

Report of the Working Group on International Banking Statistics

August 19, 1999

In the context of the recent crisis in East Asia, the need for collection of timely and comprehensive information on international exposure of commercial banks has assumed critical importance at the international level. With the growing liberalisation of the external sector, close monitoring, on an ongoing basis, of the international claims and liabilities of the Indian banking sector has also become necessary. This will enable India to gauge the developments in international banking. The setting up of an information system for the purpose should match international standards in quality and timeliness and would call for active involvement of commercial banks as well as coordinated efforts on the part of Reserve Bank of India. Against this background, the Reserve Bank constituted the Working Group on International Banking Statistics with Shri N.K. Puri, Chief General Manager, State Bank of India as the Chairman, with members drawn from some of the other banks and the concerned departments of the Reserve Bank.

After reviewing and examining the international practices concerning the reporting, compilation and dissemination of data on banks' international liabilities and assets, the Group has recommended introduction of a comprehensive return to enable effective monitoring of the international claims and liabilities of the Indian banking system on a quarterly basis. Under the recommended arrangements, the banks should report all details of external assets and liabilities in all currencies with details such as sector, type of liability or asset, currency; country and residual maturity. This would also include foreign currency position vis-a-vis residents. With regard to international assets, the Group has recommended collection of data according to the country of ultimate risk as well. While the data flow could be from branches to the Head Offices of banks and from Head Offices of bank to the RBI in a consolidated manner through computer media, the operationalisation of the VSAT based wide area network would over time facilitate direct flow of information from the banks to the RBI. To enable this, the Group has recommended speedy computerisation and establishment of requisite connectivity in the banking sector. The Group has also recommended setting up of a Standing Monitoring Group to oversee the implementation of the recommended reporting arrangements and to consider necessary changes in the same. The Group has favoured a step by step approach for implementation of the recommendations which could begin with December 1999. Recognising the need to minimise the reporting burden on the banking system arising from multiplicity of returns, the Group has urged the RBI to undertake rationalisation/simplification of the existing statistical returns, keeping in view the emerging developments on the technological front. Towards this, the Group has recommended establishment of a Central Data Base Management System at the RBI with access to all the data user departments.

The Group's Report would help to evolve data which will throw light on the overall soundness of the banking sector with regard to its international exposures in terms of country, currency etc. and facilitate relevant policy formulation. This would also enable

inter country comparisons as well. In the case of reporting banks, this would be of great help in developing requisite risk management strategies and monitoring their exposures to minimise concentration of claims on any single country/currency. Similarly, maturity and currency details would be useful in Treasury Management exercises in reporting banks.

Alpana Killawala
General Manager

Press Release : 1999-2000/257