consolidation focuses solely on control, international standards for defining the prudential perimeter also consider the risks inherent in a type of activity. The BCBS requires that the prudential perimeter capture the risk of the whole banking group. All entities conducting banking, securities and other similar activities that are ancillary to the business of banking, and that are majority-owned or otherwise controlled by the group – irrespective of whether the entities are regulated – should be within the consolidation perimeter (BCBS (2006)). Insurance entities as well as non-financial commercial entities are explicitly excluded from the prudential perimeter. Nevertheless, international standards for defining the prudential perimeter leave significant room for national interpretation.

4.11. For domestic banking groups that are part of a diversified group, the ultimate parent may be an entity that is outside the prudential perimeter of consolidation: for example, a non-financial company, investment holding company or shell company (paragraph 2.10). In such cases, the domestic banking group excludes the ultimate parent, and positions between the parent and entities in the banking group are not consolidated.

Foreign banks

4.12. In addition to domestic banking groups, the reporting population for the CBS includes some foreign banks. As in the LBS, the distinction between domestic and foreign depends on the nationality of the bank's controlling parent (paragraph 2.10). Banks are considered foreign if they have a controlling parent that is incorporated outside the reporting country.

4.13. In the CBS, there are two types of foreign bank: inside-area foreign bank and outside-area foreign bank. These are defined in Table 4.1 and illustrated with examples in Box 2 and Annex C.

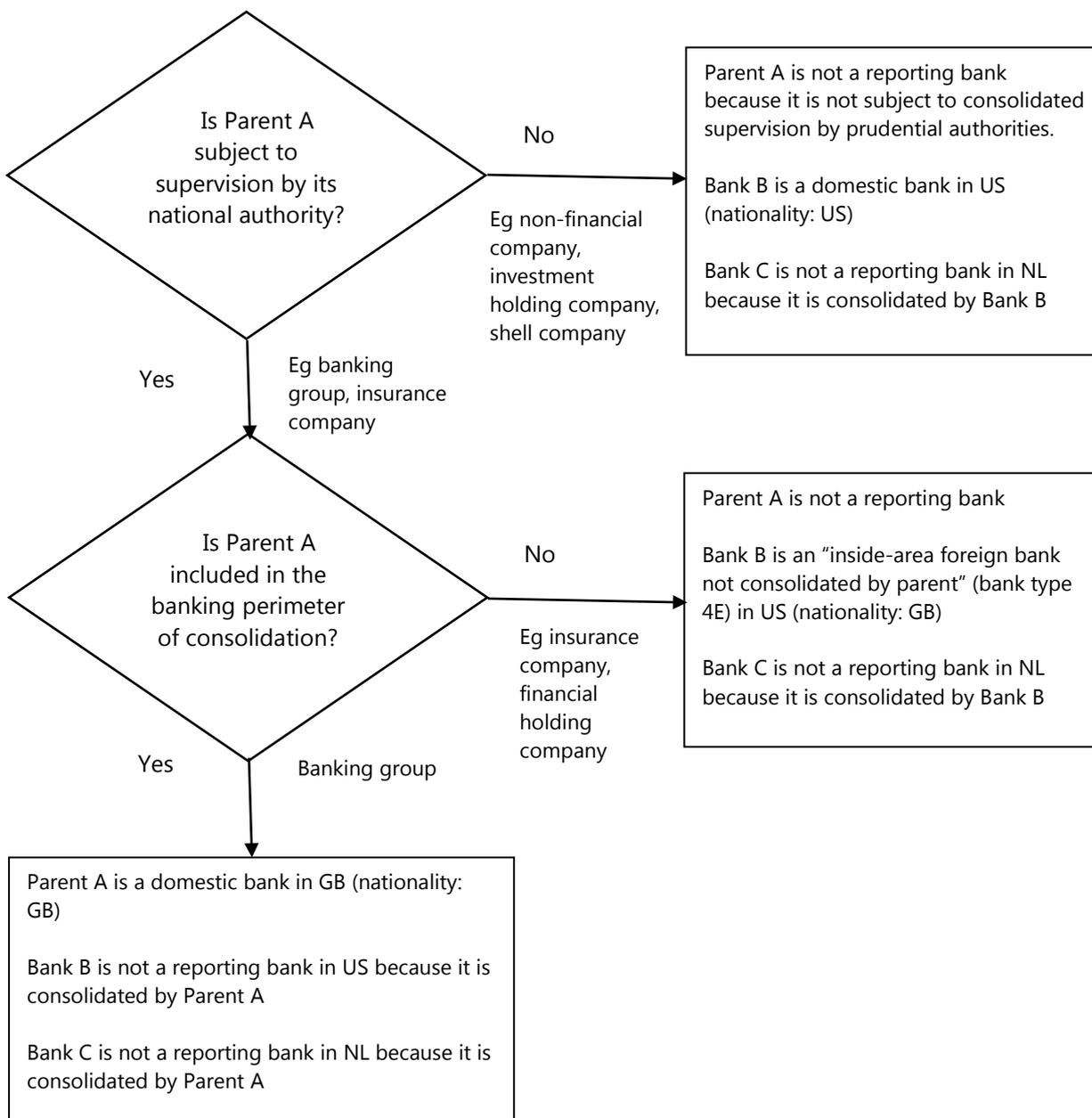
4.14. Inside-area foreign banking groups submit data on a worldwide consolidated group basis, ie the same basis as domestic banking groups in the CBS (paragraph 4.8). Outside-area foreign banks submit data on an unconsolidated, standalone basis (including intragroup positions), ie the same basis as foreign branches and foreign subsidiaries in the LBS (but only branches and subsidiaries whose controlling parent is not incorporated in a CBS-reporting country).

¹⁶ For definitions of internationally active banks and controlling parent, see paragraphs 2.6 and 2.10, respectively.

¹⁷ In contrast, in the LBS, domestic banks submit data on an unconsolidated, standalone basis according to their residence, including intragroup positions and inter-office positions with non-resident branches but excluding inter-office positions with resident branches. A domestic banking group might include several entities categorised in the LBS as domestic banks.

Reporting nationality in CBS

Parent A is an institution in reporting country GB. Bank B is a banking subsidiary of Parent A resident in reporting country US. Bank C is a branch of Bank B resident in reporting country NL.



4.15. Ideally, inside-area foreign banking groups should be reported as domestic banking groups by the reporting country where the controlling parent is incorporated. To avoid double reporting of data for such banks, the BIS facilitates discussions between authorities in the home and host reporting countries about the identity of the controlling parent and the most practical way to submit these data.

Types of CBS-reporting bank

Table 4.1

Type*	Definition	Consolidation
Domestic banking groups [4B]	Banks that have a controlling parent incorporated in the reporting country.	Worldwide consolidated group basis
Inside-area foreign banking groups [4E]	Banks that have a controlling parent incorporated in another CBS-reporting country but the banking part of the group is not consolidated separately by the parent, ie the controlling parent does not report as a domestic banking group. These are mainly banking groups whose controlling parent is a non-bank entity, such as the banking subsidiary of a diversified financial group.†	Worldwide consolidated group basis
Outside-area foreign banks [4D]	Subsidiaries and branches located in the reporting country whose controlling parent is not incorporated in a CBS-reporting country.	Unconsolidated, standalone basis

* Historically, the CBS included a third type of foreign bank: inside-area offices [4C]. These are subsidiaries and branches of domestic banking groups located outside the country where their controlling parent is incorporated. These offices submit data on their business with residents of their parent's country on an unconsolidated basis, ie including business with their parents. Authorities that historically reported this bank type are encouraged to continue reporting them. † For example, consider Depfa Bank, which was incorporated in Ireland in 2002 and was a wholly owned subsidiary of the German real estate financing company Hypo Real Estate (HRE) from 2007 to 2014, after which it was transferred to the German government's institution responsible for winding down HRE. While Depfa was a bank, it was not included by Ireland among its domestic banks because its controlling parent was German. However, HRE was a non-bank entity and so not included by Germany among its domestic banks. Therefore, Depfa was categorised as an inside-area foreign banking group.

Business on an immediate counterparty basis

4.16. The CBS on an immediate counterparty basis (CBSI) capture assets and liabilities recorded by banks on their balance sheets. The CBSI exclude off-balance sheet business.

4.17. Assets and liabilities against the same counterparty should not be offset unless the netting arrangements satisfy the requirements defined by national prudential authorities. In particular, claims should be reported gross of provisions; and allowances for credit losses (ie provisions) should not be deducted from the exposures to which they apply. Repurchase agreements may be offset if they satisfy the requirements defined by national prudential authorities.

4.18. Prudential items – risk-weighted assets, Tier 1 capital and Tier 2 capital – should be calculated according to the BCBS's standards. Where national prudential standards require a different calculation method, national standards may be applied.

Assets

4.19. Balance sheet assets are categorised into seven instruments, as shown in Table 4.3.

4.20. While in general claims refer to financial assets, in the CBS claims are defined as excluding derivative assets. Claims excluding derivatives are mainly made up of loans, deposits, reverse repos, debt securities holdings, equity instruments and accounts receivable.

4.21. While claims including derivatives would provide a more comprehensive measure of banks' exposures, in the CBS derivatives are excluded from the definition of claims for two reasons. First, derivatives are considerably more volatile than other types of claim, and consequently users find fluctuations in claims easier to interpret when derivatives are excluded. Second, to the extent that netting practices for derivatives differ across banks, claims excluding derivatives are more comparable.

4.22. In the CBS, the reporting of short sales of securities should be aligned with national accounting standards. Consequently, where accounting standards require that they be reported as liabilities, then they may be excluded from claims (in contrast to the LBS, where they are treated negative claims).

Assets and claims			Table 4.3
Assets	Components	Description	
Balance sheet items			
Assets*	Loans/deposits	including reverse repos	
	Reverse repos	from the perspective of the cash provider	
	Debt securities holdings		
	Equity instruments		
	Derivatives	contracts with positive market value	
	Allowances for credit losses	contra-asset	
	Other assets	including other financial assets (eg accounts receivable, tax assets) and non-financial assets (eg intangible assets, real estate, equipment)	
	<i>Memo: Claims excluding derivatives</i>	financial assets excluding derivatives	
Prudential items			
Risk-weighted assets			
* Total assets based on the consolidation perimeter for the banking group. Total assets comprise financial assets (including derivatives contracts with a positive market value) and non-financial assets.			

Liabilities and equity

4.23. Balance sheet liabilities are categorised into six instruments, as shown in Table 4.4. Balance sheet equity may be calculated as the difference between total assets and total liabilities.

Liabilities and equity			Table 4.4
Liabilities and equity	Components	Description	
Balance sheet items			
Liabilities	Loans/deposits	including repos	
	Repos	from the perspective of the cash taker	
	Short-term debt securities	outstanding issues with a remaining maturity <= 1 year	
	Long-term debt securities	outstanding issues with a remaining maturity > 1 year	
	Derivatives	contracts with negative market value	
	Other liabilities	accounts payable, tax liabilities	
Equity		including common shares, preferred shares, retained earnings	
Prudential items			
Tier 1 capital			
Tier 2 capital			

Risk transfers

4.24. Risk transfers refer to credit risk mitigants that shift a bank's credit exposure from the immediate counterparty to a guarantor, to another counterparty or collateral that guarantees the claim.

4.25. The immediate counterparty is the direct party to a contract. For deposits accepted, the immediate counterparty is the depositor; for loans extended, the immediate borrower; for debt and equity securities holdings, the issuer of the securities; and for short sales of securities, the issuer of the securities borrowed or delivered in a reverse repurchase agreement.

4.26. The guarantor is the ultimate party to a contract, who is contractually bound to assume responsibility for the performance of the contract in the event of default by the immediate counterparty.

4.27. Risk transfers do not eliminate credit risk; they redistribute it across counterparties. For every outward risk transfer from the immediate counterparty, there is an equivalent inward risk transfer to the guarantor. For example, if a loan to a company in country A is guaranteed by the company's parent in country B, the guarantee results in an outward risk transfer from country A and an inward risk transfer to country B.

Criteria for recognising risk transfers

4.28. In the CBS, the criteria for recognising risk transfers follow those agreed by the BCBS for recognising credit risk mitigants. The BCBS's standards under the standardised approach for measuring counterparty credit risk exposures are explained in paragraphs 117 to 189 of BCBS (2017b). Where national prudential standards for recognising credit risk mitigants differ from the BCBS's standards, national standards may be followed.

4.29. Like the BCBS's standards, the CBS recognise four types of risk transfer: parent guarantees to branches, explicit guarantees by parents and third parties, credit derivatives, and collateral. Criteria for recognising these are defined in Table 4.5.

Risk transfers		Table 4.5
Type of risk transfer	Criteria for recognition	
Parent guarantees to branches	Branches are always considered as being guaranteed by their immediate parent, even in the absence of an explicit guarantee. This is because branches are usually not separate legal entities.	
Explicit guarantees from parents to subsidiaries or from third parties	Guarantees must be explicit, direct, irrevocable (ie they must not be unconditionally cancellable by the guarantor), and legally enforceable in all relevant jurisdictions. Exposures to subsidiaries are not considered as being guaranteed by the parent unless there is an explicit guarantee.	
Credit derivatives	Credit protection bought to hedge credit risk exposures in banks' banking book. Credit default swaps, total return swaps and other credit derivatives can be recognised as risk transfers only if they provide credit protection similar to explicit guarantees. Credit derivatives held in banks' trading book are not recognised as risk transfers.	
Collateral	Assets pledged to hedge in whole or in part credit risk exposures in banks' balance sheets. For collateral to provide credit protection, the bank must have the right to liquidate or take legal possession of it in a timely manner in the event of default, and the credit quality of the immediate counterparty and the value of the collateral must not have a material positive correlation. Securities bought under reverse repurchase agreements are considered as having the same characteristics as collateral and should therefore be treated as collateral. See paragraph 4.33.	

4.30. Risk transfers should be valued at face value or, for credit derivatives, notional value. If the face value of the risk transfer exceeds the value of the underlying claim to which it relates, then the value of the underlying claim should be used. Unadjusted values may be used, excluding haircuts and adjustments for future fluctuations in value.

4.31. If full credit protection is provided by more than one source – for example, from multiple guarantors or multiple forms of collateral – then the risk transfer that has the highest credit quality should be recognised. For instance, for a claim on a branch for which eligible collateral is posted, the risk transfer should be determined according to whether the counterparty’s parent or the collateral is of higher credit quality. If partial credit protection is provided by multiple sources, then claims on a guarantor basis should be apportioned according to either a predefined share or from highest credit quality to lowest credit quality.

Instruments recognised as collateral

4.32. The BCBS’s standards provide a list of financial instruments that can be recognised as collateral. The list consists of instruments that are judged to have sufficient market liquidity such that they can be liquidated promptly, mainly cash and securities (BCBS (2017b), paragraphs 146 to 149). Where national prudential standards for recognising collateral differ from the BCBS’s standards, national standards may be followed.

4.33. Securities repurchase (repo) agreements involve the provision of securities as collateral for a loan. In a repo, the immediate counterparty is the cash taker, who incurred a loan liability. The security is treated as collateral for the cash provider, and the guarantor is the issuer of the collateral. Similarly, for sale buybacks and securities lending, the guarantor is the issuer of the collateral.

4.34. While the CBS do not prescribe which instruments can be recognised as collateral, Table 4.6 illustrates for different types of collateral who should be considered the guarantor.

Collateral		Table 4.6
Type of collateral		Guarantor
Collateral recognised by the BCBS		
Currency (notes and coins)		Currency issuing authority (ie central bank)
Deposits		Bank where the cash is deposited
Gold		Custodian bank
Securities		Issuer of the security
Other collateral		
Commercial real estate		Non-financial corporation in the country where the asset is located
Residential real estate		Household in the country where the asset is located
Movable assets		Owner of the asset

Business on a guarantor basis

4.35. The CBS on a guarantor basis (CBSG) adjust exposures for inward and outward risk transfers across countries as well as positions between sectors in the same country. In particular, claims on a guarantor basis equal claims on an immediate counterparty basis plus inward risk transfers from counterparties abroad to sector j in country i minus outward risk transfers from sector j in country i to counterparties abroad:

$$\begin{aligned}
 Claims_{i,j}^{Guarantor} &= Claims_{i,j}^{Immediate\ counterparty} + (Inward\ risk\ transfers_{i,j} - Outward\ risk\ transfers_{i,j}) \\
 &= Claims_{i,j}^{Immediate\ counterparty} + (Net\ risk\ transfers_{i,j})
 \end{aligned}$$

4.36. If a bank captures inward and outward risk transfers between all countries, then its worldwide claims on an immediate counterparty basis will equal its worldwide claims on a guarantor basis.

4.37. The CBSG are categorised into four instruments, as shown in Table 4.7.

Business on a guarantor basis				Table 4.7
Instrument	Definition	Examples	Valuation	
Claims excluding derivatives	Financial assets excluding derivatives. See Table 4.3.	Mainly deposits, loans and debt securities holdings.	Fair value	
Other potential exposures				
Derivative assets	Derivatives with a positive fair value, excluding credit derivatives that hedge positions in the banking book.	Credit derivatives bought to hedge credit risk exposures in banks' banking book are recorded as risk transfers. See also Annex B.	Fair value	
Guarantees extended	Contingent liabilities arising from an irrevocable obligation to pay a third-party beneficiary when a client fails to perform certain contractual obligations, which would become a claim if exercised.	Includes credit derivatives sold; secured, bid and performance bonds; warranties and indemnities; confirmed documentary credits; and irrevocable and standby letters of credit.	Notional value	
Credit commitments	Unutilised portions of binding contractual commitments that irrevocably obligate a bank, at a client's request, to extend credit.	Participation in loans, lease financing receivables, mortgages, overdrafts, and purchase of loans, securities or other assets, such as backup facilities including those under note issuance facilities and revolving underwriting facilities.	Notional value	

4.38. In addition to the risk transfers explained in Table 4.5, another way in which banks mitigate the risks to which they are exposed is through netting arrangements where claims and liabilities on the same counterparty are offset. Where netting arrangements for derivatives satisfy the requirements defined by national prudential authorities, in the CBSG derivative assets may be offset against liabilities. In particular, derivative assets may be valued as the net positive fair value of outstanding contracts.

4.39. Derivative assets should be reported against the guarantor. For example, if a bank has a derivative contract with a positive fair value and cash collateral is provided, the collateralised portion of the fair value should be reported according to the country of the legal entity where the cash collateral is deposited. The uncollateralised portion should be reported according to the country of the counterparty.

4.40. Under guarantees extended, credit protection sold should be valued at notional values. Credit protection sold may be offset against credit protection bought, provided that the offsetting contracts are with the same counterparty under a legally enforceable bilateral netting agreement and refer to the same reference entity. Credit protection sold should be reported at maximum possible exposure after deduction of any cash collateral, ie at the notional value after netting of cash collateral.

4.41. Other guarantees extended and credit commitments should be reported at notional values (known also as nominal amounts).

Counterparties

4.42. Positions are allocated according to the country and sector of either the counterparty or the guarantor, depending on the data set: for CBSI, the counterparty; and for CBSG, the guarantor. Examples of how different types of position are allocated in the CBS by country and sector are shown in Annex D.

Country allocation

4.43. The country of the counterparty refers to the residence of the immediate counterparty in the CBSI and the residence of the guarantor in the CBSG. For example, a claim on the Tokyo branch of a UK bank is allocated to Japan on an immediate counterparty basis and to the United Kingdom on a guarantor basis.

4.44. Countries are understood to include territories and economies that are not states but have been assigned official codes under the ISO 3166-1 standard.¹⁸ For the purpose of allocating positions by country, only territories with officially assigned ISO 3166-1 codes are recognised; territories with user-assigned ISO codes are not recognised.

4.45. Selected dependent territories, in particular those that are uninhabited or have no sizeable economic or financial activity, may be reported together with their governing state, as shown in Table 2.5.

4.46. Positions that cannot be allocated to specific countries may be reported as “unallocated location” [5M].

4.47. International organisations are considered to be resident in an economic territory of their own and not in the country where they are located, except the BIS and central banks of currency unions, which are considered to be residents of the countries where they are located (paragraphs 2.40 and 2.42).

Distinguishing local business from cross border business

4.48. The CBS distinguish between local positions on residents and cross-border positions on non-residents, based on the location of the entity that books the position and the location of the counterparty. The residence principle followed to distinguish local and cross-border positions in the CBS is consistent with the LBS.

4.49. Local claims and liabilities are positions on counterparties located in the same country as the banking group’s entity that books the position. Cross-border claims and liabilities are positions on counterparties located outside the country where the entity that books the position is located. Differences between local and cross-border positions are illustrated in Table 4.8.

4.50. The CBS further distinguish local positions based on the currency in which the positions are denominated. Local positions in local currency (LC) refer to local positions denominated in the currency of the country in which the counterparty resides. Local positions in foreign currencies (FC) refer to local positions denominated in all other currencies.¹⁹

4.51. International claims refer to the sum of cross-border claims in all currencies and local claims in foreign currencies.

¹⁸ Countries previously reported under the BIS-defined codes 1W (British Overseas Territories) and 1Z (UK West Indies) should be reported with the respective ISO codes.

¹⁹ In the CBS, unlike in the LBS, local currency is not synonymous with domestic currency. Domestic currency refers to the currency that is legal tender in the reporting country, which is typically the currency issued by the reporting country’s central bank or monetary authority (paragraph 2.32).

Local and cross-border business

Table 4.8

Location of counterparty*	Currency of claim	Location of entities that are part of the domestic banking group from country A	
		Country A (reporting country): controlling parent	Country B (host country): subsidiary or branch
Country A	Currency A	Local claim in LC	Cross-border claim in LC [†]
	Currency B	Local claim in FC	Cross-border claim in FC [†]
Country B	Currency A	Cross-border claim in FC [†]	Local claim in FC
	Currency B	Cross-border claim in LC [†]	Local claim in LC

* Claims on residents of the reporting country are referred to as domestic claims (ie the sum of banking group A's local and cross-border claims on country A), and claims on residents of other countries are referred to as foreign claims of the reporting country (ie the sum of banking group's local and cross-border claims on country B). † Separation between local and foreign currencies is shown for illustrative purposes only; in the CBS, no data are collected about the currency in which cross-border claims are denominated.

Sector allocation

4.52. The sector of the counterparty refers to the sector of the immediate counterparty in the CBSI and the sector of the guarantor in the CBSG. For example, a claim on a manufacturing company in Japan guaranteed by a bank in Japan is allocated to the non-financial corporate sector on an immediate counterparty basis and to the bank sector on a guarantor basis.

Sector of counterparty

Table 4.9

Sector	Subsector	Definition
Bank [B]		Financial institutions whose business it is to receive deposits or close substitutes for deposits and to grant credits or invest in securities on their own account. For the purposes of the CBS, the bank sector excludes central banks and multilateral development banks.
Official sector [O]		The general government sector, central bank sector and international organisations that undertake activities similar to those of central banks. Public non-bank financial institutions and public corporations should not be classified as "official sector", but instead as non-bank financial institutions or non-financial private sector, respectively. Claims on official institutions should be allocated to the respective countries of their residence.
Non-bank financial institutions [F]		Private or public financial institutions, other than banks, engaged primarily in the provision of financial services and activities auxiliary to financial intermediation such as fund management. Includes development banks, export credit agencies, special purpose vehicles, hedge funds, securities brokers, money market funds, pension funds, insurance companies, financial leasing corporations, central clearing counterparties, unit trusts, other financial auxiliaries and other captive financial institutions.
Non-financial private sectors [S]		C + H
	Non-financial corporation [C]	Privately and publicly owned corporations as well as unincorporated enterprises that function as if they were corporations, such as limited liability partnerships and the branches of foreign corporations.
	Household including NPISHs [H]	Individuals, families, unincorporated enterprises owned by households, and non-profit institutions serving households (NPISHs) such as charities, religious institutions, trade unions and consumer associations.
Unallocated [U]		International organisations other than those considered central banks, and any positions for which the sector of the counterparty is unknown. For example, banks know the counterparties on which they have claims but may not know the counterparty for their liabilities, particularly for negotiable instruments such as their own issues of debt securities.

4.53. Claims are allocated by counterparty into five sectors and two subsectors, as defined in Table 4.9. In the CBS, central banks and general government are part of the official sector. For sectors other than banks and the official sector, the definitions of counterparty sectors are consistent with the institutional sectors defined in BPM6 (paragraph 6.10).

Maturity breakdown

4.54. In the CBS, maturity refers to remaining maturity as opposed to original maturity. Remaining maturity is the time remaining from the reference date until the final contractually scheduled payment of the claim.

Maturity		Table 4.10
Maturity bucket	Definition	
≤1 year [U]	Claims with a remaining maturity up to and including one year, ie claims with an original maturity of up to one year plus those with an original maturity of more than one year but falling due within the next 12 months. Claims that are receivable on demand should be allocated to the ≤1 year maturity bracket.	
>1 ≤2 years [M]	Claims with a remaining maturity over one year and up to and including two years.	
>2 years [N]	Claims with a remaining maturity over two years.	
Unallocated [X]	Claims for which the remaining maturity is unknown, or claims that cannot be classified by maturity (eg equities and participations).	

5. CBS: specific reporting requirements

5.1. The CBSI and the CBSG are closely related but distinct data sets, which have different reporting requirements. Reporting authorities are required to report the CBSI and encouraged to report the CBSG. In particular, authorities in CGFS member countries and G-SIBs' home countries are expected to report the CBSG.

5.2. The reporting requirements for the CBSI apply to domestic banking groups [4B] and inside-area foreign banking groups [4E]. A subset of the requirements in the CBSI apply to outside-area foreign banks [4D], which are required to report only unconsolidated cross-border claims. The reporting requirements for the CBSG apply only to domestic banking groups [4B].

CBS on an immediate counterparty basis

Items not allocated by counterparty

5.3. In the CBSI, a counterparty allocation is not required for many balance sheet and prudential items. For the items shown in Table 5.1, only worldwide consolidated totals should be reported.

Items not allocated by counterparty			Table 5.1
CBS on an immediate counterparty basis			
	required	encouraged	not reported
	Assets		Liabilities and equity
Balance sheet items	Assets, by instrument		Liabilities, by instrument
	Loans/deposits		Loans/deposits
	Reverse repos		Repos
	Debt securities holdings		Short-term debt securities issues
	Equity investments		Long-term debt securities issues
	Derivatives		Derivatives
	Allowances for credit losses		Other liabilities
	Other assets		Equity
Prudential items	Risk-weighted assets		Tier 1 capital
			Tier 2 capital

Items allocated by counterparty

5.4. In the CBSI, a counterparty allocation is required for claims (both international claims and local claims in local currency) and local liabilities in local currency. The most important breakdown is by country of the counterparty. In addition, claims are allocated by location of the booking office, sector of the counterparty, and maturity. The required crossings are summarised in Table 5.2.

5.5. **Country breakdown:** Reporting authorities are required to allocate reporting banks' claims and risk transfers by country of their counterparty. A complete breakdown is encouraged, which distinguishes between the more than 200 territories that have been assigned official codes under the ISO 3166-1 standard (paragraph 2.38). At a minimum, 99% of foreign claims – claims on non-residents of the reporting country – are required to be allocated to specific counterparty countries.

Items allocated by counterparty

CBS on an immediate counterparty basis and guarantor basis

	required	encouraged	not reported		
	CBSI with a counterparty country breakdown			CBSG with a counterparty country breakdown	
	Country*	Sector†	Maturity‡	Country*	Sector†
Claims excluding derivatives, by location				<249	5 7
International claims§	<249	5 7	4		
Cross-border claims	<249	5 7	4	<249	
Local claims				<249	
Local claims in foreign currency	<249	5 7	4		
Local claims in local currency	<249	5 7			
Loans/deposits	<249	5 7			
Liabilities excluding derivatives					
Local liabilities in local currency	<249				
Loans/deposits	<249				
Risk transfers					
Net risk transfers (inward–outward)	<249				
Inward country risk transfers	<249				
Outward country risk transfers	<249				
Other potential exposures					
Derivative assets				<249	
Guarantees extended				<249	
Credit commitments				<249	

* Country: "<249" = countries that have been assigned official ISO codes. † Sector: "5" = bank, official, non-bank financial, non-financial private, unallocated; "7" = "5" + non-financial corporation, household. ‡ Maturity: "4" = ≤1 year, >1 ≤2 years, >2 years, unallocated. § If cross-border claims and local claims in foreign currency are reported separately with a counterparty breakdown, then international claims do not need to be reported.

5.6. **Sector breakdown:** For each counterparty country, a complete breakdown by sector and subsector is encouraged, which distinguishes between seven sectors and subsectors (Table 4.9). At a minimum, five sectors are required to be reported: bank, official, non-bank financial, non-financial private and unallocated. A sector breakdown is required for international claims and encouraged for local claims in LC.

5.7. **Maturity breakdown:** For each counterparty country, a complete breakdown by remaining maturity is required, which distinguishes between four buckets (Table 4.10). A maturity breakdown is required for international claims.

5.8. **Instrument breakdown:** For each counterparty country, total local claims and liabilities are required. A partial breakdown of local claims and liabilities by instrument, which identifies loans and deposits separately, is encouraged.

5.9. **Risk transfers:** Outward and inward risk transfers refer to country risk transfers and should exclude intra-country transfers. In particular, they should exclude risk transfers from one sector to another within the same counterparty country. Information on the reallocation of claims should be reported separately for outward and inward risk transfers. An example is shown in Table 5.3.

Country risk transfers					Table 5.3
Immediate counterparty	Guarantor	Claims on IC basis	Inward country risk transfer	Outward country risk transfer	Claims on G basis
Country A, bank sector	Country B, bank sector	Country A = 100 Country B = 0	Country A = 0 Country B = 100	Country A = 100 Country B = 0	Country A = 0 Country B = 100
Country A, bank sector	Country A, official sector	Country A = 100 (bank sector)	Country A = 0	Country A = 0	Country A = 100 (official sector)

CBS on a guarantor basis

5.10. In the CBSG, a counterparty allocation is required for claims and other potential exposures (derivative assets, guarantees extended and credit commitments). The most important breakdown is by **country of the counterparty** (paragraph 5.5).

5.11. Claims are also allocated by location of the booking office, ie local and cross-border (paragraphs 4.48 and 4.49) and **sector of the counterparty** (paragraph 5.6). The required crossings are summarised in Table 5.2.

6. Key differences between the LBS and the CBS

6.1. The most important difference between the LBS and the CBS is the level of consolidation by reporting banks: the LBS are compiled on an unconsolidated, standalone basis whereas the CBS are compiled on a consolidated group basis. Therefore, the LBS include intragroup positions whereas the CBS exclude such positions. Furthermore, the LBS include foreign banks located in a country whereas the CBS are collected mainly from domestic banks.

6.2. Several other conceptual differences between the data sets are summarised below.

Trustee and other off-balance sheet business

6.3. The LBS capture all trustee business, including that recorded off the balance sheet (paragraph 2.14). The CBSI captures only trustee business that is recorded on the balance sheet.

6.4. The CBSG capture some off-balance sheet business, in particular risk transfers, guarantees and credit commitments.

Short sales of securities

6.5. In the LBS, short sales of securities are recorded as negative assets and subtracted from debt securities or other instruments, as appropriate. As a result, assets can be negative. This is consistent with the recording of short sales in BPM6.

6.6. In the CBS, the reporting of short sales is aligned with national accounting standards, where they are typically recorded as liabilities.

Netting of derivatives

6.7. In the LBS, derivatives should be reported on a gross basis, where derivative assets and liabilities on the same counterparty are separated and not netted against each other. Derivatives contracts with a positive market value are treated as assets and those with a negative market value as liabilities.

6.8. In the CBS, derivatives should be reported on a net basis, where derivative assets and liabilities are offset if they meet conditions for netting, ie a legally enforceable master netting agreement with the same counterparty. Net values are typically used to measure banks' exposure for prudential and risk management purposes.

Sector of counterparty

6.9. In the LBS, the sectoral classification of counterparties is consistent with that in the SNA 2008 and BPM6, with two important exceptions. First, the LBS have a more granular breakdown of the bank sector. In particular, "intragroup" is separately identified, whereas in BPM6 this subsector is subsumed within deposit-taking corporations except the central bank. Second, the LBS have a less granular breakdown of non-bank financial institutions. In BPM6, this sector comprises seven separate subsectors. The correspondence between sectoral classifications is shown in Table 6.1.

6.10. Comparing sectoral classifications in the LBS and the CBS, the main difference is in the allocation of central banks and the general government. In the LBS, central banks are separately identified under the bank sector, and the general government under the non-financial sector. In the CBS, central banks are

grouped with the general government as part of the official sector. The official sector also includes international organisations. As a result, in the CBS there is no sector equivalent to the non-financial sector in the LBS. Instead, the CBS include a non-financial private sector, which excludes the general government.

Correspondence between sectoral classifications

Table 6.1

SNA 2008 and BPM6*	LBS	CBS
Financial corporations [S12]		
	Bank sector [B = I + J + M]	
Deposit-taking corporations except central bank [S122]	Intragroup [I]	
	Unrelated banks [J]	Banks [‡] [B]
Central bank [S121]	Central banks [M]	<i>Central banks included in official sector</i>
		Official sector [O = M + G]
	Non-bank sector [N = F + P]	
		Non-bank private sector [R = F + S]
Other financial corporations [†]	Non-bank financial institutions [F]	Non-bank financial institutions [F]
	Non-financial sector [P = C+H+G]	
		Non-financial private sector [S = C+H]
Non-financial corporations [S11]	Non-financial corporations [C]	Non-financial corporations [C]
Households [S14]	Households and NPISHs [H]	Households and NPISHs [H]
NPISHs [S15]		
General government [S13]	Government [G]	<i>Government included in official sector</i>
	Unallocated by sector [U]	Unallocated by sector [U]

* Classification of resident sectors. † Money market funds [S123], investment funds [S124], other financial intermediaries [S125], financial auxiliaries [S126], captive financial institutions [S127], insurance corporations [S128] and pension funds [S129]. ‡ Banks in the CBS correspond to "Unrelated banks" in the LBS.

7. Technical requirements for submitting LBS and CBS to the BIS

7.1. Reporting conventions that apply to both the LBS and the CBS are discussed in this section.

Unit and frequency of reporting

7.2. The LBS and CBS refer to amounts outstanding on the last day of each quarter, ie outstanding positions at end-March, end-June, end-September and end-December.

7.3. Amounts must be reported to the BIS in millions of US dollars, with up to the six decimals. For example, the amount USD 77,327,560 is reported as USD 77.327560 million.

7.4. Amounts denominated in currencies other than the US dollar must be converted into US dollars by either the reporting banks or the reporting authority. Amounts should be converted into US dollars at the exchange rate prevailing at the end of the relevant reporting period.

Confidentiality codes

7.5. For each observation, a confidentiality code should be reported together with the amount. Reporting authorities may assign one of the following three confidentiality codes: F, N or C. These codes are explained in Table 7.1.

Code	Descriptor	Description
F	Free for publication	There are no restrictions on the use of observations classified as "Free".
N	Not for publication	Restricted for the internal use of eligible data receivers.*
C	Confidential statistical information	Not for sharing. For the internal use of the BIS only.

* Organisations eligible to access N data: reporting authorities; financial stability authorities from the same country as reporting authorities; and selected international and regional financial organisations.

7.6. Reporting authorities may either report confidentiality codes to the BIS or ask the BIS to apply rules that assign confidentiality codes on their behalf (and overwrite any codes reported). If no confidentiality codes are reported and no rules are agreed, then by default the BIS will assign each observation a confidentiality code of N.

7.7. Reporting authorities may report different confidentiality codes for pre- and post-break observations. By default, the BIS will assign to pre-break observations the same confidentiality code that is assigned to post-break observations.

7.8. Reporting authorities may report different confidentiality codes for different reporting periods. However, reporting authorities are encouraged not to revise confidentiality codes frequently. Frequent changes in confidentiality codes may result in gaps in the published data, which reduces their usefulness for research and analysis.

7.9. For aggregates calculated by the BIS, the BIS will determine the confidentiality code by applying the following rules in sequential order:

- (i) If the count of observations classified as C equals either one or the count of all components, then the confidentiality of the aggregate is C.

- (ii) If the count of observations classified as C and N equals either one or the count of all components, then the confidentiality of the aggregate is N.
- (iii) Otherwise, the aggregate is F.

7.10. Reporting authorities are encouraged to make data as widely available as possible by assigning confidentiality codes at the minimum level necessary to comply with national confidentiality rules. The BIS recommends a minimum set of data to which reporting authorities are encouraged to assign a confidentiality code of F. For the LBSR and LBSN, this minimum set comprises the data shown in Tables [A5](#) and [A6.2](#). For the CBSI and CBSG, the minimum set comprises the data shown in Tables [B1](#), [B2](#), [B3](#) and [B4](#) on the BIS website.

Breaks-in-series

7.11. A break-in-series refers to a change in compilation that affects the comparability of data between two reference dates. It is the difference between the value of an observation when compiled in the same way as on the previous reference date (ie pre-break value, before the change in compilation) and the value of the same observation when compiled in a new way on the subsequent reference date (ie post-break value, after the change in compilation).

7.12. Breaks arise from changes in the population of reporting banks, including the addition of new reporting countries; changes in reporting practices; and methodological improvements. The different types of break are explained in Table 7.2.

Breaks-in-series		Table 7.2
Code	Type of break	Description
B1	New reporting country	Includes reclassifications of type of reporting bank as a result of a country joining the reporting population. For example, Country A joined the LBS-reporting population with data starting from end-December 2017. As a new reporting country, Country A should submit a break-in-series in its first reporting to the BIS. The pre-break value is set to "Missing" in this case. Similarly, when Country A joins the CBS-reporting population, Country A should submit a break-in-series in its first reporting to the BIS. Banking entities with a parent located in Country A that reside in another CBS-reporting country should be excluded from bank type 4D.
B2	Change in the population of reporting banks in a reporting country	Signifies addition of reporting bank(s); or reclassification of a reporting bank from "bank" to "non-deposit-taking entity", which removes it from the reporting population.
B3	Change in reporting practice(s)	Comprises methodological improvements and changes in accounting standards, scope of consolidation and data source, ie an LBS-reporting country revises its reporting practices to align them more closely with the BIS's guidelines.
B4	Mergers and restructurings	<ul style="list-style-type: none"> • Mergers, ie two independent legal entities merge to create a bigger entity. • Acquisitions, ie when an institution ceases to be an independent legal entity through absorption by another institution. • Restructurings, ie where an institution is reorganised with a view to enhancing operational efficiency. This would include an entity being restructured into two or more parts.
B5	New data item	Includes reporting of new data items arising from the enhancements to the LBS or CBS as well as adjustment for new or obsolete ISO country and currency codes. For example, where a CBS-reporting country expands its reporting to include CBSG data, the pre-break value is set to "Missing".

7.13. When there is a break-in-series for an observation, reporting authorities should report both pre- and post-break values. Pre- and post-break values are permanent features of the data. Therefore, if the data are revised, both pre- and post-break values should be revised.

Data quality

7.14. Reporting authorities are encouraged to check that data are consistent and plausible before submitting them to the BIS. The consistency checks performed by the BIS are available on the BIS website (www.bis.org/statistics/count_rep_practices.htm).

7.15. Mirror data – data from different sources that capture similar concepts – can help improve data quality by promoting consistency and filling gaps. Mirror data can be used to compare similar data either for a single country or between countries – for example, a creditor’s assets should match a debtor’s liabilities. Falcão Silva and Pradhan (2019) identify several ways in which mirror data can be used to improve the quality of the BIS international banking statistics and other external statistics.

8. Dissemination

Adjusted changes

8.1. For the LBS, the BIS calculates break- and exchange rate-adjusted changes in amounts outstanding. Such adjusted changes approximate underlying flows during a quarter.

8.2. Changes in amounts outstanding are adjusted for exchange rate movements by converting the amounts outstanding from US dollars into the currency in which they were denominated using end-of-period exchange rates, calculating the quarterly change in amounts outstanding in this currency, and then converting the resulting change into US dollars using average period exchange rates. For amounts not allocated by currency, the BIS assumes that they are denominated in SDR.

8.3. Changes in amounts outstanding are adjusted for breaks by subtracting the difference between post- and pre-break values (paragraph 7.11). If a break is not reported, then the pre-break value is assumed to equal the post-break value.

8.4. Adjusted changes provide a better approximation of flows than unadjusted changes. However, they may over- or underestimate underlying flows because adjusted changes do not account for all non-transactional changes (eg changes in valuations, writedowns). Furthermore, practical factors, such as the underreporting of breaks, and differences between the exchange rate on the transaction date and the quarterly average exchange rate used by the BIS to convert non-dollar amounts into US dollars, may have an impact on the adjusted changes.

8.5. The BIS assigns to adjusted changes the same confidentiality code that is assigned to the corresponding amount outstanding.

Annual growth rates

8.6. For the LBS, the BIS also calculates annual growth rates. These are calculated from adjusted changes and so are not simple changes in amounts outstanding between t and $t-4$. Adjusted changes are first used to calculate a quarterly growth rate, and then quarterly growth rates are compounded over four quarters to calculate an annual percentage change:

$$\text{Annual percentage change}_t = \left(\prod_{k=0}^3 \left(\frac{\text{Adjusted change}_{t-k}}{\text{Amount outstanding}_{t-k-1}} + 1 \right) - 1 \right) \times 100$$

8.7. For the CBS, the BIS does not calculate adjusted changes or annual percentage changes because insufficient data are available on the currency composition of outstanding positions.

Revision policy

8.8. The BIS publishes the LBS and CBS twice per quarter, around 15 and 22 weeks, respectively, after the latest reference date. Publication dates are announced in a [release calendar](#) on the BIS public website.

8.9. Reporting authorities may submit revised data, including revised confidentiality codes, at any time during a quarter. Revisions will be incorporated in the BIS's next scheduled publication.

9. References

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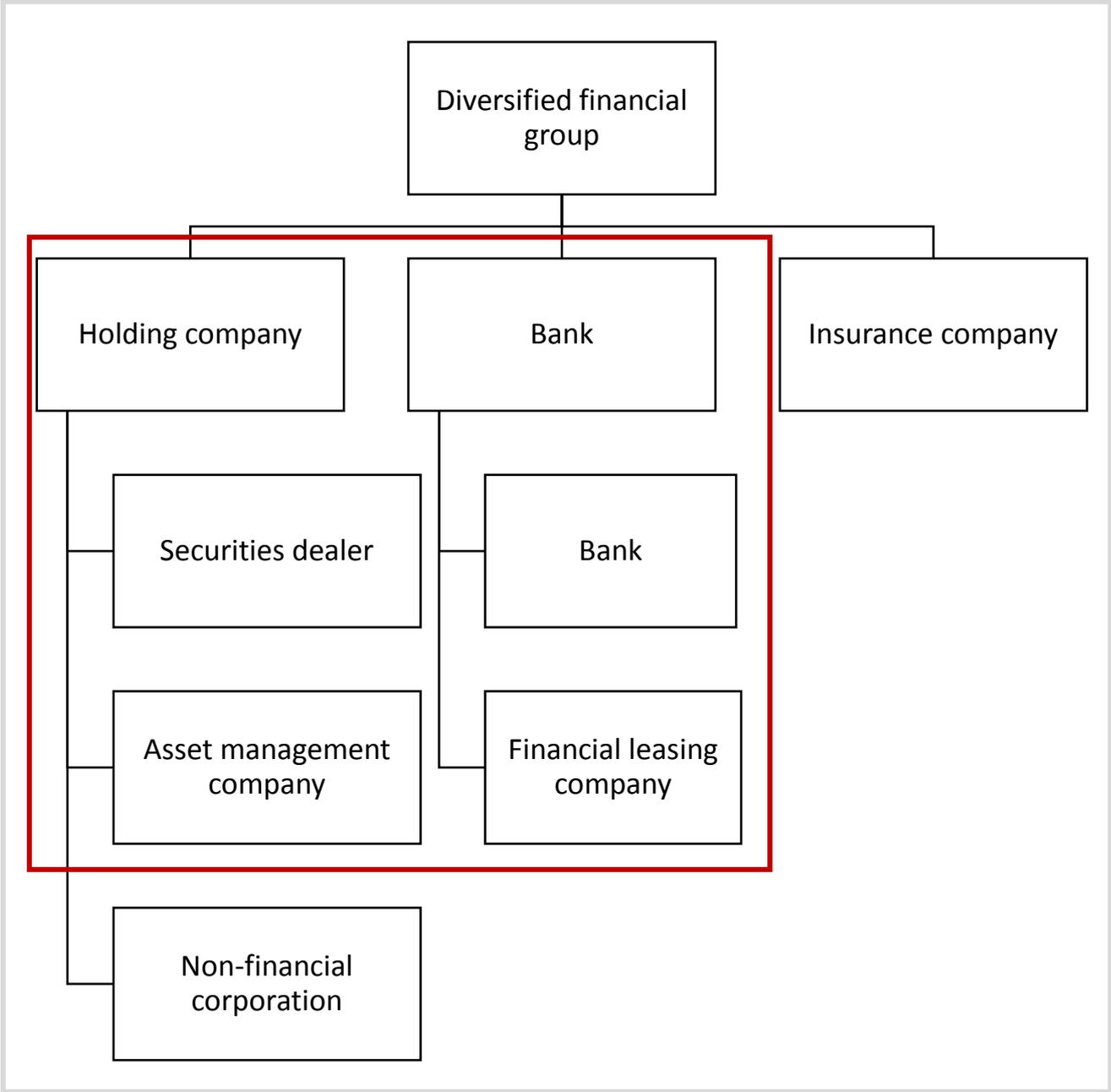
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Annex A: Approaches to the perimeter of consolidation

- Accounting perimeter (all entities controlled by the group's parent)
- Prudential perimeter of the predominant banking group (all entities controlled by the group that are engaged in banking and other relevant financial activities)



Annex B: Reporting of derivatives in the CBS

Guidelines for the reporting of derivatives are summarised in the table below.

Derivatives in the CBS			
	CBSI	CBSG	Valuation
Derivatives contracts with a positive fair value			
Total	Derivative assets, as a component of total assets without a counterparty breakdown		Fair value Bilateral netting
Excluding credit derivatives bought to hedge claims in the banking book		Derivative assets, with a counterparty breakdown	Fair value Bilateral netting
Credit derivatives bought to hedge claims in the banking book	included in inward or outward risk transfers		Gross notional value Netting not allowed
Derivatives contracts with a negative fair value	Derivative liabilities, as a component of total liabilities without a counterparty breakdown		Fair value Bilateral netting
Credit protection sold (contingent liability)		Guarantees extended, with a counterparty breakdown	Notional value Bilateral netting

Annex C: Examples of bank type and nationality

	What bank type and nationality are Parent A, Bank B and Bank C?		
	LBSR	LBSN	CBS
Example 1			
Parent A is a bank headquartered in reporting country GB.	Parent A is a domestic bank located in GB.	Parent A is a bank with nationality GB located in GB.	Parent A is a domestic bank in GB (bank type 4B).
Bank B is a banking subsidiary of Parent A resident in reporting country US.	Bank B is a foreign subsidiary located in US.	Bank B is a bank with nationality GB located in US.	Bank B is not a reporting bank in US because it is consolidated by Parent A.
Bank C is a branch of Bank B resident in reporting country NL.	Bank C is a foreign branch located in NL.	Bank C is a bank with nationality GB located in NL.	Bank C is not a reporting bank in NL because it is consolidated by Parent A.
Example 2			
Parent A is a non-bank financial institution, that is subject to consolidated supervision by prudential authorities in reporting country GB, eg an insurance company.	Parent A is not a reporting bank because it is a non-bank financial institution.		<p>If Parent A is not included in the perimeter of consolidation defined by prudential authorities in GB to identify entities that are part of the same banking group, then A is not a reporting bank.</p> <p>If Parent A is in the prudential perimeter for the banking group, then it is a domestic bank in GB.</p>
Bank B is a banking subsidiary of Parent A resident in reporting country US.	Bank B is a foreign subsidiary located in US.	Bank B is a bank with nationality GB located in US.	<p>If Parent A is not a reporting bank, then Bank B is an "inside-area foreign bank not consolidated by parent" in US (bank type 4E), which should report consolidated claims on all countries including GB and US.</p> <p>If Parent A is a reporting bank, then Bank B is not a reporting bank in US because it is consolidated by Parent A.</p>
Bank C is a branch of Bank B resident in reporting country NL.	Bank C is a foreign branch located in NL.	Bank C is a bank with nationality GB located in NL.	Bank C is not a reporting bank in NL because it is consolidated by either Parent A or Bank B.

	What bank type and nationality are Parent A, Bank B and Bank C?		
	LBSR	LBSN	CBS
Example 3			
Parent A is a non-bank financial company that is not subject to consolidated supervision by prudential authorities in reporting country GB. eg an investment holding company.	Parent A is not a reporting bank because it is a non-bank financial institution.		Parent A is not a reporting bank because it is not subject to consolidated supervision by prudential authorities.
Bank B is a banking entity wholly owned by Parent A resident in reporting country US.	Bank B is a domestic bank located in US.	Bank B is a bank with nationality US located in US.	Bank B is a domestic bank in US (bank type 4B).
Bank C is a branch of Bank B resident in reporting country NL.	Bank C is a foreign branch located in NL.	Bank C is a bank with nationality US located in NL.	Bank C is not a reporting bank in NL because it is consolidated by Bank B
Example 4			
Parent A is a bank headquartered in a non-reporting country XY.	Parent A is not a reporting bank because it is located in a non-reporting country.		Parent A is not a reporting bank because it is headquartered in a non-reporting country.
Bank B is a banking subsidiary of Parent A resident in reporting country US.	Bank B is a foreign subsidiary located in US.	Bank B is a bank with nationality XY located in US.	Bank B is an "outside-area foreign bank" in US (bank type 4D), which should report unconsolidated cross-border claims on all countries excluding US.
Bank C is a branch of Bank B resident in reporting country NL.	Bank C is a foreign branch located in NL.	Bank C is a bank with nationality XY located in NL.	Bank C is an "outside-area foreign bank" in NL (bank type 4D), which should report unconsolidated cross-border claims on all countries excluding NL.

Annex D: Examples of how to report different types of claim in the CBS

	Reporting country: United States	Type of bank	CBSI				CBSG		
			Type of claim	Sector of counterparty	Country of counterparty	Risk transfers	Type of claim	Sector of counterparty	Country of counterparty
1	A US bank extended a loan to a corporate in Japan, which is backed by a guarantee from a bank in the United Kingdom.	Domestic (US)	International	Non-financial corporation	JP	Inward: GB Outward: JP	Cross-border	Bank	GB
2	A US bank extended a loan to a corporate in Japan, which is backed by US Treasury paper provided as collateral.	Domestic (US)	International	Non-financial corporation	JP	Inward: US Outward: JP	Local	Official	US
3	A US bank has a deposit with a branch of a Japanese bank in the United Kingdom.	Domestic (US)	International	Bank	GB	Inward: JP Outward: GB	Cross-border	Bank	JP
4	A US bank has extended a loan to a corporate in Japan. The corporate has provided UK government securities as collateral.	Domestic (US)	International	Non-financial corporation	JP	Inward: GB Outward: JP	Cross-border	Official	GB
5	A US bank has extended a loan to a corporate in Japan. In order to hedge the counterparty risk, the US bank has bought a credit derivative issued by a bank in the United Kingdom.	Domestic (US)	International	Non-financial corporation	JP	Inward: GB Outward: JP	Cross-border	Bank	GB
6	A subsidiary of a US bank in Japan has a deposit in local currency with a branch of a UK bank in Japan.	Domestic (US)	Local claims in local currency	Bank	JP	Inward: GB Outward: JP	Cross-border	Bank	GB
7	A subsidiary of a US bank in Japan has extended a loan in non-local currency to a corporate in Japan. The corporate has provided US government securities as collateral.	Domestic (US)	International	Non-financial corporation	JP	Inward: US Outward: JP	Cross-border	Official	US

	Reporting country: United States	Type of bank	CBSI				CBSG		
			Type of claim	Sector of counterparty	Country of counterparty	Risk transfers	Type of claim	Sector of counterparty	Country of counterparty
8	A subsidiary of a US bank in Japan has extended a loan to a corporate in the United Kingdom guaranteed by a bank in Japan.	Domestic (US)	International	Non-financial corporation	GB	Inward: JP Outward: GB	Local	Bank	JP
9	A branch of a US bank in Japan has a deposit with a branch of a Japanese bank in the United States.	Domestic (US)	International	Bank	US	Inward: JP Outward: US	Local	Bank	JP
10	A branch/subsidiary of a Philippine bank in the United States has extended a loan to a bank in Japan.	Outside-area (4D)	Cross-border (unconsolidated basis)	Bank	JP	not reported	not reported	not reported	not reported
11	The business of a subsidiary of a UK bank in the United States has not been consolidated by the parent (this subsidiary remains unconsolidated in the UK reporting). This subsidiary has extended a loan to a corporate in Japan guaranteed by a bank in Canada.	Inside-area, not consolidated by parent (4E)	International	Non-financial corporation	JP	Inward: CA Outward: JP	Cross-border	Bank	CA
12	A US bank has extended a loan to a subsidiary of a Japanese bank in the United Kingdom. The subsidiary has not received an explicit guarantee from its head office.	Domestic (US)	International	Bank	GB	none	Cross-border	Bank	GB
13	A US bank has extended a loan to a subsidiary of a Japanese bank in the United Kingdom. The subsidiary has received an explicit guarantee from its head office.	Domestic (US)	International	Bank	GB	Inward: JP Outward: GB	Cross-border	Bank	JP
14	A US bank has purchased USD-denominated securities issued by a Japanese bank in the United States.	Domestic (US)	Local claims in local currency	Bank	US	Inward: JP Outward: US	Cross-border	Bank	JP

	Reporting country: United States	Type of bank	CBSI				CBSG		
			Type of claim	Sector of counterparty	Country of counterparty	Risk transfers	Type of claim	Sector of counterparty	Country of counterparty
15	A US bank in Japan has purchased securities issued by a subsidiary of a Japanese bank in Canada and the issue of securities has been explicitly guaranteed by the parent.	Domestic (US)	International	Bank	CA	Inward: JP Outward: CA	Local	Bank	JP
16	A Japanese bank in the United Kingdom has sold UK government securities to, and entered into a repurchase agreement with, a US bank in the United Kingdom.	Domestic (US)	International	Bank	GB	none	Local	Official	GB
17	A US bank in the United States has purchased Italian government securities in a reverse repurchase agreement with a German bank in the United Kingdom.	Domestic (US)	International	Bank	GB	Inward: Italy Outward: GB	Cross-border	Official	Italy

Annex E: Frequently asked questions

1. In the LBS, is the BIS's definition of a reporting bank equivalent to the ECB's definition of a monetary financial institution?
2. How should securitised portfolios of loans be reported?
3. How should banks' holdings of mortgage- and asset-backed securities be allocated by country and sector of counterparty?
4. How should gold-related positions be reported?
5. How should letters of credit be reported?
6. How should total return swaps be reported in the CBS?
7. How should credit default swap index contracts sold be reported in the CBS?
8. How should bills of exchange be reported in the CBS on a guarantor basis?
9. Should deferred taxes be reported?
10. How should claims on US government-sponsored enterprises be allocated by country and sector of counterparty?
11. How should claims on the ESM and its predecessors, the EFSM and the EFSF, be allocated by country and sector of counterparty?

1. *In the LBS, is the BIS's definition of a reporting bank equivalent to the ECB's definition of a monetary financial institution?*

No. Reporting banks (paragraph 2.5) are equivalent to the ECB's definition of credit institutions, ie undertakings whose business is to receive deposits or other repayable funds from the public and to grant credits for their own account. Monetary financial institutions include central banks [S121] and money market funds [S123] in addition to credit institutions.

2. *How should securitised portfolios of loans be reported?*

In the LBS, the reporting of securitised portfolios of loans depends on who assumes the economic ownership of the portfolio: the reporting bank or the securitisation vehicle (BMP6, paragraph 3.41).

If the reporting bank is no longer the legal owner of the securitised portfolio and does not bear the risks and rewards of ownership, then the portfolio should not be reported as part of assets. The reporting bank may continue to provide administrative services to the vehicle that purchases and securitises the loans, but the vehicle is the legal and economic owner of the portfolio (BMP6, paragraph 4.78).

If the reporting bank sells a portfolio of loans to a securitisation vehicle but does not formally transfer the related market or credit risks, then the reporting bank remains the economic owner of the portfolio and so should continue to report the loans on its balance sheet. For example, a bank may sell loans to a special purpose vehicle (SPV) and at the same time enter an agreement to buy back the loans at a predetermined price if they fall into arrears. This is similar to a repurchase agreement, and thus the bank should report a liability to the SPV in the form of a loan and continue to report the securitised loans as assets.

In the CBS, the reporting of securitised portfolios of loans depends on national regulations or supervisory practices for determining whether a significant and effective transfer of risks to the vehicle has taken place (BCBS (2016), paragraphs 24–25). When assessing whether the requirements for recognising transfers of risk to the vehicle are satisfied, account should be taken of reputational risks that could lead to the provision of implicit support and thus leave the bank exposed to the risk of loss (BCBS (2017a), paragraphs 59–62).

If the credit risk associated with the assets has been transferred to a securitisation vehicle, then the bank should report only the portion of the securitisation that it retains and exclude from its assets the underlying securitised exposures.

If the bank has not significantly and effectively transferred the risks, then it should continue to report the underlying securitised exposures as part of its own balance sheet as if they had not been securitised.

3. *How should banks' holdings of mortgage- and asset-backed securities be allocated by country and sector of counterparty?*

In the LBS and CBSI, the country and sector of the counterparty are determined by the issuer of the security. For example, an ABS issued by an SPV domiciled in the Cayman Islands should be reported as a debt security claim on a non-bank financial institution [F] in the Cayman Islands.²⁰ Like other negotiable instruments, MBSs and ABSs should be reported at market value.

In the CBSG, a “look-through” approach should be followed for MBSs and ABSs, whereby the country and sector of guarantor are defined, respectively, as the residence and sector of the debtor of the underlying credit, security or derivatives contract. In consideration of the practical difficulties of allocating pools of collateral, MBSs backed by commercial property may be allocated to non-financial corporations [C], MBSs backed by residential property to the household sector, and ABSs to either the non-financial corporations [C] or the household sector [H] depending on the collateral. For example, an ABS backed by US residents' credit card receivables should be allocated to the US household sector.

If the country or sector of the underlying debtor cannot be identified, then in the CBSG MBSs and ABSs may be allocated to “unallocated location” [5M] or “unallocated sector” [U]. If the default risk on an MBS or an ABS is covered by a guarantee, then the country and sector on a guarantor basis will be those of the guarantor.

4. *How should gold-related positions be reported?*

There are two types of gold-related account. First, allocated gold accounts that provide ownership of a specific piece of gold. The ownership of the gold remains with the entity placing it for safe custody and the gold is considered a non-financial asset (BPM6, paragraph 5.76). Allocated gold accounts and gold bullion, when held by the reporting bank, are reported under “other assets”, as a component of total assets in the CBS. Holdings of allocated gold accounts and gold bullion are not reported in the LBS. The second type is unallocated gold accounts that represent an asset against the account operator to deliver gold. For unallocated gold accounts where the reporting bank holds title to physical gold and issues liabilities denominated in gold. Such accounts should be reported as a liability under “loans and deposits” in the LBS and CBS (BPM6, paragraph 5.77).

Gold can be used as collateral to borrow cash; the position is similar to a repurchase agreement (paragraph 4.33). When gold is borrowed against cash collateral, legal ownership of the gold is transferred temporarily to the borrower but substantially all of the risks and rewards of changes in the gold price remain with the lender. For example, the cash leg of such transactions should be reported by the gold borrower (ie reporting bank) as a claim under loans and deposits and by the gold lender as a liability under

²⁰ For recommendations about how to classify SPVs by sector, see SNA 2008, paragraphs 4.55–4.67.

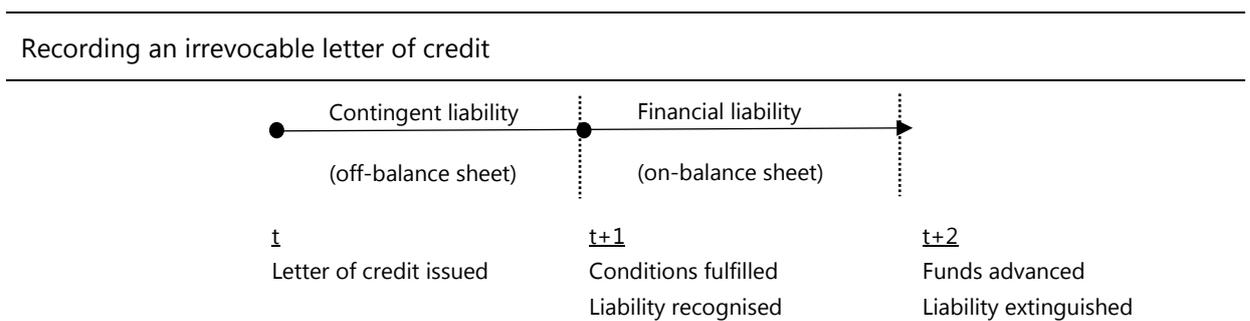
loans and deposits. In the LBS and CBSI, the country and sector of the counterparty are determined by the gold lender (ie the cash taker). The gold leg should not be reported. In the CBSG, the country and sector of the counterparty are determined, respectively, by the country and sector of the custodian with which the gold is placed (see Table 4.6 for type of collateral in the CBSG).

5. *How should letters of credit be reported?*

Letters of credit are one type of financial arrangement that creates contingent liabilities for issuing banks. In general, no financial liability is created until funds are actually advanced (BPM6, paragraph 5.13).

Unlike the other types of letters of credit, an irrevocable letter of credit cannot be changed without the consent of all parties. This type of letter of credit, once the issuing bank determines that the presented documents fulfil the conditions of the contract, should be recorded as an unconditional liability of the issuing bank from the time of acceptance, ie as a debt security liability, comparably to the treatment of a banker’s acceptance.

The table below illustrates how an irrevocable letter of credit is recorded. If a letter of credit is standard and irrevocable, then there is a high probability that the bank will be required to fulfil its promise to pay. Therefore, once the conditions of the credit are fulfilled at t+1, the issuing bank should recognise the letter of credit as a liability. This liability remains on the balance sheet until payment is made at t+2.



6. *How should total return swaps be reported in the CBS?*

A total return swap is a type of credit derivative.²¹

In the CBSI, a total return swap held for trading should be reported as a derivative asset if the market value of the contract is positive (or as a derivative liability if the market value is negative). The position of total return swap is reported as a component of total assets (or as a component of total liabilities) without a counterparty breakdown. When a total return swap is used to hedge a position in the banking book and the reporting bank is the total return payer (ie buyer of credit protection), then an inward risk transfer [P] to the country where the swap counterparty resides and an outward risk transfer [O] from the country where the immediate counterparty resides should be reported. The positions should be reported at gross notional value.

In the CBSG, when a total return swap is held for trading by the reporting bank, it should be reported as derivative assets with a breakdown of swap counterparty. In addition, if the reporting bank is the total return receiver (ie seller of credit protection), then the gross notional value of the outstanding position should be reported as a “guarantee extended” [W], with a breakdown of buyer of credit protection.

²¹ A total return swap commits two counterparties to exchange the total economic performance of a financial asset (defined to include all interest payments, fees and any capital appreciation or depreciation) in exchange for a floating rate payout based on a reference index (usually Libor plus a spread reflecting the creditworthiness of the counterparty as well as the credit rating and liquidity of the underlying asset).

For a summary of how derivatives should be reported in the CBS, see Annex B.

7. *How should credit default swap index contracts sold be reported in the CBS?*

Credit protection sold should be reported as a guarantee extended at gross notional value. If the credit derivative contract guarantees multiple underlying reference entities from several countries, then the notional amount should be allocated by counterparty country on a pro rata basis: for example, for first-to-default baskets, equally to each reference entity. If it is impractical to allocate the underlying reference entities by country, then they may be reported vis-à-vis "unallocated location" [5M].

For a summary of how derivatives should be reported in the CBS, see Annex B.

8. *How should bills of exchange be reported in the CBS on a guarantor basis?*

Bills of exchange are treated as "debt securities" in international banking statistics. The country and sector on a guarantor basis will depend on whether the bills are sold with or without recourse to the seller (eg to the exporter) and whether the bills are guaranteed (eg by the importer's bank or an export credit agency). The full amount should be reported even if the bills are discounted. If credit protection is provided by more than one source, then the country and sector on a guarantor basis should be determined by the guarantor that the lender considers to be the most creditworthy.

Consider the following example. Exporter E sells goods to Importer I and writes a bill of exchange ordering Importer I to pay \$100 in six months. Exporter E then sells the bill to Bank B at a discount on a non-recourse basis. On an immediate counterparty basis, Bank B should report a claim of \$100 claim on Importer I. If the bill is guaranteed by the importer's Bank M, then on a guarantor basis Bank B should report a claim of \$100 on Bank M. If the bill is also guaranteed by an export credit agency and the agency is more creditworthy than Bank M, then on a guarantor basis Bank B should report a claim of \$100 on the agency.

9. *Should deferred taxes be reported?*

A deferred tax asset refers to an asset that arises as a result of bank overpaying taxes or taxes paid in advance on its balance sheet. A deferred tax liability refers to a tax that is due in the current reporting period but has not yet been paid.

In the LBS, deferred taxes should be reported in other instruments [I].

In the CBS, deferred tax assets should be included in total assets [F], as part of instrument "other assets". Deferred tax liabilities should be included in total liabilities [L], as part of instrument "other liabilities".

10. *How should claims on US government-sponsored enterprises be allocated by country and sector of counterparty?*

In the LBS and CBSI, claims on Ginnie Mae, Fannie Mae and Freddie Mac should be allocated to non-bank financial institutions [F]. Ginnie Mae's obligations carry an explicit guarantee from the US Treasury, and thus in the CBSG claims on Ginnie Mae should be allocated to the US official sector [O].

Prior to September 2008, Fannie Mae's and Freddie Mac's obligations were not guaranteed by the US Treasury, and thus no risk transfer to the US official sector should be reported for that period, ie on a guarantor basis claims should be reported vis-à-vis the US non-bank private sector [R]. Since September 2008, Fannie Mae and Freddie Mac have been under "conservatorship". While their obligations are not explicitly guaranteed, in September 2008 the US Treasury entered a legally binding agreement to provide Fannie Mae and Freddie Mac with funding (through senior preferred stock purchases) if their total liabilities were to exceed their total assets. As long as this agreement remains in place, claims on Fannie Mae and Freddie Mac may be reallocated to the official sector [O] on a guarantor basis.

11. *How should claims on the ESM and its predecessors, the EFSM and the EFSF, be allocated by country and sector of counterparty?*

The EFSM and the EFSF are temporary lending facilities, which were effectively replaced by the ESM. The EFSM permits the European Commission to issue bonds in the name of the European Union (EU), collateralised by the budget of the EU. The EFSM was created in May 2010. The EFSF issues bonds guaranteed by the member governments of the euro area. The EFSM was established as a non-financial company in Luxembourg in June 2010. The EFSF's authority to lend funds expired on 30 June 2013, although the facility will continue to exist until outstanding loans are fully repaid. The ESM was created in September 2012 by a treaty among the member governments of the euro area. Unlike the EFSF, the ESM has the status of an international organisation.

To simplify reporting, reporting banks may treat their holdings of EFSM, EFSF and ESM bonds equivalently. However, the treatment should change as of 1 July 2013, when the ESM fully took over the functions of the EFSF. The recommended allocation by country and sector is shown in the table below.

Allocating holdings of EFSM, EFSF and ESM debt securities				
	Up to and including end-June 2013		From end-September 2013	
	Country	Sector	Country	Sector
LBS	Luxembourg	Non-bank	International organisation	Unallocated by sector
CBSI	Luxembourg	Non-bank private sector	International organisation	Unallocated by sector
CBSG	Residual developed countries [2R]*	Official sector	International organisation	Unallocated by sector

* In principle, amounts should be reallocated on a pro rata basis to the member governments that guarantee the EFSF bonds. In consideration of the practical difficulties of allocating across many countries, amounts may be reallocated to a residual.

Annex F: Questions about LBS-reporting practices

Reporting population

1. What other types of entity are included in the LBS-reporting population, in addition to internationally active banks?
[If the reporting population includes different types of entity, check all applicable items from (a) to (f). If the reporting population includes all banks located in a reporting country, check (g).]
 - (a) No other types – only internationally active banks (*as per the Guidelines*)
 - (b) Domestically focused banks
 - (c) Securities dealers
 - (d) Central counterparties with a banking licence
 - (e) Money market funds
 - (f) Other types, please specify: _____
 - (g) All banks located in the reporting country
2. What share of the total assets of the local banking system (ie all resident banks) is held by the LBS-reporting population (as a percentage)? _____

Nationality of reporting banks

3. What criteria are used to identify the nationality of LBS-reporting banks?
 - (a) Highest-level entity in a corporate group over which consolidated supervision is exercised by prudential authorities (*as per the Guidelines*)
 - (b) Ultimate parent, regardless of whether this entity is supervised by prudential authorities
 - (c) Immediate parent
 - (d) Varies by bank
 - (e) Other criteria, please specify: _____

Reporting of loans and deposits

4. Are loan assets reported gross of provisions?
 - (a) Yes (*as per the Guidelines*)
 - (b) No (reported net of provisions)
 - (c) Varies by bank
 - (d) Other, please specify: _____
5. What is the valuation method for loans?
 - (a) Nominal value (*as per the Guidelines*)
 - (b) Amortised value
 - (c) Varies by bank
 - (d) Other, please specify: _____
6. Do loans and deposits include those held in trust accounts?
 - (a) Yes (*as per the Guidelines*)
 - (b) No
 - (c) Varies by bank
 - (d) Other, remarks: _____

Reporting of debt securities

7. How are short sales of securities reported?
 - (a) Negative assets (*as per the Guidelines*)
 - (b) Liabilities
 - (c) Varies by bank
 - (d) Other, remarks: _____
8. Do short-term debt securities include debt securities with a remaining maturity of up to and including one year, in addition to those with an original maturity up to and including one year?
 - (a) Yes (*as per the Guidelines*)
 - (b) No
 - (c) Varies by bank
 - (d) Other, remarks: _____
9. What is the valuation method for debt securities that are traded frequently in financial markets?
 - (a) Market value/fair value (*as per the Guidelines*)
 - (b) Nominal value
 - (c) Amortised value
 - (d) Face value (also known as par value)
 - (e) Varies by bank
 - (f) Other, remarks: _____
10. What is the valuation method for debt securities that are NOT traded frequently in financial markets?
 - (a) Market value/fair value (*as per the Guidelines*)
 - (b) Nominal value
 - (c) Amortised value
 - (d) Face value (also known as par value)
 - (e) Varies by bank
 - (f) Other, remarks: _____
11. Do debt securities include those held in trust accounts?
 - (a) Yes (*as per the Guidelines*)
 - (b) No
 - (c) Varies by bank
 - (d) Other, remarks: _____

Reporting of other instruments

12. What types of instrument are included in other instruments?
[Check all applicable items]
 - (a) Derivatives
 - (b) Equity securities
 - (c) Equity capital
 - (d) Working capital
 - (e) Retained earnings
 - (f) Account receivable/payable
 - (g) Deferred taxes
 - (h) Other instruments, please specify: _____
13. Do other instruments include those held in trust accounts?
 - (a) Yes (*as per the Guidelines*)
 - (b) No
 - (c) Varies by bank
 - (d) Other, remarks: _____

Reporting of derivatives

14. Are derivatives reported on a gross basis, where derivative liabilities are NOT offset against derivative assets?
- (a) Yes (derivative assets and liabilities are not netted, *as per the Guidelines*)
 - (b) No (derivative assets and liabilities are netted if permitted by national accounting standards)
 - (c) No (derivative assets and liabilities are always netted)
 - (d) Other, remarks: _____
15. What is the valuation method for exchanged-traded derivatives?
- (a) Market value/fair value (*as per the Guidelines*)
 - (b) Notional value
 - (c) Varies by bank
 - (d) Other, remarks: _____
16. What is the valuation method for OTC derivatives?
- (a) Market value/fair value (*as per the Guidelines*)
 - (b) Notional value
 - (c) Varies by bank
 - (d) Other, remarks: _____
17. Do derivatives include those held in trust accounts?
- (a) Yes (*as per the Guidelines*)
 - (b) No
 - (c) Varies by bank
 - (d) Other, remarks: _____

Annex G: Questions about CBS-reporting practices

Nationality of reporting banks

1. What criteria are used to identify the nationality of CBS-reporting banks?
 - (a) Highest-level entity in a corporate group over which consolidated supervision is exercised by prudential authorities (*as per the Guidelines*)
 - (b) Ultimate parent, regardless of whether this entity is supervised by prudential authorities
 - (c) Immediate parent
 - (d) Varies by bank
 - (e) Other criteria, please specify: _____

Practices for consolidation

2. What standards must domestic banking groups follow to define the perimeter of consolidation for the purpose of the CBS?
 - (a) National prudential perimeter (*as per the Guidelines*); please provide a brief explanation about the national prudential perimeter: _____
 - (b) International Financial Reporting Standards (IFRS)
 - (c) National Generally Accepted Principles (GAAP)
 - (d) Varies by bank
 - (e) Other standards, please specify: _____
3. What types of non-bank entity are included in the perimeter of consolidation?
[Check all applicable items]
 - (a) None
 - (b) Insurance corporations (S 128)
 - (c) Pension funds (S 129)
 - (d) Other financial entities (S 123–S 127)²²
 - (e) Non-financial corporations (S 11)
 - (f) Parent which is a financial holding company not subject to prudential supervision²³

Reporting of claims

4. What instruments are included in local claims?
[Check all applicable items]
 - (a) Loans and deposits
 - (b) Debt securities
 - (c) Derivatives
 - (d) Equity securities
 - (e) Participations
 - (f) Working capitals
 - (g) Other, please specify: _____

²² Other financial entities include money market funds (S 123), non-money market fund investment funds (S 124), financial auxiliaries (S 126), captive financial institutions and money lenders (S 127), other financial intermediaries except insurance corporations and pension funds (S 125).

²³ Such entities comprise parent undertakings of credit institutions which are a financial entity. For reporting countries where prudential supervision is governed by EU Regulation 575/2013, this includes: parent financial holding companies, mixed parent financial holding companies, parent financial holding companies in an EU member state, parent mixed financial holding companies in an EU member state, EU parent financial holding companies and EU parent mixed financial holding companies.

5. How are short sales of securities reported?
 - (a) Liabilities (*as per the Guidelines*)
 - (b) Negative assets
 - (c) Varies by bank
 - (d) Other, please specify: _____
6. What is the valuation method for loans?
 - (a) Nominal value (*as per the Guidelines*)
 - (b) Amortised value
 - (c) Varies by bank
 - (d) Other, please specify: _____

Reporting of derivatives

7. On an immediate counterparty basis, are derivatives excluded from claims?
 - (a) Yes (*as per the Guidelines*)
 - (b) No
 - (c) Varies by bank
 - (d) Other, remarks: _____
8. On an immediate counterparty basis, are derivatives excluded from local positions?
 - (a) Yes, derivatives are excluded from both local claims and liabilities (*as per the Guidelines*)
 - (b) Derivatives are excluded from local claims only
 - (c) Derivatives are excluded from local liabilities only
 - (d) No, derivatives are included in local positions
 - (e) Varies by bank
 - (f) Other, remarks: _____
9. On a guarantor basis, are credit derivatives held for hedging purposes excluded from derivative assets?
 - (a) Yes (*as per the Guidelines*)
 - (b) No
 - (c) Varies by bank
 - (d) Other, remarks: _____
10. On a guarantor basis, are derivative assets by counterparty country allocated to the holder of cash collateral?
 - (a) The collateralised portion of the fair value is reported according to the country of the legal entity where the cash collateral is deposited; the uncollateralised portion is reported according to the country of the counterparty (*as per the Guidelines*)
 - (b) Exposures are reported according to counterparty, without deducting the value of collateral
 - (c) Varies by bank
 - (d) Other, please specify: _____
11. What is the valuation method for derivatives?
 - (a) Fair value (*as per the Guidelines*)
 - (b) Notional value
 - (c) Varies by bank
 - (d) Other, please specify: _____

12. What standards are followed to decide whether derivatives can be netted (ie liabilities offset against assets)?
- (a) National supervisory standards (*as per the Guidelines*); please provide a brief explanation about the national supervisory standard(s): _____
 - (b) International Financial Reporting Standards (IFRS)
 - (c) Generally Accepted Accounting Principles (GAAP)
 - (d) Varies by bank
 - (e) Offsetting derivatives liabilities against derivatives assets is not permitted
 - (f) Other standards, please specify: _____

Reporting of risk transfers

13. What types of risk transfer are recognised? [*Check all applicable items*]
- (a) Parent guarantees to branches
 - (b) Explicit guarantees
 - (c) Credit derivatives
 - (d) Collateral
 - (e) Other, please specify: _____
14. Are claims on branches considered as being guaranteed by their parent even if there is no explicit guarantee?
- (a) Yes (*as per the Guidelines*)
 - (b) No
 - (c) Varies by bank
 - (d) Other, remarks: _____
15. What conditions are required for banks to recognise third-party guarantees as risk transfers? [*Check all applicable items*]
- (a) Guarantees must be explicit
 - (b) Guarantees must be irrevocable
 - (c) Guarantees must be provided by entities that are of higher credit quality than the immediate counterparty
 - (d) Other conditions, please specify: _____
16. What is the valuation method for credit derivatives bought to hedge claims in the banking book?
- (a) Notional value (*as per the Guidelines*)
 - (b) Fair value
 - (c) Varies by bank
 - (d) Other, please specify: _____
17. Are contracts bought to offset credit derivatives sold recognised as risk transfers?
- (a) No (*as per the Guidelines*)
 - (b) Yes
 - (c) Varies by bank
 - (d) Other, remarks: _____
18. What conditions are required for banks to recognise collateral as risk transfers? [*Check all applicable items*]
- (a) Collateral must be liquid and readily realisable, eg only cash and securities
 - (b) Collateral must be realisable outside the country where the immediate counterparty resides
 - (c) Other conditions, please specify: _____

19. To which counterparty is the credit risk associated with claims arising from repurchase and securities lending agreements transferred?
- (a) Issuer of collateral (*as per the Guidelines*)
 - (b) Immediate counterparty
 - (c) Varies by bank
 - (d) Other, please specify: _____
20. Do inward and outward country risk transfers include transfers between sectors in the same country?
- (a) No (*as per the Guidelines*)
 - (b) Yes
 - (c) Varies by bank
 - (d) Other, remarks: _____

Reporting of credit protection sold under guarantees extended

21. Is credit protection sold included in guarantees extended?
- (a) Yes (*as per the Guidelines*)
 - (b) No
 - (c) Varies by bank
 - (d) Other, remarks: _____
22. What is the valuation method for credit protection sold?
- (a) Notional value, net of cash collateral (*as per the Guidelines*)
 - (b) Notional value, without deduction of the value of cash collateral
 - (c) Varies by bank
 - (d) Other, please specify: _____
23. Which entity is the counterparty of credit protection sold?
- (a) The underlying reference entity (*as per the Guidelines*)
 - (b) The immediate counterparty
 - (c) Varies by bank
 - (d) Other, remarks: _____
24. What conditions are followed to decide whether credit protection sold is offset against protection bought?
- (a) Same underlying reference entity and same counterparty (*as per the Guidelines*)
 - (b) Same underlying reference entity
 - (c) Same counterparty
 - (d) Varies by bank
 - (e) Offsetting liabilities against assets is not permitted
 - (f) Other conditions, please specify: _____