6 May 2014

FSB Data Gaps Initiative – A Common Data Template for Global Systemically Important Banks

Launch of Phase 2 funding template and Quantitative Impact Analysis for Phase 3

At the March 2014 Plenary meeting in London, **the FSB approved the launch of Phase 2** of its Data Gaps initiative[1] to implement a common data template to collect key granular data from global systemically important banks (G-SIBs[2]) about their assets and liabilities to provide the authorities with a strong framework for assessing the interlinkages among the largest banks and the concentration of these institutions to different sectors and markets.[3]

Phase 1 of the project, started in March 2013, focused on the exposures of G-SIBs to their largest counterparties and to major risk dimensions. **Phase 2** will fill a substantial data gap by adding information on G-SIBs' Institution-to-Institution liabilities, their largest funding providers (banks and non-banks) and their funding structure (e.g. use of wholesale funding).

The Phase 2 **funding template** consists of two parts: a first part of the template requires banks to report their largest wholesale secured and unsecured funding providers (excluding traded debt securities). Since reporting banks typically are not able to identify the current holders of their traded debt securities, a second part of the template requires each institution to report its holdings of tradable debt securities issued by any other G-SIB's consolidated banking group.

With respect to the frequency of the data collection, for the start of Phase 2, banks will be required to report monthly, with the expectation of a weekly submission as the ultimate goal. While the monthly frequency will initially reduce the burden on banks to produce and validate high quality data, banks are expected to gradually improve their capability to report such high quality data more frequently as an integral part of their risk and crisis management toolbox.[4] Periodic assessments will determine an appropriate path for switching to the weekly frequency.

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1 The FSB project is a part of a wider initiative to improve data for supporting financial stability (see recommendations 8 and 9 of the Report to the G20 Finance Ministers and Governors on "The Financial Crisis and Information Gaps" from November 2009, available at http://www.financialstabilityboard.org/publications/r_091029.pdf).

2 The institutions reporting data to the national authorities include, in addition to the firms listed as G-SIBs by the FSB, other large intermediaries deemed to have significant activities with the other G-SIBs. In the context of this note the term "G-SIBs" refers to all reporting banking groups.

3 A summary of the expected uses of data is included in the 2011 consultation paper (http://www.financialstabilityboard.org/publications/r_120328j.pdf). Further analyses have been developed during the first year of operations of the Hub.

4 See also the Basel Committee on Banking Supervision initiative on effective risk data aggregation and risk reporting (http://www.bis.org/publ/bcbs239.pdf and http://www.bis.org/publ/bcbs268.pdf)

The International Data Hub, hosted by the BIS, is extending its operations to collect and share this data, with appropriate safeguards on confidentiality.

The FSB also reviewed a **roadmap for Phase 3**, when the common template will include granular and comparable Institution-to-Aggregate (I-A) consolidated balance sheet data broken down by country, sector, instrument, currency and maturity. The FSB Data Gaps Group is reviewing the I-A template to take on board the industry comments received in the October 2013 consultation, reviewing the granularity of the data, balancing operational complexity and analytical usefulness, clarifying the definitions for better consistency with similar reporting requirements (e.g. the BIS International Banking Statistics) and adopting a phased-in approach (only the template on Immediate Counterparty basis will be required from the start of Phase 3, postponing the Ultimate Risk template to a later stage).

In Q3 2014, reporting banks will be invited and strongly encouraged to participate on a voluntary basis in a **Quantitative Impact Analysis** (QIA), submitting actual balance sheet data with full five-way crossing and protocols for streamlining the set of countries, maturities and currencies to be suitable for a field test. The goal of the QIA, which was broadly endorsed by industry participants at the October 2013 outreach to G-SIBs, is to validate whether the information delivered is as analytically useful as initially thought for regulatory and national or global financial stability purposes. The field test may also uncover any imprecision in the specification of the template and the related instructions, as well as other possible methodological shortcomings, and provide further insights into reporting challenges. Finally, it will serve as a good operational training for G-SIBs.

Based on the results of the QIA, the Data Gaps Group will finalise the I-A Immediate Counterparty template in early 2015. Additional consultation with industry during the course of the development of Phase 3 template is anticipated. At this juncture, first reporting of the I-A Immediate Counterparty template is planned from Q1 2016 on a best effort basis, with mandatory reporting from August 2016, with end-June reference date.

Background Reference on the FSB Data Gaps project

As part of wider G20 initiatives to improve data to support financial stability initiated in 2009, the FSB has developed an international framework that supports improved collection and sharing of information on linkages between global systemically important financial institutions and their exposures to different sectors and markets.[5] The objective is to provide authorities with a clearer view of global financial networks and assist them in their supervisory and macro-prudential responsibilities.

All documentation on the project is available on the FSB website.[6]

The key components of the governance of this initiative are the following:

- **Harmonised collection of data**: common data templates for global systemically important banks have been developed under the FSB leadership to ensure consistency in the information collected.

- **Central hub**: the International Data Hub has been set up[7] and centrally holds the data collected. The Data Hub is **hosted by the Bank for International Settlements** (BIS).

- A multilateral memorandum of understanding (**Multilateral Framework**) establishes the arrangements for the collection and sharing of information through the Hub. Currently, the Framework is signed by banking supervisory authorities and central banks from ten jurisdictions. Access of these jurisdictions to confidential information is contingent on the reciprocal provision and restricted to specific purposes such as supervisory activities.

- **Hub Governance Group**: participating authorities established a Hub Governance Group (HGG) to oversee the pooling and sharing of information. The HGG monitors the compliance with the Multilateral Framework and decides on any changes to it.

- **GSIBs data is collected by their respective home authorities** (data providers) and then passed on to the Data Hub. Data providers use their best efforts to ensure the quality of the data transmitted to the Hub. The Data Hub prepares and distributes **standard reports** to participating authorities (data receivers) on a regular basis. In addition, data receivers can require additional information from the Hub, which fulfils the request after obtaining written consent from data providers.

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5 http://www.financialstabilityboard.org/publications/r_091029.pdf.

6 http://www.financialstabilityboard.org/list/fsb_pa/tid_168/index.htm.

7 The Hub operations started in March 2013 with the collection of weekly data on the G-SIBs' 50 largest exposures and quarterly data on aggregated claims to sectors and countries.