Session II: Overview of Main Messages Emerging from Recent IMF Bilateral Consultations with G-20 Economies

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- What are the relevance, priorities, and benefits of the DGI from your perspective?
- What areas do you consider the DGI could be fine-tuned to better address the needs of policy makers?

1. Relevance of the DGIs to the UK

- The UK values the DGIs and endorse key messages from bilateral consultations.
- DGIs are a helpful and balanced set of recommendations to address the key data gaps highlighted by the crisis.
- Provide a useful organising framework which gives momentum to domestic efforts and around which to coordinate international efforts to fill data gaps, in particular, where the benefits accrue to countries other than those charged with collecting the data.

- UK is a major financial centre that is home and host supervisor of a large number of G-SIFIs.
- So the UK particularly values the progress on initiatives to address data gaps with respect to GSIFIs,
- As well as the enhancements to the BIS International Banking Statistics (IBS).
- Going forward, focus should be going forward should be on data to improve the understanding of interconnectedness and shadow banking.

2. Current UK context highlights challenges and opportunities

- Radical change in UK regulatory landscape over the past few months.
    - Bank of England – via legal subsidiary, Prudential Regulation Authority – assumed responsible for microprudential supervision of deposit-takers, insurance companies and some large investment firms;
    - BOE macroprudential body – the Financial Policy Committee – has been placed onto a statutory footing and given powers to set the countercyclical capital buffer (CCB) and sectoral capital requirements (SCRs); and the
    - BOE has also taken on supervision of some securities settlement systems and central counterparties.

- All of which has an impact on the data that the Bank needs to fulfil its remit.
- PRA is reviewing its existing data collections and determining its future requirements.
- Partly reflects change in supervisory emphasis to a more forward-looking judgement-based approach;
- But also acknowledgement that regulatory data collections might have been uncoordinated dispersed and not properly shared; leading to definitions not understood, data poor quality and not easily reconcilable with other data sources.

- External change via European harmonised reporting (COREP and FINREP) which will be introduced in 2014, implies major changes to IT systems and reporting protocols, number of data points and templates and definitions.
- Other changes also imminent – eg next set of enhancements to BIS IBS – so scale of change is enormous.

- Presents an opportunity to get our data in order eg to consider whether in future it might be possible to align statistical and regulatory data collections, and explore whether to pursue a more granular approach to data collection that might provide a more flexible data set and reduce reporting burden.
- But statisticians and policymakers alike are fully absorbed in trying to understand the data and build systems to understand, manage and support data (including how to manage breaks in series from an economic as well as statistical perspective).

3. **It is not enough just collect the data, we also need to make sure we can use them.**

- Need to ensure that the implementation of the existing 20 recommendations leads to data sets that can be <u>and are</u> used.
- Not a manifesto for standing still. Perhaps a role in the work programme for the DGIs for exemplifying best practise in handling and disseminating the data
- High quality data sets can be deployed in all kinds of ways that were not initially envisaged eg the UK's regulatory liquidity data, and also the IBS

4. **How UK is using the data and emerging gaps**

- FPC draft policy statement, published in January, set out how FPC intends to use its directive powers.
- Describes a number of core indicators that will make policy actions more predictable, transparent, and accountable
- Highlights a number of areas in which existing data are not adequate to calculate these indicators or to enable stress-testing of the financial system.

- To build picture of overall financial system, need to knit together different data sets to understand connections between domestic and non-domestic banks, non-bank financial institutions at home and abroad, and between all of these and the real economy.
- There are gaps, particularly when trying to reconcile a financial system resilience perspective with a real economy perspective (both the build-up of vulnerabilities within the real economy and the efficacy of the supply of credit).

- Importance of understanding the flow of funds, in particular, to throw more light on shadow banks and the corporate sector - BOE actively thinking about how to improve data here
- As well as needing to know where we are now, need to think about forward-looking data
- Is there also a need to improve data on price and non-price terms and conditions of lending (existing DGIs predominantly about stocks and flows)?

5. How can you knit together data from different sources

- Comparability and transparency are key.
- COREP is providing momentum on data on European banks, though also highlights the trade-off between establishing international standards and possible loss of nimbleness in responding to emerging risks;
- IBS data are starting from a good base in terms of consistency across countries – acknowledge work of BIS here. But cross-country variation in how requirements applied and data compiled can still make data interpretation difficult.
- Counterparty sector classification is particularly tricky, and important to get this right when the split between financial and non-financial private sector lending is introduced.
- Need to ensure that the enhanced data can be disseminated, should make data available to public where possible given confidentiality;

- Finally, work on Legal Entity Identifiers (LEIs) has potential to revolutionise our ability to knit together disparate data sets.
- LEIs vital to facilitate use of large exposures and counterparty data and for establishing a common way to record data in trade repositories.
- We see this, and subsequent work on developing product identifiers, as a big priority.