

## A. Introduction

### A.1. BIS international banking statistics

Under the guidance of the Committee on the Global Financial System (CGFS) and in cooperation with central banks worldwide, the BIS compiles statistics on international banking activity.<sup>1</sup> The international banking statistics (IBS) comprise the following two data sets:

- *Locational banking statistics (LBS)*, which measure claims and liabilities, including inter-office positions, of banking offices resident in reporting countries. These statistics are reported using principles that are consistent with balance of payments methodology.
- *Consolidated banking statistics (CBS)*, which measure worldwide consolidated claims of banks headquartered in reporting countries, including claims of their own foreign affiliates but excluding inter-office positions. These statistics build on measures used by banks in their internal risk management systems.

Both sets of statistics are reported at a country rather than individual bank level; hence they are best suited for macro analysis of economic and financial stability issues. The LBS are a key source of information on the currency and geographical composition of resident banks' balance sheets. The CBS provide information about banking systems' risk exposures, in particular country risk.

In addition to their contrasting reporting bases, the LBS and the CBS differ in a number of other important respects. The CBS include data on off-balance sheet exposures, such as risk transfers, guarantees and credit commitments (Table A1). They also capture the maturity structure of some claims, but provide very limited currency information. In contrast, the LBS cover on-balance sheet positions, albeit for liabilities as well as claims. The LBS are reported on an immediate risk basis (disregarding risk transfers) and have a more detailed breakdown of positions by currency and instrument.

While the CBS are reported by a smaller number of countries than the LBS, they cover the worldwide banking offices of institutions whose controlling parent is located in those countries. The number of countries participating in the LBS increased from 15 in the mid-1970s to 44 in 2012 (Table A2). The number of countries participating in the CBS increased from 15 in the early 1980s to 31 in 2012.

The LBS and CBS each comprise two subsets, which capture different aspects of international banking activity. The locational banking statistics by residence (LBS/R) combine the breakdown by residence of the reporting bank with a full country breakdown of counterparties, whereas the locational banking statistics by nationality (LBS/N) combine it with a breakdown by nationality of the reporting bank. The consolidated banking statistics on an immediate risk basis (CBS/IR) are based on the country where the immediate counterparty exposure or risk lies, whereas the consolidated banking statistics on an ultimate risk basis (CBS/UR) are based on the country where the ultimate risk or obligor resides, after taking into account risk transfers. The four data sets, and the breakdowns therein, are summarised in Table A1.

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<sup>1</sup> The CGFS was established in 1971 by the central banking community to analyse the macroeconomic and financial consequences of the growth of international deposit markets – hence the Committee's original name, the Euro-currency Standing Committee. The CGFS is located at the BIS ([www.bis.org/cgfs](http://www.bis.org/cgfs)).

Table A1

## Simplified overview of the BIS international banking statistics

Data reported from Q2 2012 are shown in **blue (Stage 1)** and from Q4 2013 in **red (Stage 2)**

	Locational banking statistics		Consolidated banking statistics	
	By residence (LBS/R)	By nationality (LBS/N)	Immediate risk basis (CBS/IR)	Ultimate risk basis (CBS/UR)
Reporting countries	44	43	31	24
Business reported	Financial assets and liabilities (incl derivatives)		Financial assets (excl derivatives), <b>total assets and liabilities (incl derivatives), capital, risk transfers</b>	Financial assets (excl derivatives), other potential exposures (incl derivatives)
Breakdowns reported				
Bank type	All reporting banks, <b>domestic banks, foreign subsidiaries, foreign branches, consortium banks</b>	not available	All reporting banks, domestic banks, inside-area foreign banks <sup>1</sup> , outside-area foreign banks <sup>2</sup>	Domestic banks
Bank nationality	not available	≥43	≥31	≥24
Type of position	Cross-border, local		Total, international (cross-border plus local in FX), local in LC	Total, cross-border, local in all currencies
Currency	Local, USD, EUR, JPY, GBP, CHF, <b>others (optional)</b>		<i>For local in LC positions:</i> >160	not available
Maturity	<i>For liabilities: debt securities (of which: ≤1 year)</i>		<i>For international claims:</i> ≤1 year, 1–2 years, >2 years	not available
Instrument	Loans and deposits, debt securities, other instruments	<i>For liabilities: debt securities</i>	<i>For assets: claims, total assets, risk-weighted assets</i> <i>For liabilities: deposits, debt securities (of which: ≤1 year), derivatives, other liabilities</i> <i>For capital: total equity, Tier 1 capital</i>	<i>For other potential exposures:</i> derivatives, credit commitments, guarantees extended
Counterparty country	>200 ( <b>incl reporting country</b> )	≥76 ( <b>incl reporting country</b> )	>200 ( <b>incl reporting country</b> )	
Counterparty sector	Banks <sup>3</sup> (of which: related offices, central banks), non-banks <sup>4</sup> , <b>non-bank financial institutions, non-financial sector (general government, non-financial corporations, households)</b>		Official sector (incl central banks), banks (excl central banks), non-bank private sector, <b>non-bank financial institutions, non-financial private sector (non-financial corporations, households)</b>	

<sup>1</sup> Inside-area foreign banks not consolidated by their parent are encouraged to report the same breakdowns as domestic banks. <sup>2</sup> Report international claims only. <sup>3</sup> Prior to Q4 2013, reported for LBS/N only. <sup>4</sup> Prior to Q4 2013, reported for LBS/R only.

Table A2  
**Reporting area for the international banking statistics  
and first year of data availability**

	<b>LBS</b>	<b>CBS</b>		<b>LBS</b>	<b>CBS</b>
Australia	1997	2003	Ireland	1977	1983
Austria	1977	1983	Isle of Man	2001	.
Bahamas	1983 <sup>1</sup>	.	Italy	1977	1983
Bahrain	1983	.	Japan	1977	1983
Belgium	1977	1983	Jersey	2001	.
Bermuda	2002	.	[South] Korea	2005	2011 <sup>2</sup>
Brazil	2002	2002 <sup>2</sup>	Luxembourg	1977	1983 <sup>2</sup>
Canada	1977	1983	Macao SAR	2003	.
Cayman Islands	1983	.	Malaysia	2007	.
Chile	2002	2002	Mexico	2003	2003 <sup>2</sup>
Chinese Taipei	2000	2000	Netherlands	1977	1983
Curaçao	1983 <sup>3</sup>	.	Norway	1983	1994
Cyprus	2008	.	Panama	2002	2002 <sup>2</sup>
Denmark	1977	1983 <sup>2</sup>	Portugal	1997	1999
Finland	1983	1985	Singapore	1983	2000
France	1977	1983	South Africa	2009	.
Germany	1977	1983	Spain	1983	1985
Greece	2003	2003	Sweden	1977	1983
Guernsey	2001	.	Switzerland	1977	1983
Hong Kong SAR	1983	1997 <sup>2</sup>	Turkey	2000	2000
India	2001	2001	United Kingdom	1977	1983
Indonesia	2010	.	United States	1977	1983

The latest list of reporting countries is available on the BIS website ([www.bis.org/statistics/rep\\_countries.htm](http://www.bis.org/statistics/rep_countries.htm)).

<sup>1</sup> Semiannual reporting. <sup>2</sup> CBS/UR not reported. <sup>3</sup> From Q4 1983 to Q3 2010, reporting by the Netherlands Antilles; from Q4 2010, Curaçao. LBS/N not reported.

## **A.2. Enhancements over the decades**

The BIS international banking statistics have been enhanced over time in response to developments in international banking markets. Indeed, past crises often spurred major efforts to improve coverage, quality and timeliness.

### *1960s and 1970s*

The LBS were introduced in 1964 to monitor the development of international deposit (“euro-currency”) markets. The early statistics focussed 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 include a full counterparty country breakdown.

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 country breakdown and maturity of their (partially consolidated) claims, although only for positions vis-à-vis counterparties in developing countries.

#### *1980s and 1990s*

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

The debt crises also led to the joint publication in 1984 by the BIS and OECD of external debt estimates based on the international banking statistics and other sources of creditor data. National statistical offices subsequently started making use of the LBS to improve the coverage and accuracy of national balance of payments data. An instrument breakdown was introduced in 1995 to facilitate such use. The joint estimates of external indebtedness were expanded in 1999 with additional data from the IMF and World Bank, and today the international banking statistics remain a core part of the Joint External Debt Hub that brings together data from creditor, market and national sources ([www.jedh.org](http://www.jedh.org)).

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 banking systems, including those of Hong Kong SAR and Singapore, joined the reporting population; and the counterparty-country breakdown was expanded to include all countries instead of only developing countries.

Moreover, in the 1990s attention gradually 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. 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.<sup>2</sup> This led to the introduction in 2005 of the CBS on an ultimate risk basis.

#### *2000s and beyond*

The global financial crisis that started in 2007 highlighted the need for better data on major banking systems' funding and lending patterns. In 2011–12 the CGFS approved enhancements to both the LBS and CBS designed to meet this need.<sup>3</sup> Issues on which the enhanced statistics will provide more insights include: the credit exposures of national

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<sup>2</sup> CGFS, "Report of the Working Group on the BIS International Banking Statistics", *CGFS Papers*, no 15, BIS, September 2000. Available at: [www.bis.org/publ/cgfs15.htm](http://www.bis.org/publ/cgfs15.htm).

<sup>3</sup> CGFS, "Improving the BIS international banking statistics", *CGFS Papers*, no 47, BIS, November 2012. Available at: [www.bis.org/publ/cgfs47.htm](http://www.bis.org/publ/cgfs47.htm).

banking systems to particular countries and sectors; trends in the supply of bank credit (both cross-border and locally sourced) and banks' funding patterns; and banks' funding risk, including currency and, to a lesser extent, maturity mismatches in the assets and liabilities of major banking systems.

The enhancements are being implemented in two stages. Stage 1 focuses on data that are already collected by many central banks and hence do not require additional reporting by individual financial institutions. Stage 2 involves data that require additional reporting by financial institutions. Reporting of the Stage 1 enhancements started with the submission of Q2 2012 data, and Stage 2 is scheduled to start with Q4 2013 data. Consistent with the existing voluntary reporting framework, the enhancements will be implemented by central banks as soon and as fully as possible.

The Stage 1 enhancements relate exclusively to the LBS and involve the following changes:

- *Full financial balance sheet.* The LBS will be broadened to cover reporting banks' total financial assets and liabilities, not just their international positions. This involves the addition of banks' local currency positions against residents of the reporting country; a further refinement of the foreign currency breakdown in the LBS/N; and an improvement in the completeness and consistency of the reported data across reporting jurisdictions.
- *Counterparty-country information.* A counterparty-country dimension will be added to the LBS/N. This will make it possible to see simultaneously: (a) the nationality of the reporting institutions; (b) the location of the reporting institutions; and (c) the location of the counterparties (eg the liabilities of German banks in the United Kingdom to counterparties in Japan). Currently, the LBS/N only cover cross-border claims and liabilities vis-à-vis counterparties in all other countries combined.

The Stage 2 enhancements affect both the LBS and the CBS and are intended to support better measures of the following international banking activities:

- *Country credit risk.* In the CBS, exposures to residents of the country where the reporting bank is headquartered, and consistent measures of the size of banks' total balance sheet, will be added.
- *International bank credit.* A more granular counterparty-sector breakdown will be introduced in both the CBS and the LBS. This will facilitate more nuanced analysis of banks' reliance on and exposure to the non-bank financial sector. It will also help in monitoring cross-border credit flows and the dynamics of credit booms in particular countries, as these are often fuelled by international credit. In addition, in the LBS/R the data will distinguish between domestic banks, foreign branches and foreign subsidiaries, allowing analysts to see how the balance sheet positions of these bank types differ.
- *Banks' funding patterns.* A breakdown of banks' funding by broad instrument type – deposits, short- and long-term debt securities, derivatives, other liabilities, and total equity – will be added to the CBS/IR. In addition, a basic maturity split – short- and long-term by remaining maturity – will be added for banks' debt securities liabilities in the LBS/N. These data will be useful in gauging which bank nationalities are reliant on less stable funding sources, such as short-term debt.

As part of the enhancements, central banks were encouraged to close gaps in reporting and to disseminate more data. Central banks will endeavour to improve the completeness and accessibility of their national contributions to the international banking statistics. Several central banks have agreed to close key gaps in their data reporting so as to meet all of the

current reporting guidelines.<sup>4</sup> Furthermore, reporting central banks will revisit the confidentiality settings on their data, with a view to making the data more widely available, particularly to other central banks but also to the general public.

Finally, efforts continue to expand the number of reporting countries. Banks in major emerging economies are becoming increasingly important in the global financial system. All G20 countries and offshore centres with significant regional banking activities have been invited to report their international banking activity to the BIS.

The CGFS identified several additional enhancements to the IBS that it thought were potentially worthwhile to pursue over the medium to longer term. These include harmonising the definition of bank consolidation and aligning the international banking statistics more closely with supervisory data. These potential extensions will be revisited once implementation of the current round of enhancements is fully completed.

### **A.3. Guidelines**

The Guidelines provide compilers in reporting countries with definitions and requirements for the reporting of data. Reporting banks do not supply data directly to the BIS but rather to an official authority in their respective country, usually the central bank, which then aggregates the data and submits them to the BIS for further aggregation, analysis and publication. The technical requirements (eg code structure and reporting templates) for the submission of data to the BIS are provided in separate documents.

The Guidelines facilitate the compilation of national data in a consistent and comparable way. Nevertheless, some reporting practices vary across countries. Summaries of reporting practices by country for the LBS and CBS are available on the BIS website ([www.bis.org/statistics/count\\_rep\\_practices.htm](http://www.bis.org/statistics/count_rep_practices.htm)).

The current version of the Guidelines incorporates the decisions of the CGFS to expand the scope of the statistics in two stages over the 2012–14 period. Section B of the Guidelines covers reporting requirements for the LBS, while Section C covers them for the CBS. Reporting conventions that apply to both the LBS and CBS are discussed in Section D. A list of frequently asked questions and examples for reporting specific transactions are provided in Section E. Section F is a glossary of terms used in both the LBS and the CBS. To aid in the counterparty-sector classification of certain institutions, Sections G and H contain, respectively, lists of international organisations and central banks.

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<sup>4</sup> Key gaps include incomplete reporting of the counterparty-country, counterparty-sector, currency or instrument dimensions, which can distort the aggregate picture afforded by the statistics and make interpretation of the data difficult. For instance, banks in a reporting country could have positions in a particular market segment, or exposures to a specific counterparty country or sector, that are large enough to render the corresponding aggregate figures meaningless if data for these banks are not reported.