

Session 4: detailed proposals for I-A templates

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FSB Data Gaps Workshop – 2 May 2012

Why collect consolidated I-A with I-I ?

- **I-I data:** Bilateral credit exposures & funding dependencies to assess network risks (spillover and contagion) and resilience
- **I-A data:** Credit exposures & funding dependencies to countries, sectors and markets to monitor systemic risk concentrations and vulnerabilities
- **Causality may go either ways:** idiosyncratic shock that develops into systemic shock; macro shock that propagates and builds in network.

Why granular I-A?

- **Consolidated balance sheet broken down by dimensions of risks [country x sector] x inst x currency x maturity**
- **Funding risks:** Gross and net measures require details of assets market value, instrument, currency, maturity and counterparty type (country and sector).
- **Common exposures:** a bank's exposure to a particular country and sector should ideally take into account all credit risk mitigants (CRMs). These include collateral, hedging contracts and guarantees

What type of analysis does the I-A IB template facilitate?

- Key breakdowns by currency, residual maturity and instrument which are not available consistently in alternative reports.
- If all G-SIBs report this information, it will be possible to construct a variety of simple but important systemic risk measures on a consistent basis across reporting G-SIBs. These include measures of (1) *Leverage*, (2) *Maturity transformation* and (3) *Currency mismatch*.
- When aggregated, these data will facilitate the analysis of system-level “funding risks” in particular currencies. For example, suppose the question at hand is “*What is the total of US dollar short-term funding requirements across all G-SIBs?*”. Answering this question requires summing the USD short-term liability positions of all reporting G-SIBs.
- Net measures of these funding needs can also be constructed by offsetting the gross short-term USD liabilities with measures of liquid US dollar asset positions.

Granularity of breakdowns

Breakdown		Description
A	Country <i>option</i>	All countries above a threshold + unallocated by country (for non financial assets and equity) <i>38 countries + 6 Regions + unallocated by country: 38 countries that are BIS reporters or with sizeable cross-border positions with BIS reporting banks. Remaining 172 countries in 6 regional buckets.</i>
B	Sector	Banks Money Market Funds (MMFs) Insurance companies Pension funds Central counterparties (CCPs) Other Non Bank Financial Intermediaries (NBFIs) Non Financial Corporations (NFCs) Households (HHs) General government Central banks
C	Currency	USD EUR JPY GBP CHF Local currency (if different and for country only) Other
D	Residual maturity	on demand and overnight up to 1 month (other than in previous bucket) more than 1 and up to 3 months more than 3 months and up to 1 year over 1 year unknown or N/A (e.g. for equity)

I-A immediate borrower template (assets)

Immediate borrower		Cross-border					Local					Total	
		Counterparty sector					Counterparty sector						
		Banks	NFCs	(breakdown B for sector list)	Unallocated by sector	Total Cross-border	Banks	NFCs	(breakdown B for sector list)	Unallocated by sector	Total Local		
ASSETS													
Carrying amounts	1	CASH			(1)				(1)				
	2	LOANS and DEPOSITS (gross of provisions)	370	533		-	903	565	400		-	965	1,868
	2.1	REAL ESTATE LOANS	-	500		-	500	-	400		-	400	900
	2.2	OTHER LOANS and DEPOSITS	200	20		-	220	300	-		-	300	520
	2.3	SECURITIES LENDING AND REPO	170	13		-	183	265	-		-	265	448
	2a	PROVISIONS on LOANS	80	4		150	234	-	240		60	300	534
	3	DEBT SECURITIES (gross of provisions)	800	625		-	1,425	33	28		-	61	1,486
	3.1	COLLATERALIZED SHORT-TERM SECURITIES	-	25		-	25				-	-	25
	3.2	COLLATERALIZED LONG-TERM SECURITIES	-	200		-	200	33			-	33	233
	3.3	UNCOLLATERALIZED SHORT-TERM SECURITIES	300	-		-	300				-	-	300
3.4	UNCOLLATERALIZED LONG-TERM SECURITIES	-	-		-	-				-	-	-	
3.5	STRUCTURED OR HYBRID PRODUCTS	-	400		-	400		28		-	28	428	
3.6	OTHER SECURITIES	500	-		-	500				-	-	500	
3a	PROVISIONS ON DEBT SECURITIES	2	-		50	52	-	-		-	-	52	
4	FINANCIAL DERIVATIVES (OTC and TRADED)	-	-		-	-	-	-		-	-	-	
5	ISSUED CAPITAL and OTHER EQUITIES	250	-		-	250	40	-		-	40	290	
6	OTHER FINANCIAL ASSETS	-	-		-	-	-	-		-	-	-	
7	TOTAL FINANCIAL ASSETS gross of provisions (1+2+3+4+5+6)	1,420	1,158		-	2,578	638	428		-	1,066	3,644	
7a	TOTAL FINANCIAL ASSETS net of provisions (1+2-2a+3-3a+4+5+6)	1,338	1,154		(200)	2,864	638	188		(60)	1,366	4,230	
8	NONFINANCIAL ASSETS (1)				-	-				-	-	-	
9	TOTAL ASSETS (7a+8)	1,338	1,154		(200)	2,864	638	188		-	1,366	4,230	
Mem 10	DEBT SECURITIES at principal amounts	1,100	925		-	2,025	53	48		-	101	2,126	

I-A immediate borrower template (liabilities)

Immediate borrower		Cross-border					Local					Total	
		Counterparty sector					Counterparty sector						
		Banks	NFCs	(breakdown by sector list)	Unallocated by sector	Total Cross-border	Banks	NFCs	(breakdown by sector list)	Unallocated by sector	Total Local		
LIABILITIES													
Carrying amounts	1	LOANS and DEPOSITS	29	596		6	631	790	50		-	840	1,471
	1.1	DEPOSITS	3	2		-	5	65	-		-	65	70
	1.2	LOANS	24	16		-	40	600	-		-	600	640
	1.3	SECURITIES LENDING AND REPO	2	578		6	586	125	50		-	175	761
	2	DEBT SECURITIES ISSUED	122	95		550	767	576	20		164	760	1,527
	2.1	COLLATERALIZED SHORT TERM SECURITIES		20			20	576				576	596
	2.2	COLLATERALIZED LONG TERM SECURITIES											
	2.3	UNCOLLATERALIZED SHORT TERM SECURITIES	67			250	317				76	76	393
	2.4	UNCOLLATERALIZED LONG TERM SECURITIES				300					88		
	2.5	STRUCTURED PRODUCTS		75			75		20			20	95
	2.6	OTHER	55				55					-	55
	3	FINANCIAL DERIVATIVES (OTC and TRADED)		200			200	125				125	325
	4	OTHER LIABILITIES											-
5	PROVISIONS FOR CONTINGENT EXPOSURES		73			73					-	73	
6	TOTAL LIABILITIES (1+2+3+4)	151	891		556	1,598	1,491	70		164	1,725	3,323	
7	TOTAL EQUITY (2)					-					-	-	

Currency derivatives

- **In separate memo items, can banks report their FX swap and other “currency hedging” derivatives, complete with a currency and maturity breakdown, but with no breakdowns by counterparty country and sector?**

What type of analysis does the I-A UR template facilitate?

- Exposures should take into account all risk transfer and be directly comparable to capital.
- IBS UR exposures are useful concepts but incomplete and gross risk indicators (upper bound) which cannot be compared to capital.
- Complementary information on risk transfer and other risk mitigants is required to build more accurate and consistent risk exposures.
- More targeted questions such as *“What is a G-SIBs ultimate risk exposure to US households? Or to the Greek public sector?”* can then be properly addressed.
- More targeted analysis of risk transfers *across sectors within country X* is possible. For example, if the counterparty sector breakdown includes “households”, then it would be possible to see the ultimate risk exposure to households net of credit risk transfers to the corporate or banking sector within the same country.
- This full set of risk transfer data also helps in answering other types of questions. For example:
 - “Where (i.e. in which country and sector) are outward risk transfers via derivative contracts concentrated? Put differently, where are the entities that provide large amounts of protection to (all) reporting G-SIBs via CDS contracts?”
 - By adding up the total *inward risk transfers* in the “CDS and other derivatives” CRM category across reporting G-SIBs and counterparty country/sector combinations, we would see concentrations of “protection selling” to reporting G-SIBs.

I-A Final and Ultimate Risk exposures

Ultimate risk		Country	breakdown A			
CLAIMS		Counterparty sector				Total
		Banks	NFCs	(breakdown B for sector list)	Unallocated by Sector	
1	TOTAL FINANCIAL ASSETS (gross of provision)	2,058	1,586		-	3,644
2	PROVISIONS ON LOANS AND DEBT SECURITIES	82	244		260	586
3	WITHIN SECTOR RISK TRANSFERS	13	225		-	238
3.1	CDS AND OTHER CREDIT DERIVATIVES	-	200		-	200
3.2	GUARANTEES	13	-		-	13
3.3	OTHER CRMs	-	25		-	25
4	OUTWARD RISK TRANSFERS FROM SECTOR (5+6)	202	260		200	662
5	CRM COUNTERPARTY IN SAME COUNTRY	22	30		200	252
5.1	CDS AND OTHER CREDIT DERIVATIVES	10	-		-	10
5.2	GUARANTEES	-	30		200	230
5.3	OTHER CRMs	12	-		-	12
6	CRM COUNTERPARTY IN DIFFERENT COUNTRY	180	230		-	410
6.1	CDS AND OTHER CREDIT DERIVATIVES	180	-		-	180
6.2	GUARANTEES	-	210		-	210
6.3	OTHER CRMs	-	20		-	20
7	INWARD RISK TRANSFERS TO SECTOR (8+9)	172	40		-	212
8	CRM COUNTERPARTY IN SAME COUNTRY	30	22		-	52
8.1	CDS AND OTHER CREDIT DERIVATIVES	-	10		-	10
8.2	GUARANTEES	30	-		-	30
8.3	OTHER CRMs	-	12		-	12
9	CRM COUNTERPARTY IN DIFFERENT COUNTRY	142	18		-	160
9.1	CDS AND OTHER CREDIT DERIVATIVES	47	18		-	65
9.2	GUARANTEES	95	-		-	95
9.3	OTHER CRMs	-	-		-	-
10	DIRECT EXPOSURE (1 - 2 - 4)	1,774	1,082		(460)	2,396
10.1	DIRECT EXPOSURES less WITHIN SECTOR risk transfer (10 - 3)	1,761	857		(460)	2,158
11	TOTAL GROSS FINANCIAL ASSETS UR BASIS (BIS definition 1 - 4 + 7)	2,028	1,366		(200)	3,194
12	TOTAL FINANCIAL ASSETS NET OF PROVISIONS UR BASIS (1 - 2 - 4 + 7)	1,946	1,122		(460)	2,608
12.1	TOTAL UR FINANCIAL ASSETS NET OF PROVISIONS less WITHIN SECTOR TRANSFERS (12 - 3)	1,933	897		(460)	2,370

I-A Final and Ultimate Risk exposures

CONTINGENT EXPOSURES (UR)		Banks	NFCs	(breakdown B for sector list)	Total protection provided
1	GUARANTEES EXTENDED	-	88		88
2	CDS and OTHER CREDIT DERIVATIVES (protection sold)	400	-		400
3	CREDIT COMMITMENTS	-	-		-
4	TOTAL GUARANTEES AND CREDIT COMMITMENTS	400	88		488
5	PROVISIONS ON CONTINGENT EXPOSURES	-	73		73
6	TOTAL GUARANTEES AND CREDIT COMMITMENTS NET OF PROVISIONS		15		415

Granularity of CRM instruments?

- In order to allow supervisors an enhanced evaluation of the quality of risk transfers from the original to the ultimate borrower, an alternative five-way breakdown of CRM instrument is under discussion for the I-A UR template:
- Collateral
- Parent company guarantees (should also include CDS and other protections extended by the parent company)
- Third party guarantees
- CDS and other credit derivatives
- ABS look-through
- Is it reasonable to report the full five-way breakdown of CRMs or is it too burdensome compared with the three-way split proposed in the current I-A UR template?

“Directionality” of CRM instruments

- **Do G-SIBs maintain internal information on the bilateral direction of their risk transfers?**
- **Is it possible for reporting G-SIBs to provide such information with all required breakdowns?**
- **If not possible for all five CRM types, is it possible to report this information for only CDS and other derivatives?**

Proposed timeline for Implementation

- **Final guidelines and templates by end 2012**
- **Phase 3 (see session 5, 2015? 2016?)**
- **Quarterly frequency with 4 weeks time lag**

Thank you for your attention!