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**STATISTICS DIRECTORATE  
DIRECTORATE FOR FINANCIAL AND ENTERPRISE AFFAIRS**

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**SUMMARY RECORD OF THE WPFS MEETING HELD ON 13 OCTOBER 2008**

**13 October 2008**

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## SUMMARY RECORD OF THE WPFS MEETING

13 OCTOBER 2007

Patrick O'Hagan (Statistics Canada), Chairperson of the Working Party on Financial Statistics (WPFS), and Michèle Chavoix-Mannato (OECD Secretariat), Secretary of the WPFS, welcome WPFS Delegates.

Michèle Chavoix-Mannato proposes to postpone the election of the Bureau till the end of the day.

Delegates adopt the agenda of the present meeting [COM/STD/DAF/A(2008)1] and approve the record of the previous meeting [COM/STD/DAF/M(2007)1].

### Programme of Work 2009-2010

Michèle Chavoix-Mannato, head of the Financial Statistics Unit, presents the WPFS Programme of Work 2009-2010, activities and related ranking, as it has been elaborated for the CMF [DAF/CMF(2008)10/ADD1].

There are four main domains of work of the WPFS:

- Collection and dissemination of financial statistics
- **Harmonisation** of national statistics across countries
- **Co-ordination** with relevant international organisations
- **Enhanced engagement** of key non-members.

The document also states the ranking that WPFS Delegates have given to the activities under these four domains.

Included in the Programme of Work is also the work linked to the Accession process regarding Chile, Estonia, Israel, Russian Federation, Slovenia: statistical and methodological questionnaires have been sent by DAFE to these five countries on 15 May 2008 and some replies have been received from Chile and Slovenia which will be to be assessed by the WPFS.

Michèle Chavoix-Mannato informs Delegates that:

- the Committee on Financial Markets (CMF) took note of the WPFS Programme of Work 2009-2010 at its April 2008 meeting and agreed to, submit comments to the Secretariat via written procedure;
- no replies or comments were received from CMF delegates.

WPFS Delegates note the difficulties in getting guidance from the CMF. They urged that more efforts be undertaken to implement Recommendation 4 of the CMF In-depth Evaluation on closer co-ordination

between the CMF and its Working Party. One option would be for the WPFS Chair to participate in a CMF meeting.

Delegates are invited to make further comments and proposals on the Program of Work.

## **OECD Financial Accounts and Financial Balance Sheets**

### ***Report on the OECD Financial Accounts databases: current situation and replies to the quality survey***

Michèle Chavoix-Mannato presents a document describing the situation regarding the OECD Financial Accounts and Financial Balance Sheets and giving the results of a user survey carried out in the framework of the OECD Quality Review Exercise which provides a systematic mechanism, based on eight criteria, to assess the quality of OECD statistical products [COM/STD/DAF(2008)1].

A lot of progress has been made in this area, in particular with respect to timeliness and coverage (geographical, sectoral, and time): data are now published on the OECD statistical website (OECD.Stat) with a 7 to 10 months delay. Some countries' financial accounts data which are available every quarter might even be published with a shorter delay if the Secretariat is able to allocate more resource to their processing.

Delegates agree that this may be especially relevant for the upcoming 2008 data which certainly will be of great interest to policymakers.

The results of the user survey, which has been carried out during the summer 2008 and which was sent to 450 users, including DAFE staff, show a general satisfaction for OECD Financial Accounts and Financial Balance Sheets (both statistical data and methodological information). In particular, users find these data relevant, accurate and easily accessible.

However, for most users it would be useful to find relevant indicators and graphs derived from financial accounts data (such as GDP ratios, debt ratios...) rather than primary data: these indicators would show current situations and trends and would enable comparisons across countries. The Secretariat needs guidance from WPFS delegates as well as from CMF delegates with respect to which indicators might be useful.

Respondents to the survey have also considered useful to dispose of accumulation sub-accounts data (Revaluation and Other changes in volume) in order to better understand the difference between flows and changes in stocks and to undertake analyses of the impact of revaluation on balance sheet accounts.

The Secretariat proposes to send a questionnaire to all WPFS Delegates to get their advice on the type of indicators to be calculated and published by the OECD. The Chair suggests that the WPFS may even consider setting up a small group to look into the development of such indicators.

### ***Use of financial accounts by analysts and policy-makers***

WPFS Delegates welcome two interesting special presentations (by Israel [COM/STD/DAF(2008)1] and by an Italian Consultant [COM/STD/DAF(2008)1]) which show the use of financial accounts by analysts and policy-makers. The first presentation describes the methods and uses of National balance sheets in Israel while the second presentation shows a secular view on national wealth and financial development in a selection of countries based on a unique historical dataset back to the 1700's for some selected countries.

## **Households' assets**

### ***Progress report on the OECD Household Assets database and possible uses of this data collection***

Isabelle Ynesta (OECD) presents a progress report regarding countries' replies to the questionnaire on households' assets and possible use of data received in the framework of both the Financial Balance Sheets and the Households' assets database [COM/STD/DAF(2008)11]. The OECD Household Assets database, which is available only online, contains detailed data on a selection of assets, broken down according to the risk borne by households.

The Secretariat's report provides examples of possible uses of this data collection such as the analysis of the development of household wealth (using the Financial Balance Sheet database), and its asset composition (using the Households' assets database). This permits shedding light on the exposure to risk of private households.

The report also highlights the need for more detailed data on the split of some assets, more methodological information and more consistent data between both sources.

The WPFS thanks the Secretariat for its interesting report. It continues to support this collection of data and agrees that the current OECD dataset needs to be enhanced by adding detail to the liability side, with breakdown of debt into mortgage, consumer and other types of credit.

### ***Analysis of the wealth of households in OECD countries***

Three additional presentations, from Italy, France and USA, provide further insight in advanced uses and analysis of the households' balance sheets to analyse household wealth in OECD countries.

The Italian paper, from the Banca d'Italia, [COM/STD/DAF(2008)4], analyzes  $\sigma$  and  $\beta$  convergence of total household financial assets and their main components: deposits, securities other than shares, shares and other equity, insurance technical reserves. The novelty of the paper is to exploit a database containing time series since 1980 for nine OECD countries; the new statistics are the result of a joint project among Pioneer Investment, the OECD, and some national central banks.

An "enhancing data transparency" study by the Banque de France [COM/STD/DAF(2008)5] provides estimates for final financial allocations by households in specific sectors etc.. It presents some ways to analyse Households' balance sheets using financial and non-financial accounts and using complementary sources of data. France points out the need for better capturing pension wealth and unfunded pensions (e.g. in France a big part of pension entitlements would be found in the insurance category).

The US document from the Federal Reserve, shows compositions of household debt highlighting the rapid increase and recent steep decline in mortgage debt and insists on the importance of measuring households' liabilities.

Delegates welcome these national contributions which show how data on household assets and liabilities can be used to better understand this sector's behaviour.

## **Securitisation**

The ECB representative presents the state of art of the work carried out at the ECB regarding the securitisation process [COM/STD/DAF(2008)7]. Statistics produced by the ECB and the European System of Central Banks (ESCB) support the analysis of monetary and financial developments within the euro area and in their interaction with other economies. In this respect, securitisation transactions and the role of

securitisation vehicles, so-called “Financial Vehicle Corporations” (FVCs), have been identified as an important topic. The financial turmoil starting in August 2007 has further increased the importance and relevance of these statistics as a means to support Central Banks’ analysis of this market and to enhance its overall transparency. The paper outlines the phenomenon (largely based on market data), the main user requirements for these statistics, the procedure followed for their development and the content and presentation of the forthcoming data. A draft definition of FVCs and of securitisation (risk transfer being a crucial element) is provided in the annex to the ECB document.

The Delegate from the Bank of Spain, presents the state of work carried out at the OECD regarding statistics on the securitisation process.

Most countries replied to a first questionnaire, launched in 2007, whose aim was to investigate the existence, the organisation and the extent of securitisation, the availability of data, and the sources and treatment of securitisation in OECD countries’ national accounts. The results show that Australia, Canada, Italy, Luxembourg, the Netherlands, Portugal, Spain, and the USA have large and growing securitisation markets. Interestingly, the UK, along with some other countries and despite a long-standing experience of securitisation, is not in a position to include such data in its financial accounts, illustrating the difficulties in data collection and making quantitative estimates of securitisation.

Delegates are asked to amend replies, in case the situation in countries has changed. The intention is that the summary of responses be a live document that provides a broad and updated picture of the methods used to capture securitisation processes in OECD countries.

The Spain Delegate proposes a second questionnaire which would contain a number of questions on topics such as the ‘traditional’ and ‘synthetic’ securitisation, the structure of the special purpose entities’ liabilities (SPE), and the valuation of assets and liabilities linked to securitization and which evaluate the feasibility of comprehensive data collection (as part of financial accounts).

In their discussions, delegates emphasise the importance of the project on securitisation statistics, and of harmonised definitions of securitisation data. The WPFS delegates agree to send further proposals to enlarge or amend the questionnaire and the tables requested, before end-October, and to add information on their own process regarding securitisation. A revised questionnaire (and tables) could be sent to countries with a deadline for submissions in early 2009. Depending on replies, it might be envisaged to organise a workshop on securitisation statistics to further discuss the definition of securitisation and the data that should be collected. A first compilation of data could be carried out if resources are available.

The BIS representative refers to the recently completed Handbook of Securities Statistics for guidance, and both the BIS and the ECB which were involved in that project offer assistance.

### **Bank Profitability (BP)**

In the framework of a revision of the OECD Bank Profitability database and publication, taking into account changes in the international accounting standard rules (IFRS/IAS) and the work carried out by the IMF regarding FSIs (Financial Soundness Indicators), the consultant working on the project (a Seconded from the Central Bank of Turkey) presents a revised list of items of income statements and balance sheets of banks (including a long list of memorandum items), as well as indicators derived from these items. These indicators are broadly compatible with both the IMF and the ECB indicators used to assess financial stability. A small number of national experts and the IMF and ECB experts had been consulted and were involved in the overhaul of the Bank Profitability statistics.

As most OECD countries, mainly European countries, already follow, or intend to follow in a near future, the IFRS rules and definitions, the OECD proposals refer to items that most banks report. They

sometimes differ from the IMF definitions which are not based on IFRS. This can lead to inconsistencies between IMF and OECD banking data and ratios (e.g. regarding discontinued operations or extraordinary items).

In the following discussion, some Delegates remind the Secretariat not to duplicate the work by the IMF (Financial Soundness Indicators) and other institutions but to emphasize the comparative advantage of the OECD Bank Profitability database. This consists in making available component data on financial statements of banks (broken down by category) which are not easily obtained elsewhere.

However, the Secretariat underlines that the current overhaul of the OECD Bank Profitability database, which has a long tradition, is done with the intention to make data compatible with existing international accounting standards and banking accounting practices, and to propose relevant indicators for analysts and policy-makers, but not to duplicate existing work in other International Organisations.

The Secretariat promises to keep extra reporting requirements for countries at a minimum, and the ECB offers assistance possibly providing European banking data.

As participants in the WPFS meeting are not experts in banking statistics, it is decided to continue the discussion by the written procedure, in order to receive WPS delegates' comments and needs, and with the aim of avoiding any duplication. The Secretariat will send a questionnaire to countries by the end of October, highlighting the comparative advantages of the OECD collection and publication (regarding the data coverage and the sectoral coverage in particular) and requesting precise answers on the usefulness and availability of requested items and on some methodological aspects of the data (consolidation and valuation). A new questionnaire on Bank Profitability, taking into account the comments received from countries, might be sent end-December 2008, and a first submission from OECD countries of the new data could be received in April/May 2009 and processed soon thereafter, depending on resources.

### **Election of the WPFS Bureau**

The current members of the Bureau, Patrick O'Hagan (from Statistics Canada), Susan Hume McIntosh (from the US Federal Reserve System) and Beatriz Sanz (from the Bank of Spain) are re-elected, and three new members, Dominique Durant (from the Banque de France), Paola de Rita (from the Italian Treasury, Ministry of Economy and Finance) and Stuart Brown (from the UK Office for National Statistics) are elected. Patrick O'Hagan is maintained as the Chairperson of the WPFS.