



BANK FOR INTERNATIONAL SETTLEMENTS



FINANCIAL  
STABILITY  
BOARD

# DGI – 2

## introduction to recommendations II.4, II.5, II.6

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Washington, 16 - 17 June 2015

## Recommendation # II.4

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**GSIFIs**

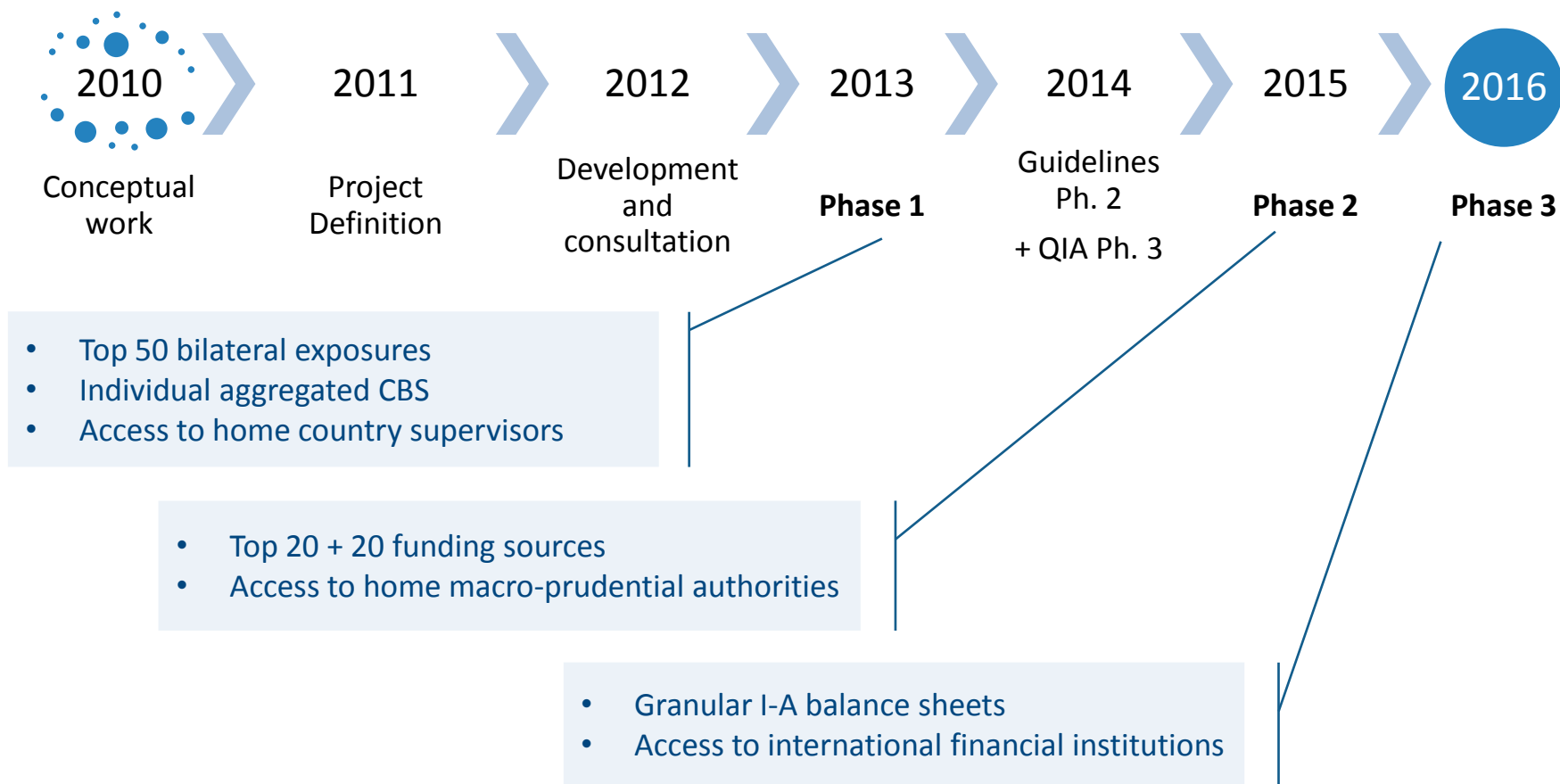
- Global
- Systemically
- Important
- Financial
- Institutions

# GSIFs: data needs

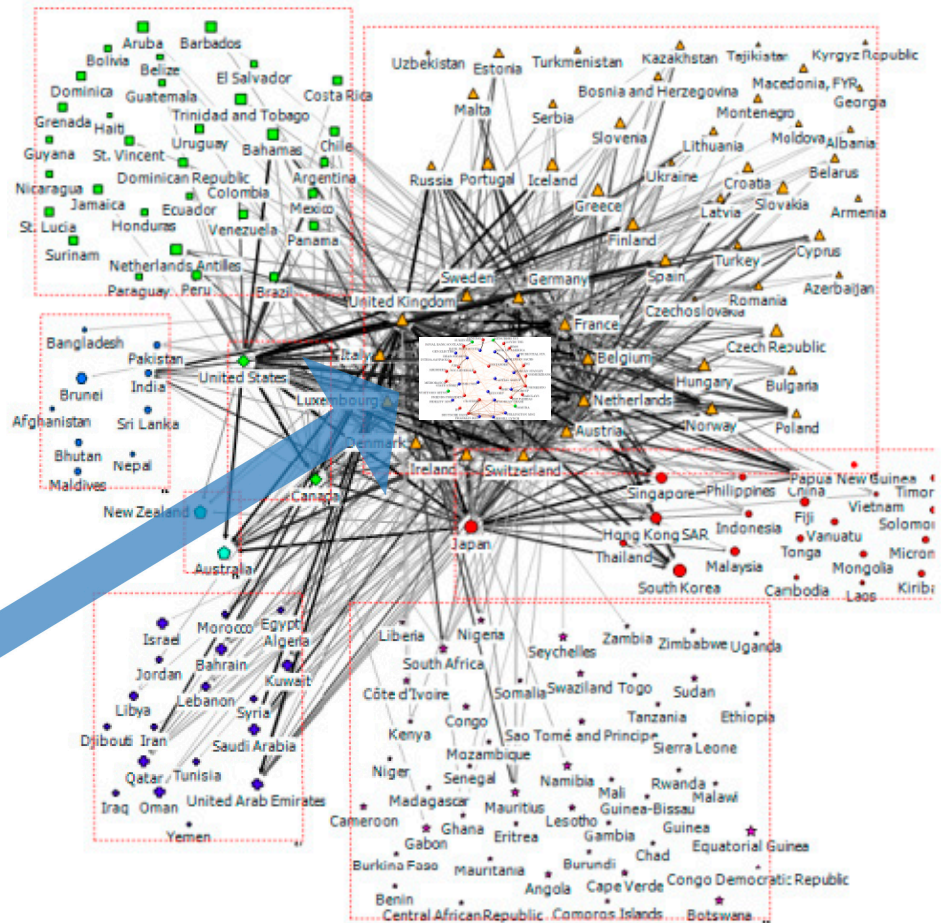
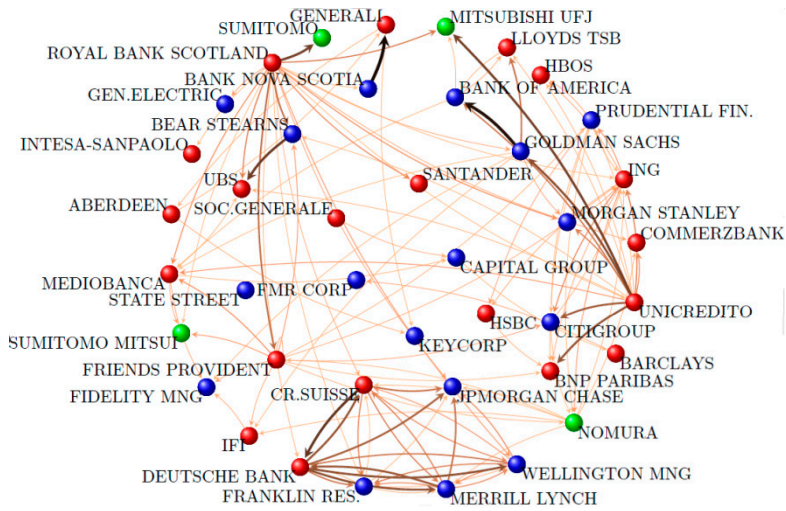
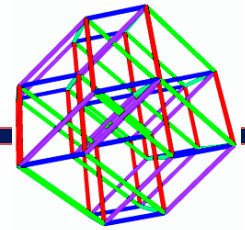
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- Integration of **exposures** and **funding**
  - Assets AND Liabilities
  - Consider different business models
  - Mismatches within and between entities
- **Consolidated** and **connected** entities
  - Avoid gaps or biases due to reporting groups' organizations
- Collect **multiple risk determinants**
  - Crossing dimensions to assess systemic risk
  - Anticipate the potential for changing and correlated risk factors
  - Flexibility to aggregate data according to relevant risk factors

# G-SIBs common template



# From I-I to full I-A



# User needs for financial stability

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- Assess the **structure** and **interconnections** in the global financial **network**
  - Links between **banks** and **non-bank** intermediaries
    - Detect financial institutions not identified as systemic (including shadow banks) but deeply interconnected with several GSIBs
- Identify risk **concentrations** and funding **dependencies**
  - Classification of counterparties (countries, sectors)
- Identify potential **spill-overs** and **externalities**
  - E.g. direct or indirect exposure of a GSIFI to one or several GSIFI themselves exposed to sovereign risk
- Understand financial **innovation** and market **complexity**

# From G-SIBs to G-SIFIs

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- “G-20 economies to support the BIS Hub and the Hub Governance Group to ensure the regular collection and appropriate sharing of data about G-SIBs’
- FSB, in close consultation with the IMF, to investigate a common data template for nonbank SIFIs ...

... starting with SIIIs”



Involvement of  
insurance supervisors

- For assessing interconnections between sectors in the financial system and vulnerabilities of systemically relevant institutions

# Recommendation # 11.5

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## Shadow banking

- Credit intermediation involving entities and activities outside of the regular banking system
- *The entity must be part of a credit intermediation chain*
- *It must not be consolidated into a banking group for the purposes of prudential regulation*
- *It must exhibit risks associated with shadow banking including but not limited to maturity and liquidity transformation, and/or leverage*



# SB: monitoring and policy

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## *Global Shadow Banking Monitoring Exercise*

- since 2011: flow of funds/sector accounts + supervisory data

## *Policy Framework for Strengthening Oversight and Regulation of Shadow Banking Entities*

- assessment based on economic functions (or activities)
- adoption of policy tools
  - for each economic function, as best fits the non-bank financial entities, the structure of the markets, and the degree of financial stability risks posed by such entities in their jurisdictions
- information-sharing process through FSB

# SB: interlinkages

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- Direct linkages
  - shadow banking entities form part of the bank credit intermediation chain, are directly owned by banks, or benefit directly from bank support
  - funding interdependence
  - holding of each other's assets such as debt securities
- Indirect linkages via market channel
  - the two sectors may invest in similar assets, or be exposed to a number of common counterparties

# Broad / narrow measure

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- Macro - mapping

- **Flow of Funds** data - OFI

- broadly consistent definitions and available in many jurisdictions
    - global **aggregated view of all non-bank financial intermediation**



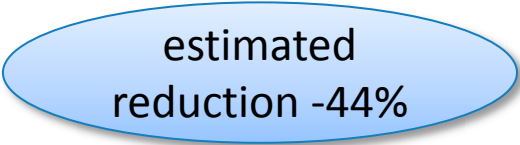
\$ 75 trillion

- Narrow measure

- **filtering out**

- financial assets linked to self-securitization
    - non-bank financial activities not involved in credit intermediation (e.g. Equity Investment Funds)
    - non-bank financial activities prudentially consolidated into banking groups

- additional granularity from supervisory & other sources



estimated  
reduction -44%

# SB: classification and data needs

WS3: Classification by Economic Functions

Exhibit A3-1

Economic Function	Definitions	Examples of Classified Entity Types
EF1	Management of collective investment vehicles with features that make them susceptible to runs	Credit hedge funds, fixed income mutual funds, trust companies
EF2	Loan provision that is dependent on short-term funding	Finance companies, leasing companies
EF3	Intermediation of market activities that is dependent on short-term funding or on secured funding of client assets	Broker-dealers
EF4	Facilitation of credit creation	Mortgage insurers, financial guarantors, insurers that write credit protection
EF5	Securitisation-based credit intermediation and funding of financial entities	CLOs, ABCP, SIVs

- Granularity in sector information
- Information on interconnections
- Breakdown by instrument
- Maturity, liquidity, credit transformation and leverage

# Securities financing transactions

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- Standard and Processes for Global Data Collection and Aggregation
  - Repo and sell/buy back operations
  - Securities lending
  - Margin lending
  - Collateral
- Data collected at national level > aggregation and classification for global level
  - Removing double - counting
- To be defined: timeline, access, governance, other legal and operational issues

# Proposal for Phase DGI-II

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- *“The G-20 economies to enhance data collection on the shadow banking system by contributing to the FSB monitoring process, including through the provision of sectoral accounts data. FSB to work on further improvements of the conceptual framework and developing standards and processes for collecting and aggregating consistent data at the global level.”*

## Recommendation # II.6

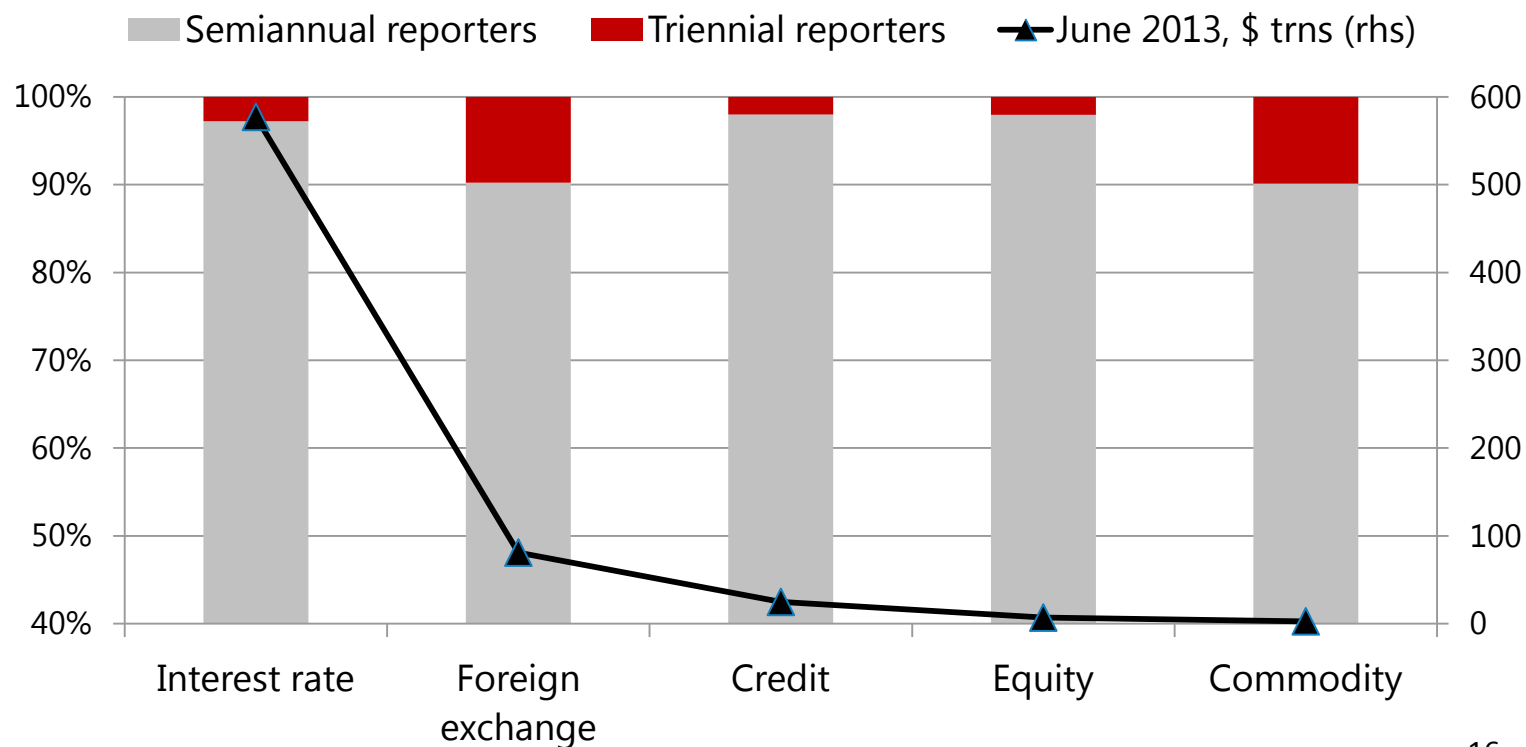
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OTC  
derivatives

- BIS Statistics
- Trade repositories reporting
  - Harmonisation
  - Aggregation mechanism

# DGI Phase I Rec #5: BIS CDS statistics

- *The CGFS and the BIS to work on “the coverage of statistics on the credit default swap markets for the purpose of improving understanding of risk transfers within this market”*
- Achieved: 13 economies (8 G20) with “significant” CDS markets in (consolidated) BIS semiannual survey





# New DGI Phase II Rec #6: BIS Derivatives Statistics

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- First part of the recommendation relates to BIS derivatives statistics:
- “BIS to review the derivatives data collected for the International Banking Statistics (IBS) and the semi-annual over-the-counter (OTC) derivatives statistics survey”
- Main objectives:
  - Analyse risk transfers across sectors (including within the financial sector)
  - Review derivatives data to enhance their analytical usefulness

# OTCD reform

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- Second part of the recommendation relates to FSB derivatives statistics:
- ***“the FSB to develop a mechanism to aggregate and share at global level OTC derivatives data from trade repositories.”***
- ***The third part of the recommendation is for “G-20 economies to support this (derivatives) work as appropriate.”***
- In 2009, G-20 leaders agreed that OTC derivatives contracts should be reported to trade repositories
  - As a part of the reform of OTCD markets to improve transparency, mitigate systemic risk and protect against market abuse
- Aggregation of data across TRs is needed to obtain a comprehensive view of OTCD markets and activities
- In 2014, FSB published a feasibility study with options for a mechanism to produce and share aggregated TR data

# OTCD aggregation

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- Any aggregation option should be based on further standardisation and harmonisation of data elements
  - Including unique identifiers for entities (LEI), products (UPI) and transactions (UTI)
- The FSB:
  - asked CPMI and IOSCO to develop global guidance on harmonisation of data elements reported to TRs and important to aggregation by authorities
  - is working with CPMI and IOSCO to provide official sector impetus and coordination for the further development and implementation of uniform global UTIs and UPIs
  - will, with the involvement of CPMI and IOSCO, study and address the legal and regulatory changes needed to implement a global aggregation mechanism meeting authorities' data access needs, and its appropriate governance structure
  - will initiate or coordinate additional work on technological requirements for the aggregation mechanism, the definition of more detailed project specification and an assessment of potential costs