Implications of the crisis for data

- Key information gaps: financial interlinkages and concentration of exposures
- Template developed using gap analysis informed by crisis timeline
- Key question: what additional information was needed <u>before</u> and after crisis in order to identify risks and develop policy response?
- Some examples...



Examples of key questions during the crisis (1)

Liquidity strains in funding markets

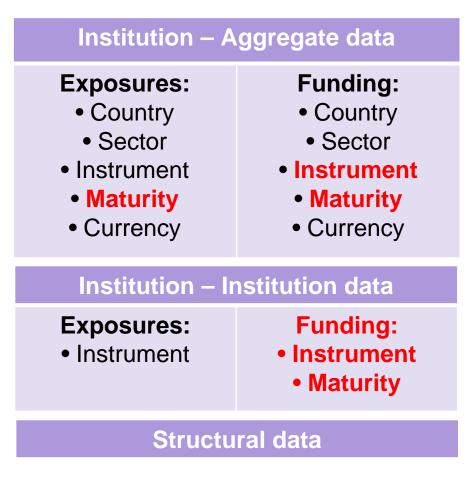
- Heightened perceptions on counterparty credit risk in interbank markets
- Increase in risk premia for liquidity and uncertainty
- Lending maturities shortened
- Severe disruption in securitisation markets
- Investors pull back fearing additional price falls



Examples of key questions during the crisis (1)

Liquidity strains in funding markets

- Which institutions have shortterm funding profiles?
- Which are dependent on securitisation markets?
- Which have low liquidity ratios?
- On which providers / markets are these institutions dependent?





Examples of key questions during the crisis (2)

Lehman files for bankruptcy

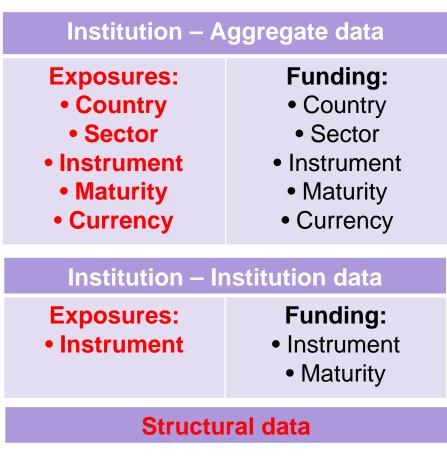
- Concerns over capital in face of commercial real estate exposures meant counterparties increasingly reluctant to roll over wholesale funding
- Lehman's failure led to further increase in market stress in interbank markets
- The complex and cross-border nature of Lehman's business made it more difficult for creditors to determine exposures, and some investors lost access to funds
- Widespread contagion to other financial institutions, including US MMMFs



Examples of key questions during the crisis (2)

Lehman files for bankruptcy

- What are other institutions' exposures to Lehman?
- What are Lehman's asset positions and where might fire-sales occur?
- Which other institutions have similar exposures / business models to Lehman?





Examples of key questions during the crisis (3)

RMC money fund 'breaks the buck'

- Many MMMFs suffered customer withdrawals after some funds made losses on Lehman CP.
- Plus other MMMF clients switched away from funds that invest in private debt
- As a result, the amount / maturity of credit to banks by MMMFs contracted



Examples of key questions during the crisis (3)

RMC money fund 'breaks the buck'

 How dependent are other institutions on funding from (US) money funds?

