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DNB guidelines for the *BIS Consolidated Banking Statistics* 2020

Statistics
Supervisory Data on Banks
& Other Institutions

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Introduction

These guidelines are an adaptation of the BIS guidelines for International Banking statistics (2019) and will replace the DNB "Handboek Landenrisico rapportage"[1] with the first reference period being 2020Q4.

The complete BIS IBS guidelines are available here:
https://www.bis.org/statistics/bankstatsguide.htm

The BIS international banking statistics (IBS) compromise two data sets: Locational Banking Statistics (LBS) and Consolidated Banking Statistics (CBS). The LBS are compiled by DNB using internal data sources. This adaptation of the BIS IBS guidelines is limited to the CBS, although references to the LBS may occur.

The CBS data are compiled by DNB with the *"BIS Consolidated Banking Statistics (BISCBS)"* report as source. A xBRL taxonomy has been published as a separate package with these guidelines.

Version 2.0.0 of the country risk / BIS CBS taxonomy is available here:
https://www.dnb.nl/en/binaries/DNB_Taxonomy_Landenrisico_tcm47-389383.zip

Part of the CBS data compiled by DNB for the BIS are aggregated balance sheet items where a breakdown on counterparty country is not required. These items, which are included in the official BIS IBS guidelines, are derived by DNB from CRDIV reporting and are not described in this document.

Should you have any questions, please contact the relevant banking supervision department at supervisory_data_requests@dnb.nl. You may submit questions about the taxonomy by email to xbrl@dnb.nl.

[1] Previous DNB country risk guidelines:
https://www.dnb.nl/binaries/User_guide_8023_Country_risk_2015_tcm46-378747.pdf

BIS international banking statistics

Under the auspices of the Committee on the Global Financial System (CGFS) and in cooperation with central banks and other national authorities worldwide, the Bank for International Settlements (BIS) compiles and publishes statistics on the international business of banks.[2] The BIS international banking statistics (IBS) comprise two data sets:

• The locational banking statistics (LBS), which provide information about the currency composition of banks' balance sheets and the geographical distribution of their counterparties. The LBS capture the outstanding financial assets and liabilities of internationally active banks located in reporting countries against counterparties residing in more than 200 countries. Banks record their positions on an unconsolidated, standalone basis, including intragroup positions between entities that are part of the same banking group as well as inter-office positions with non-resident branches. The LBS are compiled according to principles and concepts that are consistent with balance of payments (BoP) and international investment position statistics.

• The consolidated banking statistics (CBS), which capture the worldwide consolidated positions of internationally active banking groups headquartered in reporting countries. The CBS include the business of banks' foreign affiliates but exclude intragroup positions, similarly to the consolidation approach followed by banking supervisors.

The LBS and CBS are reported to the BIS at a country rather than individual bank level. Banks submit data to an official authority in their country, usually the central bank, which then aggregates the data and submits country-level aggregates to the BIS for global aggregations, analysis and publication.

The LBS and CBS are best suited for macro analysis of economic and financial stability issues. They can help monitor the evolution of the financial landscape and reveal emerging vulnerabilities. Within a multipronged approach to systemic risk assessment, the LBS and CBS serve as a starting point for a fuller analysis based on more detailed data.

[2] The CGFS monitors financial market developments for central bank Governors and analyses the implications for financial stability and central bank policy (www.bis.org/cgfs). The CGFS comprises over 20 central banks and is located at the BIS. It was established in 1971, and until 1999 was known as the Euro-currency Standing Committee.

CBS: definitions and coverage

The purpose of the CBS is to capture the country risk exposures of internationally active banks. They provide simple measures of exposures that are intended to be comparable across the banks of different countries.
The CBS are compiled according to the nationality of banks on a worldwide consolidated group basis, similarly to the consolidation approach followed by banking supervisors.
The CBS comprise two data sets, which use different criteria to identify the obligor. The CBS on an immediate counterparty basis (CBSI) identify the obligor as the direct party to a contract. The CBS on a guarantor basis (CBSG) identify the obligor as the ultimate party to a contract, who is contractually bound to become the obligor in the event of default by the immediate counterparty.[3]

Conceptually, the CBSG provide better measures of country risk exposures than the CBSI because they take into account ways that banks mitigate the risks to which they are exposed. The CBSG are useful as a starting point for analysing country risk exposures. However, they are statistical measures, which provide only part of the information needed for a comprehensive analysis. Information about probabilities of default and losses-given-default are also relevant for estimating expected losses or conducting stress tests, and about business strategies for understanding how banks might respond to developments abroad. Another limitation of the CBSG is that the data are complex for banks to compile and consequently their quality is lower than for the CBSI.

In many areas, the guidelines for the CBSI and CBSG are aligned with standards for prudential reporting, in particular the standards agreed by the Basel Committee on Banking Supervision (BCBS).[4]
The benefit of such alignment is that it promotes the use of a common, transparent methodology; reduces the reporting burden on banks; and makes it easier for users to compare country-level aggregates from the CBS with institution-level data from financial statements and prudential reports. However, alignment comes at the cost of

[3] The CBS on a guarantor basis were previously labelled the CBS on an ultimate risk basis. The methodology is the same; only the label has changed. The label "ultimate risk" is potentially misleading because the data provide an incomplete picture of risk exposures. Also, most claims continue to be allocated to the immediate counterparty even after adjustment for risk transfers because only a small proportion of claims are covered by risk transfers.
[4] Historically, the guidelines for the CBS were not aligned with prudential standards. When the CGFS agreed in 2000 to expand the CBS, "a strong preference was voiced for collecting data that could be assembled from information compiled by the banks for internal risk management purposes". This preference changed following the 2007–09 financial crisis; and when the CGFS agreed in 2012 to a further expansion, "the Group thought that, in principle, achieving a better alignment between the IBS and supervisory data would be important".

comparability because the BCBS's standards leave room for national interpretation. In particular, comparability is impeded by differences in risk management practices across banks and accounting and prudential standards across countries.

Nationality of reporting banks

An important characteristic of banks in the context of CBS reporting is their nationality. Nationality refers to the country where the bank's controlling parent is incorporated. The controlling parent is the entity that has the power to make important decisions about the management of the bank, whether through direct control (eg participation exceeding 50% of the subscribed capital of the bank) or indirect control.

For the purpose of the CBS, the controlling parent is the highest-level entity in the corporate group over which consolidated supervision is exercised by prudential authorities. For a reporting bank that is the highest-level entity in the corporate group (ie there is no higher intermediate or ultimate entity in the group), then the bank itself is the controlling parent. For other reporting banks, the controlling parent is either the bank's intermediate parent or its ultimate parent, depending which entity is subject to prudential supervision.

• For a reporting bank that is part of a financial group, the ultimate parent at the top of the group is usually subject to prudential supervision (eg banking group, insurance company, financial holding company). If this is the case, then the controlling parent is the ultimate parent.

• For a reporting bank that is part of a diversified group, the ultimate parent may be an entity that is not subject to prudential supervision, such as an investment holding company, shell company or a non-financial company like an automobile group. If this is the case, then controlling parent is the highest-level intermediate entity that is subject to prudential supervision, such as the highest banking entity in the group.

• If neither the ultimate parent nor the intermediate parent is subject to prudential supervision, then the controlling parent is the reporting bank itself.

The nationality of a CBS-reporting bank that is part of a financial group is usually synonymous with the country where the home supervisor of the group is located.[5]

[5] The relevant home supervisor is the group-level supervisor, which may be different from the banking supervisor. The group-level supervisor is responsible for all areas of group-wide supervision not covered by insurance, banking or securities supervision (Joint Forum (2012)). The group-wide supervisor is also responsible for coordination among the sectoral supervisors and typically carries out supervision of the largest part of the group. If the group-wide supervisor is part of a supranational authority, then nationality may be based on the country where the head office of the financial group is located.

Nationality is also often, but not necessarily, synonymous with the country where the head office of the controlling parent is located.

The nationality of some foreign subsidiaries may be ambiguous. Subsidiaries are typically incorporated under the laws of the host country, may be listed separately from their parents, and in principle, although not necessarily in practice, are fully autonomous. To resolve complicated cases, the BIS collects information about the nationality of each reporting bank and uses this information to facilitate discussions among reporting authorities.

Nationality and reporting institution type

Two key elements of the DNB CBS report are the "Reporting institution type" and "Country of parent" which are reported on template "Institution" in rows 010 and 020, respectively. These items are mandatory as they determine the classification of data reported individually in the aggregated dataset compiled by DNB. Both are derived from the reporter's nationality as defined in the previous paragraph.

Four types of reporting institutions are distinguished:

Reporting institution type	Definition
Domestically owned banks	Banks that have a controlling parent incorporated in the Netherlands
Inside-area foreign banks consolidated by their parent	Branches or subsidiaries located in the Netherlands whose activities are consolidated by a parent bank in another reporting country, i.e. inside-area offices consolidated by a domestically owned bank in another reporting country.
Inside-area foreign banks not consolidated by their parent	Banks that have a controlling parent incorporated in another CBS-reporting country but the banking part of the group is not consolidated separately by the parent, ie the controlling parent does not report as a domestic banking group. These are mainly banking groups whose controlling parent is a non-bank entity, such as the banking subsidiary of a diversified financial group.
Outside-area foreign banks	Subsidiaries and branches located in the reporting country whose controlling parent is not incorporated in a CBS-reporting country.

Inside-area / Outside-area

CBS reporting countries are: Australia, Austria, Belgium, Brazil, Canada, Chile, Chinese Taipei, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Ireland, Italy, Japan, Luxembourg, Mexico, Norway, Panama, Portugal, Singapore, South Korea, Spain, Sweden, Switzerland, The Netherlands, Turkey, United Kingdom, and United States.

Domestically owned banks

Banks that have a controlling parent incorporated in the reporting country submit data on a worldwide consolidated group basis, where intragroup positions between entities that are part of the same banking group are eliminated and the balance sheets of subsidiaries are combined with the parent's. To identify entities that are part of the same banking group, domestic banking groups should apply the prudential perimeter of consolidation.

For domestic banking groups that are part of a diversified group, the ultimate parent may be an entity that is outside the prudential perimeter of consolidation: for example, a non-financial company, investment holding company or shell company. In such cases, the domestic banking group excludes the ultimate parent, and positions between the parent and entities in the banking group are not consolidated.

Inside-area foreign banks consolidated by their parent

Inside-area foreign banks consolidated by their parent submit data on their business with residents of their parent's country on an unconsolidated basis, ie including business with their parents.

Inside-area foreign banks not consolidated by their parent

Inside-area foreign banks not consolidated by their parent submit data on a worldwide consolidated group basis, ie the same basis as domestically owned banks.

Outside-area foreign banks

Outside-area foreign banks submit data on an unconsolidated, standalone basis (including intragroup positions).

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Reporting requirements

The reporting requirements per institution type are outlined below. The column groups on the Y-axis refer to the DNB CBS reporting template. The X-axis refers to the four different reporting institution types.

As an example: all reporting institutions are required to report columns 021-141, only domestically owned banks are required to report columns 310-440.

Required items for each reporting institution type (required: yes/no)			Domestically owned banks	Inside-area foreign banks consolidated by their parent	Inside-area foreign banks not consolidated by their parent	Outside-area foreign banks
Claims on an immediate counterparty basis	Claims	International claims: cross-border claims in all currencies *Columns 021-141*	Yes	Yes	Yes	Yes
		International claims: local claims in foreign currency *Columns 022-142*	Yes	No	Yes	No
		Local claims in local currencies *Columns 170-251*	Yes	No	Yes	No
	Liabilities *Columns 260-261*		Yes	No	Yes	No
Risk transfers *Columns 270-280*			Yes	No	Yes	No
Claims on a guarantor basis *Columns 310-440*			Yes	No	No	No

Please refer to Annex 1 for a comprehensive overview of the column structure and labels.

Business on an immediate counterparty basis

The CBS on an immediate counterparty basis (CBSI) capture assets and liabilities recorded by banks on their balance sheets. The CBSI exclude off-balance sheet business.

Assets and liabilities against the same counterparty should not be offset. In particular, claims should be reported gross of provisions; and allowances for credit losses (ie provisions) should not be deducted from the exposures to which they apply.

Claims

While in general claims refer to financial assets, in the CBS claims are defined as excluding derivative assets. Claims excluding derivatives are mainly made up of loans, deposits, reverse repos, debt securities holdings, equity instruments and accounts receivable.

While claims including derivatives would provide a more comprehensive measure of banks' exposures, in the CBS derivatives are excluded from the definition of claims for two reasons. First, derivatives are considerably more volatile than other types of claim, and consequently users find fluctuations in claims easier to interpret when derivatives are excluded. Second, to the extent that netting practices for derivatives differ across banks, claims excluding derivatives are more comparable.

In the CBS, the reporting of short sales of securities should be aligned with national accounting standards. Consequently, where accounting standards require that they be reported as liabilities, then they may be excluded from claims (in contrast to the LBS, where they are treated negative claims).

Claims – Loans/deposits

Loans/deposits are reported as an "of which" item of Local claims in local currencies and liabilities. Loans/deposits are defined as:

"Debt instruments that not negotiable and are either created when a creditor lends funds directly to a debtor or represented by evidence of a deposit (BPM6, paragraphs 5.39 and 5.51). Includes working capital between related banks."

Examples are:

Deposits (including transferable deposits and interbank positions), instalment loans, hire-purchase credit, loans to finance trade credit, financial leases, repurchase agreements. Includes currency, ie banks' holdings of notes and coins that are in circulation and commonly used to make payments. For securities or commodities borrowed or lent against cash collateral, the cash leg is included under loans/deposits.

Risk transfers

Risk transfers refer to credit risk mitigants that shift a bank's credit exposure from the immediate counterparty to a guarantor, to another counterparty or collateral that guarantees the claim.

The immediate counterparty is the direct party to a contract. For deposits accepted, the immediate counterparty is the depositor; for loans extended, the immediate borrower; for debt and equity securities holdings, the issuer of the securities; and for short sales of securities, the issuer of the securities borrowed or delivered in a reverse repurchase agreement.

The guarantor is the ultimate party to a contract, who is contractually bound to assume responsibility for the performance of the contract in the event of default by the immediate counterparty.

Risk transfers do not eliminate credit risk; they redistribute it across counterparties. For every outward risk transfer from the immediate counterparty, there is an equivalent inward risk transfer to the guarantor. For example, if a loan to a company in country A is guaranteed by the company's parent in country B, the guarantee results in an outward risk transfer from country A and an inward risk transfer to country B.

Reporting of risk transfers

Outward and inward risk transfers refer to country risk transfers and should exclude intra-country transfers. In particular, they should exclude risk transfers from one sector to another within the same counterparty country. Information on the reallocation of claims should be reported separately for outward and inward risk transfers. An example is shown below.

Country risk transfers					
Immediate counterparty	Guarantor	Claims on IC basis	Inward country risk transfer	Outward country risk transfer	Claims on G basis
Country A, bank sector	Country B, bank sector	Country A = 100	Country A = 0	Country A = 100	Country A = 0
		Country B = 0	Country B = 100	Country B = 0	Country B = 100
Country A, bank sector	Country A, official sector	Country A = 100 (bank sector)	Country A = 0	Country A = 0	Country A = 100 (official sector)

Criteria for recognising risk transfers

In the CBS, the criteria for recognising risk transfers follow those agreed by the BCBS for recognising credit risk mitigants. The BCBS's standards under the standardised approach for measuring counterparty credit risk exposures are explained in paragraphs 117 to 189 of BCBS (2017b). Where national prudential standards for recognising credit risk mitigants differ from the BCBS's standards, national standards may be followed.

Like the BCBS's standards, the CBS recognise four types of risk transfer: parent guarantees to branches, explicit guarantees by parents and third parties, credit derivatives, and collateral. Criteria for recognising these are defined below.

Type of risk transfer	Criteria for recognition
Parent guarantees to branches	Branches are always considered as being guaranteed by their immediate parent, even in the absence of an explicit guarantee. This is because branches are usually not separate legal entities.
Explicit guarantees from parents to subsidiaries or from third parties	Guarantees must be explicit, direct, irrevocable (ie they must not be unconditionally cancellable by the guarantor), and legally enforceable in all relevant jurisdictions. Exposures to subsidiaries are not considered as being guaranteed by the parent unless there is an explicit guarantee.
Credit derivatives	Credit protection bought to hedge credit risk exposures in banks' banking book. Credit default swaps, total return swaps and other credit derivatives can be recognised as risk transfers only if they provide credit protection similar to explicit guarantees. Credit derivatives held in banks' trading book are not recognised as risk transfers.
Collateral	Assets pledged to hedge in whole or in part credit risk exposures in banks' balance sheets. For collateral to provide credit protection, the bank must have the right to liquidate or take legal possession of it in a timely manner in the event of default, and the credit quality of the immediate counterparty and the value of the collateral must not have a material positive correlation. Securities bought under reverse repurchase agreements are considered as having the same characteristics as collateral and should therefore be treated as collateral.

Risk transfers should be valued at face value or, for credit derivatives, notional value. If the face value of the risk transfer exceeds the value of the underlying claim to which it relates, then the value of the underlying claim should be used. Unadjusted values may be used, excluding haircuts and adjustments for future fluctuations in value.

If full credit protection is provided by more than one source – for example, from multiple guarantors or multiple forms of collateral – then the risk transfer that has the highest credit quality should be recognised. For instance, for a claim on a branch

for which eligible collateral is posted, the risk transfer should be determined according to whether the counterparty's parent or the collateral is of higher credit quality. If partial credit protection is provided by multiple sources, then claims on a guarantor basis should be apportioned according to either a predefined share or from highest credit quality to lowest credit quality.

Instruments recognised as collateral

The BCBS's standards provide a list of financial instruments that can be recognised as collateral. The list consists of instruments that are judged to have sufficient market liquidity such that they can be liquidated promptly, mainly cash and securities (BCBS (2017b), paragraphs 146 to 149). Where national prudential standards for recognising collateral differ from the BCBS's standards, national standards may be followed.

Securities repurchase (repo) agreements involve the provision of securities as collateral for a loan. In a repo, the immediate counterparty is the cash taker, who incurred a loan liability. The security is treated as collateral for the cash provider, and the guarantor is the issuer of the collateral. Similarly, for sale buybacks and securities lending, the guarantor is the issuer of the collateral.

While the CBS do not prescribe which instruments can be recognised as collateral, the below table illustrates for different types of collateral who should be considered the guarantor.

Type of collateral	Guarantor
Collateral recognised by the BCBS	
- Currency (notes and coins)	Currency issuing authority (ie central bank)
- Deposits	Bank where the cash is deposited
- Gold	Custodian bank
- Securities	Issuer of the security
Other collateral	
- Commercial real estate	Non-financial corporation in the country where the asset is located
- Residential real estate	Household in the country where the asset is located
- Movable assets	Owner of the asset

Business on a guarantor basis

The CBS on a guarantor basis (CBSG) adjust exposures for inward and outward risk transfers across countries as well as positions between sectors in the same country. In particular, claims on a guarantor basis equal claims on an immediate counterparty basis plus inward risk transfers from counterparties abroad to sector *j* in country *i* minus outward risk transfers from sector *j* in country *i* to counterparties abroad:

$$Claims_{i,j}^{Guarantor} = Claims_{i,j}^{Immediate\ counterparty} + \left(Inward\ risk\ transfers_{i,j} - Outward\ risk\ transfers_{i,j}\right)$$
$$= Claims_{i,j}^{Immediate\ counterparty} + \left(Net\ risk\ transfers_{i,j}\right)$$

If a bank captures inward and outward risk transfers between all countries, then its worldwide claims on an immediate counterparty basis will equal its worldwide claims on a guarantor basis.

The CBSG are categorised into four instruments, as shown in the table below.

Definition	Examples	Valuation
Claims excluding derivatives Financial assets excluding derivatives.	Mainly deposits, loans and debt securities holdings.	Fair value
Derivative assets Derivatives with a positive fair value, excluding credit derivatives that hedge positions in the banking book.	Credit derivatives bought to hedge credit risk exposures in banks' banking book are recorded as risk transfers.	Fair value
Guarantees extended Contingent liabilities arising from an irrevocable obligation to pay a third-party beneficiary when a client fails to perform certain contractual obligations, which would become a claim if exercised.	Includes credit derivatives sold; secured, bid and performance bonds; warranties and indemnities; confirmed documentary credits; and irrevocable and standby letters of credit.	Notional value
Credit commitments Unutilised portions of binding contractual commitments that irrevocably obligate a bank, at a client's request, to extend credit.	Participation in loans, lease financing receivables, mortgages, overdrafts, and purchase of loans, securities or other assets, such as backup facilities including those under note issuance facilities and revolving underwriting facilities.	Notional value

In addition to the risk transfers, another way in which banks mitigate the risks to which they are exposed is through netting arrangements where claims and liabilities

on the same counterparty are offset. Where netting arrangements for derivatives satisfy the requirements defined by national prudential authorities, in the CBSG derivative assets may be offset against liabilities. In particular, derivative assets may be valued as the net positive fair value of outstanding contracts.

Derivative assets should be reported against the guarantor. For example, if a bank has a derivative contract with a positive fair value and cash collateral is provided, the collateralised portion of the fair value should be reported according to the country of the legal entity where the cash collateral is deposited. The uncollateralised portion should be reported according to the country of the counterparty.

Under guarantees extended, credit protection sold should be valued at notional values. Credit protection sold may be offset against credit protection bought, provided that the offsetting contracts are with the same counterparty under a legally enforceable bilateral netting agreement and refer to the same reference entity. Credit protection sold should be reported at maximum possible exposure after deduction of any cash collateral, ie at the notional value after netting of cash collateral.
Other guarantees extended and credit commitments should be reported at notional values (known also as nominal amounts).

Counterparties

Positions are allocated according to the country and sector of either the counterparty or the guarantor, depending on the data set: for CBSI, the counterparty; and for CBSG, the guarantor. Examples of how different types of position are allocated in the CBS by country and sector are shown in Annex 4.

Country allocation

The country of the counterparty refers to the residence of the immediate counterparty in the CBSI and the residence of the guarantor in the CBSG. For example, a claim on the Tokyo branch of a UK bank is allocated to Japan on an immediate counterparty basis and to the United Kingdom on a guarantor basis.
Countries are understood to include territories and economies that are not states but have been assigned official codes under the ISO 3166-1 standard.
For the purpose of allocating positions by country, only territories with officially assigned ISO 3166-1 codes are recognised; territories with user-assigned ISO codes are not recognised.
Selected dependent territories, in particular those that are uninhabited or have no sizeable economic or financial activity, may be reported together with their governing state, as shown in Annex 2.

Positions that cannot be allocated to specific countries may be reported as "unallocated location"

International organisations are considered to be resident in an economic territory of their own and not in the country where they are located, except the BIS and central banks of currency unions, which are considered to be residents of the countries where they are located.

There are exceptions to the treatment of international organisations: the BIS and central banks of currency unions. International organisations that undertake activities similar to those of central banks should be reported as residents of the country where they are located. In particular, the BIS should be reported as a resident of Switzerland; the Bank of Central African States (BEAC) as a resident of Cameroon; the Central Bank of West African States (BCEAO) as a resident of Senegal; the Eastern Caribbean Central Bank (ECCB) as a resident of St Kitts and Nevis; and the European Central Bank (ECB) as a resident of Germany.

Distinguishing local business from cross border business

The CBS distinguish between local positions on residents and cross-border positions on non-residents, based on the location of the entity that books the position and the location of the counterparty. The residence principle followed to distinguish local and cross-border positions in the CBS is consistent with the LBS.

Local claims and liabilities are positions on counterparties located in the same country as the banking group's entity that books the position. Cross-border claims and liabilities are positions on counterparties located outside the country where the entity that books the position is located. Differences between local and cross-border positions are illustrated below.

Local and cross-border business			
Location of counterparty*	Currency of claim	Location of entities that are part of the domestic banking group from country A	
		Country A (reporting country): controlling parent	Country B (host country): subsidiary or branch
Country A	Currency A	Local claim in LC	Cross-border claim in LC†
	Currency B	Local claim in FC	Cross-border claim in FC†
Country B	Currency A	Cross-border claim in FC†	Local claim in FC
	Currency B	Cross-border claim in LC†	Local claim in LC
** Claims on residents of the reporting country are referred to as domestic claims (ie the sum of banking group A's local and cross-border claims on country A), and claims on residents of other countries are referred to as foreign claims of the reporting country (ie the sum of banking group's local and cross-border claims on country B). † Separation between local and foreign currencies is shown for illustrative purposes only; in the CBS, no data are collected about the currency in which cross-border claims are denominated.*			

The CBS further distinguish local positions based on the currency in which the positions are denominated. Local positions in local currency (LC) refer to local positions denominated in the currency of the country in which the counterparty resides. Local positions in foreign currencies (FC) refer to local positions denominated in all other currencies.[6]

International claims refer to the sum of cross-border claims in all currencies and local claims in foreign currencies.

Sector allocation

The sector of the counterparty refers to the sector of the immediate counterparty in the CBSI and the sector of the guarantor in the CBSG. For example, a claim on a manufacturing company in Japan guaranteed by a bank in Japan is allocated to the non-financial corporate sector on an immediate counterparty basis and to the bank sector on a guarantor basis.

Claims are allocated by counterparty into seven sectors, as defined below. In the CBS, central banks and general government are part of the official sector. For sectors other than banks and the official sector, the definitions of counterparty sectors are consistent with the institutional sectors defined in BPM6.

Sector of counterparty		
Sector	Subsector	Definition
Bank		Financial institutions whose business it is to receive deposits or close substitutes for deposits and to grant credits or invest in securities on their own account. For the purposes of the CBS, the bank sector excludes central banks and multilateral development banks.
Official sector		The general government sector, central bank sector and international organisations that undertake activities similar to those of central banks. Public non-bank financial institutions and public corporations should not be classified as "official sector", but instead as non-bank financial institutions or non-financial private sector, respectively. Claims on official institutions should be allocated to the respective countries of their residence.

[6] In the CBS, unlike in the LBS, local currency is not synonymous with domestic currency. Domestic currency refers to the currency that is legal tender in the reporting country, which is typically the currency issued by the reporting country's central bank or monetary authority (paragraph 2.32).

Non-bank financial institution		Private or public financial institutions, other than banks, engaged primarily in the provision of financial services and activities auxiliary to financial intermediation such as fund management. Includes development banks, export credit agencies, special purpose vehicles, hedge funds, securities brokers, money market funds, pension funds, insurance companies, financial leasing corporations, central clearing counterparties, unit trusts, other financial auxiliaries and other captive financial institutions.
Non-financial private sector	Non-financial corporation	Privately and publicly owned corporations as well as unincorporated enterprises that function as if they were corporations, such as limited liability partnerships and the branches of foreign corporations.
	Household including NPISHs	Individuals, families, unincorporated enterprises owned by households, and non-profit institutions serving households (NPISHs) such as charities, religious institutions, trade unions and consumer associations.
	Non-financial private sector - unallocated	
Unallocated		International organisations other than those considered central banks, and any positions for which the sector of the counterparty is unknown. For example, banks know the counterparties on which they have claims but may not know the counterparty for their liabilities, particularly for negotiable instruments such as their own issues of debt securities.

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Maturity breakdown

In the CBS, maturity refers to remaining maturity as opposed to original maturity. Remaining maturity is the time remaining from the reference date until the final contractually scheduled payment of the claim.

Maturity	
Maturity bucket	Definition
≤1 year	Claims with a remaining maturity up to and including one year, ie claims with an original maturity of up to one year plus those with an original maturity of more than one year but falling due within the next 12 months. Claims that are receivable on demand should be allocated to the ≤1 year maturity bracket.
>1 ≤2 years	Claims with a remaining maturity over one year and up to and including two years.
>2 years	Claims with a remaining maturity over two years.
Unallocated	Claims for which the remaining maturity is unknown, or claims that cannot be classified by maturity (eg equities and participations).

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Annex 1: column structure and labels

Claims on an immediate counterparty basis	Claims	International claims: cross-border claims in all currencies	Sector	Banks			021
				Official sector			031
				Private sector	Non-bank financial institutions		051
					Private non-financial sector	Non-financial corporations	071
						Households	081
						Unallocated	091
				Unallocated			101
			Remaining maturity	≤ 1 year			111
				> 1 - ≤ 2 years			121
				> 2 years			131
				Unallocated by maturity			141
		International claims: local claims in foreign currency	Sector	Banks			022
				Official sector			032
				Private sector	Non-bank financial institutions		052
					Private non-financial sector	Non-financial corporations	072
						Households	082
						Unallocated	092
				Unallocated			102
			Remaining maturity	≤ 1 year			112
				> 1 - ≤ 2 years			122
				> 2 years			132
				Unallocated by maturity			142
		Local claims in local currencies	Sector	Banks			170
				Of which: loans/deposits			171
				Official sector			180
				Of which: loans/deposits			181
				Private sector	Non-bank financial institutions		200
					Of which: loans/deposits		201
					Private non-financial sector	Non-financial corporations	220
						Of which: loans/deposits	221
						Households	230
						Of which: loans/deposits	231
						Unallocated	240
						Of which: loans/deposits	241
				Unallocated			250
				Of which: loans/deposits			251
	Liabilities	Local liabilities in local currencies					260
		Of which: Local liabilities in local currencies - loans/deposits					261
Risk transfer	Claims	Outward risk transfer					270
		Inward risk transfer					280

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Claims on a guarantor basis	Claims	Total claims	Sector	Banks			310
				Official sector			320
				Private sector	Non-bank financial institutions		340
					Private non-financial sector	Non-financial corporations	360
						Households	370
						Unallocated	380
				Unallocated			390
		Of which:	Cross-border claims				400
			Local claims				410
	Other items	Derivatives contracts					420
		Guarantees extended					430
		Credit commitments					440

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Annex 2

Dependent territories that may be reported under their governing state* Table 2.5

	Dependent territory	Governing state		Dependent territory	Governing state
AS	American Samoa	United States	NC	New Caledonia	France
AX	Åland Islands	Finland	NF	Norfolk Island	Australia
BL	Saint Barthélemy	France	NU	Niue	New Zealand
BV	Bouvet Island	Norway	PF	French Polynesia	France
CC	Cocos Islands	Australia	PM	Saint Pierre and Miquelon	France
CK	Cook Islands	New Zealand	PN	Pitcairn	United Kingdom
CX	Christmas Islands	Australia	PR	Puerto Rico	United States
GF	French Guiana	France	RE	Réunion	France
GP	Guadeloupe	France	SH	Saint Helena, Ascension & Tristan da Cunha	United Kingdom
GS	South Georgia & South Sandwich Islands	United Kingdom	SJ	Svalbard & Jan Mayen	Norway
GU	Guam	United States	TF	French Southern Territories	France
HM	Heard & McDonald Islands	Australia	TK	Tokelau	New Zealand
IO	British Indian Ocean Territory	United Kingdom	UM	United States Minor Outlying Islands‡	United States
MC	Monaco†	France			
MF	Saint Martin (French part)	France	VI	US Virgin Islands	United States
MP	Northern Mariana Islands	United States	WF	Wallis and Futuna	France
MQ	Martinique	France	YT	Mayotte	France

* Selected dependent territories that have been assigned official codes under the ISO 3166-1 standard. Territories that have been assigned official ISO 3166-1 codes and are not listed in the table should always be reported separately from their governing state. † Self-governing state; not a dependent territory. ‡ Includes islands formerly grouped under the code PU (US Miscellaneous Pacific Islands).

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Annex 3

Guidelines for the reporting of derivatives are summarised in the table below.

Derivatives in the CBS			
	CBSI	CBSG	Valuation
Derivatives contracts with a positive fair value			
Total	Derivative assets, as a component of total assets without a counterparty breakdown		Fair value Bilateral netting
Excluding credit derivatives bought to hedge claims in the banking book		Derivative assets, with a counterparty breakdown	Fair value Bilateral netting
Credit derivatives bought to hedge claims in the banking book	included in inward or outward risk transfers		Gross notional value Netting not allowed
Derivatives contracts with a negative fair value	Derivative liabilities, as a component of total liabilities without a counterparty breakdown		Fair value Bilateral netting
Credit protection sold (contingent liability)		Guarantees extended, with a counterparty breakdown	Notional value Bilateral netting

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Annex 4

Examples of how to report different types of claims in the CBS

	Reporting country: United States	Type of bank	CBSI					CBSG		
			Type of claim	Sector of counterparty	Country of counterparty	Risk transfers	Type of claim	Sector of counterparty	Country of counterparty
1	A US bank extended a loan to a corporate in Japan, which is backed by a guarantee from a bank in the United Kingdom.	Domestic (US)	International	Non-financial corporation	JP	Inward: GB Outward: JP	Cross-border	Bank	GB
2	A US bank extended a loan to a corporate in Japan, which is backed by US Treasury paper provided as collateral.	Domestic (US)	International	Non-financial corporation	JP	Inward: US Outward: JP	Local	Official	US
3	A US bank has a deposit with a branch of a Japanese bank in the United Kingdom.	Domestic (US)	International	Bank	GB	Inward: JP Outward: GB	Cross-border	Bank	JP
4	A US bank has extended a loan to a corporate in Japan. The corporate has provided UK government securities as collateral.	Domestic (US)	International	Non-financial corporation	JP	Inward: GB Outward: JP	Cross-border	Official	GB
5	A US bank has extended a loan to a corporate in Japan. In order to hedge the counterparty risk, the US bank has bought a credit derivative issued by a bank in the United Kingdom.	Domestic (US)	International	Non-financial corporation	JP	Inward: GB Outward: JP	Cross-border	Bank	GB
6	A subsidiary of a US bank in Japan has a deposit in local currency with a branch of a UK bank in Japan.	Domestic (US)	Local claims in local currency	Bank	JP	Inward: GB Outward: JP	Cross-border	Bank	GB
7	A subsidiary of a US bank in Japan has extended a loan in non-local currency to a corporate in Japan. The corporate has provided US government securities as collateral.	Domestic (US)	International	Non-financial corporation	JP	Inward: US Outward: JP	Cross-border	Official	US

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Examples of how to report different types of claims in the CBS (2)

	Reporting country: United States	Type of bank	CBSI				CBSG		
			Type of claim	Sector of counterparty	Country of counterparty	Risk transfers	Type of claim	Sector of counterparty	Country of counterparty
8	A subsidiary of a US bank in Japan has extended a loan to a corporate in the United Kingdom guaranteed by a bank in Japan.	Domestic (US)	International	Non-financial corporation	GB	Inward: JP Outward: GB	Local	Bank	JP
9	A branch of a US bank in Japan has a deposit with a branch of a Japanese bank in the United States.	Domestic (US)	International	Bank	US	Inward: JP Outward: US	Local	Bank	JP
10	A branch/subsidiary of a Philippine bank in the United States has extended a loan to a bank in Japan.	Outside-area (4D)	Cross-border (unconsoli-dated basis)	Bank	JP	not reported	not reported	not reported	not reported
11	The business of a subsidiary of a UK bank in the United States **has not** been consolidated by the parent (this subsidiary remains unconsolidated in the UK reporting). This subsidiary has extended a loan to a corporate in Japan guaranteed by a bank in Canada.	Inside-area, not consolidated by parent (4E)	International	Non-financial corporation	JP	Inward: CA Outward: JP	Cross-border	Bank	CA
12	A US bank has extended a loan to a subsidiary of a Japanese bank in the United Kingdom. The subsidiary **has not** received an explicit guarantee from its head office.	Domestic (US)	International	Bank	GB	none	Cross-border	Bank	GB
13	A US bank has extended a loan to a subsidiary of a Japanese bank in the United Kingdom. The subsidiary **has** received an explicit guarantee from its head office.	Domestic (US)	International	Bank	GB	Inward: JP Outward: GB	Cross-border	Bank	JP
14	A US bank has purchased USD-denominated securities issued by a Japanese bank in the United States.	Domestic (US)	Local claims in local currency	Bank	US	Inward: JP Outward: US	Cross-border	Bank	JP

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Examples of how to report different types of claims in the CBS (3)

	Reporting country: United States	Type of bank	CBSI				CBSG		
			Type of claim	Sector of counterparty	Country of counterparty	Risk transfers	Type of claim	Sector of counterparty	Country of counterparty
15	A US bank in Japan has purchased securities issued by a subsidiary of a Japanese bank in Canada and the issue of securities has been explicitly guaranteed by the parent.	Domestic (US)	International	Bank	CA	Inward: JP Outward: CA	Local	Bank	JP
16	A Japanese bank in the United Kingdom has sold UK government securities to, and entered into a repurchase agreement with, a US bank in the United Kingdom.	Domestic (US)	International	Bank	GB	none	Local	Official	GB
17	A US bank in the United States has purchased Italian government securities in a reverse repurchase agreement with a German bank in the United Kingdom.	Domestic (US)	International	Bank	GB	Inward: Italy Outward: GB	Cross-border	Official	Italy

Annex 4

1. How should securitised portfolios of loans be reported?
2. How should banks' holdings of mortgage- and asset-backed securities be allocated by country and sector of counterparty?
4. How should gold-related positions be reported?
5. How should letters of credit be reported?
6. How should total return swaps be reported in the CBS?
7. How should credit default swap index contracts sold be reported in the CBS?
8. How should bills of exchange be reported in the CBS on a guarantor basis?
9. Should deferred taxes be reported?
10. How should claims on US government-sponsored enterprises be allocated by country and sector of counterparty?
11. How should claims on the ESM and its predecessors, the EFSM and the EFSF, be allocated by country and sector of counterparty?

1. How should securitised portfolios of loans be reported?

In the CBS, the reporting of securitised portfolios of loans depends on national regulations or supervisory practices for determining whether a significant and effective transfer of risks to the vehicle has taken place (BCBS (2016), paragraphs 24–25). When assessing whether the requirements for recognising transfers of risk to the vehicle are satisfied, account should be taken of reputational risks that could lead to the provision of implicit support and thus leave the bank exposed to the risk of loss (BCBS (2017a), paragraphs 59–62).

If the credit risk associated with the assets has been transferred to a securitisation vehicle, then the bank should report only the portion of the securitisation that it retains and exclude from its assets the underlying securitised exposures.

If the bank has not significantly and effectively transferred the risks, then it should continue to report the underlying securitised exposures as part of its own balance sheet as if they had not been securitised.

2. How should banks' holdings of mortgage- and asset-backed securities be allocated by country and sector of counterparty?

In the LBS and CBSI, the country and sector of the counterparty are determined by the issuer of the security. For example, an ABS issued by an SPV domiciled in the Cayman Islands should be reported as a debt security claim on a non-bank financial institution [F] in the Cayman Islands.[7] Like other negotiable instruments, MBSs and ABSs should be reported at market value.

In the CBSG, a "look-through" approach should be followed for MBSs and ABSs, whereby the country and sector of guarantor are defined, respectively, as the residence and sector of the debtor of the underlying credit, security or derivatives contract. In consideration of the practical difficulties of allocating pools of collateral, MBSs backed by commercial property may be allocated to non-financial corporations [C], MBSs backed by residential property to the household sector, and ABSs to either the non-financial corporations [C] or the household sector [H] depending on the collateral. For example, an ABS backed

[7] For recommendations about how to classify SPVs by sector, see SNA 2008, paragraphs 4.55–4.67.

by US residents' credit card receivables should be allocated to the US household sector.

If the country or sector of the underlying debtor cannot be identified, then in the CBSG MBSs and ABSs may be allocated to "unallocated location" [5M] or "unallocated sector" [U]. If the default risk on an MBS or an ABS is covered by a guarantee, then the country and sector on a guarantor basis will be those of the guarantor.

4. How should gold-related positions be reported?

There are two types of gold-related account. First, allocated gold accounts that provide ownership of a specific piece of gold. The ownership of the gold remains with the entity placing it for safe custody and the gold is considered a non-financial asset (BPM6, paragraph 5.76). Allocated gold accounts and gold bullion, when held by the reporting bank, are reported under "other assets", as a component of total assets in the CBS. Holdings of allocated gold accounts and gold bullion are not reported in the LBS. The second type is unallocated gold accounts that represent an asset against the account operator to deliver gold. For unallocated gold accounts where the reporting bank holds title to physical gold and issues liabilities denominated in gold. Such accounts should be reported as a liability under "loans and deposits" in the LBS and CBS (BPM6, paragraph 5.77).

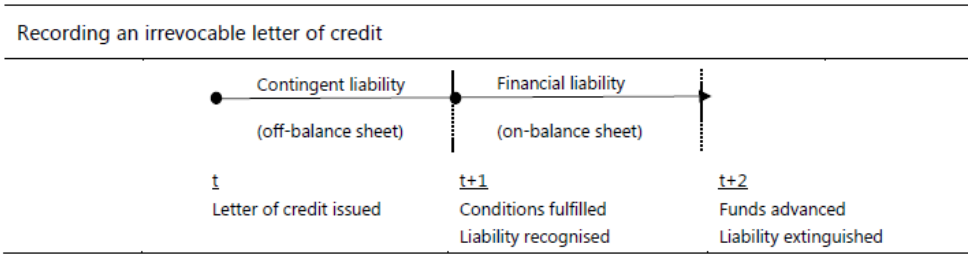
Gold can be used as collateral to borrow cash; the position is similar to a repurchase agreement (paragraph 4.33). When gold is borrowed against cash collateral, legal ownership of the gold is transferred temporarily to the borrower but substantially all of the risks and rewards of changes in the gold price remain with the lender. For example, the cash leg of such transactions should be reported by the gold borrower (ie reporting bank) as a claim under loans and deposits and by the gold lender as a liability under loans and deposits. In the LBS and CBSI, the country and sector of the counterparty are determined by the gold lender (ie the cash taker). The gold leg should not be reported. In the CBSG, the country and sector of the counterparty are determined, respectively, by the country and sector of the custodian with which the gold is placed (see Table 4.6 for type of collateral in the CBSG).

5. How should letters of credit be reported?

Letters of credit are one type of financial arrangement that creates contingent liabilities for issuing banks. In general, no financial liability is created until funds are actually advanced (BPM6, paragraph 5.13).

Unlike the other types of letters of credit, an irrevocable letter of credit cannot be changed without the consent of all parties. This type of letter of credit, once the issuing bank determines that the presented documents fulfil the conditions of the contract, should be recorded as an unconditional liability of the issuing bank from the time of acceptance, ie as a debt security liability, comparably to the treatment of a banker's acceptance.

The table below illustrates how an irrevocable letter of credit is recorded. If a letter of credit is standard and irrevocable, then there is a high probability that the bank will be required to fulfil its promise to pay. Therefore, once the conditions of the credit are fulfilled at t+1, the issuing bank should recognise the letter of credit as a liability. This liability remains on the balance sheet until payment is made at t+2.



6. How should total return swaps be reported in the CBS?

A total return swap commits two counterparties to exchange the total economic performance of a financial asset (defined to include all interest payments, fees and any capital appreciation or depreciation) in exchange for a floating rate payout based on a reference index (usually Libor plus a spread reflecting the creditworthiness of the counterparty as well as the credit rating and liquidity of the underlying asset).

In the CBSI, a total return swap held for trading should be reported as a derivative asset if the market value of the contract is positive (or as a derivative liability if the market value is negative). The position of total return swap is reported as a component of total assets (or as a component of total liabilities) without a counterparty breakdown. When a total return swap is used to hedge a position in the banking book and the reporting bank is the total return payer (ie buyer of credit protection), then an inward risk transfer [P] to the country where the swap counterparty resides and an outward risk transfer [O] from the country where the immediate counterparty resides should be reported. The positions should be reported at gross notional value.

In the CBSG, when a total return swap is held for trading by the reporting bank, it should be reported as derivative assets with a breakdown of swap counterparty. In addition, if the reporting bank is the total return receiver (ie seller of credit protection), then the gross notional value of the outstanding position should be reported as a "guarantee extended" [W], with a breakdown of buyer of credit protection.

7. How should credit default swap index contracts sold be reported in the CBS?

Credit protection sold should be reported as a guarantee extended at gross notional value. If the credit derivative contract guarantees multiple underlying reference entities from several countries, then the notional amount should be allocated by counterparty country on a pro rata basis: for example, for first-to-default baskets, equally to each reference entity. If it is impractical to allocate the underlying reference entities by country, then they may be reported vis-à-vis "unallocated location" [5M].

8. How should bills of exchange be reported in the CBS on a guarantor basis?

Bills of exchange are treated as "debt securities" in international banking statistics. The country and sector on a guarantor basis will depend on whether the bills are sold with or without recourse to the seller (eg to the exporter) and whether the bills are guaranteed (eg by the importer's bank or an export credit agency). The full amount should be reported even if the bills are discounted. If credit protection is provided by more than one source, then the country and sector on a guarantor basis should be

determined by the guarantor that the lender considers to be the most creditworthy.

Consider the following example. Exporter E sells goods to Importer I and writes a bill of exchange ordering Importer I to pay $100 in six months. Exporter E then sells the bill to Bank B at a discount on a non-recourse basis. On an immediate counterparty basis, Bank B should report a claim of $100 claim on Importer I. If the bill is guaranteed by the importer's Bank M, then on a guarantor basis Bank B should report a claim of $100 on Bank M. If the bill is also guaranteed by an export credit agency and the agency is more creditworthy than Bank M, then on a guarantor basis Bank B should report a claim of $100 on the agency.

9. Should deferred taxes be reported?

A deferred tax asset refers to an asset that arises as a result of bank overpaying taxes or taxes paid in advance on its balance sheet. A deferred tax liability refers to a tax that is due in the current reporting period but has not yet been paid.

In the CBS, deferred tax assets should be included in total assets [F], as part of instrument "other assets". Deferred tax liabilities should be included in total liabilities [L], as part of instrument "other liabilities".

10. How should claims on US government-sponsored enterprises be allocated by country and sector of counterparty?

In the LBS and CBSI, claims on Ginnie Mae, Fannie Mae and Freddie Mac should be allocated to non-bank financial institutions [F]. Ginnie Mae's obligations carry an explicit guarantee from the US Treasury, and thus in the CBSG claims on Ginnie Mae should be allocated to the US official sector [O].

Prior to September 2008, Fannie Mae's and Freddie Mac's obligations were not guaranteed by the US Treasury, and thus no risk transfer to the US official sector should be reported for that period, ie on a guarantor basis claims should be reported vis-à-vis the US non-bank private sector [R]. Since September 2008, Fannie Mae and Freddie Mac have been under "conservatorship". While their obligations are not explicitly guaranteed, in September 2008 the US Treasury entered a legally binding agreement to provide Fannie Mae and Freddie Mac with funding (through senior preferred stock purchases) if their total liabilities were to exceed their total assets. As long as this agreement remains in place, claims on Fannie Mae and Freddie Mac may be reallocated to the official sector [O] on a guarantor basis.

11. How should claims on the ESM and its predecessors, the EFSM and the EFSF, be allocated by country and sector of counterparty?

The EFSM and the EFSF are temporary lending facilities, which were effectively replaced by the ESM. The EFSM permits the European Commission to issue bonds in the name of the European Union (EU), collateralised by the budget of the EU. The EFSM was created in May 2010. The EFSF issues bonds guaranteed by the member governments of the euro area. The EFSM was established as a non-financial company in Luxembourg in June 2010. The EFSF's authority to lend funds expired on 30 June 2013, although the facility will continue to exist until outstanding loans are fully repaid. The ESM was created in September 2012 by a

treaty among the member governments of the euro area. Unlike the EFSF, the ESM has the status of an international organisation.

To simplify reporting, reporting banks may treat their holdings of EFSM, EFSF and ESM bonds equivalently. However, the treatment should change as of 1 July 2013, when the ESM fully took over the functions of the EFSF. The recommended allocation by country and sector is shown in the table below.

Allocating holdings of EFSM, EFSF and ESM debt securities

	Up to and including end-June 2013		From end-September 2013	
	Country	Sector	Country	Sector
LBS	Luxembourg	Non-bank	International organisation	Unallocated by sector
CBSI	Luxembourg	Non-bank private sector	International organisation	Unallocated by sector
CBSG	Residual developed countries [2R]*	Official sector	International organisation	Unallocated by sector

* In principle, amounts should be reallocated on a pro rata basis to the member governments that guarantee the EFSF bonds. In consideration of the practical difficulties of allocating across many countries, amounts may be reallocated to a residual.