



First IMF Statistical Forum
Statistics for Global Economic and Financial Stability

**Comments on
«Mapping the Shadow Banking System
through a Global Flow of Funds Analysis»**

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Paper presented at the First IMF Statistical Forum
Washington, D.C. | November 12–13, 2013

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BANK FOR INTERNATIONAL SETTLEMENTS

Comments: Mapping the shadow banking system through a global flow of funds analysis

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IMF Statistical Forum: Statistics for Global Economic and Financial Stability, Washington

12 November, 2013



Disclaimer

Views are my own.

What did the crisis teach us about information needs on financial stocks and cross-border flows?

- Gross flows are just as important as net flows – or, when it comes to financial stability, more important.
- Especially when “offsetting” flows come from different sectors, have different maturity or currency compositions, or different credit exposures
- Balance sheets (stocks) are crucial background as to the relevance of flows

Some examples

- Japan in the 1980s had a current account surplus – and an unsustainable domestic credit boom. Other countries have had external deficits and domestic booms.
- Europe (much more than Asia) was a major source of credit to the US housing boom before the crisis – but the EU as a whole was in external balance
- Some European surplus countries (Germany, Switzerland) faced financial system instability even though domestic credit conditions were stable, because of bank exposures
- Turbulence in emerging market asset prices in mid-2013 (mentioned in the paper) are better explained by shifts in gross flows than by net imbalances, which have been relatively small.

What is it that we're concerned about?

- Rapid growth in credit, while not a sufficient condition, should be the first sign that things are going wrong. AKA:
 - "The financial cycle"
 - "Global liquidity"
 - "Financial imbalances"
- Especially worrying if accompanied by:
 - Noncore liabilities
 - Cross-border lending
 - Shadow banking (ie outside the regulated sector)
 - ... as demonstrated nicely in the paper.
- Rapid growth in a subcategory (housing credit, ABCP ...) should at least call for a closer look

Information needs include, but are not limited to ...

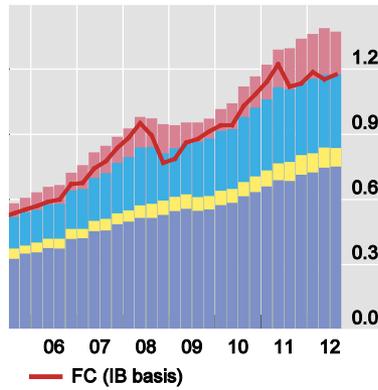
- Gross flows, not just net flows
- Stocks, not just flows
 - Balance-sheet recessions
- Consolidated exposures, not just by location
- Institutional characteristics of lenders and borrowers
 - Regulated vs unregulated.
 - Quality of supervision
 - Access to safety net
 - Leverage-targeters (Adrian-Shin)
- Instrument types
 - Secured? And by what?
 - Mismatches: maturity, liquidity, currency
- Business models: multinational or international?

Business models matter:

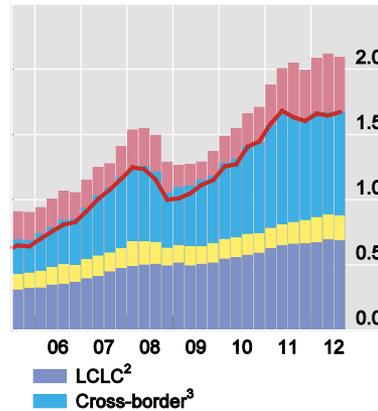
Local currency claims were more stable during the crisis, especially in EMEs

Foreign claims on emerging markets (stocks in US\$trn and yoy changes in %)

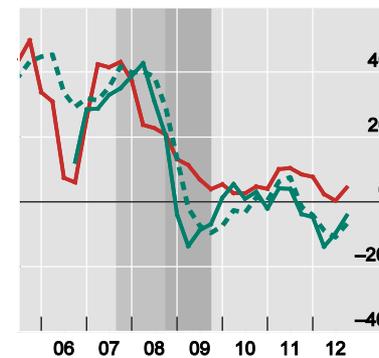
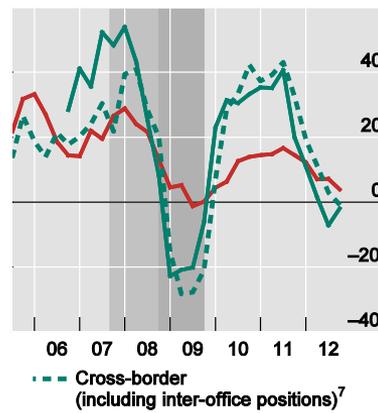
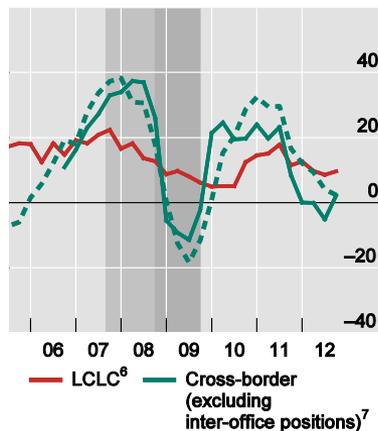
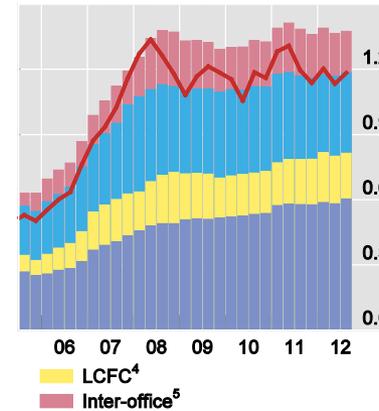
On Latin America



On Asia-Pacific



On emerging Europe



Guideposts

- Given limited resources, and reporting burden, we'll never have a full breakdown by sector, instrument, maturity, currency, and counterparty country for every country. Need to set priorities.
- Often it's a case of better using the data sources we have.
- It would be especially useful to know more about (several of these are in the paper):
 - Consolidated bank exposures alongside residence-based
 - Credit risk transfer (derivatives and guarantees)
 - Offshore data – a useful additional part of the picture – in order to better capture consolidated exposures
 - Deposit vs non-deposit funding
 - Bank vs bond-market funding across sectors
 - Currency and maturity mismatches across sectors

Recent enhancements to the BIS banking statistics

- Stage 1
 - Add local positions in local currencies to the locational statistics.
 - Add data on counterparty locations to the locational-by-nationality statistics
- Stage 2
 - Add home-country exposures to consolidated statistics.
 - Add better counterparty breakdown (banks, NBFIs, non-financial private, public) to the locational and consolidated statistics
 - Add liability (funding) data to the consolidated statistics
 - Address reporting gaps, confidentiality issues

International banking data hub

- Phase 1: from March 2013
 - Inst \leftrightarrow Inst (I-I) data on credit exposures
 - Sharing: supervisory agencies
- Phase 2: draft template published
 - I-I and Inst \leftrightarrow Aggregate (I-A) data on funding
 - Sharing: supervisors & home-country macro-prudential authorities
- Phase 3: work underway
 - I-A granular, harmonised, consolidated balance sheet data
 - Sharing: supervisors, MPAs, IFIs, host authorities?