Outline

Information gaps and DGI recommendations

Timeline of the work on G-SIBs

• Phase 1 and 2 - Bilateral linkages (Institution-to-Institution)
• Phase 3 - Granular balance sheet data (Institution-to-Aggregate)

Phase 3 Implementation

• Rationale for the proposed data template
• Costs / benefits
• Governance
G20 Data Gaps Initiative

• Financial crisis revealed significant information gaps in the global financial system
  – The G20 Data Gaps Initiative (DGI) is gradually filling these gaps
• Better data on global systemically important financial institutions (G-SIFIs) were a key priority, leading to two recommendations in the DGI:
  i. Developing a common data template for G-SIFIs, allowing a closer monitoring of:
     • Interconnectedness in the financial system
     • Potential spill-overs and externalities
     • Common exposures and funding dependencies
  ii. Improving data sharing to strengthen supervision and macroprudential analysis
• Initial focus with banks (G-SIBs)
Timeline of the work on G-SIBs

- **2010**: Conceptual work
- **2011**: Project Definition
- **2012**: Development and consultation
- **2013**: Phase 1
- **2014**: Guidelines Ph. 2 + QIA Ph. 3
- **2015**: Phase 2
- **2016**: Phase 3

**Data collection starting in 2017, ≥ 1 year after final guidelines**

- Top 50 bilateral credit exposures
- Individual aggregated CBS
- Access to home country supervisors

- Top 20 + 20 funding sources
- Access to home macro-prudential authorities

- Granular I-A balance sheets
- Access to international financial institutions with a financial stability mandate (aggregate data)
Bilateral linkages (Phase 1 and 2)
Why Phase 3?

In short: We need a more complete “tool box” for macroprudential analysis.

- Data for **system-wide aggregates**, not (primarily) micro-supervision.
  - Differentiates Phase 3 I-A data from Phases 1 and 2 I-I data.
  - Ability to aggregate is key to uncovering broad patterns (**LEI & hierarchy**).
  - Consistency of reporting across jurisdictions is essential for meaningful aggregation and comparison.
Granular balance sheet data (I-A Phase 3)

- Assets and liabilities
  - Including contingent exposures
- Immediate counterparty
- Detailed crossings
  - Counterparty country
  - Counterparty sector
  - Instrument
  - Currency
  - Maturity
Known “unknowns”

- Crisis revealed previously under-recognized vulnerabilities.
  
  - **Common exposures in particular instruments**
    - *U.S. subprime residential mortgages.*
    - *Structured finance products generally.*
    - *European sovereigns.*
  
  - **Common funding dependencies**
    - *Non-deposit, wholesale funding boosted leverage (e.g., MMFs).*
    - *Phase 2 I-I data helps here, but not for system-wide aggregates.*
  
  - **Maturity transformation at the system level**
    - *How can a CB monitor the extraterritorial use of its currency?*
    - *Are central bank swap lines the new normal? If so, how to size?*
  
- Have to pool data across jurisdictions to get an overall view of the global financial system.
Unknown “unknowns”

In short: Hard to identify. But Phase 3 makes us better prepared.

- Phase 3 “tool box” provides...
  - More dialogue between home supervisors and their GSIBs regarding their data
  - Holistic view of the balance sheet ➔ all instruments are placed somewhere.
  - Even residuals can be informative, prompt further investigation
  - Consistent reporting across all jurisdictions (subject to accounting standards).
  - Provides basis for flexible risk analysis ➔ detailed crossing.
Flexibility: multiple dimensions

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Concentration of exposures to financial structured products or sovereign risk

- Which institutions have direct and indirect exposures to country X commercial real estate?
- What are the channels for indirect exposures?
- How do these exposures add up globally?

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Flexibility: multiple dimensions

Liquidity strains in global funding markets

- Which institutions have shorter term funding profiles?
- Which are more dependent on securitisation markets?
- Which have lower liquidity ratios?
- On which markets are these institutions more dependent?
Flexibility: multiple dimensions

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A money market fund ‘breaks the buck’ - major funding gaps in one currency

• How dependent are other institutions in the global financial network on funding from money funds?
• How large are the funding needs? Which firms / jurisdictions are involved? What is the roll-over risk?
• Is there a need for policy actions (e.g. emergency swaps lines between central banks)?
Possible benefits in other areas

− **Beneficial implications for reporting firms**
  − Parallels recent BCBS risk management Principles.
    − Banks significantly upgrading their data systems
  − Potential benefit for external reporting.
    − Reduce regulator ad-hoc requests, cross-border compliance costs.
    − Facilitate future regulatory and investor reports.

− **Possible future benefit for other market participants**
  − May consider publication of system-level aggregates to increase efficiency and stability of markets.
Will it change the policy debate or supervision?

**In short:** Hard to say. We believe it will – offers the capacity to do so

- Paradigm shift to share data across home supervisors – builds trust
- Access to common reports will promote discussion at higher levels.
- More complete and comparable data make vulnerabilities more visible – names of institutions are **not** masked.
- Also promotes dialogue between macro-prudential authorities and micro supervisors.
## Balancing Costs vs benefits

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<td>High granularity</td>
<td>• Higher volumes of data</td>
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<td>• Multi-purpose reporting, fewer ad-hoc requests</td>
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<td>For reporting institutions</td>
<td>• Adaptation of legacy systems to new requirements</td>
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<td>• Incentive to enhance data collection and risk aggregation capacities</td>
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<td>For supervisors</td>
<td>• Higher number of checks for quality</td>
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<td>• Need for stronger analytical tools</td>
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<td>• Better quality checks</td>
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<td>• Higher timeliness and efficiency for policy actions</td>
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<td>For international institutions</td>
<td>• Develop tools for monitoring potential build up of risk concentration and systemic crisis</td>
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<td>• Better data for policy development</td>
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<td>• Consistency of definitions</td>
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The implementation is conducted under the auspices of the **FSB Plenary**

| Central hub                  | - International Data Hub centrally holds the data—no external access  
|                             | - Hosted by the Bank for International Settlements (BIS)             |
| Multilateral MOU            | - Stipulates the arrangements for the collection and sharing of  
| (Multilateral Framework)    |   information through the Hub                                        |
|                             | - Signed by banking supervisory authorities and central banks from  
|                             |   eleven jurisdictions                                                 |
|                             | - Access to confidential information is restricted to specific purposes  
|                             |   such as supervisory and macro-prudential activities                 |
| Hub Governance Group        | - Oversees the sharing of information                                 |
| (HGG)                       | - Monitors the compliance with the Multilateral Framework and         |
|                             |   decides on any changes to it                                        |
| GSIBs data                  | - Data are collected by their respective home authorities and then  
|                             |   passed on to the Data Hub                                           |
|                             | - Home authorities ensure the data quality transmitted to the Hub     |
|                             | - Data Hub distributes standard reports to participating authorities on  
|                             |   a regular basis                                                     |
|                             | - Ad hoc requests can be processed after written consent from home  
|                             |   authorities                                                         |
**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*
DGI Recommendations for G-SIFIs

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In September 2015, the G20 endorsed 20 Recommendations for a second phase of the DGI, to be completed by 2021. They include some actions on G-SIFIs:

- **Recommendation 4**: The G20 economies to support the International Data Hub at the BIS to ensure the regular collection and appropriate sharing of data on global systemically important banks (G-SIBs).

In addition, the FSB, in close consultation with the IMF and relevant supervisory and standard setting bodies, to investigate the possibility of a common data template for global systemically important non-bank financial institutions, starting with insurance companies. This work will be undertaken by a working group with representatives from FSB member jurisdictions, relevant international agencies, supervisory and standard setting bodies, taking into due account confidentiality and legal issues.