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Session 1: Rationale for the FSB Data Gaps Initiative

Background, Mandate and Objectives

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FSB Data Gaps Workshop – 2 May 2012

'Too Big to Fail' Problem

- Large systemically important institutions (SIFIs) contribute disproportionately to systemic risk, impose large rescue costs
- Crisis measures massively expanded moral hazard risk
- Address 'too big/complex/interconnected' to fail:
 - Regulation, Enhanced Supervision and Resolution of SIFIs
 - Robust market infrastructure (e.g. central clearing of derivatives)
 - Improved Information - Common Data Template

Data Gaps

- **G-SIFIs' key role in the global financial system requires much closer monitoring...**
- **What major gaps are we trying to fill?**
 - **Interconnections-understanding the financial network**
 - **Identifying risk concentrations and funding dependencies**
 - **Links to non-bank intermediaries (shadow banking)**
 - **Increased understanding of financial innovation and market complexity**
 - **Flexibility to analyze multiple dimensions of risk**

G-20 Mandate

- Common data template for G-SIFIs
 - Interconnectedness
 - Common Exposures
- Improving data sharing to strengthen supervision and macroprudential analysis

Specific Mandate

- **Recommendation 8:** *The FSB to investigate the possibility of improved collection and sharing of information on linkages between individual financial institutions, including through 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.*
- – *The Financial Crisis and Information Gaps, IMF/FSB Report to the G-20, November 2009*

Data Template G-SIBs

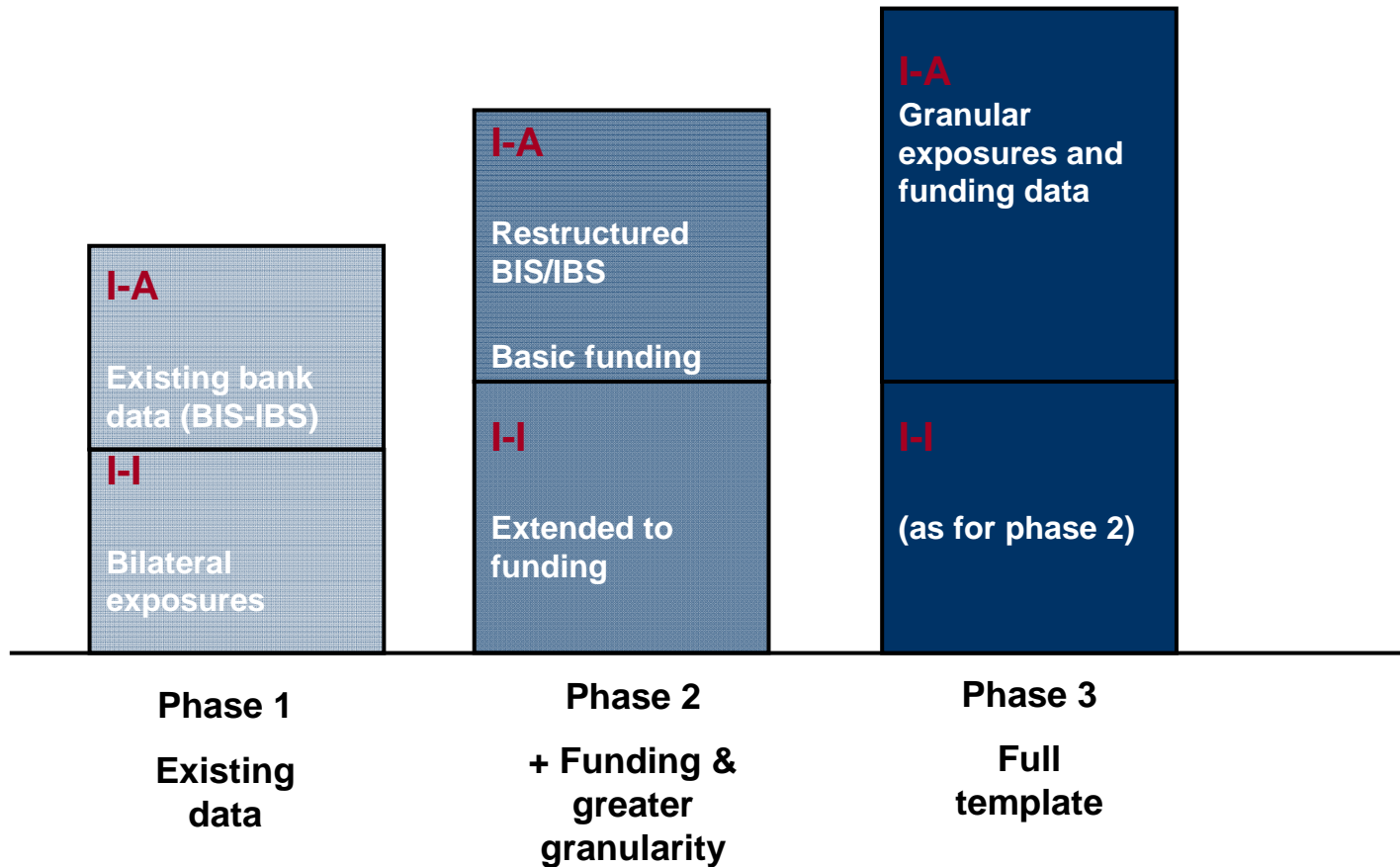
Institution-to-institution (I-I Data)	Institution-to-aggregate (I-A Data)
<ul style="list-style-type: none"> • Bilateral credit exposures & funding dependencies 	<ul style="list-style-type: none"> • Credit exposures & funding dependencies: countries, sectors and markets
<ul style="list-style-type: none"> • Network risks and resilience 	<ul style="list-style-type: none"> • Risk concentrations and vulnerabilities
<ul style="list-style-type: none"> • Monthly (national weekly option) 	<ul style="list-style-type: none"> • Quarterly

Data Template G-SIBs (contd)

- Structural and Systemic Importance Data (annually)

Information regarding systemic importance	Data used by BCBS for assessing G-SIBs
Information regarding Banking Group Structure	Business lines and contribution
Importance of Non-Bank activities	Group Perimeter

Incremental Approach to Data



Storage and Sharing of Information

- BIS as the hub to store and manage the dataset.
- **Principles of Confidentiality and Access**
 - authorities have access to the right data to fulfil the responsibilities under their mandate;
 - commercially sensitive data are accorded the highest protection, and national laws and legal frameworks are respected.
- May require changes in frameworks
- Incremental approach for sharing of data with relevant authorities
- Further work underway

Consultation Process

- Consultation paper in October 2011
- http://www.financialstabilityboard.org/publications/r_120328j.pdf
- 28 responses received from all GSIB jurisdictions – 11 from national and international industry associations, 14 from individual financial institutions, and 3 from other firms and private individuals.
- http://www.financialstabilityboard.org/publications/r_120328k.pdf

Initial Responses

- Industry agreement on need to fill data gaps
- Questions on:
 - Scope of the project
 - Overlap and consistency with other data collections
 - Implementation timeline
 - Technical issues on granularity of template
- Workshop with industry on 2 May 2012

Next Steps

- Balance costs against benefits to finalise the data template. Final recommendations by 2012 Q2
- Governance arrangements to permit improved data sharing.
- Approval of implementation of phase 1 as from March 2013.
- 2012-Compilation guide and refined templates, further work on governance
- Further decision point-end 2012 on implementation of later phases.