Comments on
«Bilateral data on Capital Flows:
Role in Financial Stability Monitoring»

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Data gaps during the crisis

- *The main reason why crises occur is not the lack of statistics but the failure to interpret them correctly and to take remedial action* (Borio, 2013)
- But also problems for
  - Availability
    - Alves et al. 2013 vs national analyses: core – periphery vs international network of peers
  - Confidentiality
    - data by institution, names of main counterparties
  - Integrity
    - difficult connection of different data-bases (e.g. BIS locational <> consolidated)

From Locational to Consolidated exposures

Type	Description	Value
	Italian banks vs CEE countries in millions USD as of September 2012	
Locational	Total Locational exposure	19.355
	- foreign banks	- 2.464
	- intra-group domestic	- 8.986
	= domestic outside-group	7.905
Gap	+/- (difference due to evaluation criteria)	- 916
Consolidated	= Italian cross-border	6.989
	+ Abroad cross-border	21.684
	+ Local claims (gross)	194.586
	= Total Consolidated exposures	223.260
	- Local liabilities	138.995
	= Total Net Consolidated exposures	84.264

A new international data architecture

- Integration
  - See inventory
- Harmonization of definitions
- Granularity
  - E.g. missing breakdowns in BIS statistics
    - Currency in consolidated
    - Intragroup flows (embedded in locational)
    - Only local liabilities in consolidated
  - Relevance of rate / spreads or if flows are trade related
- Bank / banking group level data
  - «imperfect substitution between banks»
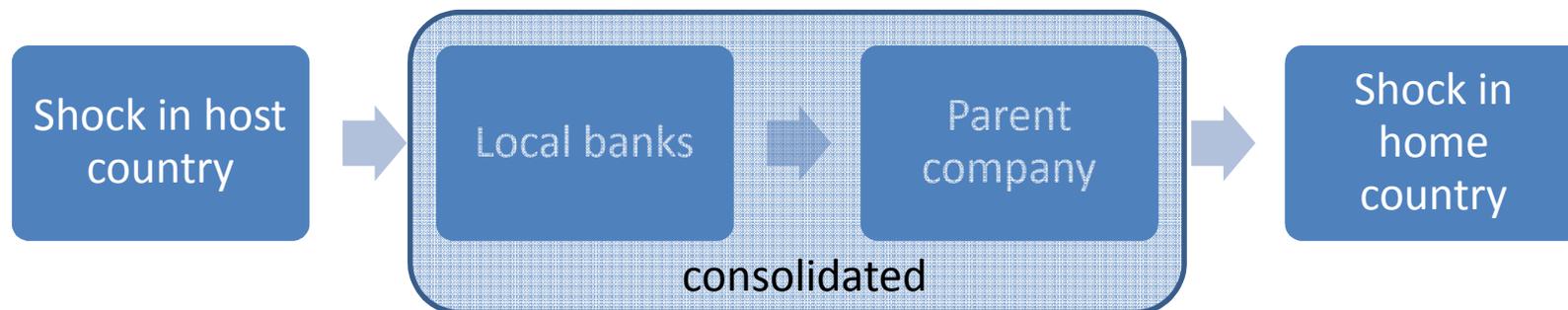
An inventory of international data collections

BIS	International Banking Statistics – Locational	International Banking Statistics – Consolidated	International Banking Statistics - OTC derivatives	
International Data Hub	Top 50 counterparty credit exposures	IBS consolidated statistics by reporting banking group	I-I funding and I-A extendend data (planned)	
BCBS	Liquidity	Leverage	Macro Prudential Group	Basel II and III QIS
EBA	CoRep	Large Exposures	FinRep	Liquidity monitoring
	Leverage	Asset encumbrance	Remunerations	Financial Institution Register
ECB	Monetary Statistics	Consolidated banking data	Securities data base	Data for SSM (planned)
FSB	Recovery and resolution plans		**DTCC and others**	Trade repository data
IMF	Sectoral balance sheets / flow of funds	Monthly balance sheet data	Financial soundness indicators	
OECD	Banks profitability	Institutional Investor Statistics	Database on Financial Accounts	

Classification of international data collection

Reporting institutions	Aggregation of reporters / counterparty	Consolidation	Risk Transfer
Sample of large banks	Aggregate to Aggregate	Accounting group	Immediate counterparts
All banks	Individual to Aggregate	Banking group	Ultimate borrower
Trade repositories	Individual to Individual	On a solo basis	Risk Mitigation Instruments
	Security by security		

Intra-group flows

- Relevant for crisis management

- Useful for crisis prevention
  - more precise assessment of the transmission of shocks across countries
  - Lending / funding analysis

| Shock in host country | → | Local banks | → | Parent company | → | Shock in home country |

consolidated

Other relevant data issues

- «Capacity of substitution»
  - Better assessed in dynamic simulations: which data are needed?
- Nominal or risk weighted metrics
  - CDS
- Concentration of lending banks
  - Indirect or network concentration
  - How connected are central nodes
- «Immediate vs final investment destination»
  - Integrate transaction data with portfolios of current owners (by security)

Bibliography

- Borio, C. (2013) The Great Financial Crisis: Setting priorities for new statistics. *Journal of Banking Regulation,* Vol. 14, 306 – 317

- Alves, I., Ferrari, S., Franchini, P. et al. (2013) The Structure and Resilience of the European Interbank Market, *ESRB Occasional Paper*, No. 3 September 2013