

# **Understanding Financial Linkages: A Common Data Template for Global Systemically Important Banks**

## **Consultation Paper**

**6 October 2011**

*This consultation paper seeks the views of interested parties on a set of options and proposals to improve the data on linkages between global systemically important banks and on their exposures and funding dependencies. Comments are encouraged and should be sent by 8 November 2011 by e-mail (fsb@bis.org) or post (Secretariat of the Financial Stability Board, c/o Bank for International Settlements, CH-4002, Basel, Switzerland). Responses will be published on the FSB's website unless respondents expressly request otherwise.*

## **1. Introduction**

Decisive steps have been taken at the international level to advance the programme of financial reform, including major improvements in regulation and supervision. More recently, work has started on developing macroprudential tools and frameworks to empower the authorities charged with the responsibility to identify, monitor and take action to remove or reduce systemic risks, and thus to enhance the resilience of the global financial system. These critical initiatives require better data.

Authorities need better, homogenous and consistent data at both the national and international level to ensure that they can recognise and address the build-up of risks in a timely manner. Absent such improvements, micro and macroprudential processes will be severely handicapped by the major gaps in information that currently exist, and will remain at significant risk of missing emerging vulnerabilities that could threaten global financial stability.

Data gaps are an inevitable consequence of financial innovation and the ongoing development of markets and institutions. And no data initiative can substitute for effective policy design and judgement. However, in the recent crisis, the lack of timely, accurate information has proved very costly. The current data architecture lags well behind the forces driving increased complexity and globalisation of financial systems, institutions and markets. Importantly, there are major gaps in information on the globally active financial institutions that play a key role in the international financial system. There is little consistent information on the major bilateral linkages between such institutions, as well as on their interactions with other key financial institutions and markets across the world. As a consequence, there is a poor understanding of the global financial network which continues to hamper policy responses.

To bridge these information gaps and complement the policy efforts underway to address the risks posed by global systemically important financial institutions<sup>1</sup>, and as part of a wider initiative to enhance information in response to the crisis, the G-20 finance ministers and central bank governors called on the Financial Stability Board (FSB) in November 2009 to improve data collection and sharing in this area, in close consultation with the IMF.

The specific mandate is to take forward the following recommendations, spelled out in the joint IMF/FSB Report to the G-20 on Information Gaps:<sup>2</sup>

***Recommendation 8:*** *The FSB to investigate the possibility of improved collection and sharing of information on linkages between individual financial institutions, including through*

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<sup>1</sup> See FSB “Reducing the moral hazard posed by systemically important financial institutions”, October 2010; BCBS “Global systemically important banks: Assessment methodology and the additional loss absorbency requirement”, July 2011; and FSB “Effective resolution of systemically important financial institutions: Recommendations and Timelines”, July 2011.

<sup>2</sup> ‘The Financial Crisis and Information Gaps’, Report to the G-20: November 2009.

*supervisory college arrangements and the information exchange being considered for crisis management planning. This work must take due account of the important confidentiality and legal issues that are raised, and existing information sharing arrangements among supervisors.*

***Recommendation 9:*** *The FSB, in close consultation with the IMF, to convene relevant central banks, national supervisors, and other international financial institutions to develop by end-2010 a common draft template for systemically important global financial institutions for the purpose of better understanding the exposures of these institutions to different financial sectors and national markets. This work should be undertaken in concert with related work on the systemic importance of financial institutions. Widespread consultation would be needed, and due account taken of confidentiality rules, before any reporting framework can be implemented.*

Although part of a wider programme of work on 20 recommendations to enhance statistical information in response to the lessons of the crisis, the two specific recommendations listed above are widely regarded as among the most important as well as the most challenging to address. They also expose well known trade-offs and linkages between the macro and micro dimensions of data collection, and between the costs and benefits of additional information. And both recommendations raise important and challenging data sharing and confidentiality issues.

To take this forward, the FSB set up a working group chaired by Aerd Houben, Director of Financial Stability at De Nederlandsche Bank, composed of financial stability and statistical experts from national authorities and international institutions. In line with the mandate, the working group has developed preliminary proposals for a new common data template that aims to address the key gaps identified during the crisis and to provide the authorities with a stronger framework for assessing potential systemic risks.

The initial work has focussed on preparing proposals for a common template to be completed by global systemically important banks (G-SIBs). The number of banks which are asked to report the proposed common data template will ultimately be decided by the FSB in consultation with the Basel Committee on Banking Supervision (BCBS) and the national authorities. Banks judged as globally systemically important will be asked to complete the new template<sup>3</sup>. Other large internationally active banks may also be asked to complete the template, to improve the understanding of key linkages within the global financial system<sup>4</sup>. As such, while the BCBS' term of G-SIBs is used throughout the consultation paper (for simplicity), the final set of banks reporting the proposed data template may be somewhat larger than that identified by the BCBS as G-SIBs. Moreover, national or regional authorities may also consider collecting similar data for banks that they judge to be systemically important domestically. Parallel work to develop improved data on large non-bank financial

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<sup>3</sup> See 'Global systemically important banks: Assessment methodology and the additional loss absorbency requirement' Basel Committee on Banking Supervision: Consultation paper July 2011. Based on the results of applying the methodology of judging systemic importance to a sample of 73 of the world's largest banks on end-2009 data, the Basel Committee is of the view that the number of global systemically important banks (G-SIBs) will initially be 28. This number could evolve over time as banks change their behaviour in response to the incentives of the G-SIB framework.

<sup>4</sup> A subset of data will be collected by the Basel Committee for a wider sample of large banks to support its ongoing assessment of their global systemic importance.

institutions is underway in some areas, such as insurance<sup>5</sup>, hedge funds and data reporting to trade repositories, and will commence shortly in others.

The preliminary proposals are described in the following sections. In a number of places the proposals are not fixed, but encompass a range of options. For example, there is agreement that additional information and detail is needed on the exposures of the G-SIBs to various types of non-bank financial institutions, for example as one facet of enhanced monitoring of 'shadow banking' activity. The issue of how granular the sectoral classification of non-bank financial institutions should be, however, remains open. As another example, there is agreement that additional information should be collected on the maturity structure of assets and liabilities to improve the assessment of liquidity and funding risks. But the question of how maturities should be categorised also remains open at this stage.

Recognising that data collection is costly, and that there is a cost-benefit balance to be struck, the FSB would welcome additional input from interested parties (such as banks, debt and equity investors in banks, IT system providers, analysts and academics) on the issues and questions set out in this consultation document<sup>6</sup>. This feedback will be drawn on in deepening the cost-benefit analysis and in narrowing down the range of options to develop a final data template. As production of the template is taken forward subsequently, the working group will undertake further piloting and consultation on the detailed proposals. The template will also be introduced in a series of incremental steps that will provide reporting institutions with time to meet the new requirements.

Without prejudice to other regional or national initiatives, the ultimate objective of this international project is to develop a data framework that facilitates monitoring of key interlinkages among the major global banks in a consistent manner, whilst at the same time ensuring maximum synergies between the various sources of information used for statistical, supervisory and macroprudential analysis in order to strictly minimise any duplication of system maintenance and efforts. It is against this background, that national authorities and the FSB are considering storing and pooling the template data collected nationally on a harmonised basis in a central hub, proposed to be hosted by the BIS.

This consultation document has two principal sections. Section 2 below describes the broad form of the new preliminary common template and the main components of data that will be collected. Section 3 then provides more detail on the open issues for consultation and sets out detailed questions on which feedback is sought.

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<sup>5</sup> The International Association of Insurance Supervisors is currently collecting and reviewing data needed to support judgements on the systemic importance of insurers. IOSCO is undertaking work to improve data on hedge funds. And work is underway to strengthen the monitoring and regulation of so-called 'shadow banking' activities which also necessitates improvements in data and information on the non-bank financial sector. See: 'Shadow Banking: Scoping the Issues' FSB April 2011.

<sup>6</sup> Not all issues and questions will be of interest to all potential respondents. Please comment on the areas and questions of most interest.

## 2. The Proposed Data Template

### 2.1 Identifying data gaps

The proposed template was developed by addressing 4 main questions:

- What were the main gaps in information on the systemic effects of interlinkages and common exposures of global systemically important banks that were apparent in the build-up to and during the crisis?
- Recognising that the nature and cause of future financial instability are unlikely to be the same as in the past, are there other areas where there is a compelling case to collect additional data, notwithstanding that such gaps were not revealed by the above ‘event study’ of the current crisis?
- How might the collection of better data improve financial stability policy making?
- How can the incremental costs of the proposals be minimised by building on current data collection frameworks and other statistical initiatives that are in train<sup>7</sup>?

#### Principal data gaps in the financial crisis

The absence of good information on the G-SIBs has proved to be very costly. At various stages in the build-up to and during the crisis, key data were either missing, fragmented or incomplete. Authorities had insufficient data both to identify problems sufficiently in advance and to formulate policy actions confidently when problems materialised. It is impossible to know whether and how policy action would have been different had the missing data been available, and it is important to recognise the limits of any data collection exercise. But it is clear that the ability of the authorities to act collectively in a timely manner was severely handicapped by the lack of relevant high quality data. Key information gaps were apparent in a number of inter-related dimensions<sup>8</sup>:

– **1: Concentration risk**

Prior to the crisis, the build-up and distribution of large and/or complex financial institutions exposures to structured products was not adequately captured by the available data. Most official statistics were not sufficiently granular to detect the extent of such exposures. And the public disclosures of financial institutions suffered serious weaknesses, as highlighted in the 2008 FSF report on market and institutional resilience<sup>9</sup>. Given gaps in data submitted by institutions to national regulators, authorities also failed to recognise, until it was too late, the growing system-wide vulnerabilities arising from the combination of a massive common rise in large financial institutions’ leverage and investment in long-dated, complex and hard-to-value instruments that was ultimately funded by a growing reliance on short-term wholesale funding. The importance of the rise in risk through the build-up of concentrated exposures and the resulting increased likelihood of common reactions

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<sup>7</sup> Building for example on regional initiatives such as FINREP and COREP reporting in the EU.

<sup>8</sup> See for instance: “Report of the High Level Group on Financial Supervision in the EU”, chaired by Jacques de Larosiere, February 2009 and the Turner Review, “A regulatory response to the global banking crisis”, March 2009.

<sup>9</sup> FSF: "Report of the Financial Stability Forum on Enhancing Market and Institutional Resilience" (2008)

to adverse shocks was also underestimated. Existing datasets, which lack consistency and which are collected infrequently with a long reporting lag, were clearly inadequate to monitor such trends.

– **2: *Market risk***

As institutions and other investors attempted simultaneously to lower exposures to structured products, market liquidity evaporated. Once liquidity froze, precipitating steep mark-to-market price falls, mutual funds and banks were unable to properly value the structured products they held. Moreover, the authorities across the globe did not have access to data on exposures and the sensitivity of large banks' profits and balance sheet positions to sudden changes in the market prices of such products, which seriously restricted their ability to gauge the extent of the problem and to take early mitigating action. Uncertainty on valuations and exposures in the financial markets prompted firms to cut back exposures to other counterparties and to hoard liquidity, exacerbating the squeeze on funding.

– **3: *Funding risk***

Banks faced severe liquidity pressures as interbank, repo and long-term funding markets all suffered major dislocation. Foreign currency swap markets also experienced major disturbance, as the rising currency and maturity mismatches that many financial institutions had been accumulating in common were revealed. The lack of good quality, timely, and consistent information on major banks' funding structures and funding dependencies made it very difficult for the authorities to manage the crisis. It was difficult to assess the robustness of the most vulnerable institutions, for instance those that were heavily reliant on wholesale funding provided by investors prone to 'run' such as money market funds. Furthermore, the likelihood and impact of contagion from the most vulnerable institutions to the rest of the financial system could not be assessed with any accuracy. This amplified market uncertainty, increasing the incentives for banks and finance providers to take protective action that in turn further compounded the funding crisis.

– **4: *Contagion/spill-over risk***

As market conditions deteriorated, financial institutions became less confident in their assessments of the credit risk exposures and capital strength of their counterparties, and what initially appeared to many to be a liquidity crisis was clearly demonstrated to also be a solvency crisis. As individual institutions came under severe stress, the lack of good information on the inter-linkages between financial institutions, both through counterparty exposures and through common exposures to markets and instruments, was a major impediment to effective crisis management. High-quality granular information was simply not available to enable the authorities to identify the main potential contagion channels to other institutions and across borders and markets with any confidence. Aggregate datasets tracking linkages at the level of national banking systems were insufficiently detailed and insufficiently timely to meet this particular need.

– **5: Sovereign risk**

The official sector stepped in to provide extensive liquidity and solvency support to weak financial institutions. That compounded the deterioration in fiscal positions initiated by the sharp drop in economic activity, leading to strains in sovereign debt markets and a resurfacing of severe bank funding pressures. Information on the exposures of major banks to affected institutions and sovereign borrowers was sparse and not produced on a consistent basis, compounding defensive behaviour by counterparties in funding markets. Reducing the uncertainty necessitated a special initiative to collect and publish sovereign risk exposures on a more consistent basis as part of the European bank stress testing exercises in 2010 and 2011.

### **Objectives for data improvement**

Improving information in each of these five risk areas is consequently important, and has been factored into the design of the proposed data template.

Remedying the shortfalls in data and information on the major institutions should support enhanced risk monitoring and improved financial stability policy development and implementation. In particular, access to high-quality information on financial linkages and concentrations of exposure on a consistent, frequent and timely basis across the global financial system<sup>10</sup> will strengthen microprudential supervision, facilitate macroprudential monitoring and oversight, and support enhanced crisis management planning and actions.

At the **microprudential** level, supervisors will benefit from additional data on the exposures and funding relationships of the major banks, particularly across borders. They will also gain from the ability to conduct consistent comparative analysis of major banks' exposures and funding dependencies with those of peer institutions at home and abroad. Such peer group analysis provides a valuable tool to deepen the assessments of risks. And prudential authorities will also receive additional information on the principal interconnections between globally systemic banks that will enable them to identify potential weak spots in the financial network and to take appropriate remedial action.

At the **macroprudential** level, authorities will have more timely and granular information to help detect and thus contain the build-up of balance sheet mismatches and risk concentrations, and to assess and hence mitigate the threat of spillover and contagion both in advance of and during episodes of financial stress. Moreover, authorities will have better information to deepen collective understanding of how the global financial system transmits shocks across markets and across borders. That in turn will support the earlier identification of threats and prompt authorities to take mitigating actions in a co-ordinated manner to prevent such threats from materialising. The proposed dataset will help to develop international network analysis and provide a stronger platform to underpin consistent stress testing and thus to guide policy measures to enhance the resilience and robustness of the global financial system.

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<sup>10</sup> National regulators typically collect information on large exposures of domestic institutions. There is a major gap, however, in terms of cross-border linkages and on links between the globally active banks on a consistent consolidated basis.

Better data will also help **crisis management** planning and actions, and support decision making highlighting the consequences on other financial institutions, corporations and markets of letting a bank fail, or of asking it to implement a de-risking plan or to divest from a specific market or country? Improving the ability to answer such questions may also have indirect benefits for market functioning, since authorities can use the information to reassure markets on the potential consequences and spill-over of an adverse shock.

Another important use of the data will be in the **monitoring of the regulatory perimeter**, and particularly on the interconnections between the G-SIBs and non-bank financial institutions. Improving the granularity of the exposures and funding dependencies in this area is a key objective underpinning the design of the proposed template. Better data in these areas will assist in the development of an improved radar screen and monitoring framework for the shadow banking sector, which is a key priority for the FSB<sup>11</sup>.

Improved data not only will strengthen the authorities' toolbox but it will also improve the quality of the **banks' own risk management and monitoring systems**. The ability to aggregate exposures and funding reliance across different business lines and legal entities at a granular level is a key requirement for an effective risk management system and for orderly resolution. Indeed, ensuring that major banks have such systems in place and use them actively is essential to strengthen the effectiveness of supervision of systemically important banks. Introducing such systems where they are not currently in place will thus contribute to the financial soundness of the G-SIBs.

The benefits of additional data need to be tested against the costs of further collection. Collecting additional data imposes reporting, processing and quality control costs on the financial institutions and on regulatory authorities. The proposals and options outlined below have been drawn up taking into account an initial assessment of the costs and benefits of specific data items. An important aim is to minimise the costs by building on current data reporting frameworks, wherever possible, while recognising the need for enhancements, especially in terms of granularity, frequency and timeliness in some areas. To help guide the decisions on the final template, the FSB decided that a fuller cost-benefit assessment should be undertaken, collecting additional information on the flexibility of risk management systems and reporting frameworks to provide the required data and on the costs and benefits of various options. The FSB will take this information into account when forming final judgements on the respective costs and benefits of the alternatives. Responses to this consultation document will consequently be very important in helping inform the final shape of the template.

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<sup>11</sup> The G-20 has tasked the Financial Stability Board (FSB), in collaboration with other international standard setting bodies, to develop recommendations to strengthen the oversight and regulation of the "shadow banking system". See the note by the FSB "Shadow Banking: Scoping the Issues" April 2011.



## 2.2 Designing the proposed data template

The proposed data template set out below aims to rectify the principal gaps outlined above. It will provide an internationally consistent view at the institution-level of the linkages and exposures of G-SIBs.

Although there are a few datasets that focus on measuring financial interlinkages and exposures, none meet these aims. Official statistics tend to be produced at a macro aggregated level, for example to facilitate the tracking of the linkages between financial systems internationally, such as the BIS International Banking Statistics (See Annex 5), or the linkages between different parts of the financial sector, as well as non-financial sectors, in a domestic context, such as flow of funds and sectoral balance sheet statistics. Balance of payments statistics also focus on links at an aggregate level between the domestic economy and the rest of the world<sup>12</sup>. Moreover, while private sector disclosures, typically banks' annual and quarterly reports, are standardised and highly granular in some countries (e.g. US call reports or 10-Q filings), that is not uniformly the case. In fact, there is no internationally agreed standard in this area, the data are not stored in a common international database and major differences in accounting standards remain,<sup>13</sup> hampering the ability to compare and aggregate information across countries.

The proposed new common template aims at integrating these two types of datasets (official statistics and public disclosures) by delivering a high-quality internationally consistent set of data on the exposures and funding of the G-SIBs, as well as on the key bilateral linkages between institutions that form the central hub to the international financial network. To lower reporting costs and to improve the value to users, a further goal is to secure as much consistency as possible between the common template and existing datasets (also taking into account planned enhancements) such as the BIS International Banking Statistics (IBS), and national flow of funds and sector balance sheet data.<sup>14</sup> For example, the proposed breakdown of financial sectors and instruments adopted for the analysis of exposures and financing dependencies draws where possible on the approach taken in the flow of funds and sectoral accounts which in turn is based on the internationally agreed System of National Accounts (SNA). Moreover, although the granularity of the proposed data on worldwide exposures for the relatively small sample of G-SIBs is greater than that sought for the enhanced IBS (which covers a much larger reporting population<sup>15</sup>), an objective is to ensure, as far as possible, that the data collected from these banks can be aggregated to provide the necessary input for the IBS returns.

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<sup>12</sup> Balance of payments data are prepared on a residency basis with no or limited breakdown by the ultimate nationality of the underlying economic agents.

<sup>13</sup> Ongoing convergence between IFRS and FASB accounting standards should reduce these differences. An aim of the current project is to ensure sufficient consistency to enable cross-border and global aggregation. Clear guidelines on how best to achieve this will need to be spelt out during the implementation phase.

<sup>14</sup> These improvements fall under recommendations 10 and 11 (IBS) and 15 (flow of funds and sector balance sheet data) of the G-20 data gaps project referenced in footnote 2.

<sup>15</sup> There are currently around 7000 entities reporting International Banking Statistics to the BIS via their central banks.

The draft template, which is illustrated in Annex 1, incorporates four broad types of data as outlined in Table 1 below.

**Table 1. Overview of the types of information in the proposed data template**

<b>Institution-to-institution</b>	<b>Institution-to-aggregate</b>	<b>Structural and Systemic importance</b>	<b>Passive and Ad-hoc data</b>
Bilateral credit exposures & funding dependencies to assess network risks and resilience	Credit exposures & funding dependencies to countries, sectors and markets to understand risk concentrations and vulnerabilities	Information to facilitate the assessment of systemic importance, and support crisis management	Predefined data “on-request” and “ad-hoc” requests to meet increased information needs to assess emerging systemic risk

**Institution-to-institution data**

The first type comprises data on the main bilateral links and relationships between the major financial institutions (consequently labelled institution-to-institution or (I-I) data) measured by consolidated exposures<sup>16</sup>. Data would be collected on the principal counterparties of the G-SIBs on both the assets and liability side of the balance sheet on a group worldwide consolidated basis<sup>17</sup>. Such bilateral position data facilitates analysis of the direct counterparty and funding linkages among the major financial institutions, thus supporting improved understanding of the contagion and spillover risks in the global financial network. The aim is to build on recent initiatives of some prudential supervisors to collect data on the largest institutions consolidated exposures to their main counterparties<sup>18</sup>, broken down by financial instrument. Such an approach would be extended to all global systemically important banks<sup>19</sup>. As clearly demonstrated during the crisis it is also crucial to develop improved data on funding dependencies and liquidity risks. The proposed template consequently embodies information on the bilateral dependencies of G-SIBs on major individual fund providers. Such data would help shed light on the concentration of funding risks and on how disruptions in financing markets might spread through the financial network.

<sup>16</sup> See later for a discussion of consolidation issues.

<sup>17</sup> The principal counterparties will often include many other global systemically important banks, given the close interactions in financial markets. But they may also include large non-bank financial institutions and large non-financial firms. Reviewing the data from all of the G-SIBs on a consistent basis will thus enable supervisors and macroprudential authorities to identify potential concentrations of exposure and risk both within the network of the major global banks as well as between the major banks and key non-bank institutions. In such cases, remedial action could be taken to lower exposures and/or to strengthen the resilience of key common counterparties that are not within the G-SIB network.

<sup>18</sup> In order to gain a comprehensive view of individual banks’ exposures and funding dependencies, data which are consolidated at a group level are necessary. Many existing statistics focus on the activities of residents in a particular economy and so do not provide information on the activities of cross-border groups. But given that the parent company bears the risk stemming from its affiliates and keeps aside capital for those risks, such information should be included. The data in the template is thus expected to be reported on a globally consolidated basis. Clear guidelines on the consolidation perimeter of a group will need to be spelt out during the implementation phase.

<sup>19</sup> The initiative would also build on the current collection of large exposures data by many supervisors. The proposed dataset would be more detailed and would also benefit from enhanced international consistency to facilitate the assessment of risk concentrations and potential contagion.

Institution to institution data would be used by both prudential supervisors and by macroprudential authorities to identify emerging sources of risk and risk concentration and thus support remedial policy action to lower them. The data would also support crisis management, by providing the authorities with a more accurate picture of potential channels of financial contagion through counterparty exposures<sup>20</sup> in the event of failure and resolution of a G-SIB.

### **Institution-to-aggregate data**

The second type consists of information on the exposures and funding dependencies of individual G-SIB vis-à-vis broader national markets, systems and sectors, on a consolidated basis. This approach would enable, for example, the precise assessment of the consolidated exposure of a G-SIB to government debt from a particular country or its reliance on a given funding source such as money market funds. These data are labelled institution-to-aggregate or (I-A) data. Provision of such data would strengthen the analysis of the risk exposures and funding dependencies of each G-SIB individually. But crucially, collecting such data on a consistent basis would also provide a vital input to an enhanced assessment of system-wide risks by enabling analysis of the build-up of common exposures and funding patterns on a consolidated basis, thus taking into account the global business model adopted by each G-SIB. The data will help answer some key policy questions such as: Are G-SIBs collectively increasing their exposures to real estate markets in a certain country? To what extent, are such institutions reliant on wholesale funding in foreign currencies?

The proposed template consequently outlines proposals to collect information on the consolidated exposures and funding dependencies in granular detail.

Granular data on an institution-to-aggregate basis will be used actively by both macroprudential authorities and prudential supervisors. Collecting and pooling consistent and timely information from the G-SIBs will be very valuable for the assessment and oversight of systemic risks on a global basis. As well as supporting co-ordinated policy responses as necessary to underpin global financial stability, the data will also be very important for national authorities charged with developing and implementing policies to preserve domestic stability. The data will also enable prudential supervisors to gain a much better understanding of the risks taken by individual financial institutions, by observing them in a broader system-wide context, and thus to take appropriate preventative action.

Information is sought in a number of key dimensions:

- **Country:** What are the exposures of the G-SIBs to different jurisdictions?
- **Sectors:** To which sectors are the G-SIBs increasing their exposures?
- **Financial instruments:** Are the G-SIBs raising their exposures to debt securities? Are the G-SIBs altering their reliance on different funding instruments?
- **Currency:** Are the G-SIBs increasing their assets and funding in foreign currencies?
- **Maturity:** Is the maturity of funding lengthening or shortening?

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<sup>20</sup> Fully recognising that ‘indirect’ contagion, for example through the impact of ‘fire sales’ by distressed firms on market prices and liquidity, is equally important. Institution to aggregate data should help to shed additional light on such forces.

There are a number of open issues on how best to collect the data within and across these different dimensions to maximise the usefulness of the information while bearing in mind the costs. These are spelled out in section 3 below. The FSB would welcome additional input from the consultation process to inform the final choice.

### **Structural data and indicators of systemic importance**

The third type of information focuses on the regular production of predefined structural data on the G-SIBs. One aim is to collect information on each bank's provision of key financial services to help scale judgements by the FSB, international standard-setters (such as the BCBS), and national authorities on their systemic importance<sup>21</sup>, as well as to support crisis management planning. There are 3 categories of information under this heading<sup>22</sup>:

- *Provision of key financial services and indicators of systemic importance* – how important is the G-SIB as a supplier of particular products and services (such as payments and settlements, correspondent banking and custodian services, etc), and what would be the impact of the bank's failure on the financial system as a whole?
- *Key resilience data* – Resilience indicators provide useful information to scale the exposures and funding risks detected in the proposed dataset. Such resilience indicators would include income and distributions, non-performing loans, provisions, risk-weighted assets and capital<sup>23</sup>.
- *Group structure* – There will be a need to produce and share a consistent register of the group structures of the major international banks to ensure that counterparty credit exposures and funding dependencies are calculated and allocated correctly, and that there is better understanding of interlinkages<sup>24</sup>. In order to identify connections among financial institutions in a consistent way, clear guidelines on the “group” structures and consolidation framework will be prepared as part of the implementation process<sup>25</sup>. Taking into account the highly complex legal structures of systemically important banks, the FSB sees considerable merit in the production and regular publication of a database of the group structure of the major banks. That will

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<sup>21</sup> See: “Global systemically important banks: Assessment methodology and the additional loss absorbency requirement”, BCBS Consultation paper, July 2011. A wider set of institutions will be asked by the BCBS to report and disclose these data than the initial sample of banks reporting the new FSB template.

<sup>22</sup> In addition, as mandated by the G-20, all global systemically important financial institutions will work with authorities to produce firm-level cross-border recovery and resolution plans. Firms will obviously need to ensure that the relevant information is available to support such plans. See: “Effective resolution of systemically important financial institutions”, FSB Consultation paper, July 2011.

<sup>23</sup> Such data are typically readily available within banks and supervisory authorities. There is some merit in pulling this information together in the template to help potential users. The marginal costs of pulling this information together are likely to be very low.

<sup>24</sup> As noted above a number of initiatives are underway that may help to support this recommendation. Future work will build on these initiatives.

<sup>25</sup> The desirable aim is to collect data ultimately on a globally consistent basis according to the consolidation approaches used by prudential supervisors, in order to maximise their usefulness for policy. There are currently some differences between supervisory consolidation definitions and the approaches adopted by some authorities to provide data to the BIS International Banking Statistics. Further work on consolidation issues during the implementation process will be closely co-ordinated with parallel work proposed to revisit consolidation in the IBS. The work will also need to address consolidation issues in respect of counterparties, for the I-to-I data in particular.

build on existing work. In particular, a number of initiatives are underway that may help to support this, for example by the BIS in respect of the IBS and derivative databases, and regionally by the newly established US Office of Financial Research (OFR) and within the EU<sup>26</sup>. The FSB welcomes the progress of financial regulators and industry to establish a single global system for uniquely identifying parties to financial transactions (the ‘legal entity identifier’ (LEI) initiative), and recently held a workshop to discuss the issues that need to be addressed and how best to coordinate work to take this forward.

### **Passive and ad-hoc data**

The fourth category relates to the question of whether data should be reported regularly (active data), or whether instead there are benefits for both the authorities and reporting banks in collecting some data on demand only when the need arises. In particular, one of the lessons of the crisis is the need to retain flexibility to meet changing data needs as financial markets innovate and adapt and as new types of risk emerge. Therefore, there are merits of having in place specific processes to support accelerated or more detailed data collection directly from large financial institutions. This includes cases where banks would be expected to produce pre-defined data “on request” to a short timetable (passive data) as well as cases where they will have to respond to “ad-hoc” data requests.

### **Questions the proposed template can address**

As a guide, the Box below sets out 10 key questions that illustrate the types of questions that the new data template would help the authorities to address, in order to enhance risk assessment and financial stability policy.

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<sup>26</sup> Outwards Foreign Affiliates Statistics (OFATS) are an example of a structure dataset being implemented from 2011 in the EU to capture the profile of internationally active European Financial and Non Financial Groups. New European projects such the European Group Register (EGR) and Register of Institutions and Assets Database (RIAD) also aim at pooling together information on entities of internationally active European Financial and Non Financial Groups.

### **Ten illustrative questions addressed by the new common data template for G-SIBs**

The data proposed for the new common template for global systemically important banks (G-SIBs) will shed light on important aspects of financial interlinkages and systemic risk. Though data are available in some areas, it is currently not possible to address these aspects in a comprehensive and systematic way across the globe. Examples of key questions which could be answered by using the new proposed template, providing data are supplied with sufficient granularity, include:

1. Which G-SIBs are heavily exposed to government debt in country A or to banks in country B, and how far have they hedged such exposures since the emergence of sovereign risk concerns? Is the currency and maturity structure of such debt changing over time?
2. Which G-SIBs have significant currency and maturity mismatches between their assets and their liabilities?
3. Are the large banks collectively building exposures to corporate real estate loans in particular jurisdictions? Which institutions are heavily exposed and through which instruments?
4. Do G-SIBs have growing risk concentrations to common obligors (such as AIG or Lehman Brothers during the crisis)? How would the failure of a particular G-SIB affect the resilience of the network of G-SIBs, both directly and through second-round effects?
5. Are the links between banks and hedge funds intensifying? Which G-SIBs are most heavily exposed to the consequences of rapid deleveraging in the hedge fund sector?
6. How large is the USD-denominated funding received by non-financial corporates in country A from G-SIBs and what is the redemption structure of such funding?
7. How exposed are the different national banking systems to a run on one of the largest Money Market Funds (such as the Reserve Primary Fund during the crisis)? Which G-SIBs would be the most vulnerable to a run on the MMF sector? And which G-SIBs would be most vulnerable to a freeze of the US dollar CP market?
8. Are there signs of a shortening of maturities of wholesale funding in particular currencies? Which G-SIBs are the most vulnerable to such a shortening? Are other G-SIBs benefiting from any 'flight to quality'?
9. Which G-SIBs have similar funding profiles to failing institutions (such as Lehman Brothers, Northern Rock) and thus may face reputational contagion?
10. Which G-SIBs play a dominant role in the provision of payment and settlement services in euro that would be hard to replace? And which provide large correspondent banking services in US dollars?

### 3. Issues for Consultation

This section sets out the key issues on which additional feedback is sought during the consultation process. As highlighted above, the FSB expects such consultation to be a key input into the implementation process for the new data template. The principal aim is to gain a fuller understanding of the potential costs and benefits of alternative options for different dimensions of the data collection exercise so that better-informed decisions can be taken on the final template. Where asked, the FSB would welcome a judgement by respondents of the additional costs of implementing and managing the respective proposals on a scale of 1-5 (1 being little or no cost, e.g. when similar reporting is already required by national supervisors, and 5 being extremely costly), together with an explanation of the score and any additional points on the costs and benefits.

The section discusses the key issues covering each of the different types of data in turn. Before turning to the specific issues and questions raised, it is important to highlight that the FSB recognises the importance of providing time to amend and to set up new systems to collect the enhanced data. To assist this process, the project of implementing the main data proposal will be undertaken through a number of incremental steps.

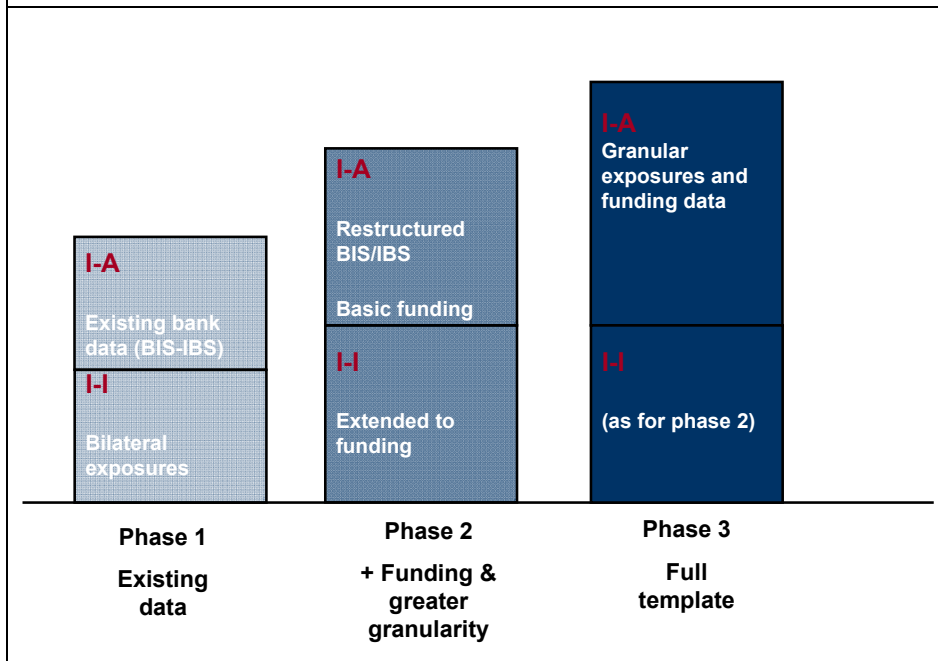
Tentatively, the proposed data collection has been split into three phases (Chart 1) as set out below:

- **Phase 1 (by end 2012):** At the end of this phase, in respect of the institution-to-institution (I-I) data, G-SIBs will be expected to report on a consolidated basis their principal bilateral counterparty exposures (such data are already collected by some prudential authorities – the aim will be to extend the reporting population to all G-SIBs). In respect of the institution-to-aggregate (I-A) data, no additional information will be collected at this point. Institutions will simply continue to report their existing consolidated data that underpin the BIS IBS<sup>27</sup>. These data contain a simple breakdown of exposures to different countries and sectors.
- **Phase 2 (by end 2013):** The second step in respect of I-I data will be to introduce information on G-SIBs' principal bilateral funding dependencies. In terms of I-A data, the granularity and detail of the data on exposures would be expanded during this phase. One option for such an intermediate phase could entail collecting consolidated data at the same level of disaggregation as the data reported on a locational basis in the BIS IBS returns. Banks could also start to report their aggregate funding dependencies, initially in a very simple form, in line with the proposed enhancements to the international banking statistics that have recently been agreed.
- **Phase 3 (by end 2014):** At the final stage, G-SIBs will be asked to provide more granular exposures and funding data of the I-A type, in line with the final form of the template.

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<sup>27</sup> A programme of enhancements to the BIS IBS is underway, in parallel to the proposals contained in this Consultation Paper.

**Chart 1. Incremental Approach to Data**



As part of the consultation process, views of respondents are sought on the costs and savings of such a phased approach, and on the timing and elements of each step, as well as on the components and form of the final template. Specific questions are highlighted below on the different types of data in turn.

### **Institution-to-institution data**

**Exposures** On the exposure side, the proposal builds on the initiative of a number of supervisors to collect information on the principal bilateral counterparty exposures of large banks, by expanding the reporting population to include all G-SIBs.

The proposal is to ask G-SIBs to report in a consistent and harmonised manner their bilateral credit exposures to their top 50 individual counterparties broken down by 8 instrument categories (See Table 2A). The objective is to gauge ‘final risks’ after taking into account the effects of hedging and risk transfer, and so account would be taken of collateral and credit hedges that may lower or transfer bilateral exposures. The data would thus be reported on the basis of consolidated group-wide exposures for both the reporting bank and the obligor and in terms of mark-to-market value (replacement value) to arrive at final risks after legally enforceable bilateral netting<sup>28</sup>.

<sup>28</sup> Information on the group structure and consolidation perimeter will also be collected separately as structural data.



<b>Table 2A. Bilateral credit exposures to top 50 counterparties</b>	
<b>Indicative timing:</b>	End 2012
<b>Dimensions:</b>	• Instrument (8)
<b>Crossings of data<sup>29</sup>:</b>	None
<b>Frequency:</b>	Weekly OR Monthly
<b>Reporting lag:</b>	3 days
<b>Details of Breakdowns:</b>	<b>Instrument:</b> Lending incl. contingent credit lines (excl. short term Money Market instruments), Securities lending, Repo, Money Market placements including interbank funds, Marketable debt and equity securities, Credit hedges, Derivatives exposures, Unsecured settlement/clearing lines
<b>Metrics:</b>	Principal amounts, gross marked to market (MtM) <sup>30</sup> exposures, collateral, net MtM <sup>31</sup> exposures, potential future exposure

***Q1. Institution-to-Institution counterparty credit data: What are your views in terms of additional costs on a scale of 1-5 (1 being little or no cost and 5 being extremely costly) on the proposal to collect data on the principal counterparty credit exposures according to the above Table 2A, and please explain the reasoning behind the score? What would be the marginal benefits of these data for your own risk management and monitoring? Would the costs and benefits be altered significantly by an alternative scope or timetable, and if so please explain why?***

***Q2. Number and identification of counterparties: What would be the marginal cost on a scale of 1 to 5 of increasing the sample by say 10 additional counterparties (from 50 to 60), and of reporting exposures to 10 additional counterparties named by the authorities? If the marginal cost is judged significant please explain why?***

***Q3. Frequency of reporting: On a 1-5 scale what would be the cost increase for collecting the data weekly rather than monthly? Are there any specific data elements that have a major bearing on the costs, ie where the cost would be significantly increased were the data collected weekly?***

***Q4. Are all the proposed instrument breakdowns and metrics currently available? Are the definitions clear and comparable across legal entities? If not, please identify which and using the 1-5 scale, indicate how costly it would be to comply with the proposal?***

<sup>29</sup> In this example, data would simply be collected by financial instruments as per the breakdown reported in the table and there would be no 'crossing' of the data with other potential dimensions.

<sup>30</sup> Gross MtM is after legally enforceable netting.

<sup>31</sup> Net MtM=Gross MtM – credit hedges –collateral held +excess collateral posted.

**Q5. Reporting lag: Is the proposed reporting lag of 3 days achievable for all banks? Would the costs and benefits be altered significantly by an alternative lag, and if so please explain why?**

**Funding** The proposal is to ask G-SIBs to report their liabilities to each of their top 50 largest individual funding providers, and to supply a simultaneous breakdown of such funding by instrument and residual maturity<sup>32</sup> (See Table 2B). The focus is to give greater importance to the short term exposures, given that the primary aim of collecting the data is to help gauge the potential build-up of common funding pressures and the likelihood of contagion and spillover through the network in the event that risks crystallise. The preliminary timetable would be to ask banks to start reporting the data on bilateral funding dependencies by end 2013 in order to provide time for banks to set up their systems.

<b>Table 2B. Funding dependencies on 50 individual funding providers</b>	
<b>Indicative timing:</b>	End 2013
<b>Dimensions:</b>	<ul style="list-style-type: none"> <li>• Instrument (5)</li> <li>• Residual Maturity (3 to 5)</li> </ul>
<b>Crossings of data:</b>	<ul style="list-style-type: none"> <li>• In x Ma (ie reporting each instrument by maturity)</li> </ul>
<b>Frequency:</b>	Weekly OR Monthly
<b>Reporting lag:</b>	3 days
<b>Details of Breakdowns</b>	<p><b><u>Instrument:</u></b> Wholesale Deposits, Securities lending &amp; repo, ABCP, CP, Other short-term funding</p> <p><b><u>Maturity (3):</u></b> less than 1 month, 1 month-1 year, over 1 year</p> <p><b><u>Maturity (5):</u></b> on demand, overnight to 1 month, 1-3 months, 3 months-1 year, over 1 year</p>
<b>Metrics:</b>	Principal amounts

**Q6: Institution-to-institution funding data: What are your views in terms of marginal costs on a scale of 1-5 on the proposal to collect data on top 50 bilateral funding providers according to table 2B, and please explain the reasoning behind the score? What do you see as the main costs and benefits of collecting such data according to the above template? Would the costs and benefits be altered significantly by an alternative scope or timetable, and if so please explain why? Please supply any comments on the following detailed elements of the proposal:**

**Q7. Number and identification of funding providers: On a 1-5 scale please rate separately the costs of reporting the 10 additional counterparties providing the next highest incremental funding (ie reporting 60 top counterparties rather than 50), and of reporting dependencies on 10 additional counterparties specifically named by the authorities.**

<sup>32</sup> The raw data would thus be collected ‘crossing’ instruments and maturity.

***Q8. Frequency of reporting: On a 1-5 scale what would be the cost increase for collecting the data weekly relative to monthly? Are there any specific data elements that would significantly reduce this cost if they were not collected weekly?***

***Q9. Maturity breakdown and ‘crossings’: Do you have any comments on the proposal to collect the data by financial instrument and residual maturity simultaneously (i.e, providing maturity breakdowns for each instrument)? Is this information available and comparable across legal entities that form part of the banking group?***

***Q10. Reporting lag: Is the proposed reporting lag of 3 days achievable for all banks? Would the costs and benefits be altered significantly by an alternative lag, and if so please explain why?***

### **Institution-to-aggregate data**

**Exposures:** The aim is to collect additional data on the consolidated exposures of the G-SIBs to national markets and financial sectors via different instruments, and in different maturities and currencies. The proposal is to collect data in finer detail than the BIS IBS, but to ensure that the two datasets are aligned so that the G-SIBs can aggregate data collected under the proposed template to populate their IBS returns.

Data will be collected in a number of dimensions: country; sector; financial instrument; currency; and maturity. Final choices have yet to be made on the degree of disaggregation in each dimension, and on alternative options for the crossings of the data collected. One possible option is for the data to be reported as in Tables 3A and 3B below. (Table 3A shows the possibilities for the 30 jurisdictions with the most systemically important financial systems (as shorthand ‘Level 1’ countries)<sup>33</sup> – Table 3B for 38 countries that are BIS reporters and have sizeable cross-border positions with BIS reporting banks (‘Level 2’ countries<sup>34</sup>)). Views from respondents on the questions below will help to narrow down the final choice.

As well as collecting information on an ‘immediate borrower’ basis, ie by the initial counterparty of the lending contract (such as for example loans by a particular G-SIB to say insurance companies in jurisdiction A in euro with a maturity over a year), for risk management and policy purposes, there is also a key interest (as for I-I data described above) in trying to collect information on exposures or ‘final risks’, ie after taking into account provisions and risk transfers through derivatives, guarantees and other credit hedge instruments. It is expected that this enhanced “final risk” concept for I-A exposures would better align with existing prudential supervisory returns, although the geographical location of the ultimate obligor is usually not required in the latter case. Depending on the granularity of

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<sup>33</sup> The 30 jurisdictions (level 1 countries) include 25 that the IMF recently identified as having systemically important financial sectors, together with 4 FSB members not included in this definition, and one major offshore financial centre (the Cayman Islands).

<sup>34</sup> The 38 jurisdictions (level 2 countries) include financial sectors that are BIS reporters and those with sizeable cross border positions with BIS reporting banks (Bahamas, Bahrain, Bulgaria, Chile, Chinese Taipei, Cyprus, Czech Republic, Denmark, Estonia, Finland, Greece, Guernsey, Hungary, Iran, Isle of Man, Israel, Jersey, Kuwait, Latvia, Lithuania, Macao SAR, Malaysia, Malta, Netherlands Antilles, Nigeria, Norway, Panama, Peru, Philippines, Poland, Portugal, Qatar, Romania, Slovakia, Slovenia, Thailand, UAE and International Institutions)

the available data, for example in respect of the location of the ultimate obligor, a refinement of the ‘ultimate risks’ component of the IBS (which have a lower level of granularity than proposed for the new G-SIBs template as regards sector and instruments) could be achieved.

Advice and input is sought from potential respondents on the best approach to collecting relatively detailed and consistent ‘exposures’ data in a cost effective form, recognising that individual banks may hedge positions in some cases at a relatively aggregate level, for example buying protection against all exposures to entities located in a particular jurisdiction, or by hedging all their currency exposures in yen or euro. To help produce ‘final risk’ data as well as ‘immediate borrower’ statistics, the provisional approach is first to ask reporting institutions to report separately the following metrics: principal amounts (gross and net of provisions) and marked-to-market exposures (gross and net of provisions) on an immediate borrower basis consistently with the IBS approach. Reporters would then be required to breakdown any risk transfers on the exposure, by providing details of the credit risk mitigation (CRM) techniques that have been applied. The latter include unfunded protection such as guarantees and credit derivatives, and funded protection such as collateral and other credit hedges for individual positions. On the assumption that information on such detailed risk transfers is often already available in the prudential data although not usually broken down by country, for example in COREP templates for EU institutions, views are sought in particular on the best way of combining the refined prudential risk transfer concept with the immediate borrower concept of IBS to arrive at the final risk exposure broken down by country and sector.

Could respondents please first answer the questions below in relation to ‘immediate borrower’ data, and then provide views on how best to collect the proposed data for exposures after hedging and risk transfer to arrive at ‘final risk’ exposures.

The proposed data would be produced on a quarterly basis with a target lag for G-SIBs reporting of 4 weeks, with a view to data being ready for use after 6 weeks (after checking and validation).

The tentative plan is to build towards the final template in 3 phases. In the first phase, which has an indicative timing of end 2012, national authorities will be asked to report the disaggregated institution level G-SIB information underpinning the consolidated BIS/IBS. Such data will include banks’ vis-à-vis exposures to ‘Level 1’ countries<sup>35</sup> with a simultaneous broad sector breakdown. Since the raw data are already reported to national authorities, it is assumed that there will be no incremental costs for financial institutions. Equally, the benefits will also be limited due to the low granularity of the data (See Annex 2). By the end of the second phase, which has an indicative timing of end 2013, the proposal is for G-SIBs to report consolidated information<sup>36</sup> on the same basis as the instrument and currency breakdowns which are collected by national central banks as components of the enhanced locational

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<sup>35</sup> Data will also be available from the disaggregated consolidated BIS/IBS returns for exposures to a wider set of countries. The FSB will decide whether such data will be reported centrally.

<sup>36</sup> As outlined earlier, additional work is proposed to sharpen and clarify the approach to group consolidation on a consistent basis in line with supervisory approaches. That will take time. In phase 1, G-SIBs will simply be requested to report the data currently collected for the international banking statistics, which in some countries are prepared using different consolidation guidelines.

BIS/IBS<sup>37</sup>. The final phase, indicatively timed for the end of 2014, would introduce the desired additional granularity on the different dimensions of exposure.

	<b>Table 3A. Exposures to national financial systems (Level 1 countries) (Final Phase)</b>
<b>Indicative timing:</b>	End 2014
<b>Dimensions:</b>	<ul style="list-style-type: none"> <li>• Country (30)</li> <li>• Sector (7 to 12)</li> <li>• Instrument (8 to 10)</li> <li>• Currency (7)</li> <li>• Residual Maturity (3 to 5)</li> </ul>
<b>Potential crossings of the raw data:</b>	<ul style="list-style-type: none"> <li>• <b>5-way crossing:</b> Co x Se x In x Cu x Ma</li> <li>• <b>Variant: Two 3-way crossings:</b> Co x Se x In AND In x Cu x Ma</li> </ul>
<b>Frequency:</b>	Quarterly
<b>Reporting lag:</b>	4 weeks
<b>Details of potential breakdowns:</b>	<p><b>Countries (30):</b> Level 1- 25 jurisdictions identified by the IMF as having globally systemically important financial sectors: Australia, Austria, Belgium, Brazil, Canada, China, France, Germany, Hong Kong SAR, Italy, India, Ireland, Japan, Luxembourg, Mexico, the Netherlands, Russia, Singapore, South Korea, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. And 4 members of the FSB not in the above list: Argentina, Indonesia, Saudi Arabia, South Africa and 1 Significant off-shore banking centre: Cayman Islands</p> <p><b>Sectors (7):</b> Banks, MMFs, Insurance comp. and pension funds, Other NBFIs, NFCs, HHs, General government and Central banks</p> <p><b>Sectors (12):</b> Banks, MMFs, CCPs, Insurance comp., Pension funds, Hedge Funds, SPVs, Mutual Funds, other NBFIs, NFCs, HHs, General government and Central banks</p> <p><b>Instruments (8):</b> Real estate loans, Other loans, Collateralised securities, Uncollateralised securities, Shares and other equity, Derivatives exposures, Contingent credit lines and guarantees, Total</p> <p><b>Instruments (10):</b> Real estate loans, Other lending, Securities lending and repo, Short-term securities, Collateralised long-term securities: ABS and covered bonds, Uncollateralised long-term securities, Shares and other equity, Derivatives exposures, Contingent credit lines and guarantees, Total</p> <p><b>Maturity (3):</b> less than 1 month, 1 month-1 year, over 1 year</p> <p><b>Maturity (5):</b> on demand, overnight to 1 month, 1-3 months, 3 months-1 year, over 1 year</p> <p><b>Currency:</b> USD, EUR, JPY, GBP, CHF, local currency (if different), other</p>
<b>Proposed Metrics:</b>	Principal amounts, gross MtM exposures, collateral, net MtM exposures

<sup>37</sup> For example, a G-SIB which is active in 3 countries A, B and C, would consolidate the data on its exposures booked in the 3 countries, which are reported to the respective national central banks.

	<b>Table 3B. Exposures to national financial systems (Level 2 countries) (Final Phase)</b>
<b>Indicative timing:</b>	End 2014
<b>Dimensions:</b>	<ul style="list-style-type: none"> <li>• Country (38 + 6 regional aggregates)</li> <li>• Sector (4)</li> <li>• Instrument (3)</li> <li>• Currency (7)</li> <li>• Maturity (3 to 5)</li> </ul>
<b>Potential crossings of the raw data:</b>	<ul style="list-style-type: none"> <li>• <b>5-way crossing:</b> Co x Se x In x Cu x Ma</li> <li>• <b>Variant: Two 3-way crossings:</b> Co x Se x In AND In x Cu x Ma</li> </ul>
<b>Frequency:</b>	Quarterly
<b>Reporting lag:</b>	4 weeks
<b>Details of potential breakdowns:</b>	<p><b>Countries (38+6 Regions): Level 2-</b> 38 countries<sup>38</sup> with financial sectors that are BIS reporters and those with sizeable cross border positions with BIS reporting banks. And remaining 172 countries in 6 regional buckets.</p> <p><b>Sectors (4):</b> Banks, NBFIs, NFCs and households, Government and Central banks</p> <p><b>Instruments (3):</b> Loans/deposits, Securities, Other</p> <p><b>Maturity (3):</b> less than 1 month, 1 month-1 year, over 1 year</p> <p><b>Maturity (5):</b> on demand, overnight to 1 month, 1-3 months, 3 months-1 year, over 1 year</p> <p><b>Currency (7):</b> USD, EUR, JPY, GBP, CHF, local currency (if different), other</p>
<b>Proposed Metrics:</b>	Principal amounts, gross MtM exposures, collateral, net MtM exposures

*Please provide comments to questions Q11 to Q19 as follows:*

- *Q11 overall assessment of the different dimensions of the planned data collection shown in Tables 3A and 3B.*
- *Q12-Q18 detailed comments initially on the basis that data are collected on an immediate borrower basis.*
- *Q19: comments on how best to produce consistent granular data on the desired ‘exposure’ basis after taking account of risk transfer, collateral and hedges*

*Q11. Institution-to-aggregate exposures data: What are your views on the proposal to collect data on the principal credit exposures according to the above template (tables 3A and 3B)? What do you see as the main costs and benefits of collecting such data? Do you have any comments on the proposed timetable and the proposal to introduce the new template in 3 phases? Would the costs and benefits be altered significantly by an alternative scope or timetable, and if so please explain why? Please use as befits the 1-5 cost grading scale to differentiate between the proposed template and your alternative.*

<sup>38</sup> These countries are currently under consideration for the enhanced locational BIS/IBS, individually.

**Q12. Country breakdown.** *The proposal is to collect data on exposures by country at different levels of granularity depending on the size of financial market activity (collecting the most granular data for the 30 most significant financial systems (level 1 countries – Table 3A), and less granular data for another group of some 38 jurisdictions (termed level 2 countries) separately identified in the enhanced IBS (with 6 regional aggregates for the remaining 172 countries – Table 3B). Would reporting costs change significantly if the most granular data on country exposures were requested from 5 more or from 5 fewer jurisdictions (i.e., if the level 1 list were expanded to 35 or reduced to 25, altering the numbers in level 2 accordingly)? In addition to your comments please use as befits the 1-5 cost grading scale to differentiate between the alternatives.*

**Q13. Sectors:** *The provision of more detailed data on links between banks and different non-banking sectors is viewed as a priority to improve understanding of shadow banking risks. Are the proposed sectors (both the 7 and 12 sector breakdowns) currently available in your databases? If not, using the 1-5 scale, please specify how costly it would be to collect data on the 12 way breakdown as opposed to the 7 way sectoral classification.*

**Q14. Financial instruments:** *Collecting additional information on the breakdown by types of financial instrument is essential to help identify concentrations of exposure and risk. Two alternative breakdowns are proposed in Table 3A (the second providing additional information on exposures in securities markets). Are all the proposed breakdowns currently available? Are the definitions clear and comparable across legal entities? If not, please identify which and using the 1-5 scale, indicate how costly it would be to comply with the proposals and on whether there are any significant differences between the two alternatives?*

**Q15. Maturity:** *In combination with data on the maturity structure of liabilities, a breakdown of assets by residual maturity will facilitate the analysis of liquidity and funding risks. On a 1-5 scale how costly is collecting data according to 5 categories rather than 3, as set out in Table 3A?*

**Q16. Crossings:** *Collecting data on the 5 dimensions together (see Annex 3) would provide the most flexibility in terms of risk assessment and reduce future requests, but would also imply that data would be collected for a large number of cells. An alternative would be to collect data according to 2 x 3 way classifications, as shown in the chart. That would lower the number of data cells reported, albeit lowering flexibility at the same time. What are your views on these alternative proposals? What would be the difference in costs between reporting data on a 5 way classification and reporting on 2 x 3 way breakdowns? In addition to your comments please use as befits the 1-5 cost grading scale to differentiate between the alternatives.*

**Q17. Frequency:** *The preliminary proposal is to collect the data actively on a regular quarterly basis. Could the same data be made available monthly during conditions of market stress? What would be the incremental costs on a scale of 1-5 of producing the data monthly rather than quarterly?*

**Q18. Reporting lag:** *Is the proposed reporting lag of 4 weeks feasible for all banks? Would the costs and benefits be altered significantly by an alternative lag, and if so please explain why?*

***Q19. Metrics, Risk Transfer and Exposures Data: An important aim as highlighted above is to collect data on a ‘final risk’ basis (i.e., after risk transfer and hedging and adjustments for collateral etc) as well as on an immediate borrower classification. What are your views on this proposal, and on the costs of collecting data in this way? Could data be readily prepared for ‘risk exposures’ at the granular level set out in the above table as well as on an ‘immediate borrower’ basis? Could data be readily supplied for the different metrics set out in the above template to facilitate such calculations? Would you recommend another approach to the preparation of ‘exposures’ data? If so, please describe the alternative approach and explain why it is preferred? In addition to your comments please use as befits the 1-5 cost grading scale to differentiate between the alternatives.***

**Funding:** The objective is to improve the information on the liability structure of the major banks, in order to develop a more accurate picture of liquidity and funding risks across the global financial system. Again the broad approach is to draw on the framework of the enhanced BIS/IBS, but to collect more detailed information on the much smaller sample of G-SIBs reporting the new template.

Ideally, funding data would be collected for the same dimensions as on the assets side. But in practice, it will not be possible to obtain information for some instruments by sector and country, as the reporting bank may not know, for example, the holder of traded debt securities it has issued. As a result, the proposal is to collect information for all financial instruments by currency and maturity, and to extend the reporting to include the country and sector of holder only for the instruments where this information is readily available from the reporting bank, such as deposits. While it is difficult for issuing G-SIBs to provide information on their securities issued broken down by counterparty country and sector holder, views would, nonetheless, be welcome on potential approaches to improve the collection of data on holdings of long-term securities issued by G-SIBs, for example from counterparties or through custodians, as currently adopted in some jurisdictions.

The preliminary proposal is to introduce the funding template in 2 stages. The first step is to introduce a limited reporting framework in line with the planned IBS enhancements by the end of 2013. As such data will already be reported by G-SIBs to national authorities to produce the enhanced IBS statistics, there will be little incremental cost at this stage over and above the IBS enhancements. The IBS data does not, however, contain sufficient detail for a thorough review of funding risks of the G-SIBs– in particular there is no information on maturity. The second step is consequently to introduce a more detailed template, tentatively by the end of 2014 (as set out in Table 4).

Data will be collected by principal amount and will be reported quarterly with a maximum 4 week delay, to allow data to be ready for use after 6 weeks.



	<b>Table 4. Funding dependencies on sectors and instruments (Final Phase)</b>
<b>Indicative timing:</b>	End 2014
<b>Dimensions:</b>	<ul style="list-style-type: none"> <li>• Instrument (7 to 12)</li> <li>• Currency (7)</li> <li>• Maturity (3-8)</li> <li>• [Sector (7-12)]<sup>39</sup></li> <li>• [Country ()]</li> </ul>
<b>Crossings of the raw data:</b>	<ul style="list-style-type: none"> <li>• In x Cu x Ma x [Se x Co]</li> </ul>
<b>Frequency:</b>	Quarterly
<b>Reporting lag:</b>	4 weeks
<b>Details of Breakdowns:</b>	<p><b>Instruments (7):</b> Deposits, Securities lending and repo, Short-term securities, Long-term securities, Shares and other equity, Total, memo: FX derivatives (net)</p> <p><b>Instruments (12):</b> Deposits, Securities lending and repo, Issuance of Debt Securities, Uncollateralised short-term securities (CDs, CPs), Collateralised short-term securities (ABCPs and others), Uncollateralised long-term securities, Collateralised long-term securities, ABS and covered bonds, Shares and other equity, Derivatives, Total, memo: FX derivatives (net)</p> <p><b>Currency:</b> USD, EUR, JPY, GBP, CHF, local currency (if different and for country only<sup>40</sup>), other</p> <p><b>Maturity (3):</b> less than 1 month, 1 month-1 year, over 1 year</p> <p><b>Maturity (8):</b> On demand, Overnight, Overnight to 1 month, 1-3 months, 3 months-1 year, 1-3 years, 3-10 years, over 10 years</p> <p><b>Sectors (7-where available for some instruments):</b> Banks, MMFs, Insurance comp. and pension funds, Other NBFIs, NFCs, HH, General government and Central banks</p> <p><b>Sectors (12-where available for some instruments):</b> Banks, MMFs, CCPs, Insurance comp., Pension funds, Hedge Funds, SPVs, Mutual Funds, other NBFIs, NFCs, HHs, General government and Central banks</p>
<b>Metrics:</b>	Principal amounts

***Q20: Institution-to-aggregate funding data: What are your views on the proposal to collect detailed information on the liability structures of G-SIBs according to the above template? What do you see as the main costs and benefits of collecting such data? Would the costs and benefits be altered significantly by an alternative scope or timetable, and if so please explain why?***

***Please provide comments on the following detailed aspects of the proposal:***

***Q21. Financial instruments: Two alternative classifications for the breakdown of financial instruments are set out in Table 4 (the second providing information on whether instruments are collateralised or not). What would be the difference between these alternatives in terms of the costs of data collection? In addition to your comments please use as befits the 1-5 cost grading scale to differentiate between the alternatives.***

<sup>39</sup> Data are not readily available for the holders of individual long-run traded debt instruments. The sectoral and country disaggregation will inevitably be partial as a result.

<sup>40</sup> Local currency can only be separately identified from “other” in the cases where a country breakdown is provided. In other cases the two will be amalgamated.

**Q22. Residual maturity:** *A range of options for the classification of the residual maturities of liabilities is under consideration, with two alternatives set out in Table 4. On a 1-5 scale how costly is collecting data according to 8 categories rather than 3?*

**Q23. Sector:** *For the cases where the sector of holder can be readily determined, such as deposits, on a 1-5 scale how difficult is collecting a more granular sectoral breakdown of liability holders (ranging between a 7 way and a 12 way classification)? How powerful are the arguments for a consistent approach to the sectoral classification on the asset and liabilities side?*

**Q24. Crossings and aggregation:** *The proposal is to collect the data according to a minimum 3 way categorisation (instrument, currency, maturity) for all financial instruments, expanded to a 5 way breakdown for the subset of instruments where this is available. What would be your views on the costs of including a country and a sector breakdown for selected financial instruments, such as deposits? What would be the best approach to collecting data from holders of long-term securities issued by G-SIBs? In addition to your comments please use as befits the cost grading scale to differentiate between the alternatives.*

**Q25. Reporting lag:** *Is the proposed reporting lag of 4 weeks feasible for all banks? Would the costs and benefits be altered significantly by an alternative lag, and if so please explain why?*

### **Structural and systemic importance data**

In addition to the I-I and I-A datasets, predefined structural data and indicators of systemic importance are sought to provide information on the G-SIBs' provision of key financial services and to support recovery and resolution planning. As noted earlier in section 2.2, this covers 3 types of information:

- *Provision of key financial services and indicators of systemic importance*
- *Key Resilience indicators*
- *Group structure*

The information on the key structural characteristics of G-SIBs (for example on key balance sheet characteristics, on the provision of core financial services and their involvement in major financial markets and infrastructures) is required to help normalise the assessment of systemic importance by the FSB, BCBS and national standard setters<sup>41</sup>. For completeness, the proposed dataset consequently includes the indicators under development by the BCBS for that purpose<sup>42</sup>. Any future development in the BCBS methodology will be incorporated in the template at the time.

Such data will also be useful for supervisors and analysts assessing interlinkages and common exposures of the large global banks. Although the bulk of the data for this exercise will be supplied by the major banks, some information will be drawn from other sources, such as

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<sup>41</sup> See: 'Reducing the moral hazard posed by systemically important financial institutions', FSB October 2010.

<sup>42</sup> 'Global systemically important banks: Assessment methodology and the additional loss absorbency requirement', BCBS Consultation paper July 2011. The BCBS is continuing to work on refining the data.

infrastructure suppliers. Detailed guidelines on data sources are being drawn up by the Basel Committee as part of the implementation process, which will also include work to improve data quality. Although the Basel Committee will be collecting data for assessing systemic importance on an annual cycle, some of the data are available to supervisors on a quarterly frequency, and there may be value to prudential authorities in collecting such data on a consistent basis across G-SIBs, providing that the costs of supplying such data are low.

The additional components of structural data which fall under the headings of i) resilience and performance data that would ideally be collected quarterly to guide assessment of systemic importance, and ii) information on group structure and activities that would ideally be valuable on an annual frequency to aid interpretation of business models (see Annex 4).

G-SIBs will also be asked separately by the authorities to provide data for the development of recovery and resolution plans which are mandatory for all globally systemic institutions<sup>43</sup>. Such information is, however, beyond the scope of the current exercise.

***Q26 Structural data: Do you have any views on the proposal to collect consistent data on the key structural characteristics of G-SIBs? What are the marginal costs of providing the 3 types of data outlined in Annex 4 on a scale of 1-5? Are there any elements which are particularly costly and if so please explain why? What would be the incremental costs of supplying data on key resilience indicators on a quarterly rather than an annual basis?***

### **Passive data**

When there are concerns regarding a build-up of risk, authorities may require more granular or frequent data to be able to better assess the risks and exposures of G-SIBs. Rather than requiring such data to be produced on a regular ‘active basis’, there may be some gains in terms of lower data compilation, cleaning and checking costs, from agreeing in advance with the reporting institutions that some such requests would only be required ‘passively’, i.e. when the authorities judge that the additional data are needed, subject to a pre-agreed notice period, provisionally set at 5 days. Passive data requirements would need to be specified as clearly as possible in advance so that reporting banks could plan to accommodate them and undertake the necessary investments. Considering that such processes would impose investment costs, such requests require a strong justification. In addition, limits need to be set on such requests, and the terms need to be agreed in advance.

Views are sought from respondents on the costs and benefits of different categories of potential types of passive data. In particular, feedback is sought on the following categories:

- *Increased frequency of reporting.* For example, the baseline assumption is that data on an I-A basis would normally be collected on a quarterly frequency, although in times of stress, G-SIBs could be asked to produce the data on a monthly frequency. Relatedly, supervisors may ask reporting banks to increase the frequency of I-I data in periods of market turbulence.

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<sup>43</sup> See: “Effective resolution of systemically important financial institutions: recommendations and timelines” FSB consultation document, July 2011.

- *Increased number of counterparties.* Again in times of stress, the authorities may seek information on bilateral exposures to a wider group of counterparties or to a specific named counterparty.
- *Additional granularity:* In some cases, the authorities might seek an increased granularity of a particular component or an alternative breakdown of a particular dataset according to a predefined and pre-agreed template. Views from respondents are welcomed on the potential costs and benefits of seeking such data ‘passively’ rather than on a regular ‘active’ basis.

***Question 27: Passive data: What are your views on the potential cost savings of ‘passive’ reporting of specific, predefined data compared to ‘active’ routine reporting? To guide a fuller cost-benefit assessment, and grouping together questions addressed above, what would be the incremental costs of providing sufficient system flexibility to meet the following ‘passive’ data requests on a scale of 1-5:***

- ***A: Higher frequency: The costs and benefits of higher frequency reporting are covered by questions [Q3/Q11/Q17/Q20 above]***
- ***B: Change in counterparties: The costs and benefits of reporting additional counterparties are addressed by questions [Q2/Q13/Q23/Q24 ] above.***
- ***C: Additional granularity: What are your views on the possibility of supplying more granular data in the event of a passive data request? How do the costs of setting up systems with the capability to report additional granularity compare to the regular reporting costs?***

### **Ad-hoc data**

It is not possible to spell out all potential data requests in advance. As financial markets adapt and risks mutate, the authorities will from time to time seek additional information from the major financial institutions on an ‘ad hoc’ basis. On occasions where concerns are common, there may be considerable merit in seeking additional information on an emerging risk from all large banks. A common procedure for the collection and sharing of additional ‘ad hoc’ data on a consistent basis across the G-SIBs is described in Annex 6.

Reporting banks would be encouraged to set up their IT infrastructures and data architecture in a sufficiently flexible manner to be able to respond to a range of ad hoc requests at relatively short notice.<sup>44</sup> It is proposed to carry out regular checks of procedures and systems to collect and share such data, at least once a year. The authorities would also undertake ex post reviews of any ad hoc data collection exercises to identify potential deficiencies that should be remedied. While the complexity of banks’ IT systems and data infrastructure is specific to each institution’s business, it is the banks’ responsibility to ensure that their core IT system is sound in regards to its ability to retrieve and process any relevant information in

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<sup>44</sup> A pre-agreed timetable would be set in advance for each ad-hoc request (such timetables would vary depending on the complexity of the request). Banks would be expected to have sufficiently flexible systems to meet the timetable. In exceptional circumstances, it may prove necessary to short circuit some elements of the procedure, given a premium on receiving responses very quickly.

a quick and efficient manner. Such flexibility could be obtained for example by organising the interconnectedness of data sources, the setting of data cubes or the use of a data warehouse with flexible query tools that enable the bank to be able to splice and dice the data according to multiple predefined dimensions.

In any case, ad-hoc requests could involve either data already collected by banks' internal procedures in a format close or easily adaptable to the needed template or information that, while available in raw form in the bank's front or back office systems, has never been extracted and aggregated for risk management purposes.

The common procedure would thus aim at identifying the available dimensions of the bank's data model according to which data could be crossed or broken down further, while not initially needing to be reported on a regular basis. This view of the bank's system capabilities would provide the authorities with a flexible approach to quickly and efficiently design ad hoc requests that can be readily adapted to meet simple requests, such as seeking additional information on the detailed exposures of a particular institution within a supervisory college or information across a range of institutions within a national jurisdiction. To avoid multiple ad-hoc requests to the same institutions and to ensure a broader consistency of approach, suggestions for international collection of additional information across all G-SIBs would consequently be reviewed by the FSB before proceeding.

***Question 28. Ad-hoc data: What are your views on the pre-agreed procedure set out in Annex 6 which aims at facilitating the production of reasonable ad hoc requests consistent with banks' IT systems capabilities ? Using a scale 1-5, what would be your views on the setting-up or upgrading cost of such a flexible system?***

### **Access and confidentiality issues: Improving the sharing of information**

As highlighted above, one key objective of the new data template is to support the development of a much stronger system-wide or macroprudential oversight of the domestic and global financial system. In parallel, institutional arrangements are being strengthened through the creation of new macroprudential authorities and institutional frameworks. As current legal frameworks governing the collection and sharing of data among different authorities have not in many cases been adapted to the development of the new institutional arrangements, an important element of the implementation work will be to ensure that this adaptation takes place, while recognising the need to put in place necessary safeguards to protect the security of confidential data. A key component of this work is to enhance the effectiveness of cross-border supervision by strengthening information sharing among supervisory colleges.

In addressing the data sharing issues, three objectives need to be balanced and reconciled:

- To ensure that the right data are collected efficiently to support improved risk assessment and policy responses;
- To ensure that authorities have access to the right data to fulfil the responsibilities under their mandate;

- To ensure that sensitive data are accorded the highest protection, and that national laws governing the collection, access to, and use of such data are respected.

A workstream of users and legal experts has commenced the preparatory work to translate these objectives into the necessary legal and governance arrangements for the new data template. This group will make recommendations on key issues such as:

- The legal arrangements governing the data collection, sharing and use of information;
- Arrangements governing the confidentiality and protection of sensitive data;
- Protocols governing the operation of the proposed central data hub, described below.

The workstream will also review whether any changes or updates to national legal frameworks are necessary to implement the recommendations.

The following high level principles have been drawn up to guide this work:

- Supervisory, commercially and market sensitive data should be accorded the highest protection;
- All staff with access to commercially sensitive data must abide by strict confidentiality guidelines and legal and/or contractual obligations governing their access, as well as strict protocols governing the use of such data;
- Access should be conditioned and proportionate to the mandate of respective parties;
- Relevant information should be available to national authorities and international agencies to enable them to fulfil their mandates effectively, subject to strict confidentiality arrangements;
- Management of, and access to, the proposed data should be efficient, subject to the agreed strict confidentiality, access, and use protocols;
- Additional, standardised, non-confidential data on major global financial institutions should be disclosed to aid market functioning;
- Systems should be in place to detect breaches of confidentiality, and severe penalties should be in place for any breaches of confidentiality;
- National laws and international agreements on the collection and sharing of information must be respected by all parties. Changes in legal frameworks may be needed in some cases to support the delivery of the other principles set out above.

***Question 29: Data sharing and access principles: What are your views on the principles set out above to guide the development of the governance arrangement for the new dataset? Do you have any observations on the legal arrangements needed to underpin the collection, sharing and use of the new dataset? Do you have any comments on the proposals to share additional information between regulators, macroprudential authorities and international financial institutions, subject to necessary safeguards to ensure confidentiality and governing the use of such data being put in place?***

## **Disclosure and publication of additional data**

One of the important principles set out above relates to enhanced disclosure of non-confidential data from the new template. In line with the recent FSB review of risk disclosures<sup>45</sup>, increased availability of consistent information on G-SIBs would be a valuable tool to strengthen market discipline. For example, the joint FSB/IMF report to the G20 on the Financial Crisis and Information Gaps referred to earlier noted that:

‘To complement this work [on recommendations 8 and 9], public disclosure could be strengthened, accompanied by strengthening consistency in financial accounting standards and moves toward more standardized reporting among G-20 countries’.

The level of granularity of additional disclosure would need to take into account the importance of safeguarding commercially sensitive information. National frameworks for data collection by supervisors are often written on the premise that all data collected under the framework are accorded very strict supervisory privilege. But it is also the case that some such data are routinely disclosed to the market in banks’ regular published accounts and under Basel II Pillar 3 disclosure requirements and market releases. It is therefore clear that not all institution-to-aggregate data collected by supervisors are prudentially sensitive<sup>46</sup>. And encouraging the publication of additional information of this type on a standardised basis would be a very helpful step to enhance market functioning<sup>47</sup>.

The FSB intends to propose, in close consultation with the IMF, to convene a small group to prepare recommendations addressing which standardized information from the template should be disclosed (or published) within one year of the launch of the common template.

***Question 30: Public disclosure: What are your views on the disclosure of additional standardised information on exposures and funding dependencies of G-SIBs to aggregate types?***

## **Storage and management of the new dataset**

A central hub for the storage and management of the proposed standardised datasets offers clear potential benefits in terms of efficiency and organisation (see chart 2 for an illustration of how a data hub could be organised). Storing the information in a standardised form in one location will help promote and deliver the shared objectives underpinning the data collection, of producing aggregate assessments of common exposures and risk concentrations, and of the risks to the financial network through interconnections.

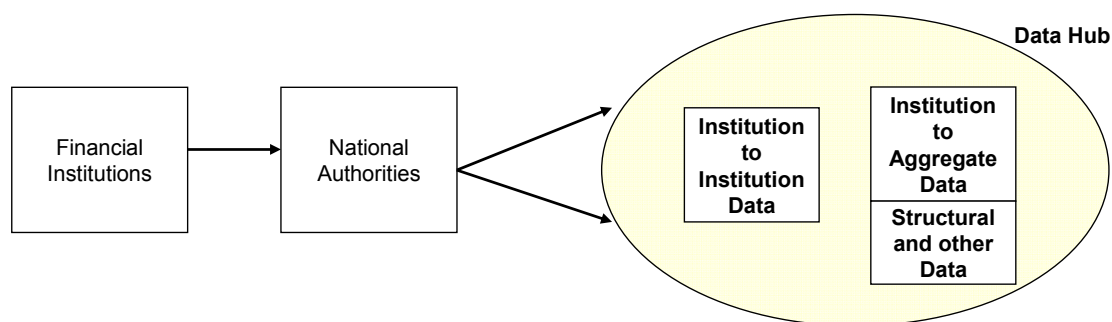
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<sup>45</sup> ‘Thematic Review on Risk Disclosure Practices’, FSB, March 2011.

<sup>46</sup> Institution to institution data are assumed to be commercially sensitive and would be protected accordingly.

<sup>47</sup> For example, the recently issued BCBS Consultation paper on ‘Global systemically important banks: Assessment methodology and the additional loss absorbency requirement’ highlights that banks should disclose the relevant data underpinning the framework that guides the assessment of systemic importance. The Basel Committee will provide reporting guidance.

**Chart 2: Possible organisation of a data hub**



The key role of the management of the hub would be to ensure that the data are collected by the national authorities regularly to timetable (the proposed arrangement under review would be similar to the BIS International Banking Statistics whereby the raw data are collected by the national authorities and are then – after quality and consistency checks – transmitted to a central hub hosted by the BIS), are stored on a consistent basis that aids suitable aggregation and analysis, and are managed according to centrally agreed protocols and legal arrangements governing access and confidentiality. Beyond this role, the data hub would have a central role in running data quality and consistency checks, in liaison with the national authorities.

Subject to the drawing up and implementation of appropriate governance and legal arrangements, the set-up and storage of the proposed data template into a central hub could be entrusted to the BIS, which could provide the technical facilities. The governance arrangements will also address the future management of the new template, for example, in terms of proposals for any amendments and enhancements in the light of experience.

**Next Steps:** The working group set up to oversee the production of the new data template will review the responses to the consultation. The FSB will then decide on the final form of the new data template, drawing on information from the consultation as well as judgements on the potential costs and benefits of alternative options. The decision on the final form of the template will be communicated. The working group will then draw up a compilation guide for the new template that provides clear advice and guidelines on the definitions, timelines and approach to be adopted. Further consultation will be undertaken on these issues. In parallel, the working group will undertake the necessary work to create a robust governance framework for the new dataset which addresses the legal issues that need to be resolved.

**Question 31: Additional comments: Please supply any additional comments on any aspect of the project?**



## Annex 1: Illustrative Data Template

	<b>Institution to Institution (I to I)</b>		<b>Institution to Aggregate (I to A)</b>	
	<b>Credit Exposures to other Individual Institutions</b>	<b>Funding Dependencies on other individual Institutions</b>	<b>Credit Exposures to countries, sectors and markets</b>	<b>Funding Dependencies on sectors and instruments</b>
<b>Counterparty</b>	Top 50 individual counterparties	Top 50 individual funding providers		
<b>Crossings</b>	1 way	2 way	5 way (Variant: 2X3way)	5 way (1)
<b>Breakdowns</b>	In	InXMa	CoXSeXInXCuXMa (Variant: CoXSeXIn and InXCuXMa)	InXCuXMa[XSeXCo]
<b>Metrics</b>	Principal amounts	Principal amounts	Principal amounts	Principal amounts
	Gross MtM exposures (2)		Gross MtM exposures (2)	
	Collateral		Collateral	
	Net MtM exposures (2)		Net MtM exposures (2)	
	Potential Future Exposure (PFE)			
<b>Frequency (3)</b>	Weekly (or Monthly)	Weekly (or Monthly)	Quarterly	Quarterly
<b>Structural Data and Indicators of Systemic Importance</b>				
<b>Passive and Ad-Hoc Data</b>				

Co: Country, Se: Sector, In: Instrument, Cu: Currency, Ma: Maturity

(1) A 5-way split will only be possible in some cases as data are not readily available for the ultimate holders of long-dated debt instruments.

(2) Gross MTM is after legally enforceable netting; Net MTM = Gross MTM - credit hedges - collateral held + excess collateral posted

(3) Higher reporting frequency could be introduced under conditions of incipient systemic stress.

## Annex 2. Details of Institution to Aggregate Data

INSTITUTION TO AGGREGATE DATA (EXPOSURES)			
	PHASE 1	PHASE 2	PHASE 3
	<b>Disaggregated consolidated IBS statistics</b>	<b>Simple 4 way breakdown which may be obtained from banks' reporting underpinning the enhanced BIS/IBS statistics.</b>	<b>Increase in the granularity of instruments and sectors beyond the BIS/IBS level and introduce a maturity breakdown.</b>
<b>Indicative timing:</b>	End 2012	End 2013	End 2014
<b>Dimensions:</b>	<ul style="list-style-type: none"> <li>• Country ()</li> <li>• Sector (4)</li> </ul>	<ul style="list-style-type: none"> <li>• Country ()</li> <li>• Sector (4)</li> <li>• Instrument (3)</li> <li>• Currency (7)</li> </ul>	<ul style="list-style-type: none"> <li>• Country ()</li> <li>• Sector (7 to 12)</li> <li>• Instrument (8 to 10)</li> <li>• Currency (7)</li> <li>• Maturity (3 to 5)</li> </ul>
<b>Illustrative Crossings for Consultation:</b>	<ul style="list-style-type: none"> <li>• Co x Se</li> </ul>	<ul style="list-style-type: none"> <li>• Co x Se x In x Cu</li> <li>• Co x Se x In AND In x Cu</li> </ul>	<ul style="list-style-type: none"> <li>• Co x Se x In x Cu x Ma</li> <li>• Co x Se x In AND In x Cu x Ma</li> </ul>
<b>Frequency:</b>	Quarterly	Quarterly	Quarterly
<b>Details of Breakdowns:</b>	<p><b>Sectors:</b> Banks, Non-banks, Public, Unallocated</p> <p><b>Countries:</b> level 1</p>	<p><b>Sectors:</b> Banks, NBFIs, NFCs and households, Government</p> <p><b>Instruments:</b> loans/deposits, securities, other</p> <p><b>Currency:</b> USD, EUR, JPY, GBP,CHF, local currency (if different), other</p> <p><b>Countries:</b> level 1 and level 2</p>	<p><b>Sectors (7):</b> Banks, MMFs, Insurance comp. and pension funds, Other NBFIs, NFCs, HHs, General government and Central banks</p> <p><b>Sectors (12):</b> Banks, MMFs, CCPs, Insurance comp., Pension funds, Hedge Funds, SPVs, Mutual Funds, other NBFIs, NFCs, HHs, General government and Central banks</p> <p><b>Instruments (8):</b> Real estate loans, Other loans, Collateralised securities, Uncollateralised securities, Shares and other equity, Derivatives exposures, Contingent credit lines and guarantees, Total</p> <p><b>Instruments (10):</b> Real estate loans, Other lending, Securities lending and repo, Short-term securities, Collateralised long-term securities: ABS and covered bonds, Uncollateralised long-term securities, Shares and other equity, Derivatives exposures, Contingent credit lines and guarantees, Total</p> <p><b>Maturity (3):</b> less than 1 month, 1 month-1 year, over 1 year</p> <p><b>Maturity (5):</b> on demand, overnight to 1 month, 1-3 months, 3 months-1 year, over 1 year</p> <p><b>Currency:</b> USD, EUR, JPY, GBP, CHF, local currency (if different), other</p> <p><b>Countries:</b> Level 1: For Level 2 countries, a maturity breakdown would be added to the Phase 2 reporting dimensions (See Table 3B).</p>
<b>Metrics:</b>	Principal amounts, gross MtM <sup>48</sup> exposures, collateral, net MtM exposures	Principal amounts, gross MtM exposures, collateral, net MtM exposures	Principal amounts, gross MtM exposures, collateral, net MtM exposures

<sup>48</sup> Gross MtM is after legally enforceable netting. Net MtM=Gross MtM – credit hedges –collateral held +excess collateral posted.

INSTITUTION TO AGGREGATE DATA (FUNDING)			
	PHASE 1	PHASE 2	PHASE 3
	No reporting of funding data is proposed at this phase	Simple breakdown derived from reporting underpinning the enhanced BIS/IBS statistics	Detailed information on funding provided by key instruments, key sectors, combined with information on currency and maturity structures.
<b>Indicative timing:</b>		End 2013	End 2014
<b>Dimensions:</b>		<ul style="list-style-type: none"> <li>• Instrument (3)</li> <li>• Currency (7)</li> <li>• Sector (2)</li> <li>• Country (1)</li> </ul>	<ul style="list-style-type: none"> <li>• Instrument (7 to 12)</li> <li>• Currency (7)</li> <li>• Maturity (3 to 8)</li> <li>• [Sector (7 to 12)]<sup>49</sup></li> <li>• [Country (1)]</li> </ul>
<b>Illustrative Crossings for Consultation:</b>		• In x Cu x Se x Co	• In x Cu x Ma x [Se x Co]
<b>Frequency:</b>		Quarterly	Quarterly
<b>Details of Breakdowns:</b>		<p><b>Instruments:</b> loans/deposits, securities, other</p> <p><b>Currency:</b> USD, EUR, JPY, GBP, CHF, local currency (if different and for country only<sup>50</sup>), other</p> <p><b>Sectors:</b> Banks, Non-banks</p>	<p><b>Instruments (7):</b> Deposits, Securities lending and repo, Short-term securities, Long-term securities, Shares and other equity, Total, Memo: FX derivatives (net)</p> <p><b>Instruments (12):</b> Deposits, Securities lending and repo, Issuance of Debt Securities, Uncollateralised short-term securities (CDs, CPs), Collateralised short-term securities (ABCPs and others), Uncollateralised long-term securities, Collateralised long-term securities, ABS and covered bonds, Shares and other equity, Derivatives, Total, memo: FX derivatives (net)</p> <p><b>Currency:</b> USD, EUR, JPY, GBP, CHF, local currency (if different and for country only<sup>33</sup>), other</p> <p><b>Maturity (3):</b> less than 1 month, 1 month-1 year, over 1 year</p> <p><b>Maturity (8):</b> On demand, Overnight, Overnight to 1 month, 1-3 months, 3 months-1 year, 1-3 years, 3-10 years, over 10 years</p> <p><b>Sectors (7-where available for some instruments):</b> Banks, MMFs, Insurance comp. and pension funds, Other NBFIs, NFCs, HH, General government and Central banks</p> <p><b>Sectors (12-where available for some instruments):</b> Banks, MMFs, CCPs, Insurance comp., Pension funds, Hedge Funds, SPVs, Mutual Funds, other NBFIs, NFCs, HHs, General government and Central banks</p>
<b>Metrics:</b>		Principal amounts	Principal amounts

<sup>49</sup> Data are not readily available for the holders of individual long-run traded debt instruments. The sectoral and country disaggregation will inevitably be partial as a result.

<sup>50</sup> Local currency can only be separately identified from “other” in the cases where a country breakdown is provided. In other cases the two will be amalgamated.

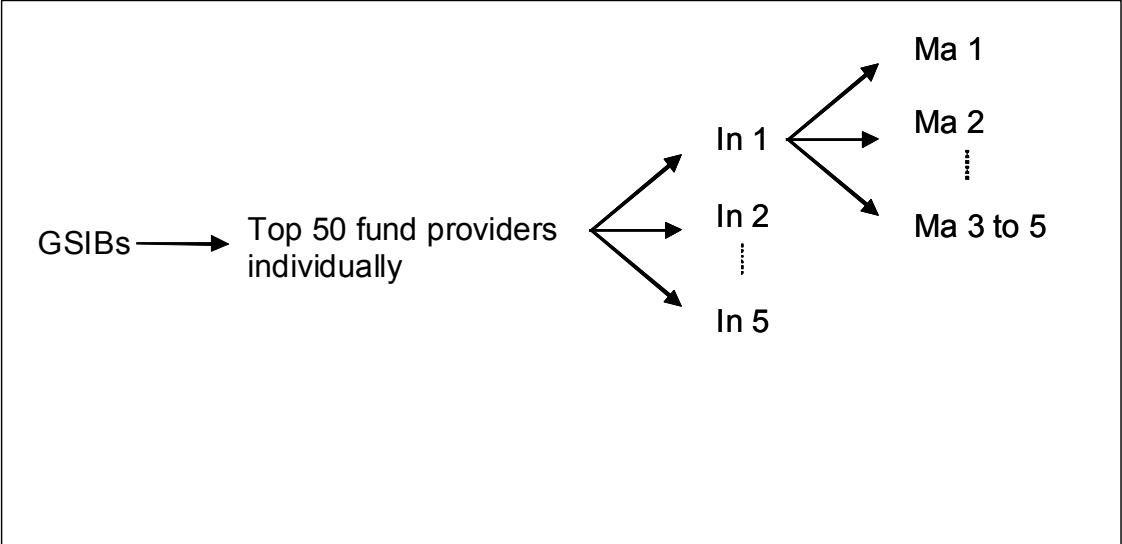
**Annex 3: Illustration of the Data Items**

**Institution to Institution**

**Counterparty credit exposures**



**Funding dependencies**

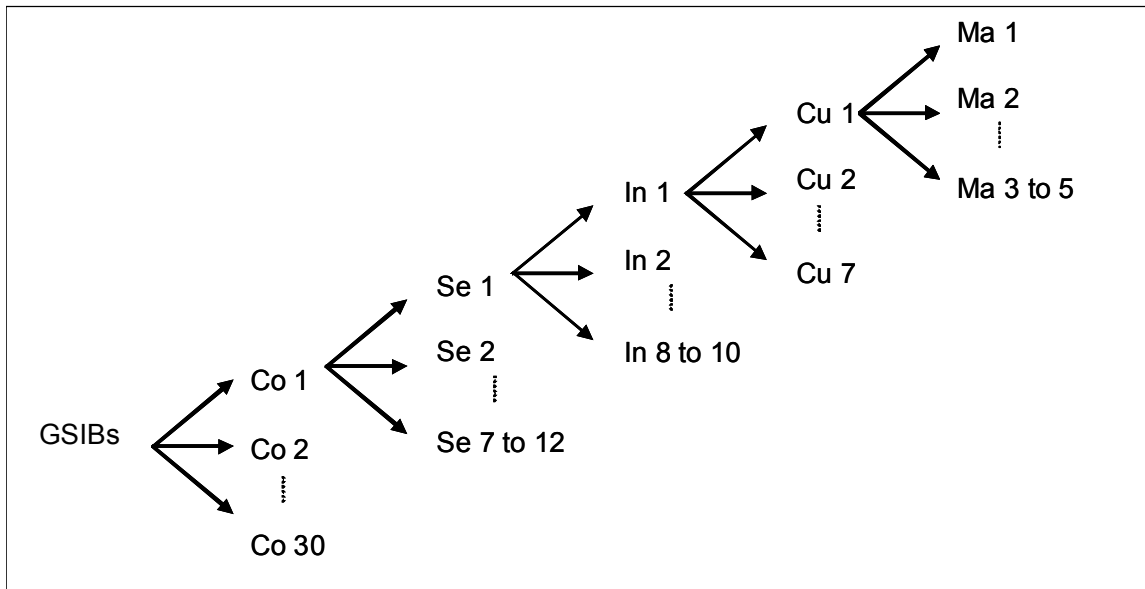


## Institution to Aggregate

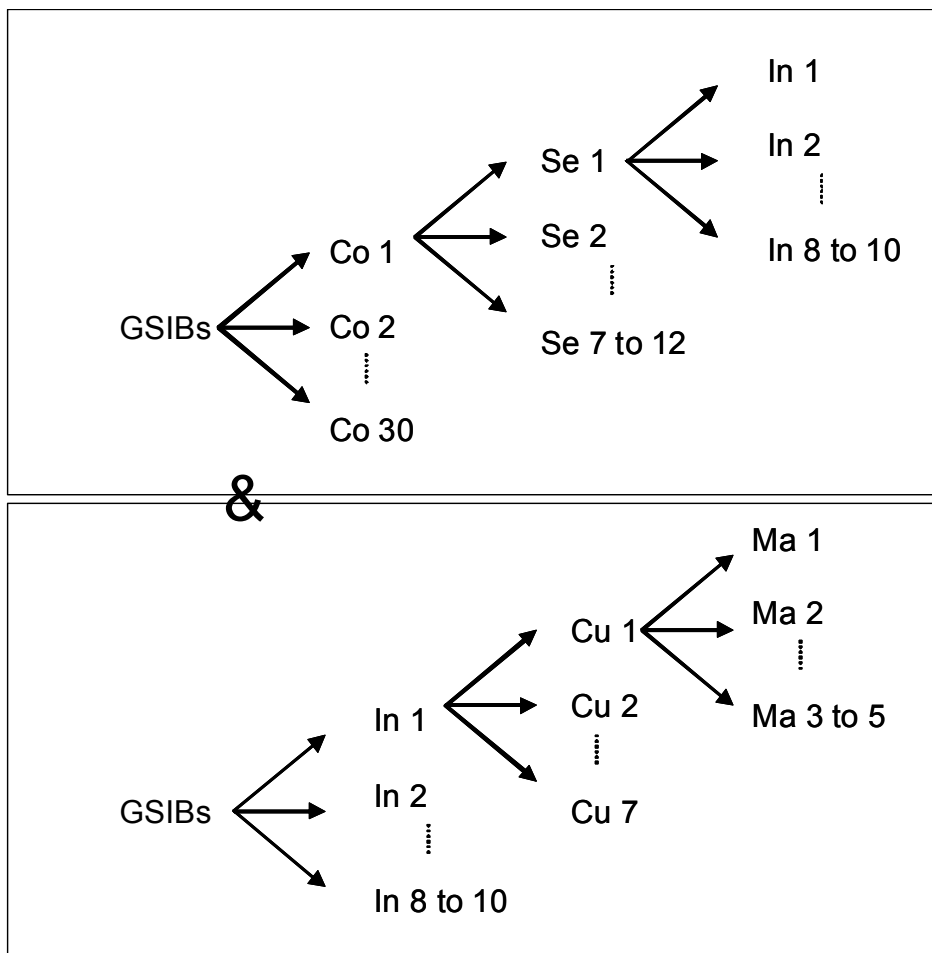
### Credit Exposures (final stage)

#### Level 1 Countries

- 5 way crossings

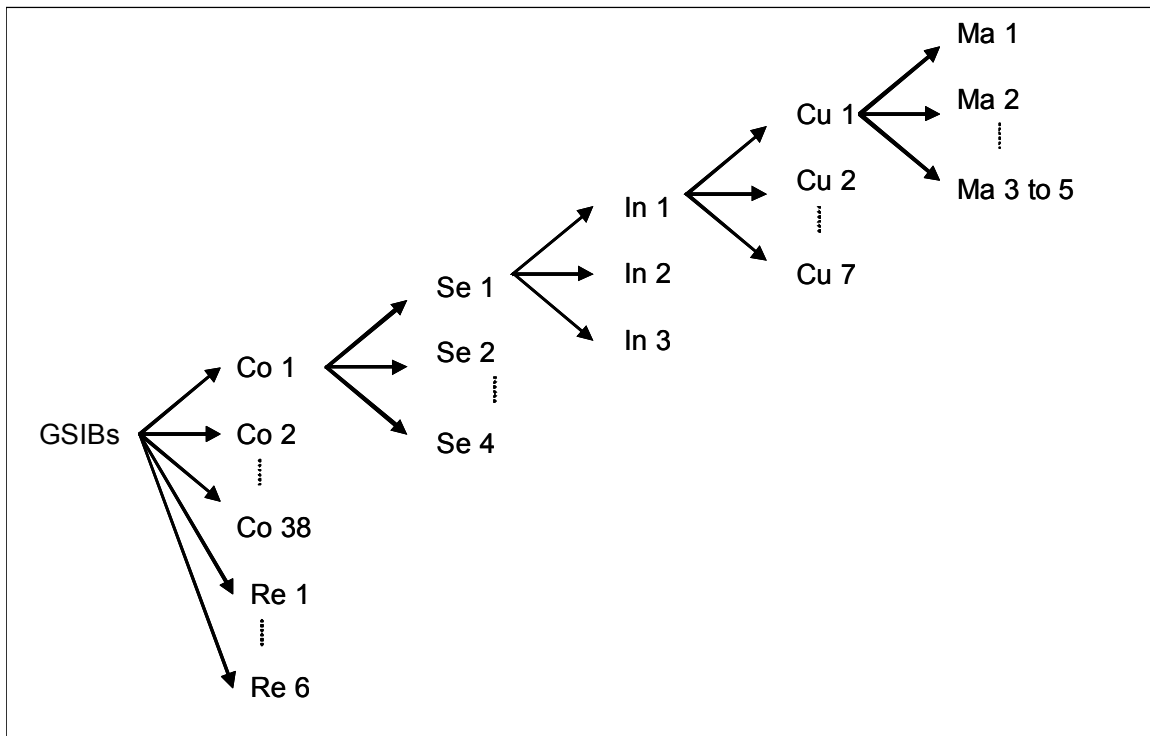


- *Variant: Two 3 way crossings*

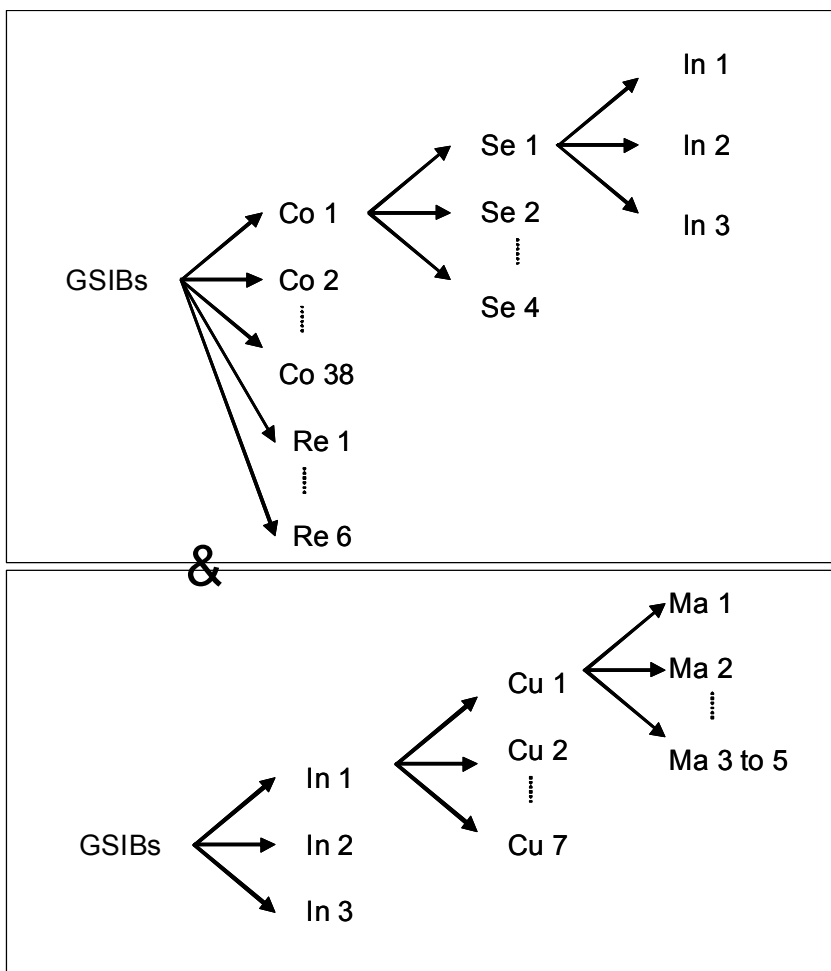


Level 2 Countries

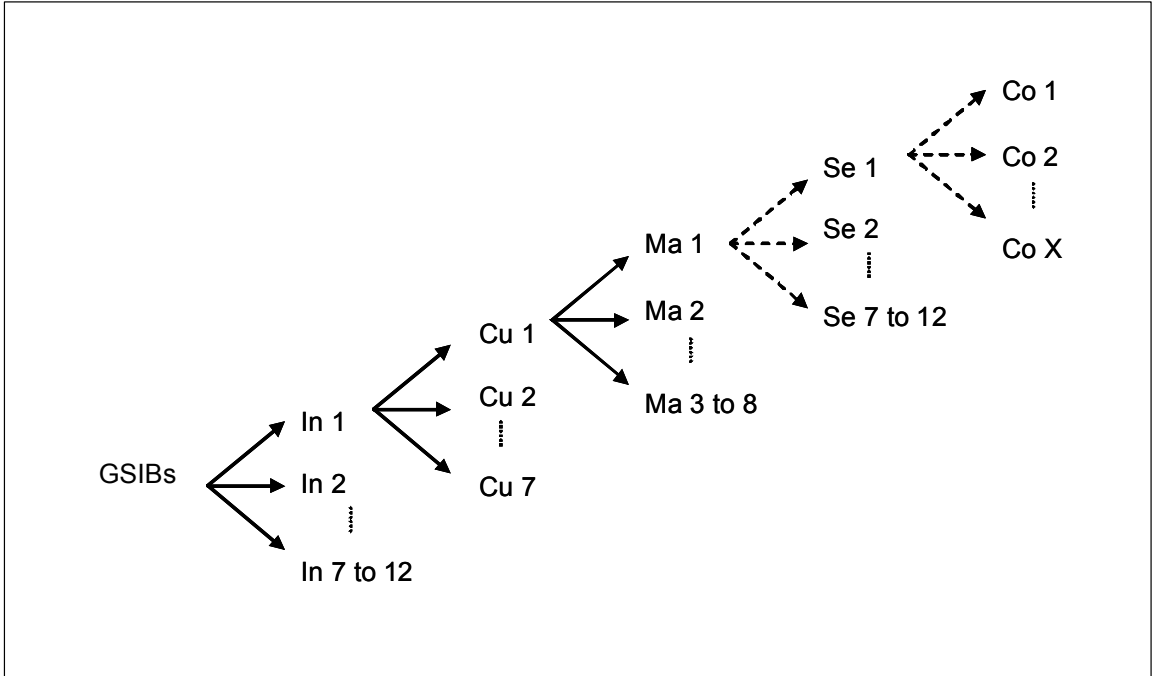
- 5 way crossings



- *Variant: Two 3 way crossings*



**Funding Dependencies (final stage)**



## Annex 4: Structural and Systemic Importance Data

Structural and Systemic Importance Data				
1) Information Regarding the Assessment of Systemic Importance <sup>1</sup>				
		Breakdowns	Metrics	Frequency
1	Operations <sup>2</sup> in large markets, systems and services: <ul style="list-style-type: none"> <li>· large value payment systems</li> <li>· securities settlement systems</li> <li>· CLS systems</li> <li>· correspondent custody and clearing services</li> <li>· underwriting services</li> <li>· market making and including commodities and derivatives markets</li> </ul>	by system	Volume and % of operations	Yearly (update in case of major mergers and reorganizations)
2	Holdings of financial securities in trading book or available for sale securities <sup>2</sup>		principal amounts/MtM exposures/collateral	Yearly/Quarterly
3	Level 3 Assets <sup>4</sup>		principal amounts	Yearly/Quarterly
4	Gross or Net Revenue <sup>3</sup> <ul style="list-style-type: none"> <li>-Domestic revenue</li> <li>-Non-domestic revenue</li> </ul>		principal amounts	Yearly/Quarterly
5	OTC derivatives		notional amounts/MtM values	Yearly/Quarterly
6	Equity market capitalisation <sup>3</sup>		principal amounts	Yearly/Quarterly
2) Key resilience indicators				
7	<ul style="list-style-type: none"> <li>· Income</li> <li>· Distributions</li> <li>· Non Performing Loans</li> <li>· Risk weighted Assets</li> <li>· Tier1 Capital</li> </ul>		principal amounts	Yearly/Quarterly



<b>3) Information Regarding Banking Group Structure</b>				
<b>8</b>	Intragroup inter-linkages (core business operations and interconnectedness)	by business and by legal entity/jurisdiction	Intragroup exposures Guarantees/loans Other dependencies	Yearly
<b>9</b>	Group structure 1. main entities connected with: · Funding · Liquidity management · Market making · Payment systems 2. entities inside Banking Group involved in securitizations and other structured finance operations (SIVs, etc.)	by legal entity/jurisdiction	Total assets/total income	Yearly (update in case of major mergers and reorganizations)
<b>10</b>	Non Bank Group structure 1. main entities connected with: · Insurance · Asset Management and custody · IT systems · Risk management and auditing 2. Non Banks entities involved in securitizations and other structured finance operations (SIVs, etc.) 3. Main technology service providers	by legal entity/jurisdiction	Total assets/total income	Yearly (update in case of major mergers and reorganizations)

<sup>1</sup> See 'Global systemically important banks: Assessment methodology and the additional loss absorbency requirement' Basel Committee on Banking Supervision: Consultation paper July 2011. Some indicators can be calculated from other data in the template.

<sup>2</sup> To calculate the shares of operations: numerator to be reported by the individual institutions; denominator by the relevant overseer authority.

<sup>3</sup> These data items are already being published.

<sup>4</sup> Level 3 assets are assets whose fair value cannot be determined using observable measures, such as market prices and models.

<sup>5</sup> See 'Effective resolution of systemically important financial institutions: recommendations and timelines' FSB: Consultation paper July 2011.

## Annex 5: The BIS International Banking Statistics

The BIS collects and disseminates two different sets of international banking data. The first set- the *locational* statistics -was originally introduced in 1964 to monitor the development of eurocurrency markets, although comprehensive data are only available from 1977. The second set- the *consolidated* statistics- was launched in 1983 following the onset of the Mexican debt crisis, with the main purpose to monitor industrial country banks' exposure to developing countries. For both sets, the data are based on information provided by banks to central banks which aggregate them and report them to the BIS. The basic characteristics of the two data sets are summarised in the table below.

Data characteristics	Locational	Consolidated
Creditor reporting basis	Residence (host country)	Nationality (home country)
Reporting countries	43	30
Frequency	Quarterly since 1977	Quarterly since March 2000 <sup>1</sup>
Publication lag	3.5 months (provisional data)	3.5 months (provisional data)
Reported data	External claims and liabilities	Worldwide consolidated claims
Inter-office netting-out	No	Yes
Type of counterparty	Immediate borrower	Immediate borrower and ultimate risk <sup>2</sup>
Composition of claims by:		
Country of borrower	Yes	Yes
Currency	Yes	No
Type of instrument	Yes (loans, deposits, securities)	No
Maturity	No	Yes
Sector	Yes (bank, non-banks <sup>3</sup> )	Yes (banks, non-banks, public <sup>4</sup> )

<sup>1</sup> Semiannual available since 1983. <sup>2</sup> To reflect the fact that risk exposures can differ substantially from the initial (contractual) claims due to the use of risk transfer instruments and risk mitigants, claims on an ultimate risk basis (ie contractual claims net of guarantees and collateral) have been reported to the BIS since June 1999. The distinction between immediate borrower and ultimate risk is only available in the consolidated statistics, not in the locational. A finer breakdown of claims on an ultimate risk basis, incorporating information about derivatives, credit commitments and guarantees, has been published since 2005 Q1. <sup>3</sup> In addition, the following sectoral splits are currently under discussion: general government and central banks taken together, non-bank financial institutions, corporates and households taken together. <sup>4</sup> General government and central banks taken together.

The locational reporting system collects quarterly data on the gross international financial claims and liabilities of banks resident in a given country. The main purpose is to provide information on the role of banks and financial centres in the intermediation of international capital flows. The key organisational criteria are the country of residence of the reporting banks and their counterparties as well as the recording of all positions on a gross basis, including those vis-à-vis own affiliates. This methodology is consistent with the principles underlying the compilation of national accounts, balance of payments and external debt statistics. Re-arranging the locational banking statistics by nationality of the head offices of

the reporting banks allows the calculation of individual banking systems' net long and short positions in various currencies (e.g. UK banks' aggregate net short or long USD position irrespective of their office locations).

That measure can be used as a proxy for potential funding stress affecting each banking system, which was one key manifestation of the recent financial crisis as financing became unavailable to fund cross-border USD positions. However, the sector and residence of the banks' counterparties are currently not available when the locational banking statistics are re-arranged in this way. In addition, the instrument breakdown is not available and the currency breakdown only partially available. Enhancements to the locational banking statistics are currently under discussion to redress these deficiencies and hence allow data users to monitor the transmission of funding shocks between countries and banking systems, office location by office location. Similarly, collecting reporting banks' domestic currency positions against residents of their respective reporting countries would enable users to calculate the size of reporting institutions' total balance sheets. That would provide a useful benchmark to compare the magnitude of their international positions.

The consolidated banking statistics report banks' on-balance sheet financial claims (ie contractual lending) vis-à-vis the rest of the world and provide a measure of the risk exposures of lenders' national banking systems. The data cover contractual (immediate borrower) and ultimate risk lending by the head office and all its branches and subsidiaries on a worldwide consolidated basis, net of inter-office accounts. Reporting of lending in this way allows the allocation of claims to the bank entity that would bear the losses should counterparties default. The consolidated statistics also provide some information on the maturity (ie liquidity) and distribution of banks' contractual lending across a limited number of sectors.

## Annex 6: A process for collecting Ad Hoc Data

Ad hoc data requests are a flexible tool to address information needs not covered by the regular reporting frameworks. A six step process is suggested, building on procedures developed by the ECB. However, in exceptional circumstances it may prove necessary to short circuit some elements of the procedure, given a premium on receiving responses very quickly.

- 1. Determination of the need for an ad hoc data request:** Following an initial assessment of the costs and benefits, the proponent should undertake preliminary analysis to verify that the data are not already available from any source. The scope of the request should be clearly defined and a deadline specified that should be motivated and reasonable. Whenever possible, all proposals requiring an international response should be shared in advance by the supervisory authorities and central banks involved.
- 2. Definition of a draft version of the template:** A team of experts with a good knowledge of regular data collection, systemic risk analysis and crisis management should prepare a draft version of the extended or new template for the ad hoc data request. The template will set out the required level of granularity and aggregation. Clear guidelines should be drafted, providing detailed definitions of the information to be collected, metrics and evaluation criteria to be adopted and the quality controls desired. Also, data security, communication and confidentiality arrangements should already be in place (or set out if not) and recalled in the guidelines, according to the classification of the required information. As usually responses to ad hoc requests will be provided “on a best efforts” basis, supervisors or central banks should monitor the quality of the responses to improve the comparability of the information.
- 3. Review of the template:** The draft version of the template is sent out to supervisory authorities and central banks involved for review and modification. Piloting the proposal with some large reporting intermediaries will help to validate whether the required data are likely to be available within the desired time frame.
- 4. Final version of the template:** The team of experts finalises the template based on the modifications requested under the previous step.
- 5. Data collection:** The ad hoc data collection is carried out according to the communication channels and confidentiality agreements specified in advance. Establishment of a centralised help desk and contact points in national authorities and reporting institutions will ensure that questions are resolved quickly. Using the regular reporting infrastructure would help to minimise the risk of errors, data leaks and delays, although in some cases ad hoc arrangements may be needed if the regular system is not sufficiently flexible.
- 6. Post mortem:** A post mortem should be undertaken to assess potential weak areas and future improvements. Any major inconsistencies in responses should be drawn to the attention of users. If repeating the exercise routinely is judged likely to improve knowledge of systemic risks, the regular “active” reporting framework could be revised to incorporate the ad hoc data.

To support this process, institutions’ internal IT infrastructures and data-warehouses must be sufficiently flexible to be able to respond to a wide range of ad hoc requests at short notice.

Supervisors should assess G-SIBs IT systems bearing this in mind. Periodic tests (e.g. simulation of ad hoc surveys, performed at a national level or in coordination with other national authorities and international institutions) are very useful to ensure that the financial institutions are able to provide data that are complete, relevant, and accurate, and where not, to introduce appropriate remedies and amendments in systems and procedures. Such simulations should also verify that reporting institutions can organize a “data task force” promptly to deal with such timely and sensitive data requests, led by a sufficiently high ranking person (e.g. CRO).