

The Risks Associated with International Capital Flows

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Capital flows through the international banking system are a key component of international capital flows. They do not only shed light on the underlying cross-border intermediation of flows of funds between savers and investors but also on the resulting and related exposures of the banks involved as well as their counterparties. Moreover, banking flows are often accompanied by similar patterns in portfolio investment flows and both are correlated with global investor sentiment. Furthermore, international bank credit has become a major element in total credit growth and international liquidity. International banking positions and flows are thus essential variables for the monitoring of global systemic risks. The BIS has been collecting and disseminating data on international banking positions and flows for over half a century. This is done under the auspices of the BIS Committee on the Global Financial System on which the central banks of the most important financial centers are represented. The data include balance sheet positions of internationally active banks on both a residency and nationality basis with key breakdowns that are not available for other capital flow data, for instance in terms of currency as well as the country and sector of counterparty. They can be used to calculate gross and net flows. Recently a number of enhancements have been agreed to the BIS data, such as the separate identification of non-bank financial institutions and non-financial corporation as the counterparty sector. Additional data will also show banks' domestic positions (and thus their total balance sheet). The new data, which will become available in two stages in the course of 2013 and 2014, will allow market analysts and policy makers to monitor banking positions and flows - and associated risks - in much more detail.

Key words: banking flows, systemic risk, BIS data, statistical breakdowns