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Enhancements to the Coordinated Portfolio Investment Survey

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INTRODUCTION

1. The purpose of this paper is to update the IMF Committee on Balance of Payments Statistics (Committee) on the work being undertaken on the CPIS Data Enhancements Project, an initiative launched by the IMF's Statistics Department (STA) with the Committee's support, in response to the rising level of interest in CPIS data for analytical and surveillance purposes, and to address data quality concerns. The paper also informs the Committee of related developments, including requests for broadened sharing of confidential data (including data from the Survey of Securities held as Foreign Exchange Reserves (SEFER), which is a companion survey to the CPIS), and issues arising from the growing interest in shadow banking data.

I. BACKGROUND

2. The CPIS Data Enhancements Project aims to achieve three broad objectives: 1) increasing economy coverage to include all G20 economies and economies with significant financial centers; 2) enhancing data quality through improvements in the frequency, timeliness and scope of the data; and 3) enhancing data accessibility. The first two objectives are in line with the IMF's Data Gaps Initiative in implementing the recommendations made by the IMF and the Financial Stability Board (FSB) in the report *"The Financial Crisis and Information Gaps."*[1]

3. In line with these recommendations that aim to address data gaps on cross-border financial linkages—and with agreement by the Committee at its 2009 meeting—STA established in March 2010 the Task Force on IIP/CPIS Data Enhancements (Task Force) to advise on potential enhancements to the CPIS. Further, the IMF conducted a survey among the Task Force members to seek their views on the merits of the possible enhancements to the CPIS in the areas of frequency, timeliness, and scope, in order to improve data usefulness and relevance. Data users within the IMF (including from departments involved with global surveillance activities), STA's Statistical Information Division, and CPIS participating economies, were also consulted.

4. The Report of the Task Force, summarizing the proposed enhancements and the results from the several consultations noted above, was discussed during the Twenty-Third Meeting of the Committee in October 2010.[2] The Committee endorsed the Fund's proposals for **increasing the frequency of the CPIS data collection from annual to semi–annual**, and for **accelerating the timeliness of reported year–end data from mid–October to**

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[1] The report was endorsed by the G-20 Finance Ministers and Central Bank Governors in November 2009.

[2] See Report of the Task Force on IIP/CPIS Data Enhancements: *Report by the IMF* (BOPCOM-10/13).

mid–July (data for the end–June measurement date therefore should be reported to STA in mid–January). For **enhancing the scope of the data**, there was not strong support for collecting separate data on short or negative positions, or on the institutional sector of foreign debtor. However, these proposals are included in the CPIS **on an encouraged basis**, so that countries that are able to provide the data without undue burden would do so.

II. Key Developments

5. The status of the IMF's work in attaining the objectives of the CPIS Data Enhancements Project is outlined below.

Economy coverage

6. Seventy four economies participated in the 2009 CPIS, one more than in the previous year's survey. (The 2010 survey is currently being processed.) The number of G-20 economies (including the EU) participating in the CPIS remains at 18. Through country technical assistance and country/regional training missions, IMF staff has continued outreach efforts to increase CPIS participation.

Enhancing data quality (frequency, timeliness, and scope)

7. The Committee endorsed, at its 2010 meeting, the IMF's proposal for increasing the frequency of the CPIS data collection from annual to semi–annual, and for accelerating the timeliness of reported data. Related to the latter enhancement, **STA continued its efforts to reduce the data processing time**. A new data validation tool is being deployed on a test basis for the 2010 CPIS to reduce STA's turnaround time for data review. Report forms for the CPIS and the SEFER have also been redesigned and will be circulated to CPIS/SEFER correspondents around end–October 2011 (see discussion ahead). These revised report forms are expected to be implemented beginning with the reporting of semiannual data for June 2013.

8. During the bilateral visits that STA staff undertook towards the end of 2010 and early 2011 to G-20 economies as part of the G-20 Data Gaps Initiative (DGI),[3] a number of economies suggested that given the need under the SDDS to disseminate quarterly IIP data, that the CPIS also be on a quarterly frequency. It was explained that BOPCOM had made a decision in favor of semi-annual reporting following widespread consultation, but that STA would raise with BOPCOM members the idea that quarterly reporting be introduced on a voluntary basis.

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[3] A summary of these visits is available in the Implementation Progress Report submitted to G-20 Finance Ministers and Central Bank Governors in June 2011 (see www.imf.org/external/np/g20)

9. The revised CPIS report forms reflect the agreed enhancements to the frequency and scope. More specifically, the forms indicate semi–annual frequency.

10. Also, the new report forms introduce the “new” encouraged items—i.e., separate data on short or negative positions, and on the institutional sector of foreign debtor. Further, with the aim of aligning the outputs with user demands for more granulated institutional sectoral data on a “from whom to whom” basis, a sectoral matrix collection format is introduced (Attachment I)[4] to collect data on the institutional sector of resident holders cross-classified by the institutional sector of nonresident issuers of securities. The enhancements to these report forms (including the report form that would obtain data on the institutional sector of resident holders cross-classified by nonresident issuers) were recently discussed with other IMF departments and received their full support.

11. To address the possible reporting burden on source data providers, the new report form that would cover the institutional sector breakdowns for nonresident issuers (foreign debtors) are limited to the twenty five economies with systemically important global financial sectors.[5] Further, the sectoral breakdowns for nonresident issuers are limited to *financial corporations* (split between *deposit taking corporations* and *other*), *general government*, and *other (nonfinancial corporations)*.

12. In the revised reporting forms, institutional sector classifications are updated to reflect close consistency with the sixth edition of the *Balance of Payments and International Investment Position Manual.*

13. Instructions to the report forms are also being updated to provide guidance on the revised classifications, and on the “new” encouraged items.

14. The October 2010 consultations on possible CPIS data enhancements also included economies participating in SEFER. Given the outcomes from these consultations, the CPIS proposed enhancements on frequency, timeliness, and scope would also apply to SEFER.

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[4] Attachment I displays a draft encouraged table presenting data on total portfolio holdings (equities and debt) by sector of resident holder cross-classified by sector of issuer. Similar encouraged tables would be designed for equities; debt securities (total); long-term debt securities; and short-term debt securities.

[5] The targeted economies are those for which the IMF Executive Board has recently endorsed mandatory financial stability assessments (FSAs) under the Financial Sector Assessment Program (FSAP), to be conducted every five years. This group identified under the FSAP includes 25 countries, out of which 24 are SDDS subscribers. The 25 economies are: Australia, Austria, Belgium, Brazil, Canada, France, Germany, Hong Kong SAR, India, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, Russian Federation, Singapore, South Korea, Spain, Sweden, Switzerland, Turkey, United Kingdom, the United States, and China.

15. The October 2010 consultations also included international organizations participating in the Survey of Securities Held by International Organizations (SSIO). **For SSIO, the IMF is not recommending the collection of the "new" encouraged items.** However, acceleration of the timeliness of the SSIO, and an increase in its frequency to semiannual are proposed. The SSIO is considered a minor survey, accounting for about only 1 percent of securities reported in the CPIS/SEFER/SSIO. It is voluntarily filed with STA by individual international organizations, and contains none of the voluntary data splits currently included in the CPIS (such as on currency composition of holdings or on institutional sector of holder).

Enhancing data accessibility

16. IMF staff work in this area within the last year has focused on utilizing new technologies for presenting and exchanging data, and on developing the CPIS metadata survey to update individual economy information on data compilation practices.

17. As noted in *Summary of Selected STA Activities* (BOPCOM-11/16), the IMF has launched the IMF eLibrary as part of efforts to make statistical data more accessible. This tool was complemented in October 2011 by versions for other handheld devices (such as iPhone, iTouch, and Android) that enable integration with social networking tools, and allow users to share data reports and comments with each other. The CPIS is among the broad range of statistical datasets accessible through this medium.

18. Drawing on the software tools developed for the Coordinated Direct Investment Survey metadata questionnaire, an online metadata questionnaire was also developed and launched for the CPIS. The questionnaire is currently in the field, and the results may be posted on the CPIS website around end–December 2011.

III. Related Developments

Confidentiality

19. At the 2010 Committee meeting, a question was raised on the possibility of sharing SEFER data more broadly within the IMF, given the interest expressed by several IMF departments in having access to these data for their policy analysis work and related purposes. These other IMF departments are also interested in having access to more detailed data reported on two other confidential STA surveys: Instrument Composition of Foreign Exchange Reserves (INFER), and Currency Composition of Foreign Exchange Reserves (COFER).

20. In May 2011, as part of a discussion on "Monitoring Financial Interconnectedness," IMF Executive Directors generally supported exploring the possibility of generating less

aggregated data for COFER, SEFER, and INFER, to facilitate better understanding of global capital flows and financial interconnections.[6]

21. STA has initiated work to enhance the usefulness of data obtained on the SEFER, INFER, and COFER surveys, by beginning consultations with reporters of these data and data users. STA also is working to expand the coverage of these surveys, by increasing the number of countries reporting these data and, in the case of SEFER and COFER, broadening the scope of the surveys to cover additional data items.

22. The IMF recognizes that the data that are reported on these surveys are regarded as highly confidential by respondents to the survey. The IMF is committed to preserving the confidentiality of these data and will not weaken its safeguards for protecting these data.

Growing interest in shadow banking data

23. In the context of the global financial crisis, there is increasing attention by market and policy analysts to the role of the "shadow banking system" (broadly described as "credit intermediation involving entities and activities outside the regular banking system"). As noted by the FSB, "intermediating credit through non-bank channels can have advantages. For example, the shadow banking system may provide market participants and corporations with an alternative source of funding and liquidity. However, as the financial crisis has shown, the shadow banking system can also become a source of systemic risk, both directly and through its interconnectedness with the regular banking system."[7] For these reasons, interest in the CPIS institutional sector breakdowns, in particular on *other financial institutions* and on their cross border interconnections is increasing.

24. Recommendation 14 of the DGI asks the Inter Agency Group on Economic and Financial Statistics (IAG) to examine the feasibility of developing a standardized template covering the international exposures of large nonbank financial institutions. The IAG subgroup responsible for this recommendation considers that it would be preferable to build on existing collections rather than develop a new survey. In this context, the CPIS provides relevant information. The IAG has indicated plans for redisseminating data on the CPIS sectoral breakdowns on the Principal Global Indicators website.

25. The reporting of CPIS data by sector of holder (including on *other financial institutions* which comprises three subsectors: *insurance*, *mutual funds*, and *other*) is an encouraged item. For the 2010 CPIS round, 44 economies reported at least aggregate data on

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[6] See IMF Public Information Notice No. 11/61at www.imf.org/external/np/sec/pn/2011/pn1161.htm

[7] See "*Shadow Banking: Scoping the Issues: A Background Note of the Financial Stability Board*" (April 2011) and "Regulators Identify Data Needs to Track Shadow Banks". http://www.imf.org/external/pubs/ft/survey/so/2011/NEW092911B.htm

other financial institutions (see Attachment II). As part of IMF staff efforts to enhance the scope of the data, greater efforts will be made to encourage more economies to voluntarily report the CPIS data by sector of holder. This, along with the more granular institutional sectoral data on the issuer side envisaged in matrix collection format (see paragraph 8), would substantially improve the quality of the "from whom-to-whom" position data.

IV. NEXT STEPS

26. The IMF will continue working toward increasing the economy participation in the CPIS, to include all major holders of securities. The IMF's efforts would focus on G-20 countries, offshore financial centers, and oil exporting countries that are not currently participating.

27. With the aim of promoting awareness of the CPIS enhancements and increase the reporting of current and the new encouraged items, STA may launch a program of seminars during 2012–13 (subject to funding).

28. Further improvements in the CPIS website are expected with the aim of i) allowing user-defined data searches; ii) phasing out "canned" excel spreadsheets; and iii) enhancing metadata accessibility.

Questions for the Committee:

On proposals for further enhancements to the CPIS: *What are the Committee's views on encouraging the reporting of data on a quarterly frequency?*

The IMF favors ***expanding the number of economies providing the encouraged breakdowns on a voluntary basis.*** *In particular, given the increasing interest in institutional sectoral breakdowns (including on the shadow banking sector), do the members of the Committee have any views on how this could be achieved?*

What views do the members of the Committee have on the new voluntary CPIS report form that collects data by sector of holder cross classified by sector of issuer? Is this type of data of interest to domestic policy makers and other users?

On expansion of SEFER and INFER data sharing*: do the members of the Committee support STA's efforts to enhance the usefulness of these data sets and to facilitate better understanding of global capital flows and financial interconnections, while preserving the stringent safeguards that currently prevent access or use of these data for unauthorized purpose?*

Table 15. CPIS: Total Portfolio Holdings (Equities and Debt) by Sector of Resident Holder, and Sector of Issuer Resident in Economies with Systemically Important Financial Sectors: Encouraged

Reporting Economy:

Reporting Currency:

Reference Date: (June 30 or December 31, Year)

Number of Units of Currency:

<-------------------------------- SECTOR OF RESIDENT HOLDER --->

ISO Country Code	Economy and Sector of Nonresident Issuer	TOTAL HOLDINGS	Monetary Authorities[1]	Other Depository Corporations	Other Financial Corporations	of which: *Insurance Corporations and Pension Funds*	of which: *Money Market Funds*	of which: *Other*	General Government	OTHER
	Australia [2]									
	Financial corporations									
	- deposit taking corporations									
	- other									
	General government									
	Other									
	Austria									
	Belgium									
	Brazil									
	Canada									
	China, P.R.: Mainland									
	China, P.R.: Hong Kong									
	France									
	Germany									
	India									
	Ireland									
	Italy									
	Japan									
	Luxembourg									
	Mexico									
	Netherlands									
	Russian Federation									
	Singapore									
	South Korea									
	Spain									
	Sweden									
	Switzerland									
	Turkey									
	United Kingdom									
	United States									

1/Reserve assets should not be included here but reported in the survey of the geographical distribution of Securities held as Foreign Exchange Reserves (SEFER)

2/ Sectoral breakdowns as illustrated for Australia are applicable to all 25 economies.

ATTACHMENT II

CPIS 2009: Economies Reporting Data on Other Financial Institutions

	Other Financial Institutions		
Reporting Economy	Insurance	Mutual Funds	Other
Argentina	Yes	No	Yes
Australia	Yes	Yes	Yes
Austria	Yes	Yes	Yes
Bahrain	Yes	Yes	No
Barbados	Yes	No	No
Bermuda	Yes	Yes	Yes
Bulgaria	Yes	Yes	Yes
Chile	Yes	Yes	Yes
Colombia	Yes	Yes	Yes
Costa Rica	No	Yes	Yes
Cyprus	Yes	Yes	Yes
Czech Republic	Yes	Yes	Yes
Denmark	Yes	Yes	Yes
Egypt	Yes	No	No
Finland	Yes	Yes	Yes
France	Yes	Yes	Yes
Germany	Yes	Yes	Yes
Greece	Yes	Yes	Yes
Guernsey	Yes	Yes	No
Hungary	Yes	Yes	No
Iceland	Yes	Yes	Yes
India	Yes	Yes	No
Indonesia	Yes	Yes	Yes
Israel	Yes	Yes	No
Italy	Yes	Yes	Yes
Japan	Yes	Yes	Yes
Jersey	Yes	Yes	Yes
Kazakhstan	No	No	Yes
Kuwait	Yes	Yes	Yes
Lebanon	Yes	No	Yes
Netherlands	Yes	Yes	Yes
Netherland Antilles	Yes	Yes	Yes
Norway	Yes	Yes	Yes
Pakistan	No	No	Yes
Poland	Yes	Yes	Yes
Portugal	Yes	No	Yes
Romania	Yes	Yes	Yes
South Africa	Yes	Yes	Yes
Spain	Yes	Yes	Yes
Sweden	Yes	Yes	Yes
Thailand	Yes	Yes	Yes
Turkey	No	No	Yes
United Kingdom	Yes	Yes	Yes
Venezuela	Yes	Yes	Yes
Count = 44	Yes=40	Yes=36	Yes=37