

David Schraa
Regulatory Counsel

December 21, 2015

Mr. Pietro Franchini,
Member of Secretariat
Financial Stability Board
Centralbahnplatz 2
Basel, Switzerland



BIS International Data Hub

Re: Draft “Guidelines for reporting institution-to-aggregate granular data on assets and liabilities on an immediate counterparty basis”

Dear Mr. Franchini:

The Institute of International Finance (IIF) and its members appreciate the consultative spirit consistently shown by the Financial Stability Board and the BIS International Data Hub on the International Data Hub project. In particular, we note that many issues discussed in recent exchanges have been addressed and that the overall complexity of the template has been managed down, although data requirements remain substantial.

Given that the template is intended to be substantially final, we will not belabor past positions that you could anticipate (such as the requirement of 35 countries), but we do offer what we hope are constructive requests for clarification of the captioned document.

Of course, the IIF would be happy at any stage to organize further discussions if it would be helpful to bring industry representatives together as the International Data Hub project advances.

Specific comments

Paragraph B.1. Members believe that the first reports would be requested as of March 31, 2017 on a pilot basis, with later full implementation; however, confirmation of that start date would be helpful.

Paragraph C.3 Table 2. The general statement at the head of paragraph C.3 is that “liabilities to central banks are excluded from Table 2”; however, at page 15, the “Other Borrowings (item 4)” description says that “all liabilities to central banks should be included under this item (Table 1) (Table 2)”. Please clarify the intent on this point.

Is it correct to assume that liabilities to central banks are to be reported in Table 1 and Table 2? This seems necessary to arrive at correct totals by country.

As a related matter, under C.3.2 on page 9, is it correct to assume that liabilities to central banks should be reported in the unallocated sector, as specified for the asset side? If so, the language should be corrected to reflect the intent.

Paragraph C.3.1. Members would appreciate confirmation that the provision on adding or deleting countries from the “top 35” should be understood as follows:

- Identify the top 35 countries (or lower number if the materiality thresholds are not met) on which to report based upon prior quarter IC data, excluding derivatives, submitted in the BIS Consolidated Banking Statistics, subject to \$2 billion materiality threshold. The identified countries represent the countries that should be reported in Table 2, unless they are excluded based upon the next criterion.
- Exclude countries identified if they were not in the top 35 country list over the prior four quarters, subject to local regulatory approval.

There is an ambiguity about the “top 35”: while the intent is clearly not to have more than 35 countries, there seems to be the possibility that firm could have to report on more than 35, if certain countries were eligible for exclusion, but regulatory assent had not been received. What should be done in such cases?

Additionally, what is the definition of the \$2 billion materiality threshold? Some members are uncertain whether the intent is to base the threshold an average or not and this should be clarified.

Paragraph “Determining Residency of the Counterparty.” Members have found the last sentence (“Since international and regional organizations are residents of the international and regional areas they serve ... these organizations are excluded from Table 2.”) to be difficult to interpret. Clarification of the specific intent here would be helpful.

Paragraph C.3.2. The counterparty definitions seem likely to cause confusion and inconsistencies. Generally, banks will need to use their usual regulatory definitions, for purposes of data quality and uniformity, as well as to avoid operational inconsistencies. The introduction to the list of definitions makes it appear that these definitions are mandatory.

In certain cases, the definitions add perplexing complications to standard definitions. For example:

- “Banks”: what does “... receive deposits *or close substitutes for deposits* ...” mean? Taken literally, this could raise many questions, but surely the intent is to capture banks that are conventionally defined as banks for many other purposes.
- “Non-bank financial institutions”: the footnote refers to apparently acceptable variations; that being the case, the rather complex discussion here could either be dropped or at least it should be made clear that (as for all these definitions) it is just illustrative and final decisions should be taken on a national basis.

- “Households” includes “non-profit institutions serving households (NPISH)”: members are quite uncertain what that means and it could have very different implications across countries. The usually applicable local definitions should be used.

Note that the definition of “General government” is, however, important because of the intent of sweeping in sub-sovereigns and insurance and social security schemes.

Paragraph C.4.2. The intended treatment of subordinated debt under items 6.a and 6.7 is not clear to many members. What does “not necessarily of item 6.a” mean to say? Is it correct that subordinated debt should be reported under 6.7?

Paragraph D.3 (item .3). Is “exposure to gold” intended to capture commodity derivatives in gold, as well as foreign exchange derivatives? It would help to make the intent more explicit.

Paragraph D.3 (item .3). With reference to the statement “Only one side of a foreign currency transaction is to be reported. In those transactions where the non-home country currency are bought or sold against the home country currency of the reporting bank, report only the side of the transaction that involves the non-home country currency” members need to inquire, if both legs of a foreign exchange derivative transaction involve the buying and selling of two non-home country currencies, which leg is to be reported?

The IIF and its members hope these comments are found useful. We look forward to further exchanges on the finalization of the Phase 3. Should you have any questions or issues, please contact David Schraa of the IIF (dschraa@iif.com; +44 207 006 4149).

Sincerely,

A handwritten signature in black ink, appearing to read "David Schraa", with a long horizontal flourish extending to the right.

David Schraa