

Globalisation and Financial Stability Risks: Is the Residency-Based Approach of the National Accounts Old-Fashioned?

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Paper Abstract:

The Great Financial Crisis of 2007-09 and its aftermath have emphasised the need for a global approach when assessing financial stability risks. One difficulty is that the traditional apparatus, especially the System of National Accounts (SNA), relies on the criterion of residency to capture statistical information within countries' boundaries. Section 1 argues that data collected along the residency-based SNA concept can be usefully complemented by a nationality-based, global approach. This requires the establishment of a framework for assessing financial positions on a so-called "nationalitybasis", that is, at a globally consolidated level. Section 2 presents several steps that have to be taken in this endeavour. One is to classify economic units by sector and nationality. A second is to properly define the concept of control between two economic units, which may depend on the perspective retained (eg business accounting, financial supervision, statistical standards). A third is to look at information aggregated at the "corporate group" level. The completion of these steps can allow for assessing the consolidated exposures of global entities, especially those related to cross-border and cross-sector positions, even though there are a number of challenges. Section 3 review some important datasets that are already presented on such a basis, especially by the BIS, underlining the usefulness of this approach for policy purposes. Section 4 concludes.