

SUMMARY OF THE PROCEEDINGS OF THE G-20 SENIOR OFFICIALS CONFERENCE ON THE FINANCIAL CRISIS AND INFORMATION GAPS: WASHINGTON, D.C, MARCH 30-31, 2011

A. Background

1. In November 2009, the Group of 20 Economies (G-20) Ministers of Finance and Central Bank Governors meeting in St. Andrews, Scotland endorsed a report prepared by the International Monetary Fund (IMF) staff and the Financial Stability Board (FSB) Secretariat on the “*The Financial Crisis and Information Gaps (G-20 Report)*” that contained 20 recommendations to close information gaps revealed by the global financial crisis. The G-20 report is available at <http://www.imf.org/external/np/g20/pdf/102909.pdf>. In June 2010, the FSB Secretariat and IMF staff presented the initial progress report outlining plans of action, including a timetable, to address each of the outstanding recommendations (see <http://www.imf.org/external/np/g20/pdf/053110.pdf>.)
2. As part of the consultation process leading to the preparation of the next progress report to be delivered to the G-20 Ministers of Finance and Central Bank Governors in June 2011, the IMF and the FSB held a conference for senior officials in Washington, D.C. during March 30-31, 2011¹ to take stock of the advancements being made, discuss main messages emerging from the G-20 bilateral consultations by the IMF staff, and identify issues requiring further action and priorities going forward. It was attended by senior representatives from all G-20 members, as well as Hong Kong SAR, The Netherlands, Singapore, Spain, and Switzerland, and eight International Financial Institutions.
3. In his opening remarks, Mr. John Lipsky, the IMF First Deputy Managing Director pointed out that one of the key lessons that we learned from this sobering crisis was the demonstration of the extent of cross-border interconnectedness across institutions, instruments, and markets along with an appreciation of the risks of incoherent and inconsistent economic and financial policies. He pointed out that data are the lifeblood of economic and financial analysis, hence the importance of the conference to the work of the IMF. He considered key outcomes from the conference ought to include setting forth clear guidance on priorities going forward and providing strong support to practical proposals that could be acted upon immediately for the consideration of the G-20 Ministers of Finance and Central Bank Governors.
4. In her welcoming remarks Ms. Adelheid Burgi-Schmelz, Director, IMF Statistics Department (STA), underlined that the conference provided the most effective way in which the Fund can contribute to informed decision-making in major areas of economic policy such as the work on data gaps.

¹ Similar conferences were conducted in Washington, D.C. and Basel in July 2009 and April 2010, respectively.

5. Mr. Nigel Jenkinson (Adviser, FSB Secretariat) highlighted that work on improving and developing information and data was absolutely an essential ingredient in strengthening the analytical framework across the globe and in helping develop effective and stronger policy responses to combat emerging vulnerabilities. He stressed the need to build additional resilience into the financial system to address uncertain shocks so that it could support economic growth and social welfare, rather than act as a trigger and catalyst of financial crises. Noting that lack of data was not the key problem during the crisis, he observed that the absence of high quality information was a factor that resulted in deficiencies in risk assessment and inefficiencies in policy formulation. In that context, he invited participants to provide comments, feedback, as well as suggestions on the G-20 recommendations going forward.

6. Mr. Alfredo Leone (Deputy Director, IMF Statistics Department) and Mr. Jenkinson co-chaired the conference. The conference featured presentations and contributions from the international institutions working on each recommendation, including the FSB, the International Organization of Securities Commissions (IOSCO), and the members of the Inter-Agency Group on Economic and Financial Statistics (IAG)—Bank for International Settlements (BIS), European Central Bank (ECB), Eurostat, IMF (chair), the Organisation for Economic Co-operation and Development (OECD), United Nations (UN), and World Bank. This note provides a summary of the discussions.

B. Summary conclusions from the conference

The main outcomes of the conference were:

- Progress made so far in addressing data gaps highlighted by the crisis was welcome.
- The need to maintain the momentum of the initiative in order to meet the G-20 mandate, foster continuing progress, and keep communication between “experts” and policymakers was emphasized.
- While at present data may not be fully harmonized, the importance of moving toward consistent and comparable data across the G-20 economies was stressed, based on international standards such as the *System of National Accounts (SNA 2008)* and *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)*.
- The existence of constraints (such as resource constraints) and the need to set priorities were recognized. It was noted that country circumstances (e.g., stage of development of the financial sector) should also be taken into consideration in addressing data gaps.
- The importance of coordinating the implementation of related recommendations and setting both short and medium term objectives was emphasized, given that because of

country circumstances and the different nature of the recommendations the speed of implementation may vary. Work on financial sector statistics, financial interconnectedness, and shadow banking should be given a high priority. Indeed, in order to address the data gaps highlighted by the crisis, statistical agencies may need to consider shifting resources from more traditional statistics to the noted high priority areas.

- Adequate data access (where possible) is critical, however there are some significant legal, administrative and regulatory constraints which need to be addressed, otherwise the necessary data sharing and reporting will encounter bottlenecks. In this context, the need to justify the use of individual firm-level data was raised.
- The importance of articulating the inter-linkages among the recommendations was stressed even in cases where the interlinkages may not seem obvious. Different work streams addressing specific recommendations need to be coordinated.
- The need for international coordination to reduce duplication of effort when requesting data from national authorities was emphasized. In that context, the creation of the IAG and the Principal Global Indicators (PGI) website are very welcome international initiatives.
- Some common standard reporting templates for government finance, securities, external, and sectoral accounts statistics were presented. They were considered to be a good basis for further discussion with the intention to inform G-20 Finance Ministers and Central Bank Governors in the June 2011 report.
- There was also a call to sustain monitoring of the implementation/progress on the G-20 recommendations.

C. Overview

7. Mr. Leone provided an overview of the G-20 Data Gaps Initiative. He emphasized the importance of the consultation process over the last six months and focused on the way forward.

8. The Conference welcomed the overview, expressing appreciation of the progress that has been made so far. The need for statisticians to be aware of the needs of policymakers, e.g., concerning the G-20 statistical indicators, in order to be able to respond appropriately was noted. It was recognized that some data improvement may take more time than others and that priorities needed to be set, given the already significant provider load and budget pressures on national statistical offices. There is a need for capacity building and training taking into account different stages of financial market development and capacity levels among the G-20 economies.

D. Bilateral consultations

9. The conference welcomed the IMF presentation on broad themes emerging from the bilateral consultations undertaken by the IMF staff between November 2010 and March 2011. They agreed that the IMF findings were broadly consistent with their own assessment that the understanding of financial interconnectedness and risk exposures, both cross-border linkages and domestic real/financial sector linkages, were of a high priority. Also high in importance was the need for data on residential and commercial real estate prices given the linkages to the asset bubbles associated with the recent global crisis. Further, high quality and timely estimates of GDP and Government Finance Statistics were considered essential. The general consensus was that the most difficult issues/challenges were on understanding tail risks, distributions, leverage, and maturity mismatches as well as on shadow banking. In that context participants looked forward to the outcomes of the ongoing work on developing new conceptual frameworks.

10. The conference underscored the need for greater coordination and cooperation among international institutions to reduce duplication of data requests. The need to produce consistent and comparable data across the G-20 economies, educate users on the importance of data revisions especially where flash estimates are used, work on common legal entity identifiers, and maintain momentum on the G-20 Data Gaps Initiative was highlighted.

E. Progress in Developing Conceptual/Statistical Frameworks

The Global Network and Global Systemically Important Financial Institutions

11. The conference expressed appreciation of the progress being made by the FSB on developing a common, consistent data template incorporating proposals to improve the information on interconnectedness of the Global Systemically Important Financial Institutions (G-SIFIs) and their exposures to different financial sectors and national markets; and on improving the sharing of information taking into account confidentiality and legal aspects (recommendations # 8 and # 9). It was noted that the G-SIFIs data templates cover two sets of data. The first set—institution-to-institution data—aims at facilitating identification of bilateral credit exposures and funding dependencies in order to understand the extent of network risks and resilience. The second set—institution-to-aggregate data—is meant to facilitate understanding of credit exposures to and funding dependencies on countries, sectors and financial markets with the aim of identifying risk concentrations and vulnerabilities.

12. Among the issues raised for further consideration was the need to take into account nonbank financial institutions outside the regulatory framework, clarify data consolidation issues, consider measures to ensure data quality and comparability, develop protocols on how the data are to be used and shared, and consider linkages with other recommendations—notably, #3, 4, and 11—, as well as other initiatives such as the work on exposure to funding sources being undertaken by the Basel Committee.

13. The conference acknowledged that confidentiality restrictions are a potential constraint on the availability of data on G-SIFIs and need to be addressed. Quick wins in information that facilitates understanding of financial interconnectedness should be exploited.

14. The conference looked forward to the final decisions on the data template and the proposed implementation timeline which include additional work to streamline the data requirements and to agree on the phasing of activities.

Understanding Financial Interconnectedness

15. The IMF Strategy, Policy and Review Department made a presentation on ongoing work on understanding financial interconnectedness which highlights the relevance of the G-20 data gaps initiative. The work on surveillance requires a good understanding and monitoring of cross-border trends to identify the fault lines.

16. The conference welcomed the update on the IMF work on investigating tail risks and the IMF-BIS work on developing measures of leverage and maturity mismatches (recommendations # 3 and #4). It was noted that the IMF is conducting a comparative study of tail-risk measures focusing on how various systemic risk measures perform in predicting tail events and whether these measures can inform policymakers on the build-up of systemic risks and help them in predicting extreme events.

17. Both the IMF and the BIS are coordinating work on leverage and maturity mismatches with the BIS focusing on banks and IMF focusing on shadow banking. The IMF is working on conceptual approaches to leverage and maturity mismatches, and will coordinate with the FSB's effort on mapping shadow banking systems in eight countries. The Fund's work aims to develop a framework for measuring leverage and maturity mismatches including balance sheet analysis and possibly the leverage embodied in the instruments themselves. The BIS has completed the first steps in developing system level indicators and banking system-specific indicators using BIS International Banking Statistics (IBS) data. This work could be further enhanced moving forward with the proposed enhancements to the IBS datasets. The conference welcomed the progress made and looked forward to the outcomes.

18. The conference received an update from the IOSCO secretariat on the work to improve the disclosure requirements for complex structured products (Recommendation # 6). The conference welcomed IOSCO's new strategy to develop a research department to work and advise on systemic risks related to hedge funds following its report (in April 2010) on Asset Backed Securities Disclosure (ABS) Principles (<http://www.iosco.org/news>). The conference considered IOSCO's proposed work on a systemic risk indicator and the Global Securities Regulators Risk Outlook to be an important contribution towards enhancing transparency in securities markets.

19. The conference welcomed OECD's update on its joint work with Eurostat to define a common international methodology and to implement pilot studies in support of the development of distributional information on household income, consumption and wealth across social-economic classes of households (Recommendation # 16). Two expert groups have been set-up to take this work forward including experts from G-20 economies and a number of international agencies. The terms of reference include the construction of bridge tables linking micro and macro data on household income, consumption and wealth; developing an internationally accepted methodology; encouraging periodic reporting of data at the national level; and expanding the country participation. The conference looked forward to the outcome of this work and encouraged OECD and Eurostat to involve the academia as well.

20. The conference expressed appreciation of the progress being made by the IAG-led group on investigating the monitoring and measuring of cross border exposures, including derivative exposure, of nonfinancial and financial corporations and examining the possibility of developing a standardized template covering large non-bank financial institutions (recommendations #13 and #14). The conference noted that while the SNA framework is the basis for evaluating economic, monetary and financial conditions, there is a need also to look beyond the residence based approach to take account of the activities and financial positions of multinational financial and non-financial corporations. A big challenge is to bring together views from accountants, bank supervisors, macro prudential analysts, and statisticians.

21. The conference supported work to bring together, through the PGI website, an inventory of the different existing data sources with respect to cross-border exposures of financial and non-financial corporations. Initially this inventory would cover data and methodologies available at international organizations. There was also support for developing a reference document to clarify the methodology and concepts using *SNA2008* and *BPM6* as a starting point. Eventually this could assist in articulating in the form of a template the data being sought in terms of exposures. The conceptual work could leverage related work being done in respect with the other recommendations; and, where possible, involve other agencies as appropriate.

F. Stock-Taking of Recommendations Building on Existing Conceptual/Statistical Frameworks

22. The presentations made in this session provided an overview of the ongoing work by the international agencies in implementing recommendations for which conceptual/statistical frameworks exist, including the implications for national authorities.

23. The conference welcomed the progress being made by the IMF staff on improving the Financial Soundness Indicators (FSIs) data (and website) (Recommendation # 2) and by the BIS and the Committee on the Global Financial System (CGFS) on improving

data on the credit default swap (CDS) markets (Recommendation #5). The BIS and CGFS have completed their work on Recommendation #5, with the first data from the fully expanded CDS statistics to be released in late 2011.

24. The conference looked forward to the consultation process on Part III (equity securities) of the BIS-ECB-IMF *Handbook on Securities Statistics (Handbook)*, as was the case with its Part 1 and Part 2 (Recommendation #7). Two data templates on securities statistics were presented by the ECB on behalf of the Working Group on Securities Databases covering extended details to align with the sectoral accounts (see report on Recommendation #15 below) as part of the harmonization process of collecting securities statistics.

25. The IMF updated the conference on its work on (i) developing practical guidance on the compilation of quarterly general government statistics with the objective of assisting national data providers in producing timely and reliable data suitable for use in real-world fiscal analysis; and (ii) developing jointly with the IAG members a program to coordinate the collection of government finance data in the Government Finance Statistics Manual 2001 (*GFSM2001*) (and its upcoming update) framework (Recommendation # 17). The conference considered that the work is moving in the right direction. The World Bank updated the participants on progress regarding the public sector debt database (Recommendation # 18) — the database was released in December 2010 and covers five G-20 economies and a number of developing countries. It was noted that the work on developing a *Public Sector Debt Guide* was completed and that, given the consistency of the Guide with the framework of the System of National Accounts, it will help harmonize data across countries.

26. The conference noted that, in January 2011, the third draft of the *Handbook on Residential Property Price Indices* was posted on the Eurostat's website for comments—the final version is expected by end-2011 (Recommendation # 19). The Handbook is expected to harmonize the reporting of data on residential real estate prices. The next step is to finalize the Handbook, promote the framework, and integrate the reported data in the PGI. There was a call to work with private vendors in collecting data based on a standardized format. The conference expressed interest in extending the work to cover commercial real estate prices, including agricultural land prices. The BIS and Eurostat invited participants to provide comments on the draft *Handbook* within three weeks.

27. The Conference expressed satisfaction regarding the IMF's work on further improving the dissemination of the Coordinated Portfolio Investment Survey (CPIS) data and the BIS continuing efforts to encourage remaining G-20 economies to join its IBS (recommendations #10 and #11). A number of participants indicated that they will make the best efforts to implement the selected CPIS enhancements on timeliness and frequency and, to the extent feasible, scope. The CGFS's work on enhancing the IBS is ongoing.

28. The Conference expressed appreciation of progress on International Investment Position (IIP) enhancements; and welcomed the production of the quarterly IIP pamphlet (Recommendation # 12). A possible quarterly IIP reporting template was presented. Noting the linkages between the recommendations, some participants highlighted the importance of reconciling IIP and the rest of the world accounts; and IIP and information on counterpart sectors; and underscored the importance of having similar timeliness and frequency of reporting for the various templates for the different sectors.

29. The IMF updated the conference on the work on sectoral accounts since the last progress report in May 2010 (Recommendation # 15). The work calls for improved data on the balance sheet approach, flow of funds, and sectoral data more generally to better understand the build-up of vulnerabilities in the domestic sectors.

30. A joint IMF/OECD conference on strengthening sectoral position and flow data in the macroeconomic accounts was held at the IMF headquarters in February/March 2011. The conference provided guidance towards a template to facilitate internationally comparable sectoral account data. A draft template was presented to the Conference, which supported continuing work towards implementation.

G. Enhancing Global Transparency

31. The IMF updated the conference on recent developments on communication of official statistics (Recommendation# 20). It was noted that the PGI website is being enhanced using the Statistical Data and Metadata eXchange (SDMX) standards to improve data sharing as well as access to and timeliness of the PGI data.

- The immediate plan is to release the PGI SDMX web service publicly ahead of the SDMX Global conference in early May 2011. The SDMX web service will contribute to improve efficiency of data exchange, improve timelines of the PGI, and reduce duplication of data collection.
- The conference welcomed these developments and expressed appreciation of the usefulness of the PGI in promoting cross-country comparisons including historical data. In that context it was noted that the coverage of the PGI website was expanded on March 29, 2011 to include FSB-Non-G-20 economies—Hong Kong SAR, The Netherlands, Singapore, Spain, and Switzerland.

H. Concluding remarks

Mr. Leone summarized the key points emerging from the discussions (see section B above). Mr. Jenkinson endorsed these points.

32. Among the additional points raised by the Conference was the need to flag action items in the next report to the G20 Finance Ministers and Central Bank Governors, identify

scope for synergies to reduce the reporting burden, including regarding data requests by international institutions, and emphasize data compilation as a priority in the next phase of implementation of the G-20 recommendations. Mr. Leone indicated that these issues will be taken up in the upcoming report.

33. Concluding the discussions, Ms Burgi-Schmelz pointed out that the G-20 Data Gaps Initiative is meant to provide a holistic picture on the information that is needed to help identify risks and prevent the next crisis. Noting the constraints on resources and concerns on data confidentiality, she underlined the need to balance the cost to obtain information against the cost of not having information. She also noted that developing information for macro prudential analysis and policy requires an iterative process and cannot be accomplished by taking the traditional route—from the objectives to the data needs in a linear way. Ms. Burgi-Schmelz indicated that STA will explore how to follow-up on the suggestion to monitor progress in the implementation of the G-20 recommendations in the context of the IMF's Article IV consultations and the Financial Sector Assessment Program (FSAP). She thanked the participants for their important contributions and encouraged them to continue the momentum building on the progress made so far.