

FESAC

Measurement of The Financial Sector

OFR's Approach to Data Gaps:
A Case Study on Bilateral Repo

Susan Stiehm, Office of Financial Research
December 12, 2014

- **OFR Mandate**
- **OFR Data Gaps Agenda**
- **Case Study: Bilateral Repo Data Collection**
 - **Why**
 - **Who**
 - **How**

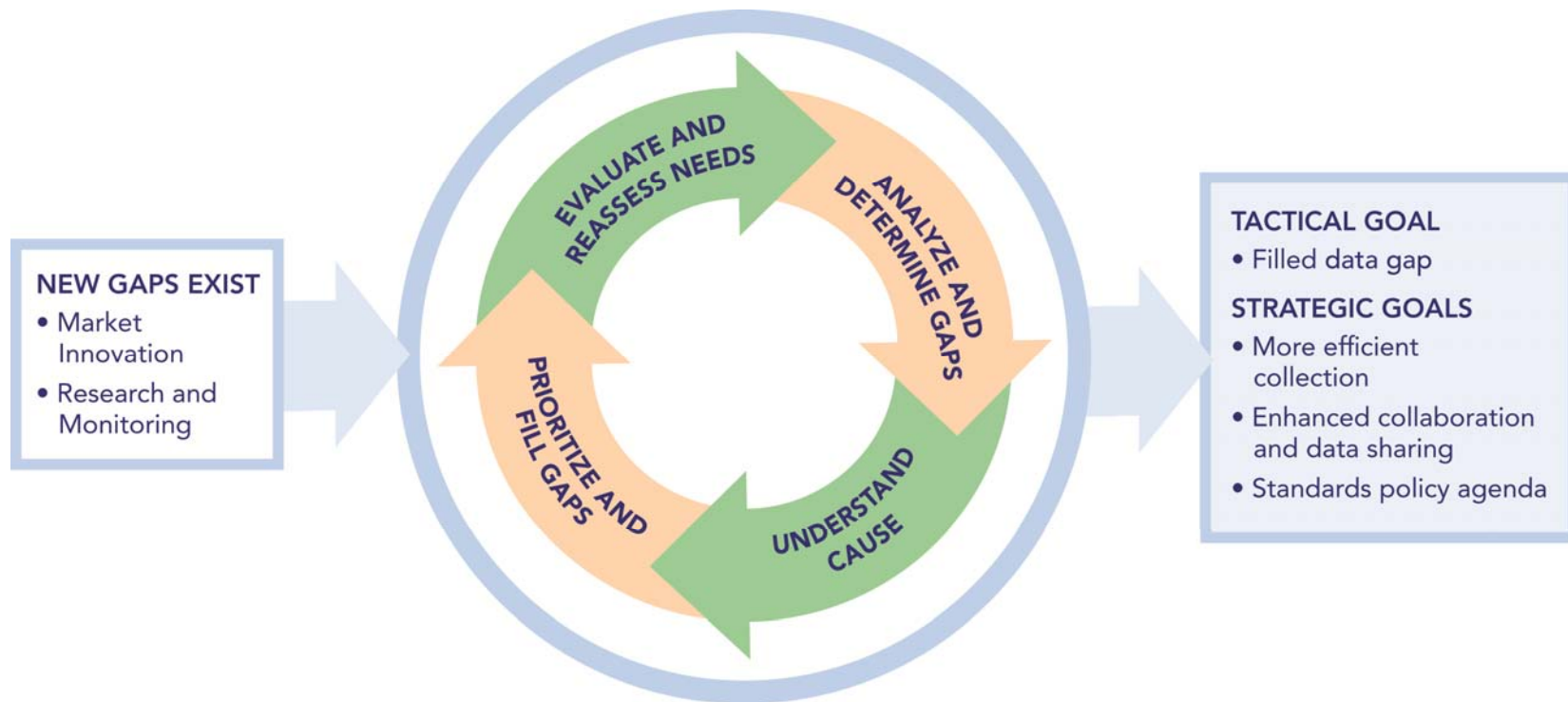
OFR's Unique Position

- Improving the quality and scope of financial data on behalf of the regulatory community and the public is an important part of the OFR's mandate
- Objective perspective; we are not a supervisor, not a policymaker.
- Authority to collect data across U.S. financial system.

Implementing the Data Gaps Agenda

- Understand the data needed for financial stability analysis,
- Analyze available data and determine where gaps exist,
- Identify the causes of gaps and how those gaps might be filled, and
- Prioritize the needs and determine the feasibility of obtaining the needed data.
- 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

Current Data Gap Initiatives

- Repo and Securities Lending
 - Repo pilot project marks the first time the OFR will collect data directly from financial companies.
- Enhanced Financial Accounts
- Asset Management –
 - Separately Managed Accounts
 - Corporate Investment Activities
- Captive Reinsurers
- Mortgage Servicing Information

Addresses 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.
- Comprehensive data is required for more informed policy responses and better risk management practices.
- FSB 2012 consultative document recommended improvements in market transparency in repos and sec lending.

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

Will Provide Greater Visibility

- Size of the market
- Breadth and concentration of counterparties
- Breadth and concentration of collateral
- Haircut and rate dynamics
- Assess data availability and usefulness
- Work on a sec lending data collection is to follow

Potential Use of the Data

- Enhance policymakers' understanding of repo markets
- Consolidate with other data sources to offer more comprehensive picture of wholesale, short-term funding markets
- Share summary statistics with the industry for risk management purposes

Collaboration Across Agencies and Industry

Interagency Working Group Members

- Office of Financial Research
- Federal Reserve Bank of New York
- Federal Reserve Board
- SEC has also contributed to the template

Approached nine firms to voluntarily participate in the bilateral repo data collection

- Identified by the NY Fed as the most active participants in the repo market
- Many have also met with the OFR to provide repo market information
- Five separate potential participants have been identified for the sec lending outreach

Industry Outreach

- Developed a data template to be completed by industry participants
 - Scheduled feedback sessions to ensure data availability and clarity of definitions
- In depth meetings with nine firms in November
 - Reviewed template and definitions
 - Addressed key working group questions
 - Obtained participants' reactions and recommendations

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

Submissions expected in First Quarter 2015

- By January 2015 will have final template for industry participants to complete
 - Will gather three snapshots of data for three consecutive months
 - Will align with public tri-party data
 - Aim to have data available for analysis by mid year
- Also pursuing a separate template for securities lending data

Contact Info

Susan Stiehm

Research Principal | Office of Financial Research

212.376.9808 | 202.251.6212

susan.stiehm@treasury.gov