

FSB Data Gaps Workshop

Lessons Learned from the SSG Counterparty Data Collection Exercise

2 May 2012

Agenda

- Background of Counterparty Data Collection
- Scope of Counterparty Data Collection
- Credit Data Types Collected and Analyzed
- Counterparty Credit Network: Peer to Peer Exposures
- Current Reporting Publications
- Proposed Revisions to the Data Collection Process
- Ongoing Changes to Data Collection Processes
- Information Sharing Framework
- Questions?

Background of Counterparty Data Collection

- Crisis events during Fall 2008 highlighted the need to understand the interconnection of counterparty exposures among the large, globally active financial institutions
- Existing firm MIS reports did not provide the necessary insights to identify the breadth, nature, and size of important counterparty exposures
- Senior Supervisors Group (SSG) agreed to begin collecting counterparty-level credit data to identify those important counterparties, monitor their exposures, and analyze the interconnections among the reporting institutions
- Today, counterparty exposures are used to:
 - Measure and monitor significant financial institution exposures
 - Analyze credit network relationships among financial institutions

Scope of Counterparty Data Collection

- 19 Reporting Financial Institutions
 - All large, internationally active institutions supervised by members of the SSG
- Request for Top 20 Counterparties, by the following types
 - Banks & Broker-Dealers
 - Non-Bank Financial Companies
 - Corporate Entities
- Reporting Requirements for Firms
 - Daily submissions with a T+2 or better time lag (Nov 2008 – March 2011)
 - Weekly submissions with a T+3 or better time lag (Since April 2011)
 - Full aggregation and reporting of:
 - Global data
 - Consolidated entity-level exposures (aggregation across all connected entities for which the parent provides an explicit guarantee or implicit support for reputational or other reasons)
 - Updated and refreshed exposures for all names and data

Credit Data Types Collected and Analyzed

- OTC Derivatives
 - Gross MTM (after counterparty netting)
 - Collateral Held
 - Net MTM (includes excess collateral)
 - Credit Valuation Adjustment (CVA)
 - Potential Exposure (measure varies)
 - Trade Count
- Securities Lending
 - Current Exposure
 - Potential Exposure
- Repurchase Agreements
 - Current Exposure
 - Potential Exposure
- Lending
 - Unfunded and funded amounts
 - Identifies whether exposure is secured or unsecured
- Money Placements
 - Interbank lending
 - Deposits
 - Other short-term, unsecured placements
- Net Issuer Risk
 - Equity securities
 - Fixed income securities
 - Net CDS positions
- Credit Hedges

Counterparty Credit Network: Peer to Peer Exposures

- All values represent potential losses (PL)*
- 'Credit Provided' is a traditional credit exposure
- 'Credit Received' is a credit-related liability (the opposite of 'credit provided')
 - e.g., Firm 10 poses a PL of \$900 million to Firm 3, should Firm 10 default

PL Avg. for 12/2011 (\$M)		CREDIT RECEIVED												CREDIT PROVIDED
REPORTING INSTITUTION	Firm 1	Firm 2	Firm 3	Firm 4	Firm 5	Firm 6	Firm 7	Firm 8	Firm 9	Firm 10	Firm 11	Firm 12	Firm 13	TOTAL
Firm 1		800	400	1,000	100	700	800	300	700	700	400	700	700	8,000
Firm 2	100		100	800	800	800	800	300	100	300	300	300	400	5,200
Firm 3	300	400		900	1,000	700	100		200	900	300	200	200	5,500
Firm 4	300	200	500				100	800	100	300	500	600	500	4,400
Firm 5	600	100	200	400		800	200	500	100	600	100	100	100	4,100
Firm 6	900	500	300	400	1,000		100	900	600	300	200	100	1,000	6,600
Firm 7	900	100	700	300	500	800		900	400	700	800	400		7,000
Firm 8	200	500	500	600	200	1,000	600		800	700	300	100		6,400
Firm 9	500	100	600	800	1,000	600	100	700			1,000	200	200	6,600
Firm 10	500	100	100	500	100	800		900	800		900	400	600	6,400
Firm 11	400	500	600	400	700	400	700		900	500		400	200	5,900
Firm 12	800	400	200	600	700	100	600	600	700	300	900		900	7,300
Firm 13		300	100	400	500	300	500	200	1,000	800	800	200		5,100
CREDIT RECEIVED	6,200	4,100	4,600	7,600	6,900	7,300	5,100	7,000	7,200	6,800	6,700	4,200	4,800	78,500
TOTAL PL (EAD x LGD)														

* Dummy data was used in this chart for illustrative purposes only

Current Reporting Publications

Quarterly Report

- Provides SSG members an update on interdealer exposures on an anonymized and potential loss basis. In the past, this report has also contained a technical analysis section, which included more in-depth analyses on topics such as collateral coverage ratios, issuer risk exposures, and stress testing of counterparty credit exposures.

Yearly Data Horizontal

- Provides SSG members with information regarding their firms' data aggregation capabilities and data quality. This report is not anonymized. The aggregation piece is taken mainly from a self-assessment survey completed by firms. The data quality piece utilizes statistics logged via the data quality assurance process.

Proposed Revisions to the Data Collection Process

- SSG Secretariat conducted a pilot of a revised Top 50 Counterparty report in early 2011
 - Firms involved were already producing the current Top 20 Counterparty report
- The revised template aims to address current lack of granularity as well as to provide additional context for certain asset classes
- Sorting criteria for the pilot was revised from derivatives potential exposure plus unsecured lending to derivatives potential exposure plus total issuer risk
 - This change attempts to better capture the largest, most complex counterparty exposures, placing greater emphasis on financial counterparties

Ongoing Changes to Data Collection Processes

Data Collection Process at Inception

SSG Secretariat receives data directly from all firms



SSG Secretariat reviews the data quality of 19 firms using standard algorithms and thresholds



SSG Secretariat investigates data anomalies and possible aggregation issues with each of the 19 reporting firms



SSG Secretariat adjusts data and documents aggregation capabilities according to firm responses



Revised Data Collection Process

SSG members collect data from their own firms

SSG members review data quality for their firms using tailored algorithms, thresholds, and institutional knowledge

SSG members investigate data anomalies and data aggregation issues and engage in on-going discussions of exposure movements with their firms

SSG members validate and transmit data and insights to the SSG Secretariat

Information Sharing Framework

Key elements of the information sharing framework include:

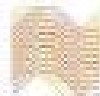
- Parameters of information that will be shared and included in reporting
- Requirement for reciprocity of information exchange (i.e., only jurisdictions that provide data will be eligible to receive shared information and associated reporting)
- Description of appropriate supervisory use of confidential information
- Requirement for appropriate confidential treatment of information
- Requirement for jurisdictions to inform firms for which they are home country supervisor that information will be shared as per the framework

Questions?



BaFin

OSFI
BSIF



BANCO DE ESPAÑA
Eurosistema