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BOPCOM—18/08
For discussion

Project on a Centralized Database of Issuers and Sectors for CPIS Reporting: What Comes Next?

**PROJECT ON A CENTRALIZED DATABASE OF ISSUERS AND SECTORS FOR CPIS REPORTING:
WHAT COMES NEXT?**

Setting up a CPIS database of issuers' sectors would permit reporters to break down their portfolio assets by (non-resident) issuer sector and eventually provide users with from-whom-to-whom CPIS positions by economy and sector of holder and issuer. This paper reports on the results of the IMF Survey on Information Available about National Securities Issuers; and seeks the views of the IMF Committee on Balance of Payments Statistics on proposals to undertake a Proof of Concept (PoC) of exchanging data to better identify issuer sectors. The PoC will allow the challenges of establishing a centralized database in STA to be identified. This would provide inputs for decision-making and planning for a database that has the potential for a more strategic alignment with the Fund's multilateral surveillance needs, and for wider analysis of cross-border exposures.

A. Background

1. **Since 2016, the IMF Committee on Balance of Payments Statistics (Committee) has supported initiatives aimed at setting up in STA a centralized database containing main securities issuers and their institutional sectors.** The implementation of the database would permit CPIS reporters to break down their portfolio assets by (non-resident) issuer sector and eventually provide STA with high quality from-whom-to-whom CPIS positions by economy and sector of holders and issuers. Users deem such detail as critical in identifying risks and vulnerabilities. Such greater granularity would support Balance Sheet Statistics analyses (BSA) as well as the long-term objective of constructing a Global Flow of Funds.
2. **At its thirtieth meeting in Paris, France in October 2017, the Committee was briefed on the results of the bilateral pilot exercise between the European Central Bank (ECB) and the US Federal Reserve Board (FED) to exchange data on securities and issuer sectors.** The results of the pilot—conducted earlier in 2017—proved that for the initiative to be operationally successful, the data exchange should be based on as standardized the information as possible and requires the removal of any legal obstacles to data transmission.
3. **The natural follow up to the bilateral pilot between the ECB and the FED was assessing the feasibility of expanding the exercise to other CPIS reporters.** The results of the bilateral exchange showed that the exchange could be mainstreamed for a multilateral exchange using a centralized database with similar variables and format.
4. **Prior to mainstreaming the initiative at a multilateral level, STA proposed to the Committee conducting a survey among CPIS reporters.** The survey, which was conducted in April 2018, collected information about the volume and format of the data that

could potentially be exchanged, including legal limitations, as well as about potential interest in participation.

5. **The results of the 2018 survey were encouraging.** More than 30 countries expressed interest in participating in the CPIS project, although some indicated some legal and technical limitations to share the data. The survey results have allowed STA to better quantify the volume of data to be managed, as well as classification and sectorization methods by reporters.

B. Survey Results

6. **The survey was launched in April 2018.**¹ Among the 84 annual CPIS reporters, 54 economies responded to the survey (i.e., a response rate of 64 percent).

7. **The survey clarified that compiling portfolio investment statistics on a security-by-security (s-b-s) basis was not necessary for participating in the project.** CPIS reporters not having a securities database and/or collecting portfolio investment information on an aggregate basis would participate in the project by sectorizing their main issuers of securities held in other economies. Additionally, they may voluntarily provide a list of the major foreign issuers of securities held by residents, for the other participants to sectorize.

8. **The pilot between the ECB and the FED proved that for the exchange to be operationally successful, it should be based on:** (i) focusing on securities with cross-border holdings exceeding a certain threshold—it was decided to establish it at USD 1 million; (ii) using the International Securities Identification Number (ISIN) as securities identifier; (iii) identifying issuers to the extent possible via the Legal Entity Identifier (LEI), while providing alternative identifiers (local ID plus issuer’s name) to increase the odds of finding a match; and (iv) applying the *SNA 2008* and *BPM6* methodology for the sector classification of issuers.

9. **The survey comprised 13 questions (see Annex II).** The four-initial questions requested specific information on how cross-border securities holdings are compiled by CPIS reporters. In addition, if granular details were not available, the survey addressed more general questions. While the format included multiple choice options, the survey format allowed respondents to provide brief written responses/comments.

10. **Out of 54 responses, 18 CPIS reporters indicated that securities were compiled on an aggregate basis, while the remaining 37 reporters reported collecting the information s-b-s.** Understandably, those reporting institutions that have an s-b-s data

¹ Committee members had the opportunity to comment on the survey’s content through a draft version shared with members during the last quarter of 2017.

collection also have a securities database containing comprehensive information on both securities and issuers.

11. **In cases where CPIS reporters use national classifications, the survey aimed to identify the scope for establishing links between ISIN/LEI standard identifiers and national identifiers.** Only five economies responded that they could establish linkages between national and standard identifiers, while 17 reporters responded that there was no possibility to establish such linkages. There was a high level of nonresponse to this question.

12. **Not being able to link ISIN/LEI standard identifiers with national identifiers could inhibit broader participation in the exchange.** If the country cannot fully or partially sectorize its own resident issuers because they are identified by the counterparts through the LEI, a manual approach may require additional effort and may diminish the benefits derived from peer reviewers in terms of mirror data.

13. **The survey results indicated that the number of securities in the countries' securities databases ranges from 200–90,000.** Twenty-eight of the 56 respondents included this information. The average is around 13,000 securities held by each reporter within the group that provided these data. The range above excludes the four lowest (below 200 securities) and the highest outliers.

14. **The survey findings on classifications are also relevant.** From the total respondents, 32 indicated that the ISIN is used to classify securities, while only 7 economies use also the LEI. As securities identifiers alternative to the ISIN code, respondents reported using CUSIP, SEDOL, issuers' information, and Ticker Bloomberg among others. On the other hand, substitutes for LEI are mostly local classifications, but also *ESA 2010*, and RIAD². Among total respondents, 46 mentioned that they follow the sectoral classification as stated in *SNA2008/BPM6*.

15. **Thirty-two respondents noted that they have some confidential limitations to share data.** Of this number, 26 stated that these limitations are not related to data providers.

C. The Way Forward

16. **With a view to advancing work on the database, STA is seeking the Committee's endorsement to undertake a Proof of Concept (PoC) with volunteer economies.** The results of the PoC should be available during the first semester of 2019.

² The ECB Register of Institutions and Affiliates Database

17. **The PoC would allow the challenges of establishing a centralized database in STA to be identified.** It could inform about the technical difficulties such an exchange would entail and help prepare a cost assessment on which STA could base a final decision in consultation with the Committee.
18. **BP has contacted some potential candidates to participate in the PoC,** following up from the survey of CPIS reporters undertaken earlier. About fifteen economies are expected to participate in the PoC. Selected economies account for 39 percent of the total cross border portfolio asset holding (as of June 2017), including the United States and several developed and emerging economies.
19. **Potential participants were selected based on collecting portfolio investment data on a s-b-s basis and having expressed interest in being part of the PoC.** It was considered that PoC participants with s-b-s compilation systems would bring a higher level of standardization and thus allow higher automation in data processing, thus facilitating the conduct of the PoC.
20. **The results of the survey suggested that the securities classifications used by the shortlisted PoC reporters may provide a sound basis for the PoC.** Yet, the fact that not all of them have adopted the LEI to identify issuers may bring difficulties to the exercise.
21. Based on the outcome of the PoC, STA will develop a business case for mainstreaming the exercise into the CPIS work program.

D. Operational Aspects of the PoC

22. **STA will start working in house on IT issues during the last quarter of 2018.** Very likely, by early January 2019, or before if possible, a set of instructions will be sent to the 15 volunteer countries that have confirmed their participation in the PoC indicating the format in which the data will be transmitted; the variables to be exchanged; and the different actions to be undertaken by each participant and the timeline of the process (see Annex I).
23. **After receiving the information, STA will sort out the data by issuing country and detect and eliminate duplicates.** Each reporter will receive back the information on domestic issuers to be sectorized. After having assigned a sector to their domestic issuers, participants will send back the data to STA. The resulting PoC database will be made available to participating economies.
24. **At the end of the process, the possibility to exchange information on portfolio positions vis-à-vis the other participants in the PoC broken down by counterpart country and issuer and holder sectors will be assessed.** Such information on positions—to

be produced with the support of the centralized PoC database—could be very useful to showcase the analytical potential of this information.

Questions for the Committee:

1. *What are the Committee member's views on the proposed way forward?*
2. *Do Committee members endorse the implementation of the PoC?*

*Annex I***Parameters of a Simplified Centralized Database for the PoC**

- Around fifteen economies will participate in the PoC.
- The number of variables per security (columns) requested from participating economies would be 6 (ISIN, LEI, alternative issuer ID, issuer name, economy of issuer + sector of the issuer).
- The number of records (rows) to be exchanged is expected to vary by country from 200 to around 90,000, maximum.
- To simplify the exchange, data would be collected and shared via encrypted/password-coded email.
- The in-house data manipulation would focus on classifying securities by issuer country; identifying and eliminating duplicates; and exchanging the data with individual economy counterparts for each of them to sectorize its own issuers.
- Minimum validation requirements would be needed at this stage. The focus of the exercise is on the correctness and standardization of the data to be exchanged.
- The exchange will be channeled via STA (i.e., there will be no direct exchange of information between peers).



Survey on Information Available About National Securities Issuers

DEAR CPIS CORRESPONDENT:

At its last two annual meetings (2016 and 2017), the IMF Committee on Balance of Payments Statistics (BOPCOM) discussed how to help economies compile the CPIS' Table 5 on Portfolio Investment Assets by Sector and Economy of Nonresident Issuers. National compilers have frequently expressed difficulties in identifying the institutional sector of nonresident issuers. Therefore, the IMF and BOPCOM-with the support of the Inter- Agency Group on Economic and Financial Statistics (IAG) and the Financial Stability Board (FSB) Secretariat-are currently examining the possibility of establishing a centralized database of worldwide issuers of securities to allow all CPIS reporters to access information on institutional sectors, and facilitate more comprehensive compilation of the CPIS' Table 5.

Accordingly, I would like to invite you to respond to the following survey, which aims at collecting information about the volume and format of the data that could potentially be exchanged among CPIS reporters to improve the quality of the data on the sector and economy of nonresident issuers.

[START SURVEY](#)

We would appreciate receiving the completed survey by **April 27, 2018**.

We would like to thank you very much in advance for your continued cooperation and engagement.

Sincerely yours,

Carlos Sánchez-Muñoz Chief
Balance of Payments Division Statistics Department

Background

The creation of such a centralized database is subject to a cost-benefit assessment to be undertaken by the IMF. The results of the assessment are to be presented to BOPCOM at its next meeting in October 2018. In this regard, the survey aims at: (i) identifying the volume and format of the data that could potentially be exchanged; (ii) determining possible legal limitations in sharing the data with other CPIS reporters; and (iii) gauging potential interest to participate in this initiative.

During 2017, a pilot exercise was undertaken between the European Central Bank and the US Federal Reserve, which exchanged data on issuer sectors corresponding to securities issued by residents in the European

Union countries and by US residents, respectively. Based on the results of the pilot exercise, BOPCOM members noted that the exercise was beneficial, and supported implementing a follow up survey among CPIS reporters in order to collect additional information for the project.

Participating in the Project: Key Considerations

Compiling securities statistics on a security-by-security basis is not a prerequisite to participate in this project. In some jurisdictions, International Securities Identification Numbers (ISINs) are not available or information is only collected on an aggregate (i.e., not security-by-security) basis. Thus, CPIS reporters not having a securities database who want to participate in this project will be requested to provide to the Statistics Department of the IMF a list with the major foreign issuers of securities held by residents in the country.

Each participating economy within the project would then receive from the other CPIS counterparts the issuers corresponding to that economy and will be requested to provide their institutional sector classification.

The survey will help identify whether the combination of an automatized process for securities with an ISIN code, and a manual process for a limited number of the national issuers accounting for the largest cross-border positions could be feasible. Different selection thresholds for either process could be considered to minimize the compiling effort.

Having trouble with the button? Copy and paste the entire address listed below.
http://www.cvent.com/d/Ca0DJ9cTc02_ZZub65Gr8g/r7lw/P2?

Survey on Information Available About National Securities Issuers

Please provide the following:		
*First Name:	<input type="text"/>	
*Last Name:	<input type="text"/>	
*Institution:	<input type="text"/>	
*Title:	<input type="text"/>	
<i>All fields with an asterisk (*) are required.</i>		

1. Could you please explain how data on cross-border securities holdings are compiled (e.g. aggregated or security-by-security; from end-investors or custodians, etc.)? If necessary, please differentiate between assets and liabilities.

2. With which periodicity and timeliness is this information compiled?

3. Does your institution have a security-by-security database with information on individual securities and issuer sectors?

Select one.

Yes

No

4. Can the necessary information (linking individual securities holdings and nonresident issuer sector) be drawn from alternative sources available at national level (stock exchange, securities exchange commission, Treasury Agencies, etc.)?

Select one.

Yes

(Go to question number 5.)

No

(Go to question number 11.)

5. What is the total number of individual domestic and foreign securities in your database?

Domestic securities:

Foreign securities:

6. How often do you collect these data?

7. What is the number of foreign securities for which resident holdings exceed USD 1 million? (only securities above this threshold will be part of the proposed exchange).

8. What is the number of domestic securities for which nonresident holdings exceed USD 1 million?

9. Is the International Securities Identification Number (ISIN) code used in your database to identify securities? Which other identifiers are used to complement the ISIN? If several identifiers are used, (e.g., CUSIP SEDOL, etc.) please provide the number of securities for each type of identifier.

10. Is the Legal Entity Identifier (LEI) used for the identification of issuers? If not, which other identifiers are used? If several identifiers are used, please provide the number of securities for each type of identifier.

11. Is the *SNA 2008* or *BPM6* institutional sector classification used in your statistics to sectorize securities' issuers (that is, resident issuers data)?

Select one.

<input type="radio"/>	Yes	(Answer question number 11.1.)
<input type="radio"/>	No	(Answer question number 11.2.)

11.1 Is there any exception?

11.2 What is the sectorial classification currently used?

12. In your economy are there any legal (confidentiality, copyright, etc.) limitations to share certain information (securities ID – where available -, issuer ID and sector) with other countries/jurisdictions (CPIS reporters) and/or with the IMF?

Select one.

<input type="radio"/>	Yes	(Answer question number 12.1, 12.2.)
<input type="radio"/>	No	

12.1 Do these limitations only refer to data acquired from commercial data providers?

Select one.

<input type="radio"/>	Yes
<input type="radio"/>	No

12.2 Could information not subject to such limitations be segregated from your database to make the exchange with other CPIS reporters possible without restrictions?

Select one.

<input type="radio"/>	Yes
<input type="radio"/>	No

13. Would you be interested to consider participation in this project?

The answer to this question does not imply any commitment at this stage.

Select one.

<input type="radio"/>	Yes
<input type="radio"/>	No