The Financial Crisis and Information Gaps
Recommendation 13: Cross-border Exposures of Non-Financial and Financial Corporations

Senior Officials Conference
Basel, April 8 and 9, 2010
G-20 recommendation

- The IAG to investigate the issue of monitoring and measuring cross-border, including foreign exchange derivative, exposures of non-financial, and financial, corporations with the intention of promoting standardised reporting guidance and dissemination of data.

- Lead agency: IAG (BIS, ECB, IMF, OECD, Eurostat)
Methodological developments

• Various methodologies exist (SNA, BOP, FSI, IBS, ExD, HSS, IFRS, EU registers for multinationals)

• Measurement of financial exposures on a consolidated basis is relatively new, definitions not always clear
  – SNA offsetting within same institutional sector
  – IBS/IFRS global consolidation of banks headquartered in a country
  – consolidation within complex financial group (holdings)

• Key issue: how can framework of consolidation be made compatible with traditional SNA/FA on residency basis?
Availability of data

• Non-financial corporations: little info on cross-border positions; statistics on residency basis do not capture exposures booked outside jurisdiction (eg through foreign affiliates); consolidated financial statements not good at capturing positions such as derivatives

• Financial corporations: IBS document exposures for banks, lack of data for non-bank institutions (see also rec 14) though some in FSI’s Enhancing the user friendliness of the website

• Data limitations at national and international level
Way forward

• More detailed review of methods and data available
• Stream 1: financial corporations
  – in parallel with rec 14
  – prepare discussion paper
  – organise workshop (eg IFC with reps from other groups)
  – identify more clearly what methodological and data compilation guidance is needed
• Stream 2: non-financial corporations
  – identify direct and indirect sources (counterparties in other datasets, current or prospective)
  – bring data together in single hub?
Questions

• How clear are the concepts of consolidation for financial and non-financial corporations to compilers and users of financial statistics?

• What scope is there to improve data collection of cross-border exposures of financial corporations, both banks and non-bank financial corporations? What would the sources for this data and what are the challenges for compilers?

• Would a mix of direct and indirect data sources ensure appropriate coverage of non-financial corporations and, if not, how might the situation be improved?