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From New Conceptual Frameworks to Actual Data Enhancements

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Importance of Financial Data

- ✓ **Korea : Small Open Economy**
 - ✓ No international reserve currency
 - ✓ No deep FX & domestic bond market
 - ✓ But, highly open to foreign investor (OECD members)

- ✓ **Therefore, financial stability is very crucial for economic stability in Korea**

Banking Sector Reform after 1997 Crisis

- **The problem of leverage and maturity mismatch in the banking sector was one of the main reasons for Korean commercial banks' collapse in 1997 Asian Financial Crisis**
- **Banking sector reforms after the crisis in Korea lead banks to be more resilient and awake on maturity mismatch**
 - **But, maturity/currency mismatch still record relatively high comparing with other countries**

New Systemic Risk

- **Moreover, non-banking and shadow-banking activities are getting more complex and accumulating new systemic risk**
 - **It seems the evolution of financial system is much faster than the evolution of supervision and macro-prudential measures of financial authorities**
- => It is great for not only Korea but also all other countries to have some standardized measurement and procedure of financial system risk so that we curb and protect some financial & economic risk in the future**

Revision of BOK Act

- ✓ In 2011, BOK Act has been revised in order to expand the role of central bank concerning financial system stability
- ✓ Following the Act revision, BOK rebuild the organization, especially Macroprudential Analysis Department which should be in charge of monitoring financial system risk
 - This department publishes the financial stability reports on a biannual basis and keep monitoring the financial soundness/risk

Leverage & Maturity Mismatch

- **(Systemic risk analysis) market + supervisory information**
 - market information : stock index, interest rate, FX, CDS, etc.
 - supervisory information : individual banks' financial status
- **(Leverage) No official statistics**
 - But, related information gathered from commercial banks' business report (capital, asset, debt)
- **(Maturity Mismatch) Only aggregate data for asset / debt for each maturity => limit to do a deep analysis**
 - Need to collect more detailed information
 - Information about individual borrowers needed for risk analysis

Tail Risk

- **Important issue, but nearly no information for tail risk**
 - Need to collect detailed information for interconnectedness among financial institutions
 - Especially data for transactions among financial institutions
 - Counterparty info. & maturity mismatch info. in the flow of funds statistics
- **Weak non-bank financial sector data**
 - Need to fill the gap between banking and non-banking sector data
 - Information for interconnectedness between banking/non-banking
- **Information for concentration needed to be more detail**
 - corporations, banks, type of business (loans, securities, financial assets, etc.), maturity, etc.

Lessons from Experience

- ✓ In light of Korea' experience regarding the issues on leverage & maturity mismatch, and tail risk, the main challenges we have to get over would be how to get detail, more granular data from banking/non-banking sector, also data of interconnectedness of banks/non-banks

Distribution on Household Income & Consumption

- ✓ **Increasing inequality of wealth & income since 1997 crisis**
 - Increase of non-regular employees
 - Surge of asset prices & household debt
- This inequality has been getting worse through global financial crisis
- According to Tax-returns statistics, upper 10% occupies over 30% of total income
- **Moreover, household debt problem hinder economic growth by suppressing private consumption in the economy**

Data and Challenges

- **Micro survey data called Household Financial Survey since 2010(sample size : about 10,000 households)**
 - Get some information concerning distribution of income, wealth, debt, consumption etc
- **But, there exists information gaps between micro and macro data**
 - Need to focus on harmonizing macro and micro data
 - Need more detail information regarding distribution on household

Thank you!