

CRISTINA LUNA

STRUCTURAL DATA TEMPLATE

DRAFT

Cristina Luna

FSB- DATA GAPS WORKSHOP

BASEL, SWITZERLAND

MAY 2, 2012

FINANCIAL STABILITY DEPARTMENT

STRUCTURAL DATA TEMPLATE (PHASE 3)



The aim of these templates are:

- To know in greater depth those characteristics that differentiate Global Systemic Banking Groups.
- Their organizational structure and the jurisdiction in which they perform their main activities.
- To assess the importance of insurance and non financial activities within the group

Three components:

- Systemic importance of global banking groups
- Structure of the economic group
- Importance of non bank activities

SYSTEMIC IMPORTANCE OF GLOBAL BANKING GROUPS



- **The template designed by the Macro Prudential Supervision Group (MPG) of the BCBS to assess this condition.**
- **The Data hub will collect and store these data**
- **Under the methodology established by the MPG**
- **Some of the data collected on other FSB Data Gaps templates could be, in the future, the source for some of the information requested by the MPG.**

STRUCTURE OF THE ECONOMIC GROUP (1) (ACCOUNTING GROUP SCOPE)

- **Reporting frequency and lag time**
 - Annual/ T+45 days
- **The most important characteristics when defining a group are:**
- **Level** at which the group is define: **the parent company of the group** (even if it is not a bank or if it is a holding company).
- **The Scope** or perimeter of the group: is defined by the **Control of the entity**
 - *Not always Control is equally defined and regulated*
 - *Problem when comparing the size and risk of different banking groups*
- **Economic group:** is defined as to include all controlled entities regardless the activity they perform. This means all entities in which the parent has an investment directly, or indirectly through subsidiaries, that gives the group its **Control**, even if it is not included in the consolidated statements.

STRUCTURE OF THE ECONOMIC GROUP (2) (ACCOUNTING GROUP SCOPE)



- **Entities and their identifier**
- **Branch /Subsidiary**
 - Foreign branches (code of the head office ?)
 - Foreign and domestic subsidiaries
- **Country of location**
- **NACE/UNSTAT** (Statistical classification of economic activities)
- **Business line** and whether the entity **centralizes business for other group entities**
- **Consolidation** (economic or accounting group /regulatory prudential group /both /none)
 - None is associated to **materiality or temporal** reasons (mergers & acquisitions)...
- **Size and the contribution to the group**
 - **Assets/ Income and Capital**
- **Participation of the group on the capital of the entity**

THE CONSOLIDATED BALANCE SHEET OF THE ECONOMIC BANKING GROUP BY SECTORS : THE BRIDGE BALANCE SHEET (1)



- **Reporting frequency and lag time**
 - Annual (or Semianual ?)/ T+ 45 days
- **Why : the economic versus the prudential banking group**
 - To link the banking group consolidated balance sheet under the two following scopes:
 - *The economic or accounting perimeter (public statements and I-I template).*
 - *The regulatory or prudential perimeter (I-A immediate borrower template)*
 - To fill the gap of the connection of the public and the supervisory information
 - To assess the importance of the insurance and non financial activities within the banking group.
- **Approach**
 - Accounting principles (not prudential framework).
 - An instrument approach for a better connection to the I-A template.
- **Metrics**
 - Accounting consolidated metrics (whether IFRS or National GAAP): Carrying amounts.

THE CONSOLIDATED BALANCE SHEET OF THE ECONOMIC BANKING GROUP BY SECTORS : THE BRIDGE BALANCE SHEET (2)



- **Columns.**

- Total consolidated economic group (IFRS or accounting scope).
- **Regulatory consolidated banking group** (Regulatory scope). This column should be consistent with the total I-A immediate borrower basis template.
- Insurance entities
 - **Question** : *Aggregated or Consolidated ?*
- Other entities (aggregated).
- Adjustments and eliminations: difference between the total column and the rest
 - **Adjustments** : *when the entities **individual accounting regulation differs** from those used in the **consolidated** statements.*
 - **Eliminations**: *Netting of the intergroup positions in the process of consolidation.*
 - **Question** : *One or two columns, that is separate information or not?*

THE CONSOLIDATED BALANCE SHEET OF THE ECONOMIC BANKING GROUP BY SECTORS : THE BRIDGE BALANCE SHEET (3)



- **Rows**

- Comprise the different items of a balance sheet
- Instrument approach
 - *As the I-A immediate borrower basis template.*
 - *Instruments are broken down by product or by portfolio.*
 - *More information than in the I-A template regarding the non financial instruments and the off balance sheet items.*
 - *Clear distinction between financial and non financial instruments.*

THE CONSOLIDATED BALANCE SHEET OF THE ECONOMIC BANKING GROUP BY SECTORS : THE BRIDGE BALANCE SHEET (4)



- **ASSETS** are measured at carrying amounts (i.e. net of provisions/allowances)(1)
 - **Financial instruments:**
 - ***Loans and deposits by product***
 - By product because most of the loans and deposits are included in the loans and receivable portfolio.
 - As memo item the provisions for credit losses for its reconciliation with the I-A template.
 - ***Debt securities Holdings by portfolio. Why by portfolio?***
 - It complements the I-A information by product.
 - It captures the valuation of debt securities
 - additionally, as memo item, request the provisions for credit losses, for its reconciliation with the I-A template.
 - ***Financial Derivatives by portfolio***
 - To know whether the entity is doing trading or hedging activity

THE CONSOLIDATED BALANCE SHEET OF THE ECONOMIC BANKING GROUP BY SECTORS : THE BRIDGE BALANCE SHEET (5)



- **ASSETS** are measured at carrying amounts (i.e: net of provisions/allowances) (2)
- **Financial instruments (cont):**
 - ***Equity instruments by portfolio***
 - Especial attention to the **equity investments** because the role they play in the eliminations column.
- **Non financial instruments and assets:**
 - ***Reinsurance assets.*** *To capture the particularities of the insurance companies.*
 - ***Tangible assets***
 - ***Non tangible assets (O/W goodwill)***
 - ***Tax assets (O/W deferred)***

THE CONSOLIDATED BALANCE SHEET OF THE ECONOMIC BANKING GROUP BY SECTORS : THE BRIDGE BALANCE SHEET (6)



- **LIABILITIES at carrying amounts (1)**
 - **Financial instruments:**
 - *Loans and deposits by product*
 - *Debt securities issued by product*
 - Different breakdown than in the asset side. Why?
 - Different product classification (more disclosure) than in the I-A template. Why?
 - No original maturity breakdown. Question: should we include it?
 - *ABS and other similar past through products*
 - *Covered bonds*
 - *Senior unsecured debt securities*
 - *Subordinated debt securities*
 - *Hybrid debt securities*
 - *Commercial paper*
 - *Certificates of deposit*
 - *Other debt securities*

THE CONSOLIDATED BALANCE SHEET OF THE ECONOMIC BANKING GROUP BY SECTORS : THE BRIDGE BALANCE SHEET (7)



- **LIABILITIES** are measured at carrying amounts (2)
 - **Financial instruments (cont):**
 - ***Financial Derivatives by portfolio***
 - ***Short position*** includes the outright sale of securities borrowed or purchased as collateral under reverse REPOs (trading portfolio).
 - **Question:** In the I-A template, where should they be included?
 - **Other liabilities**
 - ***Tax liabilities***
 - ***Liabilities under insurance contracts(gross technical provisions)***
 - ***Provision for contingent exposures***
- **EQUITY**
 - **Equity attributable to the owners of the parent**
 - **Non controlling interest**

THE CONSOLIDATED BALANCE SHEET OF THE ECONOMIC BANKING GROUP BY SECTORS : THE BRIDGE BALANCE SHEET (8)



- **OFF BALANCE SHEET ITEMS**

- **Off balance sheet item subject to credit risk:** in the I-A template they are provided on an ultimate risk basis. Breakdown:

- ***Financial Guarantees Given:***

- CDS and other credit derivatives (protection sold)
 - Other financial guarantees given

- ***Credit Commitments Given:***

- Loan commitments given (undrawn loans)
 - Other commitments given:
 - *O/W: Underwriting activity (different type of activity and risk).*

- **Off balance sheet item not subject to credit risk:** no information on the I-A template. Breakdown:

- ***Assets under custody***

- ***Assets under management or administration (no double counting)***

CRISTINA LUNA

THANKS FOR YOUR ATTENTION

BANCO DE **ESPAÑA**
Eurosistema

FINANCIAL STABILITY DEPARTMENT