



**FINANCIAL SOUNDNESS
INDICATORS COMPILATION
GUIDE**



STATISTICS

**Implementation of the
2019 FSIs Guide: Progress
and the Road Ahead**

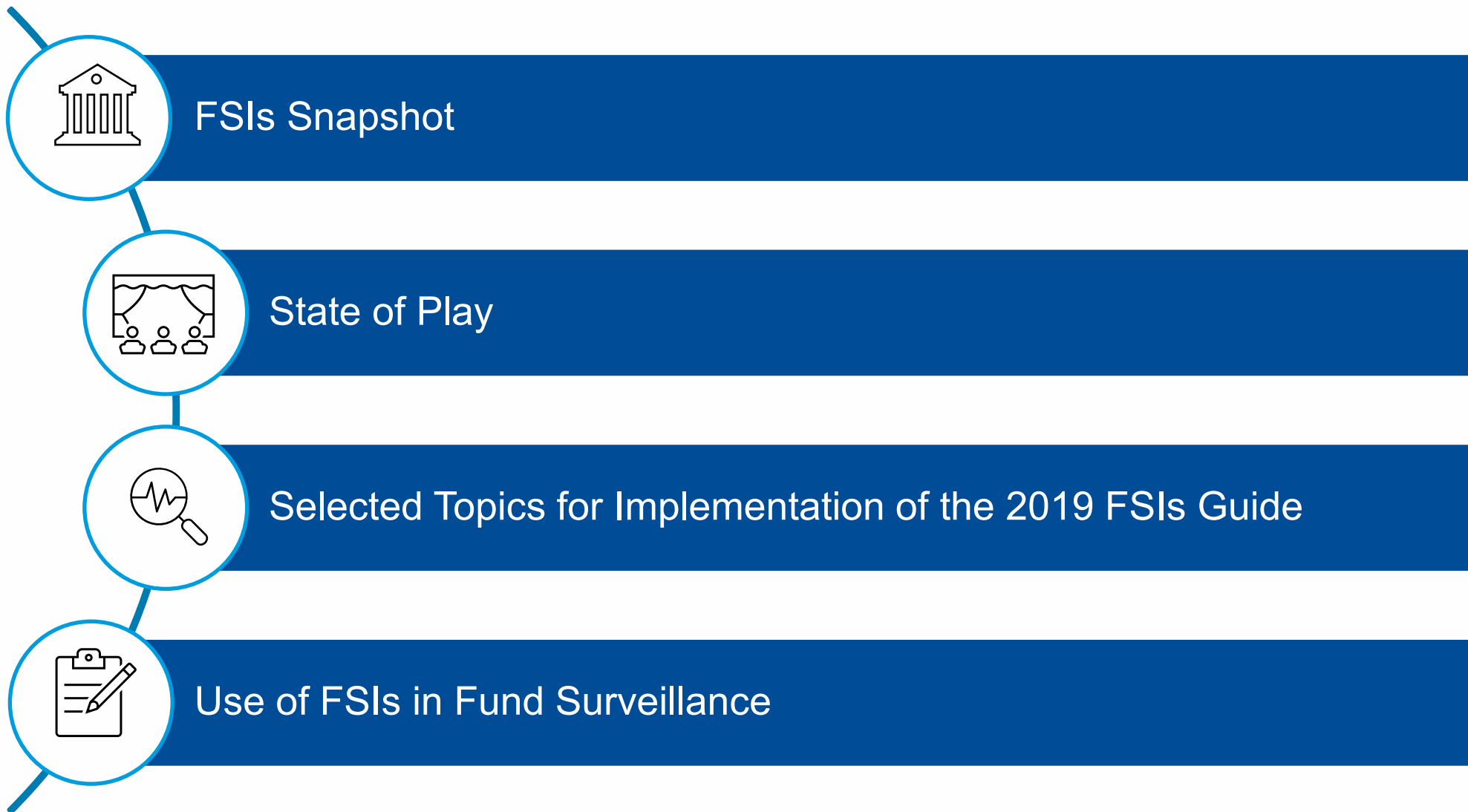
The 10th Meeting of the Technical Committee of the Arab Statistics Initiative

Ms. Padma Hurree Gobin, Deputy Division Chief
Financial Institutions Division
Statistics Department

November 8, 2023

The views expressed herein are those of the author and should not be attributed to the IMF, its Executive Board, or its management.

Outline of the Presentation



Financial Soundness Indicators (FSIs): Snapshot

FSIs are **aggregate indicators of the current health of a country's financial sector** (deposit takers and other financial subsectors) **and its counterparts** (corporates, households, real estate markets).

FSIs Coverage

- 147 jurisdictions
 - of which 17 MCD 29 AFR countries
- Mostly quarterly data with a move towards monthly reporting

Sectors

- Deposit Takers
- Other Financial Corporations
 - Money market funds
 - Insurance Corporations
 - Pension Funds
- Nonfinancial corporations
- Households
- Real estate markets

Type of data

- 53 Indicators
- Balance Sheet Information
- Income and Expense Statement
- Memorandum series (including regulatory series)



Updated with the latest methodology...

The upgraded FSI database, **covering more than 140 economies**, reflects the methodological improvements introduced in the 2019 FSIs Guide which recommends the compilation and dissemination of **18 core and 35 additional indicators**.



Enhanced cross-country comparability...

More prescriptive definitions of the FSIs in the Guide enhance cross-country comparability of the data, further improving their usefulness for macro-financial surveillance.



New measures to assess tail risk...

The newly introduced concentration and distribution measures (CDMs) provide essential information to users on tail risks, concentrations, and distributional properties of the aggregate FSIs.



Expanded coverage beyond banks...

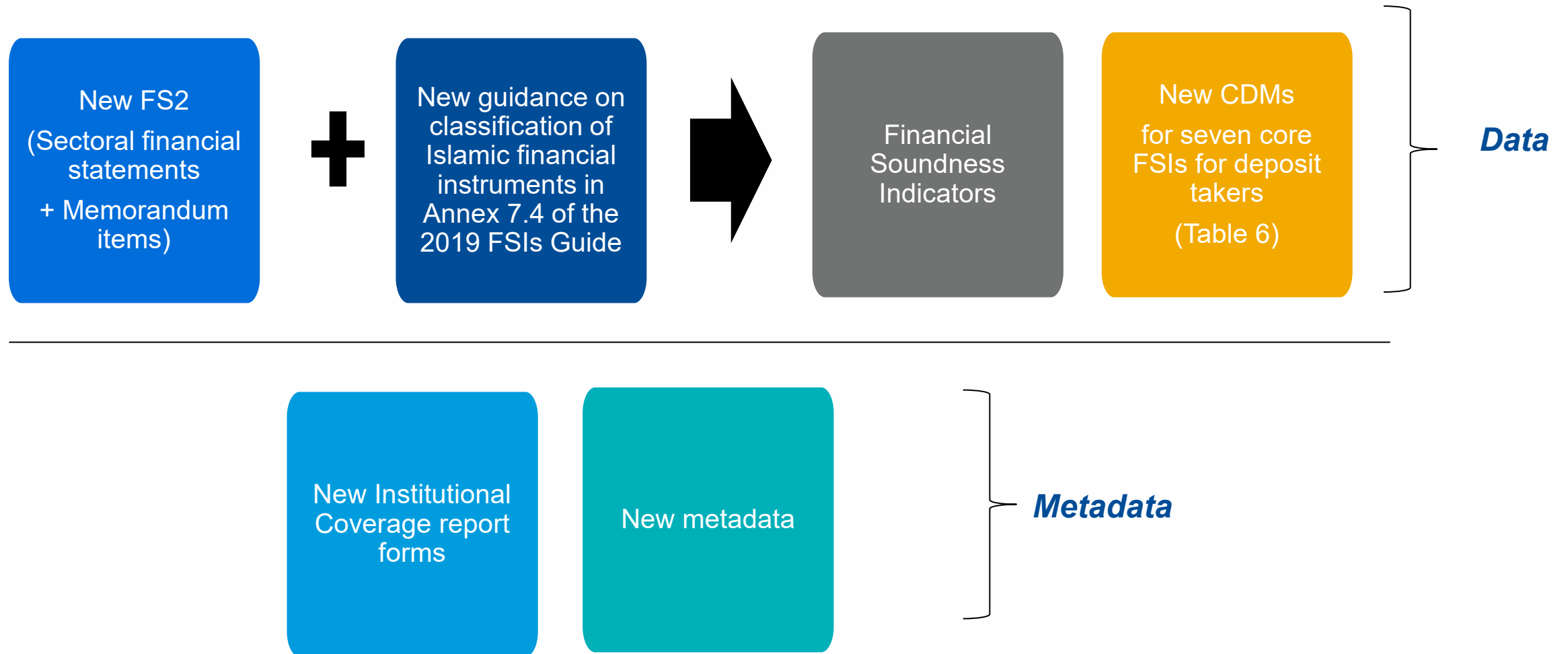
The new and improved set of FSIs expands the coverage beyond the banking sector, including non-banks such as money market funds, insurance corporations, and pension funds, as well as households and non-financial corporations.



Improved metrics for banks...

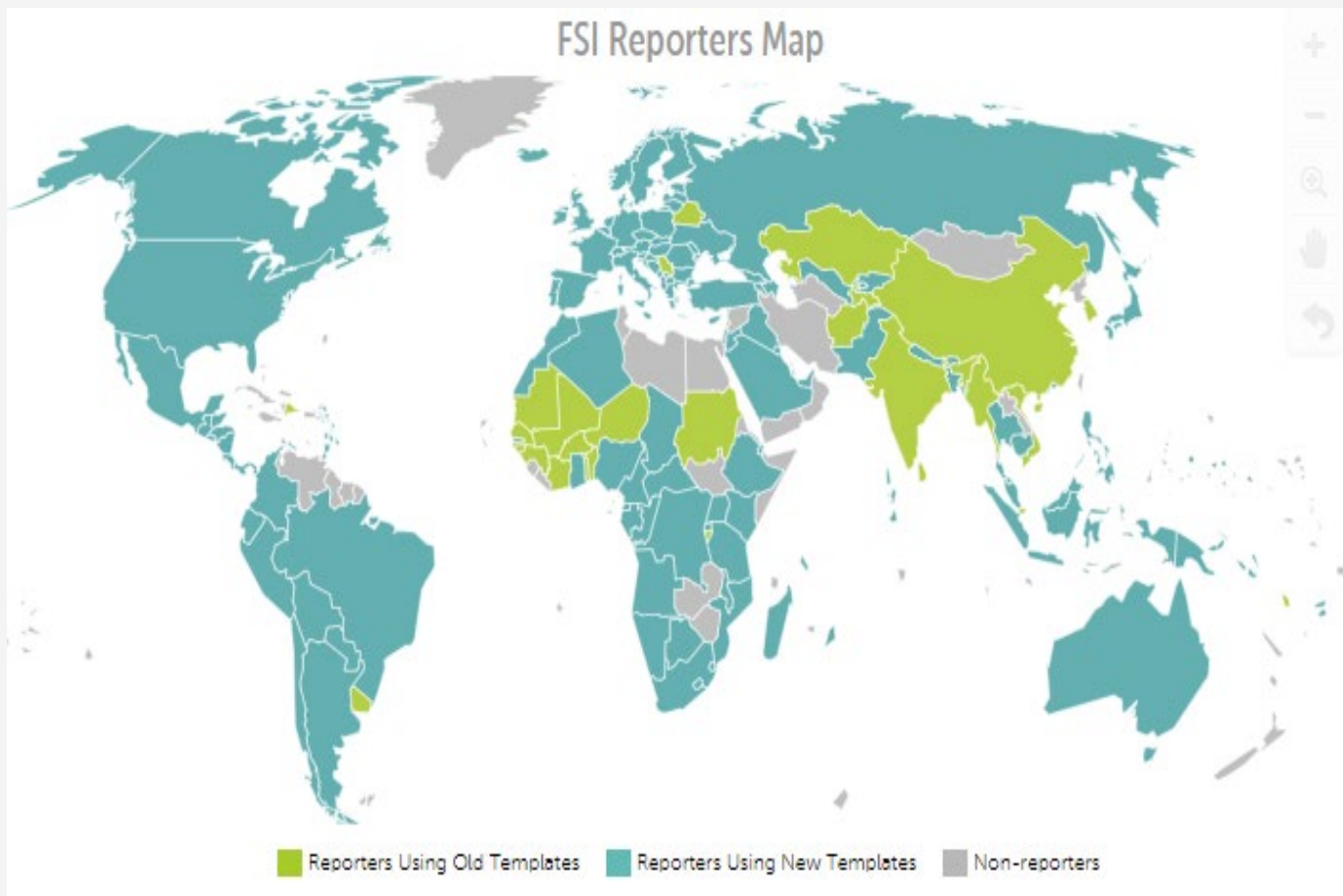
The expanded indicators for banks such as new capital, liquidity and asset quality metrics reflect the latest developments in international accounting and regulatory frameworks.

2019 FSIs Guide - The new FSIs Templates

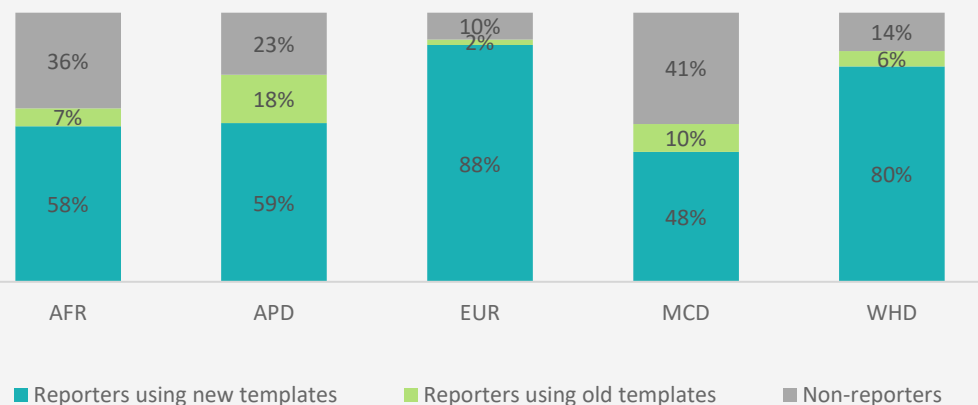


State of Play – Global (as at October 2023)

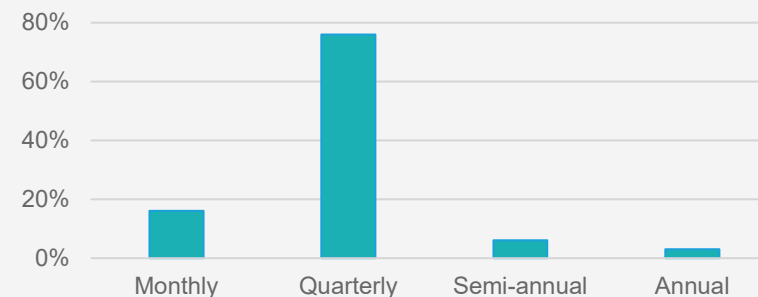
Implementation of new FSIs data templates, aligned with methodological changes introduced in the *2019 FSIs Guide*, has been completed.



Distribution of FSIs reporters by IMF member countries



Periodicity



State of Play – AMF Members

All AMF members are invited to be part of our global database

50%

FSIs reporters –
AMF members

64%

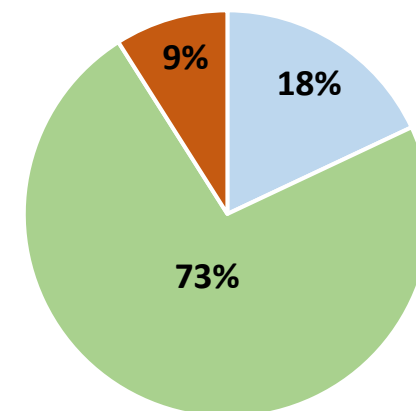
OFCs FSIs
reporting

64%

Other sectors
FSIs reporting



Periodicity




■ Monthly ■ Quarterly ■ Annual

*Reporting of at least one FSI

FSIs for Non-deposit Taking Sectors and Real Estate Markets

	2006 FSIs Guide		2019 FSIs Guide	
	Core	Additional	Core	Additional
Deposit-takers (DTs)	12	13	17	12
Other Financial Corporations (OFCs)		2		2
• Money market funds (MMFs)				2
• Insurance corporations (ICs)				4
• Pension funds (PFs)				2
Nonfinancial corporations (NFCs)		5		7
Households (HHs)		2		3
Real Estate Markets		4	1	3
Market Liquidity		2		
Total	12	28	18	35



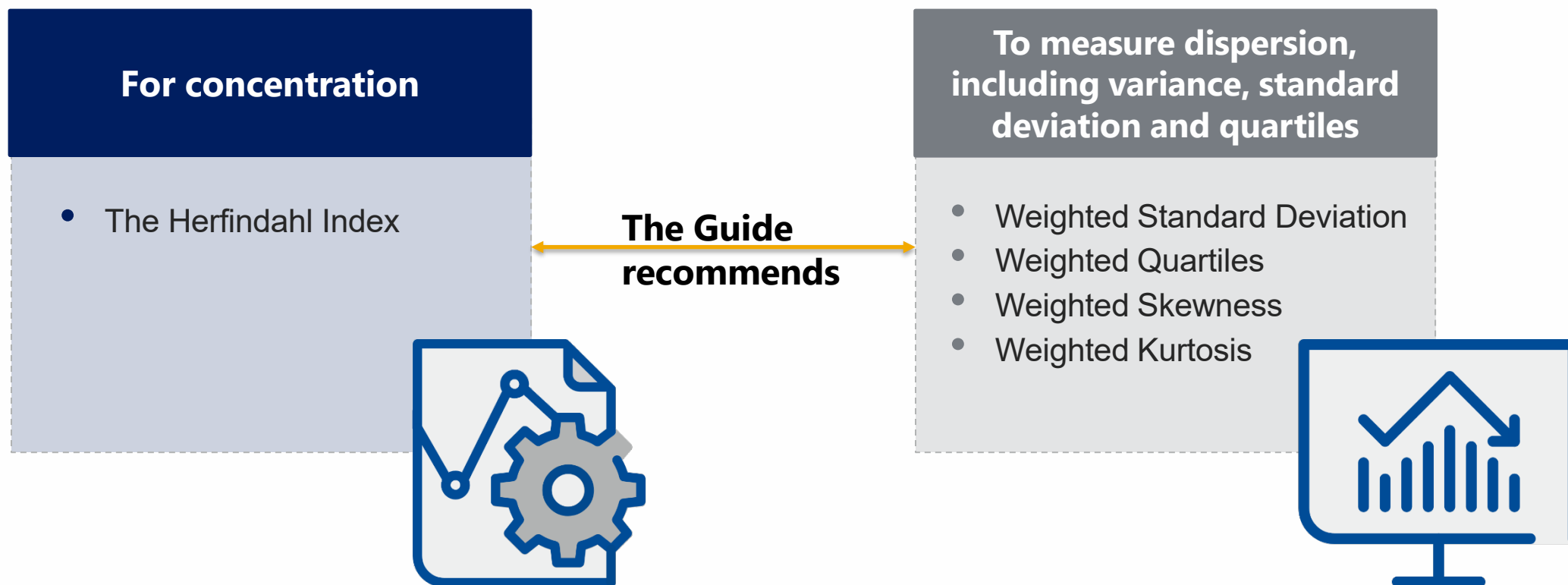
- The 2019 FSIs Guide also introduced Concentration and Distribution Measures (CDMs) for seven core FSIs for DTs.

Concentration and Distribution Measures

Intuition:

- FSIs are “weighted averages” of underlying population
- Averages may hide “risky” developments

How to track more detailed information on DT population, without looking at every individual institution?



CDMs for Selected Core FSIs for DTs



Solvency Indicator (capital adequacy)

- Tier 1 capital to risk-weighted assets
- NPLs net of specific provisions to capital

Profitability

- Return on assets (ROA)
- Return on equity (ROE)



Asset Quality

- NPLs to total gross loans
- Provisions to NPLs

Leverage

- Tier 1 capital to total assets



The CDM Tool

The screenshot displays the IMF website's navigation and content. At the top, there are social media icons (Twitter, Facebook, LinkedIn, Instagram, YouTube, Pinterest, SoundCloud, and Messenger) and the IMF LIVE logo. A search bar is located on the right. The main navigation menu includes: ABOUT, RESEARCH, COUNTRIES, CAPACITY DEVELOPMENT, NEWS, VIDEOS, DATA, PUBLICATIONS, and COVID-19. A prominent blue banner reads "IMF 2019 FINANCIAL SOUNDNESS INDICATORS COMPILATION GUIDE (2019 FSI GUIDE)".

On the left, under "Data Tools", is the "IMF Data Mapper v3.0" tool, which allows users to "Plot, compare and import data from countries and regions". It is noted as being available on the IMF iPad App.

On the right, the main content area features the title "The IMF 2019 Financial Soundness Indicators Compilation Guide (2019 FSI Guide)" with social media sharing icons. Below the title is a descriptive paragraph: "The IMF 2019 Financial Soundness Indicators Compilation Guide (2019 FSI Guide) updates the methodological guidance on the concepts and definitions, data sources and methods for the compilation and dissemination of financial soundness indicators. It includes new indicators to expand the coverage of the financial sector, including other financial intermediaries, money market funds, insurance corporations, pension funds, nonfinancial corporations, and households." Below this text are two buttons: "Download PDF" and "Concentration and Distribution Measure (CDM) Tool". A red arrow points from the "Data Tools" section towards the "CDM Tool" button.

DISCLAIMER:

This Concentration and Distribution Measures (CDMs) tool, for selected Financial Soundness Indicators, is provided to member countries only for their convenience. A key objective of the tool is to facilitate comparability, reproducibility and interpretability of CDMs across the membership. However, individual countries remain solely responsible for their reported CDMs. The IMF makes no representation or warranty of any kind, express or implied, about the tool's completeness, accuracy, reliability, suitability or usability with every system.



Metadata reporting

1

Users need comprehensive information on the methodological approaches underpinning the FSIs compilation.

2

Significant variation in the implementation of the financial sector reforms

- Basel I/II/III
- IAS 39/IFRS 9/National GAAP

3

Significant variation across countries' compilation practices

- Local NPL, large exposures, liquid assets definitions
- Consolidation practices

New Metadata Templates

Further progress needed for all countries in the implementation of the new metadata templates.

FSM: Financial Soundness Indicators (FSIs)

Country Name:

Period:

Frequency:

Table 2. Metadata (FSM): Financial Soundness Indicators and Underlying Series

Indicators and Underlying Series	Definition	Consolidation Basis	Intra-Group Adjustments	Accounting Standards
	1			
Core FSIs for deposit takers				
Regulatory capital to risk-weighted assets				
Total regulatory capital				
Risk-weighted assets				
Tier 1 capital to risk-weighted assets				
Tier 1 capital				
Risk-weighted assets				
Nonperforming loans net of provisions to capital				
Nonperforming loans net of provisions				
Total regulatory capital				
Common Equity Tier 1 capital to risk-weighted assets				
Common Equity Tier 1 capital				
Risk-weighted assets				
Tier 1 capital to assets				
Tier 1 capital				
Total assets				
Nonperforming loans to total gross loans				
Nonperforming loans				
Total gross loans				
Loan concentration by economic activity				
Loan concentration by economic activity				
Total gross loans to nonfinancial corporations				
Provisions to nonperforming loans				
Specific provisions				
Nonperforming loans				
Return on assets				
Net income before taxes				
Total assets				
Return on equity				
Net income after taxes				
Capital				
Interest margin to gross income				
Interest margin				
Gross income				
Noninterest expenses to gross income				
Noninterest expenses				
Gross income				
Liquid assets to total assets				

Table 3. Metadata: Additional Relevant Information

	Response	Comments
Accounting Framework		
Consolidation Basis	Please indicate any deviation from the approach presented in the 2019 FSI Guide for the consolidation of income and expense statement, balance sheet and memorandum series. [See FSI Guide Chapter 6]	Please explain
Intra-Group Adjustments	For countries that have specified 'partial adjustment' in Table 2, please explain the adjustments. [See FSI Guide Chapter 6] For countries that have specified 'no adjustment' in Table 2, please explain (i.e., no subsidiaries, etc.). [See FSI Guide Chapter 6]	Please explain
Accrual accounting	Please indicate whether accrued interest has been incorporated in the outstanding amount of the underlying financial instrument. Choose from dropdown list. [See FSI Guide Paragraphs 4.10 - 4.13]	Please explain
Valuation	Please indicate whether the approach used for valuation of financial instruments is consistent with IAS39/IFRS9/National GAAP. Choose from dropdown list. [See FSI Guide Paragraphs 4.35 - 4.43] For countries using National GAAP, please explain how National GAAP is different from IAS39/IFRS9 in terms of valuation of assets and liabilities.	Please explain
Time of Recognition	Please indicate whether the approach used for time recognition is consistent with IAS39/IFRS9/National GAAP. Choose from dropdown list. [See FSI Guide Paragraphs 4.5 - 4.9] For countries using National GAAP, please explain how National GAAP is different from IAS39/IFRS9 in terms of time recognition.	Please explain
Exchange Rate	Please indicate whether the approach used for measuring exchange rate is consistent with IAS21/National GAAP. Choose from dropdown list. [See FSI Guide Paragraphs 4.52 - 4.56] For countries using National GAAP, please explain how National GAAP is different from IAS21 in terms measuring exchange rate.	Please explain
Other Relevant Information	Please provide any additional information that is relevant for the compilation of FSIs not covered above.	Please explain
Regulatory Framework		
Basel Framework	Is the Basel Framework specified in Table 2 applied uniformly for all DTs? Please provide details if "other" option is selected in Table 2 or implementation is not uniform for all DTs. Choose from dropdown list. [See FSI Guide Chapter 3]	Please explain
Minimum capital requirements	Please specify the minimum capital requirements (percent of risk weighted assets) for the different components of regulatory capital, as applicable to your jurisdiction. [See FSI Guide Paragraphs 7.9-7.22]	Please explain
	- CET1 (i.e., 4.5%)	Please explain
	- Tier 1 capital (i.e., 6%)	Please explain
	- Total regulatory capital (i.e., 8%)	Please explain

Instructions | CoverPage | Table 2 | Table 3 | +

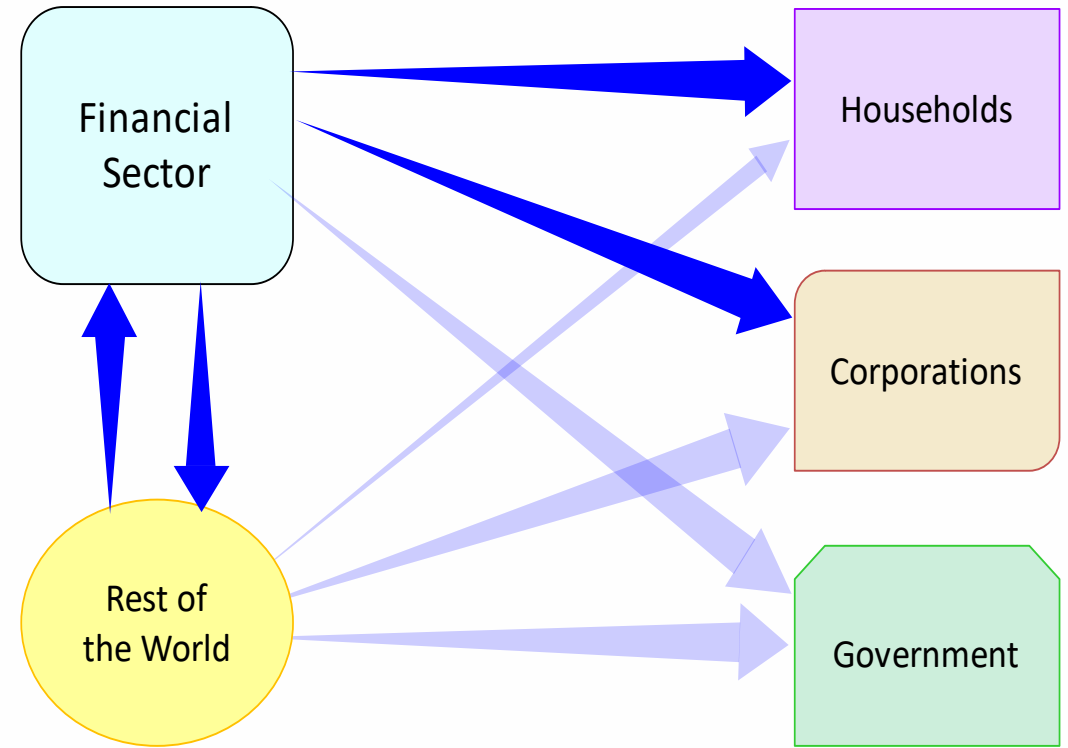
FSIs in Fund surveillance work

FSIs are most relevant for surveillance, providing near-contemporaneous indicators of risk and resilience.

The Core FSIs provide a snapshot of the condition of the banking system and residential real estate market.

The additional FSIs provide insights into developments within a financial cycle

- possible leading indicators of financial distress,
- and interlinkages among the financial sector and the rest of the economy.



Financial Stability Assessments in FSAP (Three pillars)

FSIs are used by the IMF in FSAPs, primarily in initial scoping and preliminary risk-assessment, as inputs/outputs in stress testing, and formulation of macroprudential policy.

Risk Analysis

- Structure and soundness of the financial system
- Bank and non-bank stress testing
- Bank profitability analysis
- Corporate and household vulnerabilities
- Contagion and spillover analysis

Financial Sector Policy Framework

- Financial sector supervision (Banks, Non-banks, financial market intermediaries)
- Macroprudential policy
- Systemic risk oversight

Financial Safety Net

- Crisis preparedness, crisis management
- The resolution framework
- Financial safety nets (deposit insurance)
- Systemic liquidity management

FSIs in Article IV

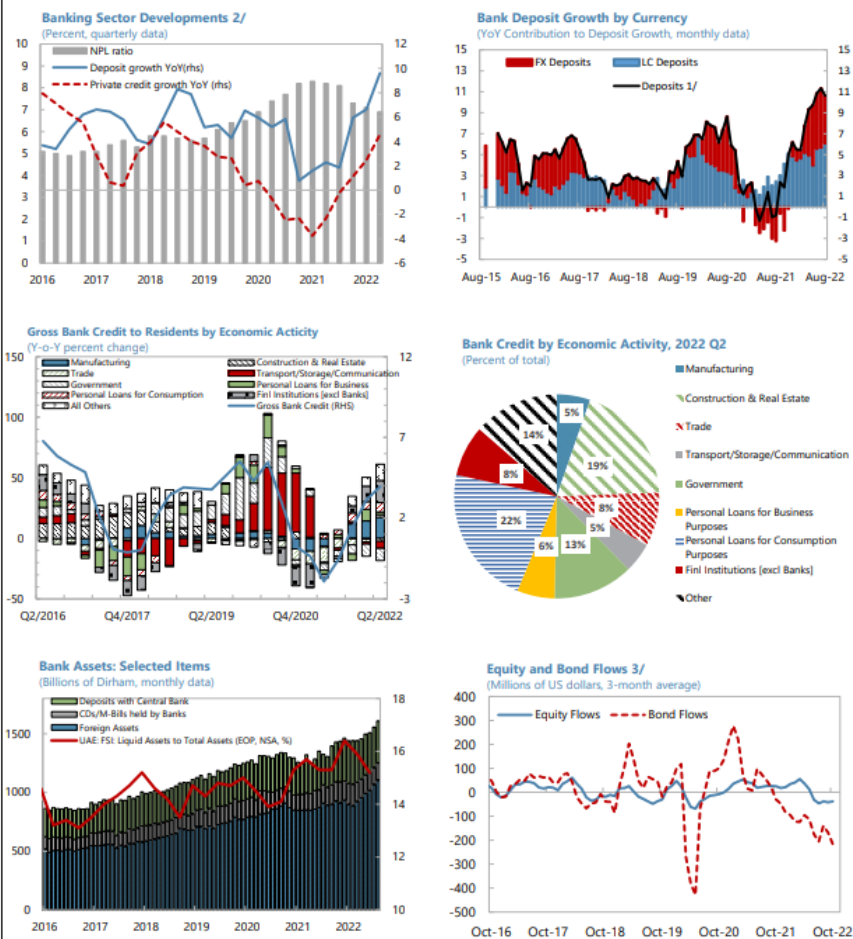
Example 2023 UAE Article IV

Table 6. United Arab Emirates: Financial Soundness Indicators, 2016-22Q2
(In percent)

	2016	2017	2018	2019	2020	2021	2022Q2
Regulatory Capital to Risk-Weighted Assets	18.9	18.1	17.5	17.7	18.1	17.1	16.9
Regulatory Tier 1 Capital to Risk-Weighted Assets	17.3	16.6	16.2	16.5	17.0	16.0	15.8
Non-performing Loans to Total Gross Loans	4.8	5.0	5.3	6.0	7.6	7.3	6.9
Return on Assets	1.4	1.5	1.5	1.6	0.7	1.2	1.4
Return on Equity	10.5	10.6	10.8	11.0	4.7	8.2	9.8
Interest Margin to Gross Income	68.9	66.5	71.5	67.9	68.5	62.7	64.1
Non-interest Expenses to Gross Income	38.0	39.1	35.9	33.8	37.0	36.4	35.9
Liquid Assets to Total Assets (Liquid Asset Ratio)	13.4	15.1	14.5	15.0	15.3	16.4	15.2
Net Open Position in Foreign Exchange to Capital	8.7	14.6	9.2	-2.5	26.1	24.8	38.9

Source: Central Bank of the United Arab Emirates.

Figure 3b. United Arab Emirates: Banking Sector Developments



1/ Excluding government deposits and commercial prepayments.

2/ Starting from 2021Q4, the CBUAE implemented the new methodology detailed in the 2019 FSIs Guide. This resulted in a downward shift in reported NPLs ratios.

3/ Fund flows and allocations data as collected by Emerging Portfolio Fund Research (EPFR).

Sources: Country authorities; Haver Analytics; Bloomberg LP; and IMF staff calculations.

The way forward for the region

- Improve coverage of new core and additional FSIs for DTs introduced by the new FSIs Guide
- Start compiling and reporting to STA, CDMs for seven core FSIs for deposit takers
- Extend coverage of FSIs to OFCs (including MMFs, ICs, PFs), NFCs, HHs and real estate market
- Update FSIs metadata in ICS
- AMF member countries' staff are encouraged to attend IMF trainings, including FSIs.
- Statistics Department provides Technical Assistance on the implementation of the new FSIs Guide. Please feel free to approach us!

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Financial Soundness Indicators (FSIX)

DEADLINE PASSED

Session No.: OL 23.04

Location: Course conducted online

Date: July 19, 2023 - August 29, 2023 (8 weeks) **NEW DATES**

Delivery Method: Online Training

Primary Language: English

[Online FSI Course Link](#)

Questions

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Thank you