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# Addressing the Gaps – progress report on recommendations #8 - #9

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## Gaps and recommendations

## Timeline of the initiative

- Bilateral linkages
- Granular balance sheet data

## Implementation

- Data sources
- Costs / benefits
- Governance

# Keywords

## Collection and sharing

- supervisory college arrangements
- crisis management planning

#8

## Linkages

- between individual financial institutions

## Common template for GSIFs

- exposures to different financial sectors and national markets
- systemic importance of financial institutions

#9

## Confidentiality

- legal issues
- supervisory agreements

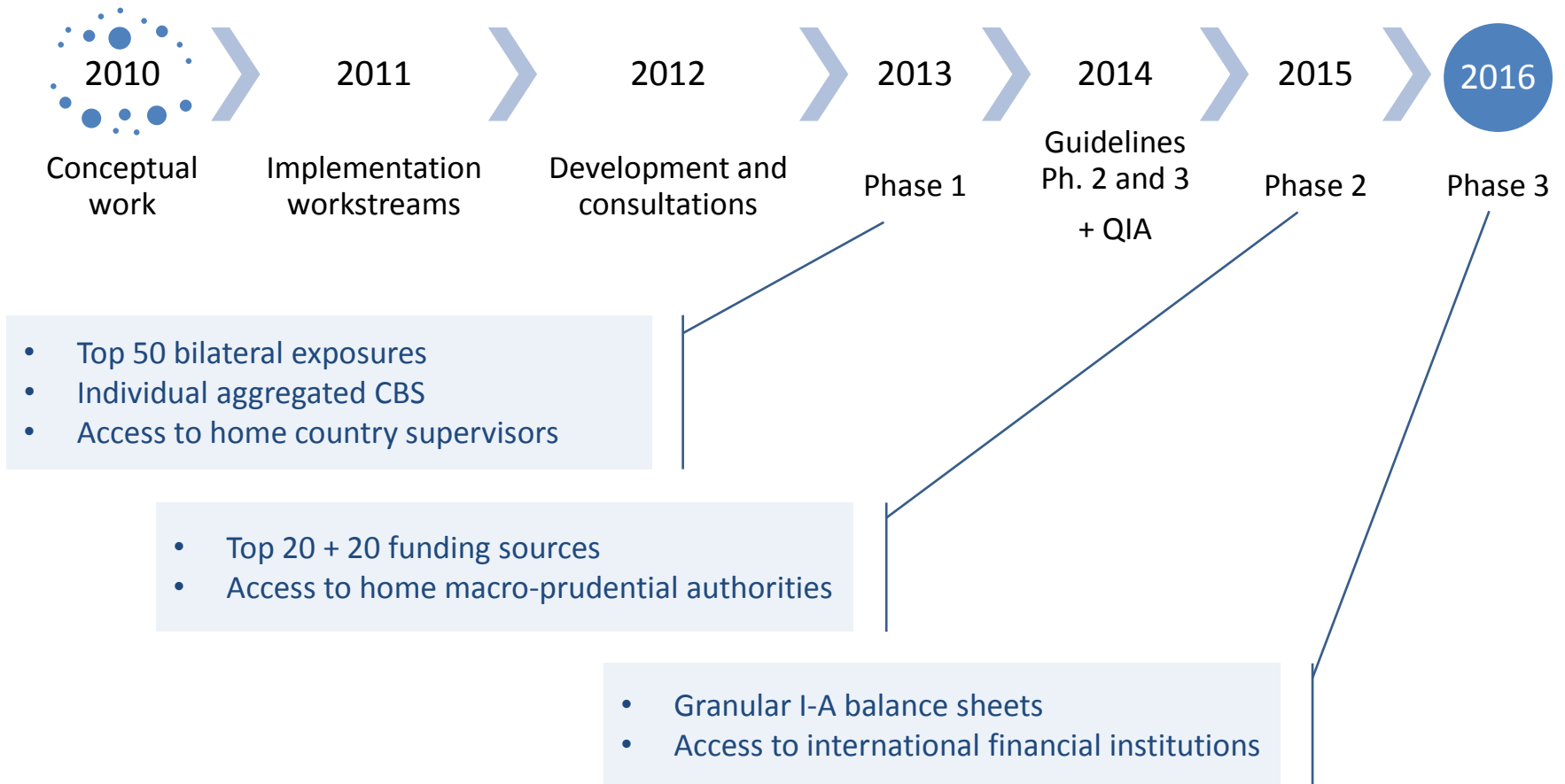
#8/9

# Major Gaps

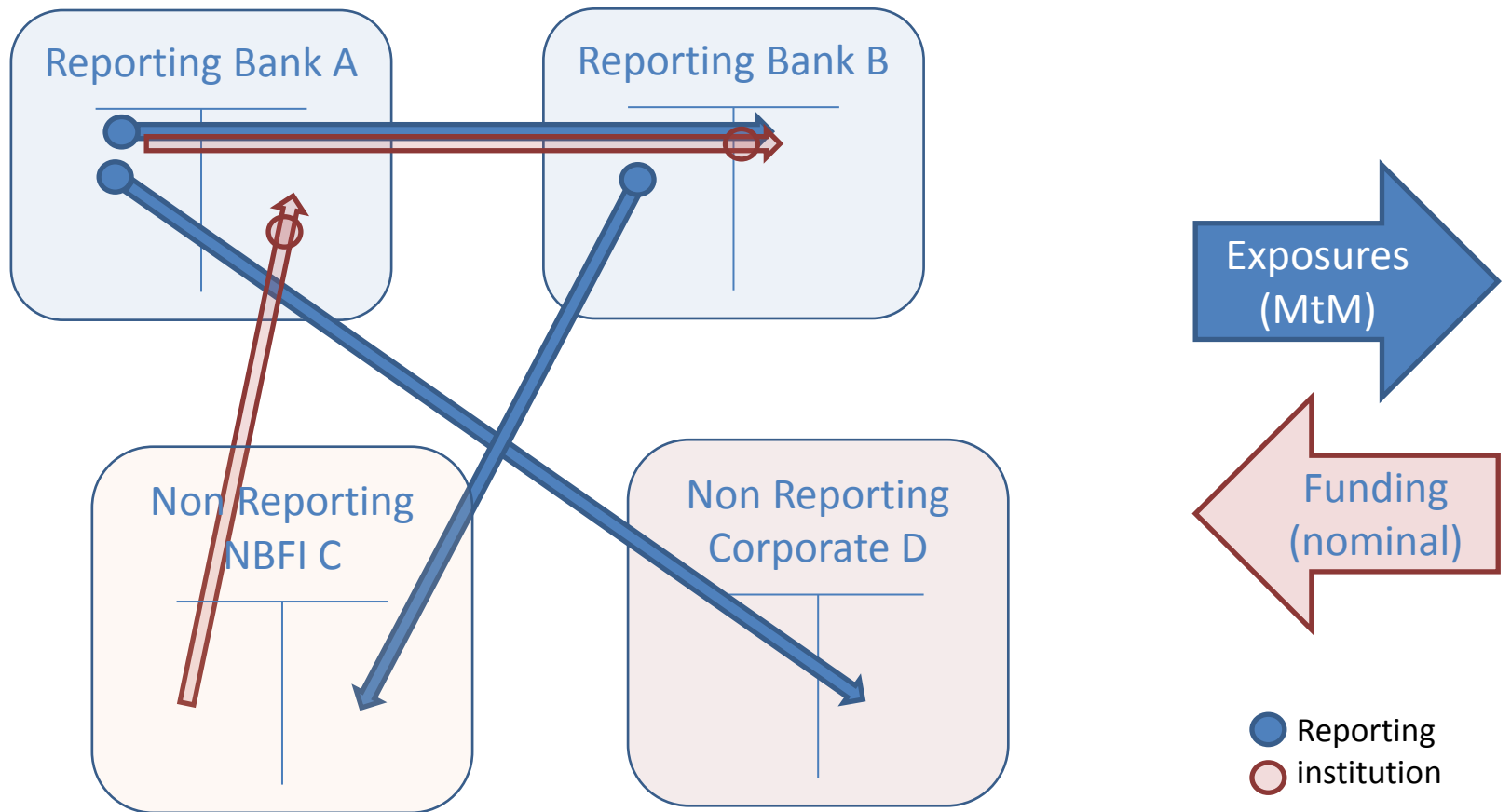
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- Assess the **structure** and **interconnections** in the global financial **network**
- Identify risk **concentrations** and funding **dependencies**
- Identify potential **spill-overs** and **externalities**
  - Direct or indirect exposure of a GSIBs to one or several GSIBs themselves exposed to sovereign risk
- Un-mask links to **non-bank** intermediaries
  - Detect financial institutions not yet identified as systemic (including shadow banks) but deeply interconnected with several GSIBs
- Understand financial **innovation** and market **complexity**

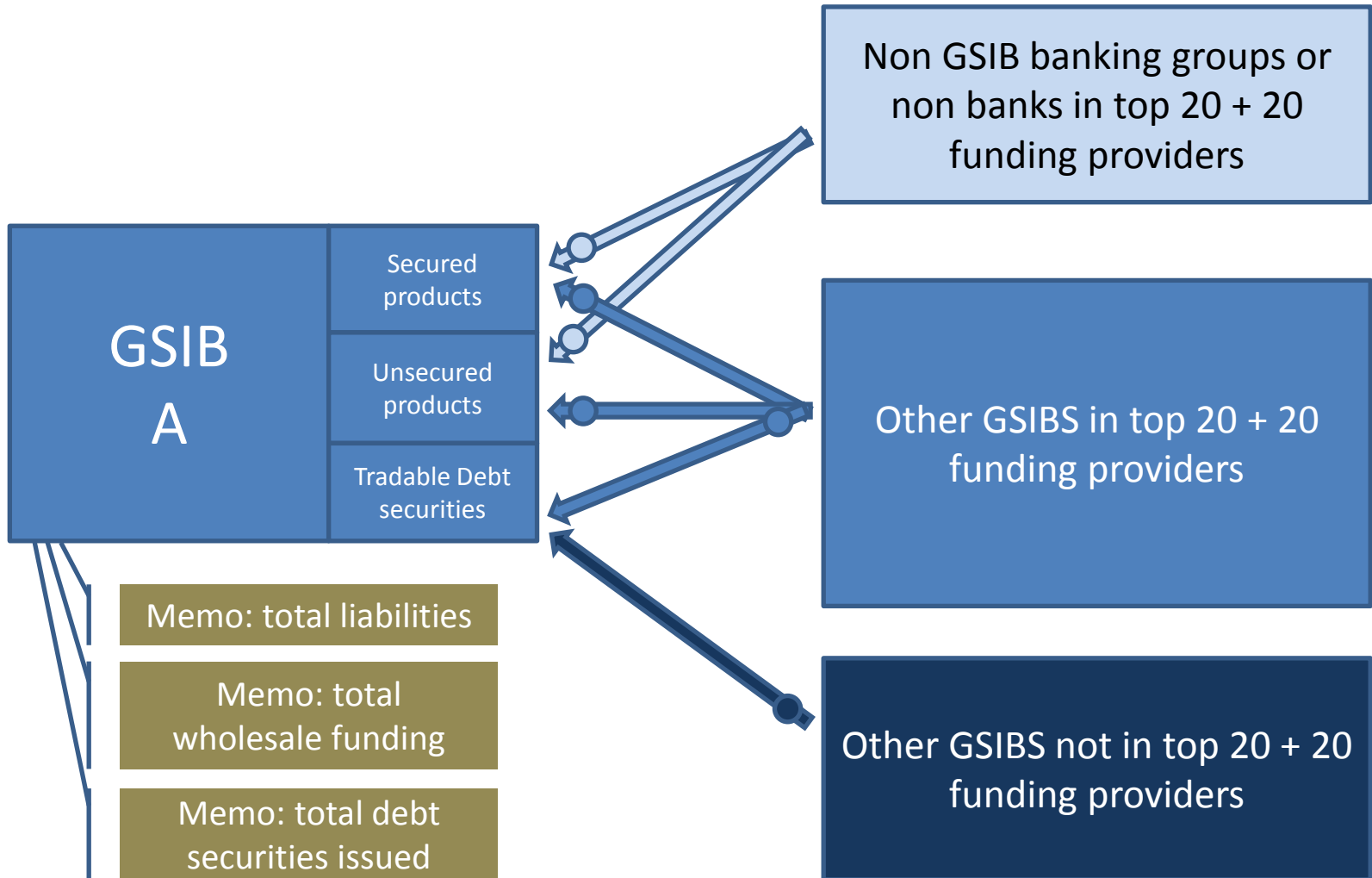
# Timeline



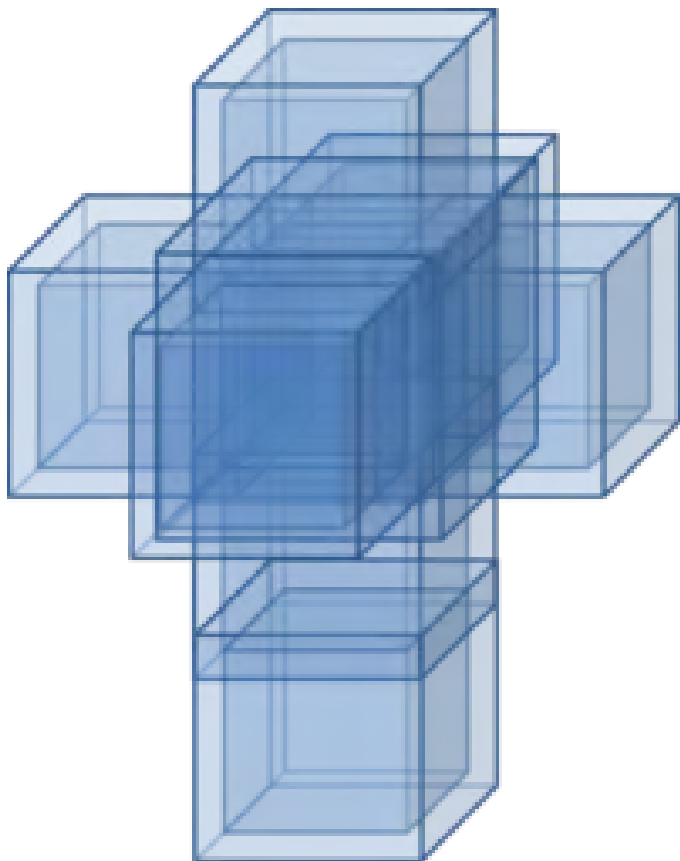
# Bilateral linkages



# Phase 2 - Funding



# Expanded I-A balance sheet data



- Assets and liabilities
  - Including contingent exposures
- Immediate counterparty
- Five-way crossings
  - Instrument
  - Counterparty country
  - Counterparty sector
  - Currency
  - Maturity
- Local positions
- FX instruments
- Bridge / Ultimate risk



# Flexibility: multiple dimensions

## Concentration of exposures to financial structured products or sovereign risk

- Which institutions have direct and indirect exposures to country X commercial real estate?
- What are the channels for indirect exposures?
- How do these exposures add up globally?

Exposures	Funding
Country	Country
Sector	Sector
Instrument	Instrument
Maturity	Maturity
Currency	Currency

## Liquidity strains in global funding markets

- Which institutions have shorter term funding profiles?
- Which are more dependent on securitisation markets?
- Which have lower liquidity ratios?
- On which providers / markets are these institutions more dependent?

## A money market fund 'breaks the buck' - major funding gaps in one currency

- How dependent are other institutions in the global financial network on funding from money funds?
- How large are the funding needs? Which firms / jurisdictions are involved? What is the roll-over risk?
- Is there a need for policy actions (e.g. emergency swaps lines between central banks)?

- Accounting systems vs risk management
  - Trade-off: granularity / timeliness / frequency: which balance for good-enough quality?
- Closer to banks risk management practices but consistent with supervisory expectations and good quality
  - Provide a source of timely information that can be rapidly escalated by authorities without data quality degradation if problems arise at an institution in the global network

# Costs / benefits

	Costs	Benefits
High granularity	<ul style="list-style-type: none"> <li>• Higher volumes of data</li> </ul>	<ul style="list-style-type: none"> <li>• Multi-purpose reporting, fewer ad-hoc requests</li> </ul>
For reporting institutions	<ul style="list-style-type: none"> <li>• Adaptation of legacy systems to new requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Incentive to enhance data collection and risk aggregation capacities</li> </ul>
For supervisors	<ul style="list-style-type: none"> <li>• Higher number of checks for quality</li> <li>• Need for stronger analytical tools</li> </ul>	<ul style="list-style-type: none"> <li>• Better quality checks</li> <li>• Higher timeliness and efficiency for policy actions</li> </ul>
For international institutions	<ul style="list-style-type: none"> <li>• Develop tools for monitoring potential build up of risk concentration and systemic crisis</li> </ul>	<ul style="list-style-type: none"> <li>• Better data for policy development</li> <li>• Consistency of definitions</li> </ul>

The implementation of the recommendations on GSIFs is conducted under the auspices of the **FSB Plenary**

## **Central hub**

- the International Data Hub centrally holds the data collected
- hosted by the Bank for International Settlements (BIS)

## Multilateral memorandum of understanding (**Multilateral Framework**)

- arrangements for the collection and sharing of information through the Hub
- signed by banking supervisory authorities and central banks from ten jurisdictions
- access to confidential information is contingent on the reciprocal provision and restricted to specific purposes such as supervisory and macro-prudential activities

## **Hub Governance Group** (HGG)

- it oversees the pooling and sharing of information
- it monitors the compliance with the Multilateral Framework and decides on any changes to it

## **GSIBs data**

- data are 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 distributes standard reports to participating authorities (data receivers) on a regular basis
- data receivers can require additional information from the Hub, after written consent from data providers