

Progress and Challenges

In Promoting Data Quality and Filling Data Gaps for Macroprudential Analysis

Richard Berner, Director

Office of Financial Research

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Views expressed in this presentation are those of the speaker(s) and not necessarily of the Office of Financial Research.

Key Themes

- 1. Standards necessary for data quality.**
- 2. To fill data gaps, establish critical needs.**
- 3. Progress, but always a moving target.**
- 4. Requiring standards and data sharing both needed.**

OFR's Unique Position

- Objective perspective; we are not a supervisor, not a policymaker.
- Authority to collect data across U.S. financial system.
- Mandate to improve quality and scope of financial data.

Standards 101

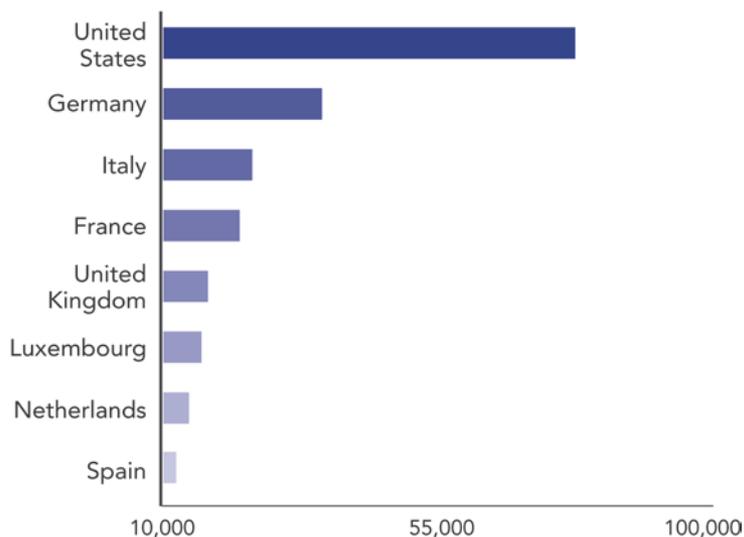
Standards help precisely answer questions:

- *Who is who?* Entities.
- *Who owns who?* Hierarchies.
- *Who owns what?* Instruments.
- *What is owned?* Products.

Nations with the Most Legal Entity Identifiers

Of the 300,000 LEIs Issued to Market Participants as of September 30, 2014, the Largest Number Were in the United States and Germany

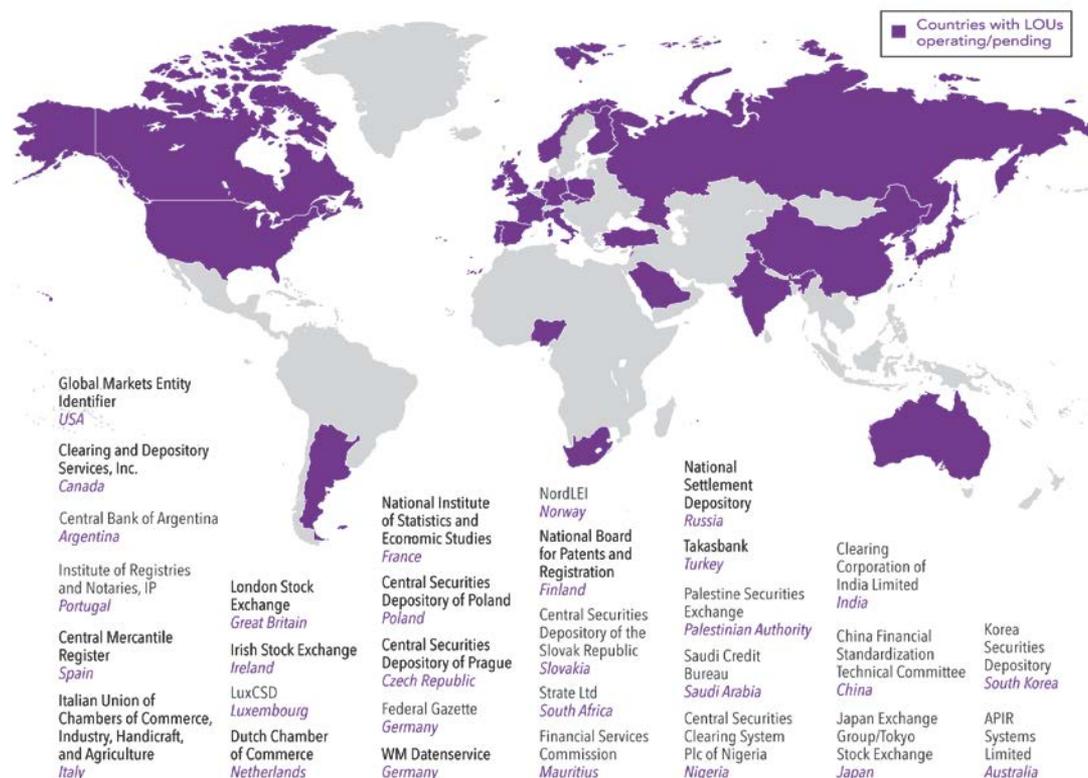
Countries with over 10,000 LEIs Issued



Source: OFR analysis

Issuers of Legal Entity Identifiers

19 local operating units were operating and 11 were pending as of Sept. 30



Sources: LEI Regulatory Oversight Committee, LEI local operating units

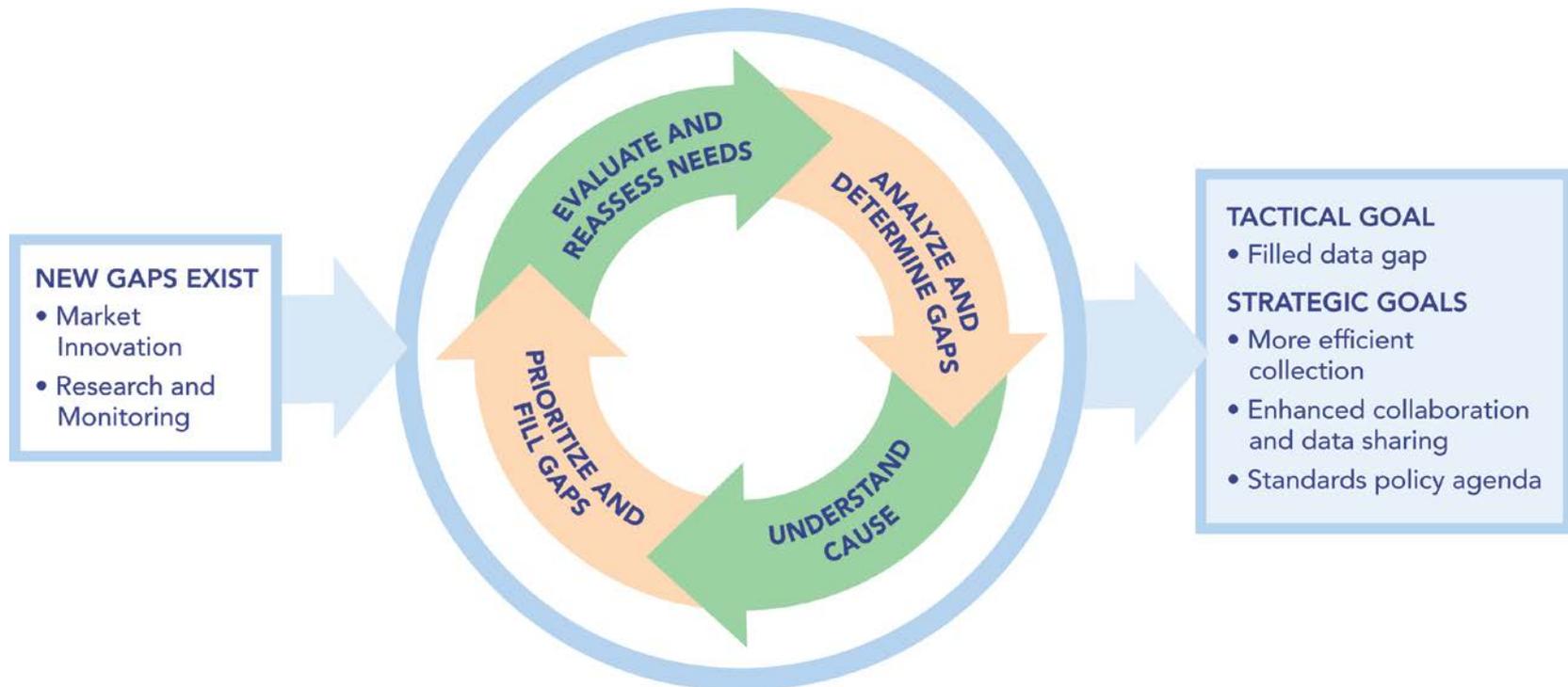
Three Standards Initiatives

- Data Quality in Swap Data Repositories
 - Harmonization
 - Instrument and Product identifiers
- Universal Mortgage Loan Identifier
- Enhanced Global Cooperation on Data Standards

How to Fill Data Gaps

- Decide on questions to answer
- Assess data needs
- Take inventory of available data
- Prioritize and fill gaps
- Data must be comprehensive, timely, sufficiently detailed, suited for their intended purpose, and available to support in-depth analysis

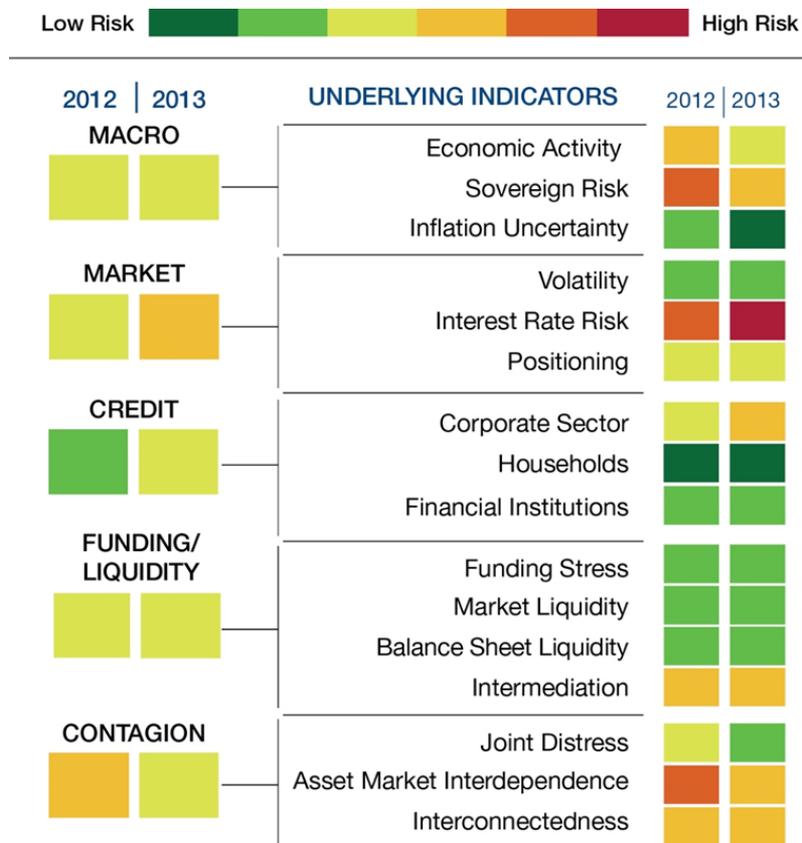
OFR Approach to Filling Data Gaps



Source: OFR analysis

Measure and Analyze Threats to Financial Stability

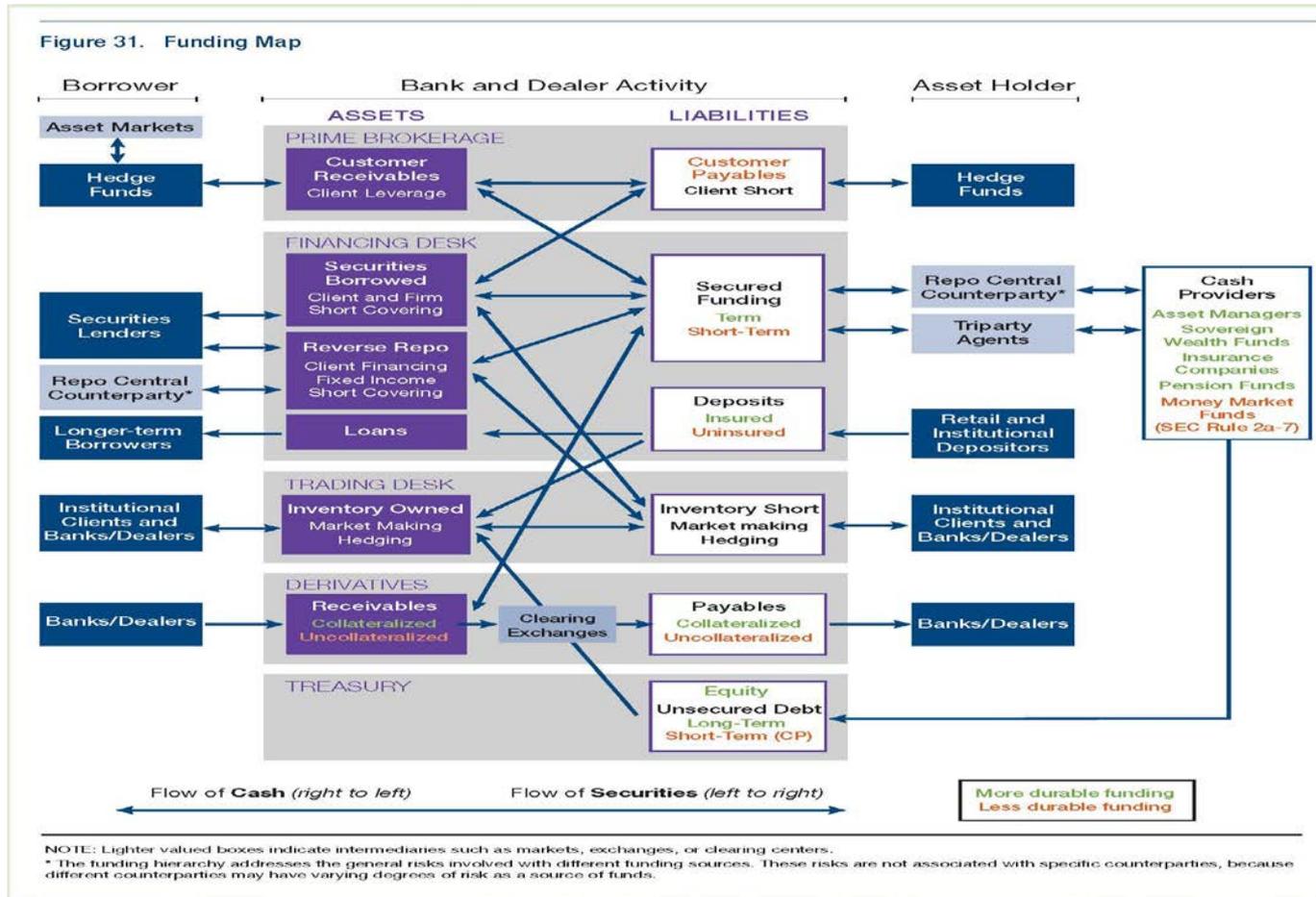
Financial Stability Monitor helps flag emerging risks



- Risk categories are vulnerabilities that could adversely affect financial stability
- Red reflects higher risks and green lower risks
- Positioning is determined by deviation from historical norm
- Each risk measure comprises a set of roughly 10 standardized, high-frequency indicators based on models, markets, and surveys

Vulnerabilities in Short-Term Wholesale Funding

Interconnections Illustrated by Funding and Liquidity Map



Source: OFR 2013 Annual Report

Repo Data Pilot Project Aims at Key Data Gap

- U.S. repo market provides more than \$3 trillion in funding every day.
- Risks of collateral fire sales and runs in short-term funding.
- Bilateral repo collateral estimated to be nearly half of total repo collateral, but data are scant.
- Pilot project jointly with the Fed to begin to fill this gap; Securities and Exchange Commission will have access.

Data Collection Gaps and Overlaps in Repo Markets

	TOTAL	BILATERAL MARKET	TRIPARTY MARKET		
			Non-GCF	GCF	Federal Reserve Reverse Repo Facility
PRIMARY DEALERS	Collectively reported in FR2004	Not collected	Included in triparty repo data collection		Aggregated data publicly available
NONPRIMARY DEALERS	Not systematically collected				(not eligible)
	GAP	GAP	OVERLAPS		

GCF = General Collateral Finance
Source: OFR analysis

Source: OFR analysis

Critical Elements to Close Data Gaps in Repo and Securities Lending Markets

LEVEL	BILATERAL REPO	SECURITIES LENDING
TRADE	<ul style="list-style-type: none"> • Identity of dealer and counterparty • Clearing entity • Trade and settlement date • Principal and currency • Interest rate • Type of collateral • Transaction term 	<ul style="list-style-type: none"> • Identity of dealer, securities owner, and lending agent • Clearing entity • Trade and settlement date • Principal and currency • Type of collateral (cash or securities) • Transaction term
SETTLEMENT	<ul style="list-style-type: none"> • Allocated collateral security • Haircut 	For cash collateral: <ul style="list-style-type: none"> • Description of reinvestment by quality and maturity • Reinvestment income and rebate rate • Haircut
		For securities collateral: <ul style="list-style-type: none"> • Allocated collateral security • Lending rate • Haircut

Source: OFR analysis

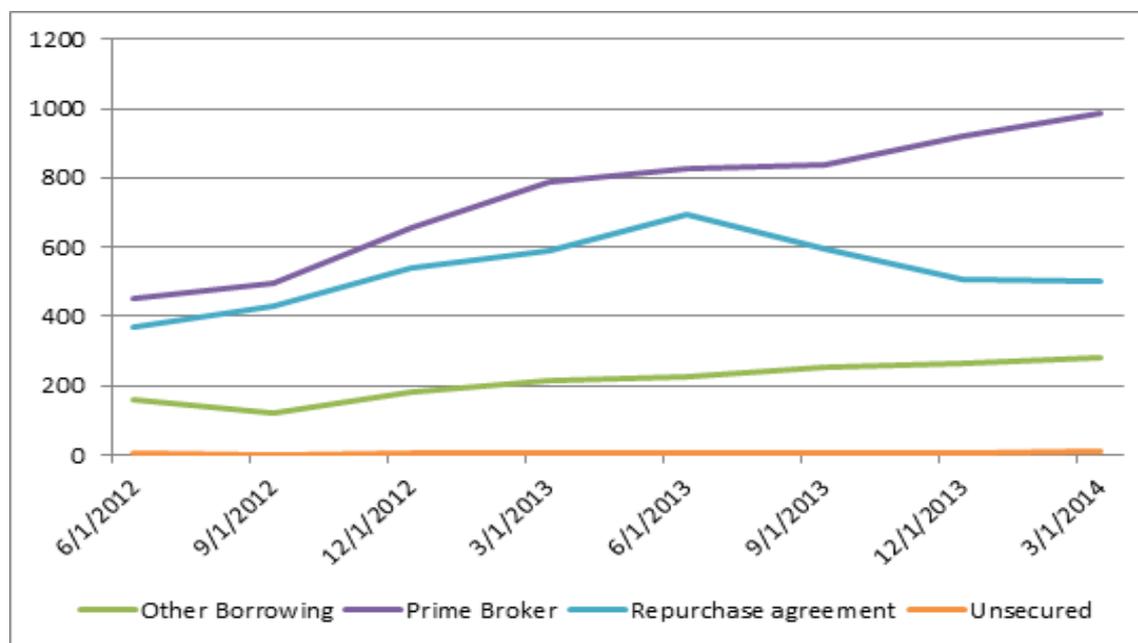
Regulatory Collection to Address Data Gaps: Private Fund Data in Form PF

- Collection of confidential data on private funds began in 2012.
- The OFR is analyzing Form PF data by evaluating leverage across different hedge fund strategies.
- Of particular interest: Sources of leverage.

OFR Analysis of Private Fund Data in Form PF

Qualified Hedge Fund Borrowing by Source (\$ billions)

Most borrowing is secured, with the largest percentage sourced from prime brokers



Source: Form PF

Enhanced Financial Accounts

- OFR assisting Federal Reserve Board in long-term project to enhance the Financial Accounts of the United States, formerly known as the Flow of Funds Accounts.
- Project aimed at understanding sources and uses of short-term funding and related markets.

Project objectives:

- 1) Link quarterly, highly aggregated data to more detailed (granular) and frequent source data, where available;
- 2) Increase coverage of financial activity represented in the accounts to include off-balance-sheet and noncash activity; and
- 3) Explore new measures of the flow of collateral and the flow of risks across the financial system.

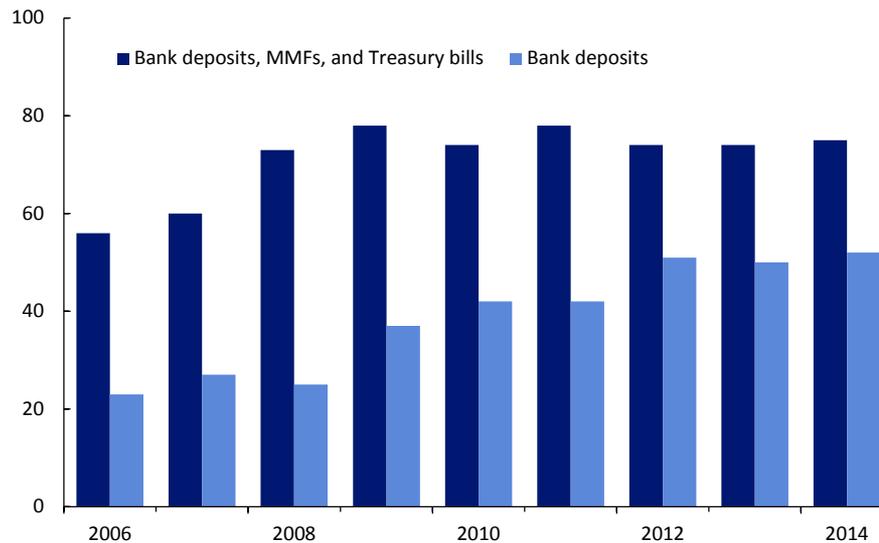
Activities of Asset Management Industry

Separately Managed Accounts

- Offered to large institutional investors under terms defined in an investment management agreement.
- Often, clones of funds offered to the public
- Publicly available and standardized information lacking.

Short-Term Portfolio Allocations to Investment Vehicles

About 52 Percent of Corporate Cash is Invested in Bank Deposits



Source: 2014 Association for Financial Professionals Liquidity Survey

Two critical needs

- **Require data standards in regulatory reporting.**
- **Share data securely and appropriately.**