

# **Gaps in Capital Flows Surveillance: Dealing with Flow and Valuation Effects in Non-Resident Equity Holdings**

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## **Abstract**

Since the Global Financial Crisis, capital flows have risen in both magnitude and volatility, posing risks to financial stability. The need to monitor capital flows has thus become more important to policymakers, making it imperative to have in place a robust capital flows surveillance framework. Yet, information gaps exist in cross-border capital flows data in the form of frequency, granularity, or both. In Malaysia's case, for example, while the International Investment Position (IIP) data on non-resident equity holdings is granular enough to separate changes in equity holdings into price valuations and actual flow, data is only available on a quarterly basis. To obtain more timely data, a method used by EPFR Global to derive fund flows is applied on the stock of non-resident holdings of Malaysian equities, which is collected on a more frequent basis, to extract a new measure of equity flows. This paper attempts to first identify the information gaps that exist in Malaysia's capital flows surveillance framework. It then attempts to adapt the method used by EPFR Global in extracting flow information from changes in stock on domestic data to arrive at a measure of equity flow that is more reflecting of non-resident activity in Malaysian equities.

**Key Words:** [capital flows, EPFR, non-resident holdings, valuation effect]