

Financial Stability Board

Data gaps workshop

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Merits of I-A data for banking supervision

- Risk concentration detection incomplete or misleading if not scaled by developments in the corresponding market or sector.
- Detection of excessive common exposures is an incremental process.
- Data collection seeks to identify exposure concentrations to sectors, markets, assets and risk factors eg. concentration risk in buyers of subprime securitization or sovereign exposures.
- Enhance stress testing tools.
- With short lags.

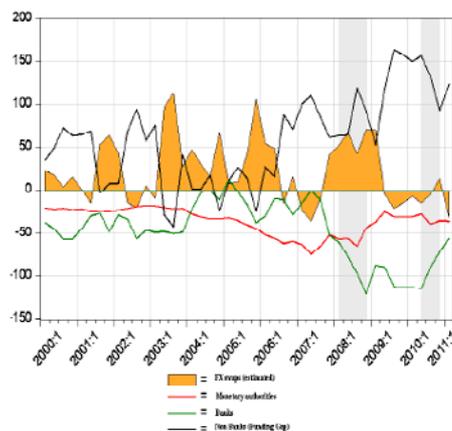
Merits of I-A large exposures for macro-prudential purposes

- Assess linkage to minimize the risks associated with policy measures (let a financial institution fail or not).
- Develop network analysis (matrix of interconnectedness).
- System-wide funding needs in foreign currency.
- Building up of common exposures at international level.
- Simulate the impact of shifts in the distribution of risks in the individual portfolio of G-SIBs on risk concentration.
- Improve the knowledge of transmission mechanisms.

Monitoring and understanding USD liquidity needs from the IFS and its implications for French GSIBs

- Heavy reliance of some European GSIBs to USD funding ; important USD swap lines between the Federal Reserve and the ECB.
- The magnitude of the USD funding gap was not well anticipated by regulators.

Chart 1. estimation of USD Funding Gap of FR Banks



- Use of I-A IBS statistics but precise individual estimates would require more granular consolidated data e.g. I-A.

Merits of liquidity and funding analysis

- Support to BCBS principles and liquidity requirements.
- System wide funding needs in foreign currency.
- Identify imbalances arising from currency funding.
- Simulate the cumulative effects of deleveraging.
- Identify key funding providers in the major currencies and how liquidity is channelled.

Merits of refined metrics for risk transfer

- IBS ultimate risk metrics has low incremental cost and proven benefits (compared to alternative metrics used by supervisors – e.g. LGD, EAD, potential loss).
- Final risk approach requires additional reporting and delivers high benefits to macroprudential authorities and banking supervisors.
- At individual and at system level, market values need to be complemented by an information on credit risk mitigants – CRMs –
 - Only final risk approach enable the offsetting of the maximal loss to the banks, given by the market value of relevant assets, with all the CRMs that insulate these banks' capital from their actual market positions.
 - CRM alter the distribution of cross-border risks and therefore alter the assessment of sovereign risk.