

**Twenty-First Meeting of the
IMF Committee on Balance of Payments Statistics
Washington, D.C., November 4–7, 2008**

Progress Report of the Working Group on Securities Databases

**Prepared by the Statistics Department
International Monetary Fund**

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I. BACKGROUND

The Working Group on Securities Databases (WGSD), originally established in 1999, was reconvened in July 2007, with the immediate objective of responding to a request from the G-8 Finance Ministers to “undertake a stock take of currently available data on local debt markets [in emerging market economies and developing countries] and identify any gaps, with a view to consolidating the information.” The group is chaired by the IMF and includes the ECB, BIS, and the World Bank as members. Selected experts from national central banks, who have participated actively in various international groups that have identified the need to improve data on securities markets, have also been invited to contribute to the deliberations of the WGSD.

The reconvened WGSD held its maiden meeting on September 29, 2007 and the outcome has been reported in the BOPCOM meeting in October 2007 (Reference document: BOPCOM-07/25). Since the last BOPCOM meeting, the WGSD has met many times, three of which were face-to-face meetings and the rest through teleconferencing. In these meetings, the WGSD’s discussion focused on the implications of two international conferences for the work of the group (see next section below), formulation of its work program, including the preparation of a handbook on securities statistics, division of work among the members, and detailed timetable for its work in the short-term. The WGSD has also provided status reports on its work to the G-8. The collaboration among the institutions involved has been excellent.

The WGSD agreed on the following principles for its work:

- The development of security-by-security databases is a longer-term objective. It will be up to institutions and countries to decide if they want to make investments in this area.
- The preparation of a handbook for compiling securities statistics (with a first priority on debt securities issues statistics) would be a less ambitious, practical, and do-able approach in the near-term. To assist in the process of developing security-by-security databases, the handbook will contain an annex on the pros and cons of developing a security-by-security database.
- At the same time the handbook is being prepared, the Centralized Securities Database (CSDB) will continue to be developed by the European System of Central Banks (ESCB). Given the complexity and timetable for the CSDB, it is deemed too early to discuss the creation of a global securities database (GSDB).

II. INTERNATIONAL CONFERENCES

Two international conferences provided important inputs to the work of the WGSD (see box). The conclusions from these conferences strongly supported the WGSD's work and confirmed the need for a handbook on the compilation of securities statistics.

Bundesbank Conference on Bond Markets in Emerging Market Economies and Developing Countries—Financial Globalization, Vulnerabilities, and Data Needs (Frankfurt, January 31-February 1, 2008)

The conference organized by the Deutsche Bundesbank in close cooperation with the German Federal Ministry of Finance, identified priority areas for action, notably encouraging the production of internationally comparable securities statistics with more breakdown (e.g., by maturity, currency, as well as sector of issuers and holders of securities), intensifying dialogue between users and producers of statistics about future data requirements, continuing ECB work on a security-by-security database, analyzing the investment behavior of international investors, and further extending work on balance sheet approaches. The conference also concluded that creating a harmonized international data platform is important but the issue was raised as to whether the creation of a globalized securities database is a realistic option given the time and financial cost required to develop the system.

Irving Fisher Committee Workshop on Challenges to Improve Global Comparison of Securities Statistics (Washington D.C., March 4-5, 2008)

The workshop discussed the broad range of user requirements for debt securities statistics, sources of securities statistics, as well as existing statistical frameworks and country experiences with debt issuance statistics. Participants observed that information on securities is typically spread across different organizations and applications, thus making it difficult to develop accurate and comprehensive data. In addition, these various sources use different classification schemes and data exchange formats, making it difficult to group data and construct meaningful aggregates. The security-by-security databases—an approach based on collecting information on individual securities that is being implemented by the ESCB—was also discussed. Conference participants agreed on the need for a handbook on securities statistics, because no detailed international standard for compiling these statistics exists.

III. HANDBOOK ON SECURITIES STATISTICS

In response to the conclusions of the above mentioned international conferences and taking into account its mandate from the G-8, the WGSD agreed to produce a *Handbook on Securities Statistics (Handbook)*. The development of the *Handbook* will focus first on a conceptual framework for the presentation of debt securities data. It will also provide a table for the presentation of aggregate debt securities statistics that are relevant, coherent, and

internationally comparable. The *Handbook* will be based on existing international statistical standards and will be practical and concise. Debt securities issues are a first step toward a more comprehensive set of guidelines for securities data. This step-by-step or building block approach should allow for further methodological development and guidelines in the future (including holdings and a standard description of individual securities in securities databases). The *Handbook* is to be normative and therefore (to the degree sensible) not dependent on different country regulatory frameworks and market practices. Other general features are:

- Single *Handbook* applicable to both developed and emerging countries;
- The *Handbook* will provide concepts and definitions irrespective of the different country regulations in the area of securities statistics;
- It will describe aggregated statistics from the issuer point of view; and
- The pros and cons of developing a security-by-security database will be discussed in an annex to the *Handbook*.

The annotated outline and timetable for completion (attached) have been posted on the WGSD's website (<http://www.imf.org/external/ks5101/wgsd/index.htm>). The BIS has recruited a full-time expert to coordinate and edit the *Handbook*.

A preliminary first draft of the *Handbook* has been commented on by selected experts¹ from national central banks. A revised draft incorporating comments from the experts was discussed by a bigger group of reviewers—the Review Group—during October 28-29, 2008 in Basel. The Review Group was established by invitation to national central banks and relevant statistical agencies, as well as to international and regional organizations that have an active interest and expertise in securities statistics. Some 50 countries and international agencies were represented in the meeting.

At the Review Group meeting, insights were sought about national experiences in presenting debt securities statistics, keeping in mind their implications for the *Handbook*. The Group discussed the following:

- the overall scope of the *Handbook*
- structure and ordering of sections of the *Handbook*
- major statistical issues concerning debt securities issues

¹ The experts were selected on the basis of their technical expertise and experience in debt securities while at the same time aiming for a balanced geographical/regional representation as much as possible.

- consistency within and across sections of the *Handbook*.

[Note: An oral report will be made on the outcome of the Review Group Meeting during the November 2008 BOPCOM meeting.]

IV. WAY FORWARD

Following the Review Group meeting, the draft *Handbook* will be amended to incorporate consensus views from the meeting. Soon afterwards, the *Handbook* will be circulated to the Review Group and posted on the WGSD's website for another round of review and comments. The final version of the *Handbook* is expected by April 2009.

The WGSD will also consider the next versions of the *Handbook*, which could focus on other topics related to securities issuance and statistics on holdings.

**HANDBOOK ON SECURITIES STATISTICS
PROPOSED CONTENTS FOR PART 1: DEBT SECURITIES STATISTICS
— WORKING GROUP —**

1. INTRODUCTION

- Objective of the handbook
 - Provide guidelines for the **presentation** of aggregate debt securities statistics that are relevant, coherent, and internationally comparable
 - Encourage the production of securities statistics to assist in **monetary policy** formulation and monitoring, and **financial stability** analysis
- Definitions and scope of the handbook
 - **What is a debt security?**
 - Focus on **concepts** related to **aggregate** debt securities statistics, rather than a compilation guide
 - Focus on **issuing sectors**
 - Anchored or harmonised to **existing international standards**, particularly 2008 SNA, BPM6, MFSM, MFSCG, External Debt Guide, CPIS Guide, GFSM 2001
 - Describes standard and analytically-useful presentation tables, and identifies useful aggregates relevant for policy and analysis

2. PRESENTATION TABLES FOR DEBT SECURITIES STATISTICS

- Based on 2008 SNA, BPM6, MFSM, MFSCG, External Debt Guide, CPIS Guide, GFSM 2001
- “Residency of issuer” approach with reference to **presentation tables**. Recognise that there are other approaches to present debt securities data, such as “location of issue”.

3. ISSUING SECTORS AND SUB-SECTORS

- Based on 2008 SNA
- Definition of **residency**
- The general government sector comprising the following sub-sectors: central government; state government; local government, and social security funds

- The financial corporations sector comprising the following sub-sectors: central bank; deposit-taking corporations, except the central bank; money market funds (MMFs); non-MMF investment funds, other financial intermediaries, except insurance corporations and pension funds (ICPFs) (including SPEs, SIVs and conduits); financial auxiliaries; captive financial institutions and money lenders; insurance corporations (ICs), and pension funds (PFs)
- The non-financial corporations sector; a breakdown by sub-sector national public non-financial corporations; national private non-financial corporations, and foreign controlled non-financial corporations may be considered
- Other resident sectors (households and non-profit institutions serving households, if at all applicable for security issues statistics)
- Non-residents

4. CLASSIFICATIONS

- Introduction with reference to the structure of **presentation tables**

4A. BY ISSUING SECTOR AND SUB-SECTOR

- Residents and non-residents
- Resident sectors and sub-sectors (2008 SNA sub-sectors are seen as building blocks for the presentation of the sectors with some sub-sectoring)

4B. BY CURRENCY

- Domestic and foreign

4C. BY MATURITY

- Short term: original maturity equal to or less than 1 year
- Long term: original maturity greater than 1 year
- Original and residual

4D. BY INTEREST RATE

- Fixed rate (including zero coupons)
- Variable rate (including breakdown for inflation indexed, exchange rate linked, possibly other)
- The range of debt security instruments and border line cases (referring to chapters 1 and 4C); treasury bills, bills of exchange, bill acceptances and endorsements, certificates of deposit, unsecured commercial paper with original maturity equal to or less than 1 year, promissory notes with original maturity equal to or less than 1 year, and other (including commercial paper and promissory with original maturity greater than 1 year)
- Box: Hybrids

4E. BY FINANCIAL MARKET

- Domestic and international markets

5. SECURITISATION

- What is it?
 - Definition
 - Securitisation process
 - Institutions involved
- Various models
- Existing international standards for SPEs, SIVs and conduits (2008 SNA, BPM6)
- Financial instruments
- Classification

6. VALUATION AND ACCOUNTING RULES

- Nominal and market price (fair value)
- Time of recording
- Recording of accrued interest
- Transactions versus revaluations
- Revaluations and other changes in the volume of assets (OCIVA)
- Aggregation, consolidation and netting

7. RECONCILIATION OF AMOUNTS OUTSTANDING, GROSS AND NET FLOWS

- Relationship between amounts outstanding, gross net issuance (gross issuance net of redemptions), other flows (write-offs, write-downs, cancellations, holding gains and losses)
- Exchange rate effects: amounts outstanding (end period) versus net/gross issues (period average)

8. REFERENCE METADATA

- What information is needed to accompany debt securities data?
- Need a standard presentation of metadata
- Only briefly mention data frequency, timeliness etc

ANNEXES

A1. GLOSSARY

A2. SECURITY BY SECURITY DATABASES

- What are SBS databases?
- What are the costs and benefits for developing a national SBS database?

ANNEX 3. PRESENTATION TABLES

Table 1

Debt securities statistics — classification by sector, market, and currency

Market ⁷ & Currency ⁸		Sector	General government ¹	Financial corporations ²	Non-financial corporations ³	Households & NPISHs	Total residents ⁴	Non-residents ⁵	Total sectors ⁶
Location of issue	Domestic market	Domestic currency							
		Foreign currencies							
		Total currencies							
	International markets	Domestic currency							
		Foreign currencies							
		Total currencies							
	Total markets	Domestic currency							
		Foreign currencies							
		Total currencies							
Residency of issuer									

Footnotes to Table 1

- ¹ General government comprises central government, local government, state government, and social security funds.
- ² Financial corporations comprises central bank, deposit-taking corporations (such as banks, credit cooperatives, building societies), money market funds, non-money market funds, other financial intermediaries (such as investment corporations, finance companies, lease companies), financial auxiliaries, captive financial institutions and money lenders (such as special purpose entities), insurance corporations, and pension funds.
- ³ Non-financial corporations comprises national public non-financial corporations, national private non-financial corporations, and foreign-controlled non-financial corporations.
- ⁴ Total residents comprises general government, financial corporations, non-financial corporations, households, and non-profit institutions serving households.
- ⁵ The non-residents sector is appropriate when the location of issue approach is used.
- ⁶ Total sectors is appropriate when the location of issue approach is used. It comprises total residents and non-residents.
- ⁷ Total markets comprises domestic market and international markets.
- ⁸ Total currencies comprises domestic currency and foreign currencies.

ANNEX 3. PRESENTATION TABLES

Table 2

Debt securities statistics — classification by sector, maturity, interest rate, financial instrument, market, and currency

Sector	General government ¹	Financial corporations ²	Non-financial corporations ³	Households & NPISHs	Total residents ⁴	Non-residents ⁵	Total sectors ⁶
Maturity ⁷ , interest rate, financial instrument, market, ⁸ & currency							
Domestic currency (each domestic, international, and total markets)							
1. Total debt securities <small>(1=2.1+2.2; 1=3.1+3.2)</small>							
2.1 Total short term ⁹							
2.2 Total long term ¹⁰							
2.3 Memo item: Long term at remaining maturity up to 1 year							
3.1 Total fixed rate ¹¹							
3.2 Total variable rate <small>(3.1=3.1.1+3.1.2+3.1.3)</small>							
3.2.1 Inflation indexed							
3.2.2 Exchange rate linked							
3.2.3 Other							
4.1 Memo item: Hybrids ¹²							
4.2 Memo item: ABS (incl. ABCP)							
Foreign currencies (each domestic, international, and total markets)							
1. Total debt securities <small>(1=2.1+2.2; 1=3.1+3.2)</small>							
2.1 Total short term ⁹							
2.2 Total long term ¹⁰							
2.3 Memo item: Long term at remaining maturity up to 1 year							
3.1 Total fixed rate ¹¹							
3.2 Total variable rate <small>(3.1=3.1.1+3.1.2+3.1.3)</small>							
3.2.1 Inflation indexed							
3.2.2 Exchange rate linked							
3.2.3 Other							
4.1 Memo item: Hybrids ¹²							
4.2 Memo item: ABS (incl. ABCP)							
Total currencies ¹³ (each domestic, international, and total markets)							
1. Total debt securities <small>(1=2.1+2.2; 1=3.1+3.2)</small>							
2.1 Total short term ⁹							
2.2 Total long term ¹⁰							
2.3 Memo item: Long term at remaining maturity up to 1 year							
3.1 Total fixed rate ¹¹							
3.2 Total variable rate <small>(3.1=3.1.1+3.1.2+3.1.3)</small>							
3.2.1 Inflation indexed							
3.2.2 Exchange rate linked							
3.2.3 Other							
4.1 Memo item: Hybrids ¹²							
4.2 Memo item: ABS (incl. ABCP)							

Footnotes to Table 2

- ¹ General government comprises central government, local government, state government, and social security funds.
- ² Financial corporations comprises central bank, deposit-taking corporations (such as banks, credit cooperatives, building societies), money market funds, non-money market funds, other financial intermediaries (such as investment corporations, finance companies, lease companies), financial auxiliaries, captive financial institutions and money lenders (such as special purpose entities), insurance corporations, and pension funds.
- ³ Non-financial corporations comprises national public non-financial corporations, national private non-financial corporations, and foreign-controlled non-financial corporations.
- ⁴ Total residents comprises general government, financial corporations, non-financial corporations, households, and non-profit institutions serving households.
- ⁵ The non-residents sector is appropriate when the location of issue approach is used.
- ⁶ Total sectors is appropriate when the location of issue approach is used. It comprises total residents and non-residents.
- ⁷ Total debt securities comprises total short term (with original maturity of one year or less) and total long term (with original maturity of more than one year).
- ⁸ Total markets comprises domestic market and international markets.
- ⁹ Short-term debt securities are also referred to as money market instruments. They include:
- Treasury bills
 - Bills of exchange
 - Bill acceptances
 - Bill endorsements
 - Certificate of deposits issued with original term to maturity of one year or less
 - Unsecured commercial paper issued with original term to maturity of one year or less
 - Asset Backed Commercial Paper (ABCP) issued with original term to maturity of one year or less
 - Promissory notes issued with original term to maturity of one year or less
 - Other one-name paper with original term to maturity of one year or less.
- ¹⁰ Long-term debt securities are also referred to as bond and notes. They include:
- Certificate of deposits issued with original term to maturity of more than one year
 - Unsecured medium-term notes, bonds, and debentures
 - Asset-backed debt securities with original term to maturity of more than one year
 - Inflation-indexed and exchange rate linked bonds
 - Straight fixed rate instruments as well as floating rate notes and other floating rate debt securities
 - Hybrid debt securities, such as subordinated bonds and notes, perpetual debt securities, preference shares (including those that are redeemable)
 - Convertible notes and bonds prior to conversion
 - Stapled notes and bonds
 - Euro medium-term notes, Euro notes, and Euro bonds
 - Other long-term debt securities issued with original term to maturity of more than one year.
- ¹¹ Fixed rate instruments include zero coupon bonds.
- ¹² Hybrid debt securities combine features of two or more different financial instruments.
- ¹³ Total currencies comprises domestic currency and foreign currencies.

**Draft timeline for the development of the Handbook on Securities Statistics
— Working Group**

End April 08–End May 08

Nominate Coordinator for the Handbook on Securities Statistics

Prepare preliminary draft contents for the Handbook

Prepare draft timeline for the development of the first version of the Handbook

June 08

Circulate draft contents and timetable to members of Working Group on Securities Databases (Working Group) for comments

Invite (other) interested national and international statistical agencies to join Review Group; invite to Review Group Meeting in October, and draft invitation letter (including draft contents and timetable) and list of invitees to be prepared with BIS

Share work to provide inputs for the different sections of the draft contents

Establish section on IMF website to communicate work on the Handbook

July 08

Establish Experts Group

Prepare contributions for first draft of the Handbook (including open issues) for Review Group Meeting

August 08

Prepare contributions for first draft of the Handbook (including open issues) for Review Group Meeting

September 08

Circulate first draft of the Handbook among Experts Group

Prepare agenda of Review Group Meeting; agenda to follow draft Handbook contents section by section

October 08

Review Group Meeting to be hosted by BIS in Basel

Reach agreement on draft text and open issues as much as possible

November-December 08

Prepare second draft of Handbook

January 09

Review second draft

Identify issues that need further clarification

Agree on consultation on open issues

February 09

Send second draft to Working Group, Experts Group, and Review Group

Open comment period

February-March 09

Receive comments on second draft

Prepare third draft

April 09

Finalise third draft of Handbook

Agree on next steps: publication, next versions of Handbook (other topics related to securities issuance, statistics on holdings)