



LOCATIONAL BANKING STATISTICS

Guidance Notes

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(A). GENERAL

The **locational banking statistics (LBS)** were introduced at the beginning of the 1970's to provide information on the euro-currency markets. In subsequent years, the emphasis shifted to provide a more detailed geographical breakdown and flow data. Since the 1990's the LBS has become an important component in the coverage and accuracy of balance of payments transactions and an important component in the compilation of statistics for external debt.

The Cayman Islands participates in the **locational banking statistics** which is designed to provide data on international banking business conducted in the Cayman Islands. The data is collected and aggregated by the Cayman Islands Monetary Authority and sent to the Bank for International Settlements (BIS) for inclusion in their published report on the **International Locational Banking Statistics**, which is available on their web-site. The report published by BIS provides an insight into the aggregate international claims and liabilities of all banks resident in the 41 reporting countries that participate in the LBS.

Introduction to REEFS -On-line Reporting

REEFS is an electronic reporting portal introduced by CIMA in order to facilitate the prudential reporting process. Locational Banking Statistics (LBS) survey will now be reported through REEFS. The new features in the reporting are that: LBS are now being reported vis-à-vis **Counterparty Sector** a transition to **stage 2 LBS reporting**, **Debt securities** are to be reported as **long-term and short-term** for Assets and Liabilities. Assets and Liabilities placements are to be reported **as absolute figures (no rounding off)**.

Definitions:

- (a) *Short-term is defined as payable on demand or with a maturity of one year or less. (Payable on demand refers to a decision by the*

creditor; an instrument where the debtor can repay at any time may be short- or long-term.)

- (b) *Long-term is defined as having a maturity of more than one year or with no stated maturity (other than on demand, which is included in short-term).*

<http://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>

Reporting Currencies are as defined in the IMF basket of currencies. The currencies are: ***Cayman Islands Dollar, US Dollar, Brazilian Real, Euro, Japanese Yen, Pound Sterling, Swiss Franc and Chinese Yuan.***

(B). REPORTING INSTITUTIONS.

1. Reporting banks

For the purposes of the Locational Banking Statistics, reporting banks are the Class "A" and Class "B" banks in the Cayman Islands which are licensed under Section 5 of the Banks and Trust Companies Law (2007 Revision).

2. Criterion for Residence

The criterion for residence is whether a banking, non-bank or official monetary institution is permanently located, by way of law or registration, inside or outside the Cayman Islands. The essential point is **that domicile** and not ownership determines the identification of country of customer (depositor, creditor, borrower, obligor, etc). Claims and liabilities should be reported according to the country of the principal address to which statements of the customer's account are sent. However, the address of a bank's offshore operation is the offshore centre in which it is authorized to operate, even though statements may be sent to the head office or owner in a different country. Examples: (i) claims on a Tokyo branch of a U.S. bank should be reported as claims on Japan (ii) claims on a Cayman branch of an

Brazilian bank should be reported as claims on the Cayman Islands, even though the branch may have no physical presence in the Cayman Islands; (iii) claims on New York IBF's should be reported as claims on the U.S.

The Locational Banking Statistics provide for the collection of statistics on the activities of all banks in the Cayman Islands licensed under Section 5 of the Banks and Trust Companies Law (2013 Revision). Banks are required to report exclusively on their own **(unconsolidated)** business, which thus includes international transactions with any of their own affiliates (branches, subsidiaries, joint ventures) located either within or outside the Cayman Islands. Consequently, transactions of a reporting bank with its parent bank or with any of its parent's other branches or subsidiaries should be allocated to the countries of residence of the parent's other branches or subsidiaries. Thus Bank A's Grand Cayman branch should report a claim on Bank A Miami branch as a US claim, regardless of Bank A's country of ownership. The basic organizing principle underlying the reporting system is the residence of the banking office. However, data on an ownership or nationality basis are also calculated by regrouping the residence-based data.

(C). OUTLINE OF REEFS ONLINE REPORTING FORM

1. Summary of Changes in Reporting in REEFS

All figures are to be reported as **ABSOLUTE** values, ie. One million USD in loans should now be entered as USD1, 000,000.00

REEFS- Table of Schedules:

The table of schedule in REEFS provides the navigation from one instrument to the other.

- A - Claims Debt Securities : Short-Term (Market Value)
- B - Claims Debt Securities : Long-Term (Market Value)
- C - Claims Loans (Cash, Deposit Balances and CDs Loans and Advances)

- D - Claims Other Instruments (Accrued Interest Receivable and Other Assets)
- E - Liabilities Debt Securities : Short-Term (Other Notes, Bonds and Commercial Paper)
- F - Liabilities Debt Securities : Long-Term (Other Notes, Bonds and Commercial Paper)
- G - Liabilities Deposits (Deposits, Repos, Hybrid and Subordinated Debt, Other Borrowings)
- H - Liabilities Other Instruments (Creditors and Other Liabilities, Other Loss Provisions, Total Shareholders' Equity)

2. Reporting Format in REEFS

International assets and liabilities data entered are reported by **currency** according to the **Counterparty Country and Sector**, and as either bank or non-bank. The counterparty sectors are as follows:

Bank Positions:

1. Banks - Related Offices
 2. Banks - Unrelated Offices
 3. Banks - Central Banks
- *Bank positions are subtotaled*

Non-bank Positions:

1. Non-financial corporations
 2. Non-bank (Other financial institutions)
 3. General Government
 4. Households including NPISHs
(Non Profit Institutions Serving Households) and
 5. Unallocated by Sector.
- *Non-bank positions are subtotaled*
 - *Bank and non-bank positions are totaled.*

(D). CURRENCY, INSTRUMENTS AND COUNTRY BREAKDOWNS

1. General

The New reporting portal, REEFS an electronic reporting portal has been enhanced to provide more detailed information regarding the breakdown of international **Claims** and **Liabilities** as follows:

- **Counterparty Country,**
- **Currency,**
- **Banks (related banks),**
- **Banks (unrelated banks),**
- **Banks (central banks),**
- **Non-financial corporations,**
- **Non-Bank (Other financial institutions),**
- **General Government, Households incl. NPISHs,**
- **Unallocated,**

2. Currency breakdown

In addition to the Cayman Islands Dollar, Reporting Banks are required to report currency breakdown into seven individual foreign currencies and a residual category "**Other**". The seven individual foreign currencies are: Brazilian Real, Chinese Yuan, Euro, Japanese Yen, Pound Sterling, Swiss Franc and US Dollar. For example a US\$ denominated claim (or liability) from a customer domiciled in the Dominican Republic should be reported against the the Dominican Republic in the respective currency A dropdown list of currencies is available for selection

3. Instruments breakdown

In reporting of Assets/Claims and Liabilities, each individual entry should be categorized by the instruments reported on separate tabs as follows:

1. *A - Claims Debt Securities : Short-Term (Market Value)*
2. *B - Claims Debt Securities : Long-Term (Market Value)*
3. *C - Claims Loans (Cash, Deposit Balances and CDs Loans and Advances)*
4. *D - Claims Other Instruments (Accrued Interest Receivable and Other Assets)*
5. *E - Liabilities Debt Securities : Short-Term (Other Notes, Bonds and Commercial Paper)*
6. *F - Liabilities Debt Securities : Long-Term (Other Notes, Bonds and Commercial Paper)*
7. *G - Liabilities Deposits (Deposits, Repos, Hybrid and Subordinated Debt, Other Borrowings)*
8. *H - Liabilities Other Instruments (Creditors and Other Liabilities, Other Loss Provisions, Total Shareholders' Equity)*

Non-Bank and Bank

The Locational Banking Statistics also call for the disaggregation of the banks' total international positions into positions vis-à-vis **non-banks**, the residual being positions **vis-à-vis bank**, which provides information on the international **interbank** market.

A number of different criteria can be used to determine whether counterparty is a bank. Reporting banks are required to apply the home country definition where the counterparty is located.

Related Foreign Offices

Related foreign offices refer to the entities that are related to the reporting bank and are **outside the country of residence**. The purpose of the related foreign offices is to gain information on the **intradbank activity**, therefore the

LBS aims to capture information on the related foreign office that is a **head office, branch or subsidiary** which is a **Bank**.

Central bank/Monetary Authorities

Positions vis-à-vis central banks/ official monetary authorities are shown separately because, though treated as a Bank, they are not associated with the interbank market.

4. Country breakdown

Reporting Banks are also required to provide in addition a country breakdown of the aggregate data on banks' international assets and liabilities, ideally as detailed as possible. If you are unable to locate the specific country on the "**Counterparty Country**", the data should be assigned to the item "**unallocated**".

The Bank for International Settlements and the European Central Bank should be classified by reporters as a monetary institution (bank) located in Switzerland and in Germany respectively. For example a US\$ denominated claim (or liability) from the Bank for International Settlements should be reported against a country code of CH on the Claims/Asset (or Liability) - US Dollars as well as against central banks/official monetary authorities.

Positions vis-à-vis international institutions should not be assigned to the country of residence of the institution but should be reported as **INTERNATIONAL ORGANISATION** on the **Counterparty Country tab**.

(E). BUSINESS TO BE REPORTED

1. General

For the purposes of the Locational Banking Statistics, international banking business is defined as banks' on-balance-sheet assets and liabilities vis-à-vis non-residents of Cayman in any currency (including KYD) as well as assets and liabilities vis-à-vis Cayman residents in foreign currencies¹.

Non-residents in KYD currency and Residents in foreign currency are considered international business.

Within the scope of these statistics, data on the international lending and borrowing activities of banks in the narrow sense (i.e. loans and deposits) are one of the **main** areas of interest.

The principal balance-sheet items to be included as **claims/assets** are:

- (a) Deposits and balances placed with banks,
- (b) Loans and advances to banks and non-banks ,
- (c) Holdings of securities,
- (d) Other assets

The principal balance-sheet items to be included as **liabilities** are:

- (a) Deposits and loans received from banks and non-banks. Also, funds received and invested on a trust basis in banks' own names (even if they are booked off-balance-sheet)

¹ See definition for foreign currency transactions in Glossary.

(b) Banks' own issues of securities in the international markets (even if they are not booked as foreign liabilities)

(c) Other Liabilities

Positions **vis-à-vis foreign central banks/official monetary authorities** are reported under "Central Banks" according to **Counterparty Country and Currency**.

Positions vis-à-vis international institutions are reported under "Non-bank – other financial institutions" and Positions **vis-à-vis own related foreign offices** are reported under "Banks – related offices" according to **Counterparty Country and Currency**.

2. Loans and deposits

The principal items which are regarded as international assets and liabilities and which should be included in the data reported are:

- (i) Loans and deposits vis-à-vis non-residents of Cayman in all currencies (including the Cayman dollar) and
- (ii) Loans and deposits vis-à-vis Cayman residents in foreign currency².

Loans should comprise those financial assets which are created through the lending of funds by a creditor (lender) to a debtor (borrower) and which are not represented by negotiable securities.

Deposits should comprise all claims reflecting evidence of **deposit**, which are not represented by negotiable securities, **repos's** and **long-term debt**.

Thus, loans and deposits should **include** interbank borrowings and loans and inter-office balances.

² See definition for foreign currency transactions in Glossary.

Loans should comprise those financial assets which are created through the lending of funds by a creditor (lender) to a debtor (borrower) and which are not represented by negotiable securities. Deposits should comprise all claims reflecting evidence of **deposit**, which are not represented by negotiable securities, **repos's** and **long-term debt**. Thus, loans and deposits should **include** interbank borrowings and loans and inter-office balances.

Special types of loans to be classified in the category "loans and deposits" are foreign trade-related credits and international loans received and granted and deposits received and made on a trust basis. Sale and repurchase transactions (Repos) involving the sale of assets (e.g. securities and gold) with a commitment to repurchase the same or similar assets, financial leases, promissory notes, nonnegotiable debt securities, endorsement liabilities arising from bills rediscounted abroad and subordinated loans (including subordinated non-negotiable debt securities) should also be included in this category. However, borrowing and lending of securities and gold without cash collateral should not be reported as international banking business.

Banks' holdings of international notes and coin that are in circulation and commonly used to make payments should be recorded under loans extended.

Loans are reported reported on Schedule [C - Claims Loans \(Cash, Deposit Balances and CDs Loans and Advances\)](#) according to **Counterparty Country, Sector and Currency**.

Deposits are reported on Schedule [G - Liabilities Deposits \(Deposits, Repos, Hybrid and Subordinated Debt, Other Borrowings\)](#) according to **Counterparty Country, Sector and Currency**.

3. Foreign trade-related credit

Foreign trade-related credits mainly occur in one of two forms: as buyers' credits or as suppliers' credits. A buyer's credit is granted directly by a

reporting bank to a foreign importer and therefore represents an external asset which should be included in the locational statistics.

In contrast, a supplier's credit is granted directly by a reporting bank to a Cayman exporter. These credits may therefore be treated as external or domestic assets depending on whether the residence of the drawee (who is the final debtor) or of the presenter of the bill (who has guaranteed payment by endorsing the bill) is used as the criterion for geographical allocation.

For the purposes of the Locational Banking Statistics it is recommended that suppliers' credits are allocated according to the **residence of the drawee of the relevant trade bills.**

Banks may acquire external trade bills "à forfait" and "en pension". An "à forfait" purchase is an outright purchase which absolves the seller/presenter of the bills from any obligation should the drawee fail to honour the bill when it matures. **When the drawee is a non-resident to Cayman, such bills should similarly be considered to be external assets, irrespective of the residence of the presenter.**

An "en pension" acquisition involves a bank purchasing a foreign trade bill under a sale and repurchase agreement with the domestic exporter whereby the bank **must or may** return the bill to the exporter on, or prior to, the maturity date. If the return of the bill is optional, the bill is recorded in the balance sheet of the purchaser and represents a foreign asset. If the bill must be returned, the instrument remains in the balance sheet of the seller and the transaction can be regarded as an advance to the domestic exporter which should not be included in the locational statistics as a foreign asset.

4. Trustee business

Funds received by banks from non-residents of Cayman in any currency or from Cayman residents in foreign currency on a trust basis represent international liabilities which fall into the category of loans and deposits.

Funds lent or deposited on a trust basis in banks' own names, but on behalf of third parties, with non-residents of Cayman in any currency (including the Cayman Dollar) or with Cayman residents in foreign currency, represent international assets which also fall into the category of loans and deposits. In addition, international securities issued by banks in their own name but on behalf of third parties, or funds invested on a trust basis in international securities and held in the banks' own name but on behalf of third parties, represent international assets and liabilities which should be included in the categories of debt securities and other assets and liabilities as described below.

5. Debt securities

For the purposes of the Locational Banking Statistics separate data have to be reported on banks' holdings and banks' own issues of international debt securities.

5.1 Holdings of debt securities

Banks' holdings of international debt securities are defined as comprising all negotiable short and long-term debt instruments (**excluding equity shares, investment fund units and warrants**) in Cayman currency and foreign currency issued by non-residents of Cayman and all such instruments in foreign currency issued by Cayman residents. It is recommended that banks' holdings of international debt securities include those held in their own name but on behalf of third parties as part of trustee business. Debt securities held on a purely custodial basis for customers and debt securities acquired in the context of securities lending transactions without cash collateral should not be included in the data on holdings of debt securities. It is recognized that the borrowing of securities which are subsequently sold to third parties may result in negative holdings of securities. The separate recording of banks' holdings of international debt securities is intended mainly to serve the following purposes:

- (i) to permit the measurement of unsecuritised bank lending;
- (ii) to eliminate double-counting when aggregating data on international bank lending and international securities business to measure total international financing;
- (iii) to make quarterly banking data more suitable for use in the compilation of balance-of-payments statistics; and
- (iv) to gauge the extent of banks' involvement in international debt securities markets.

Holdings of debt securities are reported as either short-term or long-term, and are reported by **Counterparty Country and Currency**:

- (a) **Short-term debt securities** are reported on **Schedule [A - Claims Debt Securities : Short-Term \(Market Value\)](#)**;
- (b) (a) Short-term is defined as payable on demand or with a maturity of one year or less. (Payable on demand refers to a decision by the creditor; an instrument where the debtor can repay at any time may be short- or long-term.)
- (c) **Long-term debt securities** are reported on **Schedule [B - Claims Debt Securities : Long-Term \(Market Value\)](#)**.
- (d) Long-term is defined as having a maturity of more than one year or with no stated maturity (other than on demand, which is included in *short-term*).

<http://www.imf.org/external/pubs/ft/bop/2007/pdf/bpm6.pdf>

5.2 Own issues of international debt securities

Banks' own issues of international debt securities are defined to comprise all negotiable short and long-term debt securities (including subordinated issues and issues in their own name but on behalf of third parties) in Cayman's dollar issued abroad and all issues in foreign currency. **The classification as international debt securities is determined by the place, currency and method of issue rather than the residence of the issuer as in the case of banks' holdings of debt securities.**

The reason for using such a criterion is the difficulty of determining the residence of the current holder of a negotiable instrument. It should be recognised that this practice has certain shortcomings. On the one hand, part of the securities denominated in Cayman's dollar and issued abroad may be purchased by Cayman residents and therefore not represent international liabilities.

On the other hand, part of the securities denominated in Cayman's dollar and issued at home may be purchased by non-residents of Cayman and therefore represent foreign liabilities which should be, but are not, included in the data on cross-border positions.

The main reasons for the reporting of banks' own issues of international debt securities are:

- (i) to assess the extent of banks' involvement in the international securities market;
- (ii) to make quarterly banking data more suitable for use in the compilation of balance-of-payments statistics; and
- (iii) to avoid double-counting when aggregating data on international financing.

Own Issues are reported as either short-term or long-term on **Schedule E and Schedule F by Counterparty Sector and Currency:**

Schedules E – Short-term Debt Securities (E - [Liabilities Debt Securities: Short-Term \(Other Notes, Bonds and Commercial Paper\)](#));

Schedule F – Long-term Debt Securities (F - [Liabilities Debt Securities: Long-Term \(Other Notes, Bonds and Commercial Paper\)](#)).

6. Derivative instruments

The volume of transactions in derivative instruments has increased dramatically in recent years. Commercial banks have become very active in

performing this type of business on their own account as well as on behalf of their customers. Dealings in derivative instruments mainly serve the purpose of hedging interest, currency and maturity risks of on-balance-sheet positions, but a major part relates to speculative position-taking as well.

In most countries only limited data is currently available on the assets and liabilities that arise from these transactions. This is mainly due to the fact that such transactions are often off-balance-sheet and that only a small portion would be reflected in on-balance-sheet positions of banks under current accounting standards (e.g. assets and liabilities from currency swaps, cash margins in connection with futures and market values of option contracts). However, there seems to be a tendency that national and international accounting rules request the inclusion of market values of derivatives on the balance sheet of reporting banks. For the purposes of the Locational Banking Statistics it is recommended that, for the time being, on-balance sheet items of derivatives be included under "Other assets and liabilities" respectively.

7. Other assets and liabilities

The additional items which represent banks' international assets and liabilities and which should be classified as "other assets and liabilities" chiefly comprise,

(a) on the **claims/assets** side, equity shares (including mutual and investment fund units and holdings of shares in a bank's own name but on behalf of third parties), participations, derivative instruments and working capital supplied by head offices to their branches abroad. In addition, accrued interest and items in the course of collection fall in this category.

(b) on the **liabilities** side, they include derivative instruments (if the data has been recorded on-balance sheet), accrued interest and working capital or permanent investment received by local branches or subsidiaries of banks from their head offices abroad. **Retained earnings** should also be reported

as other liabilities if they are reported by a subsidiary of a foreign bank in the reporting country and should be allocated to the country of parent country.

Locally incorporated banks should exclude share capital and reserves from liabilities as this is considered domestic banking business.

Other assets and other liabilities are reported on Schedules D and H respectively by **Counterparty and Currency**:

Other assets: Schedule D - [Claims Other Instruments \(Accrued Interest Receivable and Other Assets\)](#);

Other liabilities: Schedule H - [Liabilities Other Instruments \(Creditors and Other Liabilities, Other Loss Provisions, Total Shareholders' Equity\)](#)

(F). OTHER REPORTING CONVENTIONS

1. Netting of assets and liabilities

In principle, international assets and liabilities should be reported on a gross basis in the Locational Banking Statistics. In other words, assets and liabilities vis-à-vis one and the same agent should be reported separately, not netted one against the other.

2. Valuation

International assets and liabilities reported be valued as far as possible according to uniform valuation principles, which would enhance consistency with other statistical systems such as SNA, BOP and international investments. It is recommended that international assets be valued at market prices, except loans, which should be valued at nominal values.

International liabilities should be valued at contractual or nominal rather than market values.

3. Arrears, provisions and write-offs

In order to allow an accurate measure of international bank lending the following reporting procedures are recommended for the locational statistics:

3.1 Arrears of interest and principal

Until they are written off, interest in arrears on international claims and principal in arrears (including capitalised interest) should be included in the data on international assets.

3.2 Provisions

International capital claims against which provisions have been made are normally reported as foreign assets at their gross value.

3.3 Write-offs of claims and debt forgiveness

An asset which has been written off should be excluded from the reported data. This recommendation is made because the process of writing-off can be seen as reflecting the judgement that the current or prospective price of the claim is zero.

4. Currency conversion

In line with international conventions the Locational Banking Statistics uses the US dollar as the numeraire. All positions in other currencies must therefore be converted into US dollars by Reporting Banks. For the sake of consistency and comparability, the positions should be converted into US dollars at the exchange rate prevailing on the reporting date. The US

dollar or US dollar equivalent amount to be reported must be **REPORTED IN ABSOLUTE VALUES.**

(G). THE NATIONALITY OF REPORTING BANKS

The *locational banking statistics* also provides information on international banking activity according to the country of incorporation or charter of the parent bank. The nationality of a bank refers to the Nationality of the **Ultimate Owner**. In the case of off-shore jurisdictions, the nationality of the Bank is **not** the Head Office of the locally registered branch or subsidiary, which itself is a Branch of the Ultimate Parent.

Branches

The nationality of a branch is determined by the nationality of the ultimate domicile of the parent bank/head office.

Subsidiaries

The nationality of a subsidiary is determined by the domicile of the ultimate parent and not immediate parent where there are layers of ownership.

Private

The nationality of a private bank is determined by the place of domicile of the controlling shareholder. For the purposes of the Locational Banking Statistics, a controlling interest may be assumed to exist if a participation exceeds 50% of the subscribed capital of a bank. Where there are no identifiable controlling interests, then the entity should be classified as consortium (i.e. Code "1G").

H. GLOSSARY OF TERMS USED IN THE BANKING SURVEY

A

"A FORFAIT" PURCHASE

An outright purchase of a trade bill (or similar instrument) which absolves the seller/presenter of the bill from any obligation should the drawee fail to honour the bill when it matures.

B

BANKING OFFICES

Affiliates and head offices.

BANKS

Generally defined as those institutions whose business is to receive deposits and/or close substitutes for deposits and grant credits or invest in securities on their own account. Within the scope of the BIS banking statistics official monetary institutions including the BIS are also regarded as banks.

C

CAPITALISED INTEREST

The conversion of accrued or future interest payments, by agreement with the debtor, into a financial claim.

CLAIMS (OF BANKS)

Financial assets (on-balance-sheet items only) including, as a minimum, deposits and balances with other banks and loans and advances to non-banks as well as banks. **(Section C)**

CONSOLIDATED REPORTING OF INTERNATIONAL BANKING BUSINESS

Application of a comprehensive reporting principle whereby the coverage includes the cross- border claims on, and liabilities to, individual countries, or groups of countries, of all the offices worldwide of banks with head offices in Cayman, but excludes positions between different offices of the same bank.

CONSORTIUM BANK

A joint venture in which no single owner has a controlling interest.

COUNTRIES

Both territorial entities that are states, as understood by international law and practice, and territorial entities that are not states (such as Gibraltar) but for which statistical data are maintained and provided internationally on a separate and independent basis. All countries and codes are listed on the drop-down box under "Counterparty Country" on the form (other than unallocated amounts and amounts relating to international institutions).

COVERAGE

Refers to the number of reporting institutions in the Cayman Islands, or to the extent of balance-sheet reporting by individual banks, thus indicating the degree of comprehensiveness of the information collected.

CROSS-BORDER OPERATIONS

Transactions between residents of different countries; also referred to as "external" operations (confer "international" operations, which include, in addition to external business, positions vis-à-vis Cayman residents in foreign currency).

CROSS-BORDER POSITIONS

Asset and liability positions vis-à-vis banks and non-banks located in a country other than the country of residence of the reporting banking office; also referred to as "external" positions.

CUT-OFF POINT

The amount of international or external assets and liabilities below which a bank is not required to report.

D

DERIVATIVE INSTRUMENT

A financial instrument whose value depends on some underlying financial asset, commodity index or predefined variable. Some of the main uses of derivative instruments are to fix future prices in the present (forwards and futures), to exchange cash flows or modify asset characteristics (swaps) and to endow the holder with the right but not the obligation to engage in a transaction (options). **(Section (C) 6)**

DEBT SECURITIES

Reporting banks' holdings and banks' own issues of international debt securities. **(Section (D) 5).**

E

END-OF-PERIOD OPERATIONS

Special financial transactions which banks may carry out at certain times (especially before the end of the financial year or a balance-sheet publication date) in order to affect the appearance of their balance sheets ("window-dressing"), and which are usually unwound once the balance-sheet date has passed (e.g. dollar swaps with the central bank carried out over the end of the year or quarter).

“EN PENSION” ACQUISITION

A transaction whereby a bank acquires a foreign trade bill (or similar instrument) from an exporter on the basis of a sale and repurchase agreement. The term may also apply to operations in non-trade-related securities (such as Treasury bills or notes).

EXCHANGE RATE ADJUSTMENT

Procedure adopted to eliminate the valuation effects arising from movements in exchange rates from data expressed in a common currency (generally the US dollar). When calculating exchange rate adjusted changes in stocks, the BIS applies *end-of-period* dollar exchange rates to the (non-dollar) positions outstanding at the beginning of the period.

EXTERNAL ASSETS/LIABILITIES

See “Cross-border positions”.

F

FINAL OWNER

The ultimate owner of a branch or subsidiary in a chain of participations.

FINAL USER/ORIGINAL SUPPLIER

The ultimate loan-taker and the initial depositor of funds in a chain of transactions.

FLOW FIGURES

Data on transactions as opposed to changes in amounts outstanding; not to be confused with exchange rate adjusted changes in stocks. In contrast to amounts outstanding, flow figures relate to periods of time and not to a particular date.

FOREIGN BANK

Bank whose head office is outside the country in which it is located (see "Affiliates").

FOREIGN CURRENCY TRANSACTIONS

Transactions denominated in a currency other than Cayman Islands dollar.

FOREIGN OFFICE

Affiliates of reporting bank.

G

GRAND TOTAL OF CLAIMS/ASSETS AND LIABILITIES

Is the sum of (i) loans and deposits, (ii) holdings and own issues of debt securities and (iii) other assets and liabilities. **(Section (D) 1)**

H

HEAD OFFICE (BANK)

A banking office exercising control over and/or ownership of one or more affiliates.

HOME COUNTRY

The country of residence of the counterparty of a reporting bank.

HOST COUNTRY

The country of residence of a banking affiliate.

I

INTERBANK POSITIONS

Asset and liability positions which banks have with other banks (example: positions between the reporting "offshore" financial centres and banks in the other reporting countries).

INTERNATIONAL BANKING BUSINESS

In this context, the term "international" refers to banks' transactions in whatever currency with *non-residents* (i.e. their external or cross-border business) *plus* their transactions in foreign (non-local) currency with *residents*.

INTERNATIONAL BANKING FACILITY (IBF)

A banking unit in the United States conducting cross-border business unrestricted by many of the rules and regulations applied in ordinary banking with residents. Similar institutions exist in Japan. IBFs and similar institutions are considered residents of the country in which they are located.

INTERNATIONAL DEBT SECURITIES

For the purposes of the Locational Banking Statistics, banks' holdings of international debt securities are defined as all negotiable short and long-term debt instruments in domestic and foreign currency issued by non-residents and debt instruments in foreign currency issued by residents. For banks' own issues the criteria are not currency and residence of the counterparty, but currency and the place or technique of issuance. All issues in foreign currency are included but securities denominated in domestic currency are included only if they are issued abroad or at home using international issuing procedures. **(Section (D) 5)**

INTERNATIONAL INTERBANK MARKET

An international money market in which banks lend to each other - either cross-border or locally in foreign currency - large amounts of money, usually at short term between overnight and six months.

INTERNATIONAL INSTITUTIONS

Institutions owned by members, agencies or corporations from different countries. For example, the International Monetary Fund or the World Bank.

INTER-OFFICE BUSINESS

Business between different offices of the same bank; in BIS statistics this is usually covered only to the extent that it is cross-border and the data are not consolidated.

INTRABANK BUSINESS

See "Inter-office business".

INVESTMENT COMPANIES

Companies that actively manage a pool of assets for their shareholders and that issue redeemable securities that represent an undivided interest in the assets managed by the company.

J

JAPAN OFFSHORE MARKET

See "international banking facility".

JOINT VENTURE

A (banking) enterprise in which two or more parties hold major interests. One of those parties may, but need not, be of the country in which the joint venture operates.

L

LOCAL (DOMESTIC) CURRENCY TRANSACTIONS

Banking business carried out in Cayman currency i.e Cayman Islands dollar.

LOCAL FOREIGN CURRENCY BUSINESS

Banking business in non-Cayman currency between a Reporting Bank and other entities (both banks and non-banks) resident in the Cayman Islands.

LONG-TERM

Maturity concept used in the consolidated banking statistics; it refers to *remaining* maturities exceeding one year.

M

MATURITY STRUCTURE

In the consolidated banking statistics, breakdown of claims according to their *remaining* maturity; also referred to as "maturity profile" or "maturity distribution".

MUTUAL FUNDS

Investment companies (q.v.) that issue and sell redeemable securities which represent an undivided interest in the assets held by the fund.

N

NATIONALITY (OF BANKS)

Classification according to the location of the head office rather than the location of the banking unit. **(Section F).**

NET TAKERS/EXPORTERS OF FUNDS

Banks which on an assets-minus-liabilities basis have a net external liability position are net takers of funds; banks which have a net external asset position are net exporters of funds.

NON-BANKS

All entities (including individuals but excluding official monetary institutions) other than those defined as "banks" (q.v.). **(Section (E) 3)**

O

OFFICIAL DEPOSITS

Foreign currency deposits obtained by reporting banks from official monetary institutions.

OFFICIAL MONETARY INSTITUTIONS

Mainly central banks or related national and international bodies.

"OFFSHORE CENTRES"

An expression used synonymously with "other major financial centres" to describe countries with banking sectors dealing primarily with non-residents and/or in foreign currency on a scale out of proportion to the size of the host economy.

ORIGINAL SUPPLIER (OF INTERNATIONAL FUNDS)

Initial depositor of funds with a bank in a chain of (mostly interbank) transactions; may also refer to reporting banks themselves to the extent that they use domestic currency for switching into foreign currency or for external lending.

OUTSIDE-AREA COUNTRIES

Countries and territories located outside the BIS reporting area.

OWN OFFICES

Different offices of the same bank, including head offices, branch offices and subsidiaries. Also sometimes called "Related offices".

P

PARTICIPATION

Permanent holding of financial interests in other undertakings, e.g. through the acquisition of shares.

R

REDEPOSITING OF FUNDS

Onlending of funds to other banks.

RELATED OFFICES

See "Own offices".

REPORTING AREA

The whole group of countries which report to the BIS. The reporting area is different for the locational and consolidated banking statistics.

REPORTING CENTRE/COUNTRY

The terms "reporting country" and "reporting centre" are used interchangeably and refer to the countries which participate in the locational and/or consolidated banking statistics.

REPORTING INSTITUTIONS

Generally all those deposit-taking institutions (plus some non-deposit-taking financial institutions) within a reporting country which submit data transmitted to the BIS.

REPORTING UNITS

The US dollar or US dollar equivalent. Decimal numbers must not be entered in any cell. For instance; (a) a sum of \$499,999 should be reported as 0; (b) a sum of \$500,000 should be rounded up to 1, (c) a sum of \$5,100,000 should be reported as 5. **(Section (E) 4)**

REPOS (REPURCHASE AGREEMENTS)

Repos are money market operations based upon arrangements involving the sale of (financial) assets at a specified price with a commitment to repurchase the same or similar assets at a fixed price on a specified future date (usually short-term) or on a date subject to the discretion of the purchaser.

RESIDENT/NON-RESIDENT

The criterion for residence is whether a banking, non-bank or official monetary sector entity is permanently located, physically and/or by way of law or registration, inside or outside a country's borders.

RISK TRANSFERS

Requirement in the consolidated banking statistics for the reporting of data on the reallocation of international claims from the country of the immediate borrower to the country of ultimate risk (q.v.). Data are requested separately on outward and inward risk transfers (**see also section D.2.** of the guidelines for the consolidated statistics).

S

SHORT-TERM

Maturity concept used in the consolidated banking statistics; it relates to *remaining* maturities of up to and including one year.

STOCK FIGURES

Amounts outstanding on a particular date as opposed to flows for a given period.

U

UNALLOCATED

Any amounts that cannot be assigned to a particular country. **(Section (E) 4)**. Open lines of credit which for the lending banks are legally binding.

ULTIMATE RISK

Analytical concept in the context of the consolidated banking statistics for measuring country risk exposure as recommended by the Basel Committee on Banking Supervision. In contrast to the country where the actual borrower resides, the country of ultimate risk is defined as the country in which the guarantor of a financial claim resides and /or the country in which the head office of a legally dependent branch is located (for further explanations **see section D.2.** of the guidelines for the consolidated banking statistics).

V

VIS-À-VIS COUNTRY

Country of location of the counterparty to a financial contract. The asset of a reporting bank will be the liability of an entity in the vis-à-vis country and vice versa.

W

WINDOW-DRESSING OPERATIONS

See "End-of-period operations".

WORKING CAPITAL

Funds provided by the head office of a bank to a legally dependent, unincorporated branch for the purpose of supporting its day-to-day operations. Conventionally defined as the difference between all assets and liabilities, other than those vis-à-vis the own head office.