

**SUMMARY OF THE PROCEEDINGS OF THE HIGH-LEVEL CONFERENCE ON FINANCIAL CRISIS  
AND INFORMATION GAPS: BASEL, SWITZERLAND, APRIL 8-9, 2010**

**A. Background and Key Conclusions**

1. In November 2009, the Group of 20 Economies (G-20) finance ministers and central bank governors endorsed, at their meeting in St. Andrews, Scotland, a report prepared by the International Monetary Fund (IMF) staff and the Financial Stability Board (FSB) Secretariat on the “*The Financial Crisis and Information Gaps (G-20 Report)*” that contained 20 recommendations to close information gaps revealed by the global financial crisis. The FSB Secretariat and IMF staff were requested to report back in June 2010 with a concrete plan of action, including a timetable, to address each of the outstanding recommendations. The G-20 report is available at <http://www.imf.org/external/np/g20/pdf/102909.pdf>.
2. To ensure that the on-going work is informed by a broad range of views, the IMF’s Statistics Department and the FSB Secretariat organized a high-level conference in Basel during April 8-9, 2010, hosted by the Bank for International Settlements (BIS). International experts on financial stability and statistics from the G-20 and the FSB constituencies attended. The main purpose of the conference was to obtain participants’ views on the modalities of implementing the 20 recommendations, and the required timeline, with the conclusions reached informing the preparation of the report requested by the G-20 finance ministers and central bank governors for their meeting in June 2010. Participants discussed the pertinent issues in developing the plans, and through break-out groups discussed challenges and constraints in implementation. Alfredo Leone (Deputy Director, Statistics Department, IMF) and Nigel Jenkinson (Adviser, FSB Secretariat) co-chaired the conference.
3. In his opening remarks, Herve Hannoun, Deputy General Manager (BIS) highlighted the broader task of the conference as helping to rethink and redesign the global data collection framework to close the many gaps exposed by the recent financial crisis. He emphasized the importance of a global (consolidated) perspective (in addition to the traditional residence approach) of the balance sheets of financial institutions (banks and non-banks), their interconnectedness, and their funding and cross-currency risks.
4. The participants welcomed the conference as a good opportunity for statisticians and financial stability experts to exchange views on feasible strategies for implementing each of the 20 recommendations. The participants recognized that there was a need to prioritize actions and identify the constraints that would be faced in implementation. It was noted that the recommendations vary in their nature and complexity, and actions to address them will involve different timelines for their implementation. Some actions build on existing conceptual frameworks within which data are already compiled, but others would need the development of analytical and conceptual frameworks before data collection can be considered. In terms of priorities, the conference recognized that some of the most

challenging recommendations to implement, such as gaining a better understanding of financial networks, are among the most important for financial stability analysis. Additional resources are likely to be required for statistical functions. The need to monitor progress with implementation and to ensure co-ordination among key stakeholders was also highlighted.

5. Other key conclusions arising from the conference discussions and the break-out groups included:

- Given financial and staff constraints, addressing the recommendations will require work prioritization, taking into account lessons from the crisis and emerging risks.
- There is a need to collect financial data both on a consolidated basis (at group level) as well as on the traditional residence basis (at institutional sector level), in order to better understand where the risks in the system are located, such as the balance sheet risks within global financial institutions.
- Information on distributions within the population, concentrations of activity, and on counterparties can be as, or more, important than averages and aggregates.
- Harmonized and consistent data across countries is an important objective to strive towards, taking into account costs and benefits.
- It is important when closing information gaps to take due consideration of regulatory and supervisory developments.
- Some recommendations are interrelated and mutually reinforcing, highlighting the need for coordination across work streams, as well as with other standard setters.
- While there is a strong demand for timely and detailed data, there is a risk that data collection will lag developments in the markets.
- The action plans to take forward the recommendations should involve all G-20 economies and be as practical as possible.

6. The conference featured presentations and contributions from the international institutions working on each recommendation, including the FSB, the International Organization of Securities Commissions (IOSCO), and the members of the Inter-Agency Group on Economic and Financial Statistics (IAG), (BIS, ECB, Eurostat, IMF (chair), OECD, UN, and World Bank). The summary below follows the agenda order.

## **B. Building on existing initiatives**

7. The recommendations covered in this session of the conference were primarily those for which existing conceptual and statistical frameworks exist and data collections processes are already in place.

8. Recommendation 7 concerns the improvement in the concepts, collection, and communication of securities statistics.

- Work is on-going on the development of the BIS-ECB-IMF *Handbook on Securities Statistics (Handbook)*. Part I of the *Handbook*, focusing on debt securities issues, was released in May 2009. Part II of the *Handbook*, focusing on debt securities holdings, is well advanced and scheduled to be released in the summer of 2010.
- The BIS outlined plans to improve coverage of the debt security statistics it collects from certain central banks. Participants were encouraged by the progress made, welcoming the collection of data using the common template in the *Handbook*. There were some calls to delay somewhat the development of Part III of the *Handbook*, envisaged to focus on equity securities, until the debt security data collection is well established. Further, there was support for consistency in registering securities—both by issuers and by holders—on an individual security basis in the relevant databases. Such an approach would facilitate the compilation of both residence and consolidated data on positions, transactions, revaluations, and other volume changes.

9. Recommendations 10 and 11 call for enhancements to the BIS's International Banking Statistics (IBS) data and the IMF's Coordinated Portfolio Investment Survey (CPIS) data, including regarding country coverage. Recommendation 12 calls for improvements in the reporting of the International Investment Position (IIP) data.

- Both the BIS, under the auspices of the Committee on the Global Financial System (CGFS), and the IMF have created working groups to study the potential enhancements to the IBS and CPIS data, respectively. Additional impetus to improving the reporting of IIP data has been given by the IMF's Executive Board decision in March 2010 to prescribe for subscribers to the IMF's Special Data Dissemination Standard (SDDS) and after a four year transition period, quarterly dissemination (from annual) of the IIP data, with a maximum lag of one quarter (quarterly timeliness) in order to better understand cross-border linkages.
- Participants welcomed the creation of the working groups and highlighted that careful consideration should be given to the benefits and the costs of enhancements. Some participants stressed the need to strengthen these datasets given their relevance to understanding financial connections across borders. Improving the timeliness of the CPIS data was viewed as an achievable objective. Indeed for the CPIS, collecting securities data on an individual security basis could support such an approach. The

need for broadening the coverage of CPIS in some regions, in particular the Middle East, was underscored.

10. Recommendation 15 calls for improved data on the balance sheet approach, flow of funds, and sectoral accounts more generally to better understand the build-up of vulnerabilities in the domestic sectors.

- The IMF has started the work on this recommendation by creating an inventory of existing practices, with plans for a conference of experts later in 2010 to take forward this work and to seek agreement on some minimum reporting needs, drawing upon the existing frameworks of the IMF and the OECD.
- While participants welcomed this approach, recognizing the importance of harmonized sectoral data in monitoring vulnerabilities, some highlighted the resource implications in providing such data. Consequently, the consensus view was to look at what can be reported by countries in the short-term with the implementation of further enhancements on a longer timeline. Also, there were calls for the exchange of best practices in this field given the technical challenges involved. The need for collaboration across international agencies, to reduce duplication of effort and additional burden to data suppliers and producers, was highlighted.

11. Recommendation 17 focuses on government finance statistics and recommendation 18 on public debt statistics.

- IMF staff explained that in March 2010, the IMF Executive Board decided to adopt a standardized presentation of fiscal data following the *Government Finance Statistics Manual, 2001 (GFSM 2001)*, with staff reports to use this format by May 2011. In addition, the fiscal data of the IMF's World Economic Outlook now follows the *GFSM 2001* format. Also, in March 2010, the Task Force on Finance Statistics (<http://www.tffs.org>) endorsed the proposal for the World Bank to gather quarterly public sector debt data from developing and emerging market countries. The project is on track to be launched by end-2010.
- Participants supported the need for harmonized government finance data, while noting that fully implementing the *GFSM 2001* requires a revision of the underlying public sector accounting system which is resource intensive. Participants recognized the potential for the general government sector to be a source of financial instability, but some participants did not consider that these recommendations should be regarded as of a high priority, as existing imperfect data are probably sufficient to identify problems. There was a call to develop a key set of tables based on *GFSM 2001* or *European System of Accounts 95* that can be used for data reporting and monitoring of progress. Participants supported the World Bank effort to create a public sector debt database, noted the existence of an OECD government debt

database for the advanced countries, and welcomed the World Bank and OECD cooperation in this field.

### C. Financial sector and markets

12. The recommendations covered in this session of the conference acknowledge the need to improve data to better understand the financial sector.

13. Recommendation 2 calls on the IMF to improve the availability of financial soundness indicators (FSI) data and to review the FSI list of indicators.

- IMF staff outlined that in March 2010, the IMF's Executive Board decided to include seven FSIs to be disseminated by SDDS subscribers on an encouraged basis, while work started within the IMF to integrate the FSI data that are regularly reported to the IMF's Statistics Department into the IMF's *Global Financial Stability Report* and to improve the user-friendliness of the FSI website. The IMF plans to convey a meeting of the FSI Reference Group of Experts in 2011 (once the envisaged regulatory changes are finalized as explained below) to discuss possible changes in the list of FSIs and the methodology for compiling them in light of the lessons from the ongoing crisis.
- Participants recognized the significant steps towards filling existing data gaps through the initiatives underway. Some participants were concerned that it would be difficult to deliver some series on the preferred quarterly frequency of FSI data, particularly some sourced from supervisory sources. Discussions focused on the review of the methodology and the list of FSIs. They recognized the efforts undertaken to promote harmonized reporting and stressed the critical role of financial supervisors in this undertaking. Given the on-going regulatory reviews, the general consensus was to defer the review of the methodology and FSI list until the changes in the regulatory framework are agreed; the Basel Committee on Banking Supervision expects to have a fully calibrated set of standards to strengthen global capital and liquidity regulations by end-2010 (<http://www.bis.org/press/p091217.htm>). The value of the net foreign exchange position for deposit-takers was questioned given the importance, as highlighted by the global crisis, of understanding the gross positions. A number of participants identified the need to pay close attention to trends in the indicators rather than the absolute numbers, and to enhance the comparability of FSIs across countries. The importance of metadata and appropriate analytical interpretation of FSIs was also stressed.

14. Recommendation 3 calls for a strengthening of information on tail risks, concentrations, variations in distributions, and the volatility of indicators over time in the financial sector, and recommendation 4 calls for the development of measures of aggregate leverage and maturity mismatches.

- The IMF staff noted the intellectual challenges in taking these recommendations forward, and outlined plans for a conference in May 2010 on these topics to be attended by academics, private sector representatives, and public sector officials. The BIS outlined its on-going work on system-wide measures of risk, highlighting in particular recent advances in the analysis of maturity mismatches on the basis of its IBS data. IMF and BIS staff stressed the complementary nature of their work, and intend to prepare by end -2010 a joint draft paper summarizing progress.
- Participants welcomed the progress to date. They considered the work challenging, noting that substantial intellectual input was needed to further develop the conceptual frameworks. Key issues raised included the need to monitor the buildup of pockets of risk that could potentially have systemic importance; the desirability to better monitor bilateral and common exposures (including in the non-bank sector); the relevance of gross as well as net data; the dispersion of leverage across, as well as aggregate leverage within, the system; the importance of information on lending standards and the measurement of concentration of risks; the pricing of embedded optionality on liabilities, and the propagation of risk due to legal and reputational risks. Further, data availability might vary among countries. It was noted that some of the issues raised are relevant in the context of broader measures of macro-prudential risk. It was further noted that the re-insurance sector had experience in the area of tail risk measurement that could be drawn upon.

15. Recommendation 5 asked the CGFS and the BIS to undertake further work to improve the data on the credit default swap markets.

- The CGFS secretariat outlined plans to improve the available data with the reporting central banks to provide more detail on counterparties starting in June 2010, and more detail on geography of counterparties and underlying instruments starting with data for June 2011. Agreements have already been reached with the reporting central banks.
- Participants welcomed the progress and looked forward to the new data being available. They also welcomed the intention to benchmark the data to that of the Depository Trust and Clearing Corporation (DTCC).

16. The IOSCO secretariat reported on work to improve the disclosure requirements for complex structured products (recommendation 6).

- On April 8, 2010, IOSCO published a report on Asset Backed Securities Disclosure Principles to provide guidance to securities regulators who are developing or reviewing their regulatory disclosure regimes for public offerings and listings of asset-backed securities (<http://www.iosco.org/news>).

- Participants noted that the principles should help promote more transparency on structured products and improve the functioning of financial markets, and that transparency was important both for holders and issuers of such securities. Going forward, some participants expressed interest in the development of a database on these securities, but it was noted that this work was not among the immediate priorities of the IOSCO.
17. Recommendation 19 promotes an improvement in real estate price information.
- The BIS outlined the on-going work to develop the *Handbook on Residential Property Price Indices* (RPPI) (under the chair of Eurostat), and the plans to improve the collection of residential real estate price data.
  - Participants were encouraged by these developments, noting how the methodological foundation had been built through earlier efforts, such as the *Financial Soundness Indicators Guide* and conferences on real estate statistics conducted by international agencies in 2003, 2006 and 2009.<sup>1</sup> However, noting the lack of homogeneity of methodologies in the compilation of RPPIs by countries, participants underscored the need for consultation on the conceptual framework before the final draft is released in 2011. The BIS and Eurostat invited participants to provide comments once the draft handbook is posted for public comment. The need to improve commercial real estate price information was also stressed given its importance for financial stability analysis.

#### **D. The new challenges**

18. The recommendations covered in this session of the conference related to new datasets identified to close gaps revealed by the crisis.
19. Recommendation 8 covers the possibility of improved collection and sharing of information on linkages between individual financial institutions and recommendation 9 calls for the development by end 2010 of a common draft template for systemically important global financial institutions for the purpose of better understanding the exposures of these institutions to different financial sectors and national markets.
- The FSB outlined the approach being taken to implementing these recommendations. In particular, the FSB has set up a working group that was moving forward in three broad streams, namely (i) identifying data needs in various key areas—micro prudential supervision, macro prudential oversight, and crisis management; (ii)

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<sup>1</sup> Available at <http://www.bis.org/publ/bppdf/bispap21.htm>, [www.oecd.org/dataoecd/32/21/37848333.pdf](http://www.oecd.org/dataoecd/32/21/37848333.pdf), and [http://epp.eurostat.ec.europa.eu/portal/page/portal/conferences/introduction/2009/rppi\\_conference](http://epp.eurostat.ec.europa.eu/portal/page/portal/conferences/introduction/2009/rppi_conference), respectively

mapping data sources to supply these needs, and (iii) reviewing the legal and confidentiality issues involved in the provision of data.

- Participants stressed the key importance of these recommendations in understanding the role of systemically important global financial institutions in the national and international financial systems. They welcomed the strategy of bringing different professional backgrounds to bear on the key issues in this complex new area. It was noted that the format of the data collected by the authorities could condition the behavior of the deposit takers, and the frequency and timeliness of the collection will be important issues to address. There will be many complex and sensitive issues raised, including defining and measuring exposures; defining groups; the operational definition of systemically important financial institutions; finding ways to safeguard confidentiality of information; and developing mechanisms to obtain information from any nonbank sector (both domestic and foreign) identified that are not subject to the same regulation or reporting formats as deposit-takers. Also, confidentiality concerns of both the home and host supervisors would need to be addressed. Differences in accounting standards across countries would also need to be considered. Participants noted the potential inter-linkages with other recommendations, notably #3, #4, #11, # 13 and # 14. It will be important to avoid duplication of work.

20. Recommendation 13 covers the issue of monitoring and measuring cross-border exposures of non-financial, and financial, corporations, and recommendation 14 the feasibility of developing a standardized template covering the international exposures of large nonbank financial institutions.

- The BIS described the initial work that has taken place. The intention is, as a first step, to develop a conceptual framework to address the issues identified in these recommendations and to take stock of available data, and then organize a workshop to help identify more clearly what methodological and data compilation guidance is needed, not least with regard to the various concepts of consolidation.

21. Recommendation 16 encourages the production of distributional information, not least in the context of the national accounts.

- The OECD outlined that with Eurostat, task forces are being set up to define common international methodology and implement pilot studies in support of the development of distributional information on household income, consumption, and wealth across social-economic classes of households.
- Participants highlighted that the work should help understand specific vulnerabilities, such as the income, wealth and debt of households that are at risk of negative equity, and/or the size of corporations that are facing very weak capital gearing ratios.



### **E. Principal Global Indicators**

22. Recommendation 20 is intended to support the communication of official statistics through enhancements to the Principal Global Indicators (PGI) website of the IAG.

- The site was significantly enhanced in December 2009 offering access to an on-line database with user-selected longer runs of historical data presented in comparable units of measure (growth rates, index numbers, and/or percent of GDP). During March 2010, the PGI website was accessed by visitors from over 150 countries. The IAG is looking to improve the speed of posting and coverage of data on the PGI website during 2010.
- The enhancements to the PGI website were welcomed. Participants noted its usefulness in promoting cross-country comparisons including historical data.

### **F. Concluding remarks**

23. Alfredo Leone noted a number of points that had emerged from the discussions which should be reflected in the report to the G-20 finance ministers and central bank governors for their meeting in June 2010. In particular the conference had highlighted the need to indicate priorities and identify constraints and resource implications. In this context, he alluded to a stylized matrix that groups the various recommendations, highlighting areas where the conceptual framework for capturing data is well developed and areas where there is a need for intellectual input to develop the framework. The most challenging data gaps are among those of most significance, and where there is least understanding. Progress in these areas will take time, as they require development of analytical and conceptual frameworks before any specific statistical demands can be formulated. Beyond these, we should look to build on existing conceptual and statistical frameworks. The report should seek to focus on the degree to which the various recommendations have been addressed and develop firm plans and timetables going forward. Flexibility will need to be allowed for implementation by countries taking into account different capacities. For these plans and timetables to be sustainable over time, periodic monitoring will be needed to track implementation. Most importantly, the progress report needs to be clear on specific outputs and how the implementation of the concrete plan will support financial stability analysis and macroeconomic policy making more broadly. Nigel Jenkinson endorsed these points.