

**Trading and Derivatives Disclosures
of Banks and Securities Firms**

Results of the survey of public disclosures in 1998 annual reports

**Joint report by the
Basel Committee on Banking Supervision
and the
Technical Committee of the International Organization of
Securities Commissions (IOSCO)**

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Executive Summary

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The publication of this fifth annual survey report on the trading and derivatives disclosures of major G10 banks and securities firms represents a continued effort by the Basel Committee on Banking Supervision and the IOSCO Technical Committee to encourage financial institutions to enhance the transparency of their trading and derivatives activities. Transparency through public disclosure is crucial to effective market discipline and can reinforce supervisory efforts to promote high standards in risk management. The two committees consider the transparency of banks' and securities firms' activities and risks to be a key element of an effectively supervised financial system.

This survey examines the public disclosures of trading and derivatives activities of 71 of the world's leading banks and securities firms headquartered in the G10 countries. At the close of the financial year, they represented a total asset base of over USD 17 trillion and a total notional amount of derivatives of more than USD 130 trillion. The average institution had a notional amount of derivatives equal to more than seven times its total assets.

The survey reveals that virtually all surveyed banks and securities firms disclosed information on market risk and their methods of managing this risk in their 1998 financial reports. Examples of common market risk information included model parameters (e.g. holding period, confidence level and method of aggregating risk factors) and value-at-risk numbers generated by the models. While financial institutions generally provided information on credit risk management policies and credit risk exposures, information on credit risk measurement models was much less common. The majority of banks and securities firms also disclosed information on the management of liquidity risk and operational risk.

An important objective of this year's survey effort was to determine the extent to which banks and securities firms meet the updated recommendations for public disclosure of trading and derivative activities issued by the two committees in October 1999. The survey instrument has therefore been substantially updated and revised to reflect this new disclosure guidance. A comparison with previous surveys nevertheless reveals that many leading institutions continued to expand their disclosure of qualitative and quantitative information about market risk and market risk models in their 1998 financial reports.

While financial institutions did not have an opportunity to consider the updated guidance when they designed the disclosures surveyed in this report, institutions that do not already provide the recommended disclosures are strongly encouraged to improve their future disclosures in line with that guidance. In addition, banks and securities firms should consider the types of disclosures provided by their peers at the international level as indicated in this survey report.

Trading and Derivatives Disclosures of Banks and Securities Firms

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I. Introduction

1. The Basel Committee on Banking Supervision¹ (Basel Committee) and the Technical Committee of the International Organization of Securities Commissions² (IOSCO Technical Committee) recognise that transparency, based on meaningful public disclosure, plays an important role in reinforcing the efforts of supervisors in encouraging sound risk management practices and fostering financial market stability.³ Enhanced transparency should also benefit banks and securities firms themselves by enhancing their ability to evaluate and manage their exposures to counterparties and reducing the likelihood that they become susceptible to market rumours and misunderstandings during periods of financial stress.

2. Since 1995, the Basel Committee and the IOSCO Technical Committee have conducted an annual survey of the public disclosures of trading and derivatives activities⁴ of banks and securities firms and issued a public report on the findings.⁵ This survey represents a continued effort by the two committees to encourage banks and securities firms to provide market participants with sufficient information to understand the risks inherent in their trading and derivatives activities.

3. Earlier this year, the Basel Committee and the IOSCO Technical Committee issued a series of recommendations for further improvement of trading and derivatives disclosures of

¹ The Basel Committee on Banking Supervision is a committee of banking supervisory authorities which was established by the central bank Governors of the Group of Ten countries in 1975. It consists of senior representatives of banking supervisory authorities and central banks from Belgium, Canada, France, Germany, Italy, Japan, Luxembourg, the Netherlands, Sweden, Switzerland, the United Kingdom and the United States. It usually meets at the Bank for International Settlements in Basel, where its permanent Secretariat is located.

² The Technical Committee of IOSCO is a committee of the supervisory authorities for securities firms in major industrialised countries. It consists of senior representatives of the securities regulators from Australia, Canada (Ontario and Quebec), France, Germany, Hong Kong, Italy, Japan, Mexico, the Netherlands, Spain, Sweden, Switzerland, the United Kingdom and the United States.

³ The role of disclosure and transparency in fostering safe and sound banking systems is discussed in the report *Enhancing bank transparency*, issued in September 1998.

⁴ "Trading and derivatives" activities comprise trading activities (on-balance sheet instruments and off-balance sheet derivatives) and non-trading derivatives activities.

⁵ The earlier survey reports were published in November 1995, November 1996, November 1997 and November 1998.

banks and securities firms in their report *Recommendations for public disclosure of trading and derivatives activities of banks and securities firms*. As a consequence, the disclosure survey has been substantially revised this year to reflect the new disclosure guidance. The two committees believe that firms must ensure that their disclosures appropriately reflect the level, type and complexity of their trading and derivatives activities.

4. This report was prepared jointly by the Transparency Group of the Basel Committee and the IOSCO Technical Committee's Working Group on the Regulation of Financial Intermediaries.⁶

II. Objective

5. This survey report intends to provide a picture of the disclosure practices of a sample of major banks and securities firms in respect of their trading and derivatives activities, and to encourage these institutions to further enhance the transparency of such activities. It also attempts to assess how well banks and securities firms meet the disclosure guidance issued by the Basel Committee and the IOSCO Technical Committee on trading and derivatives disclosures.

6. Institutions are strongly encouraged to implement the recommendations for quantitative and qualitative disclosures issued by the two committees in line with the level, materiality and complexity of their trading and derivatives activities. Banks and securities firms should also consider the types of disclosures provided by their peers at the international level. In addition to the Basel Committee and the IOSCO Technical Committee, several other national and international bodies have issued guidance relating to trading and derivatives disclosures. Where these disclosure initiatives go beyond mandatory local requirements, institutions are encouraged to consider them in order to improve the comparability and quality of their trading and derivatives disclosures.⁷

7. While the focus of this report is on trading and derivatives activities, institutions should also consider the importance of enhancing transparency in other areas. The Basel Committee and the IOSCO Technical Committee will continue to monitor banks' and securities firms' disclosure practices for different activities and risk exposures over the coming years. Both committees expect firms will continue to enhance - and where necessary expand - their disclosures in line with the growth in the level and complexity of their business activities.

⁶ The Basel Committee's Transparency Group was chaired until October 1999 by Ms Susan Krause of the US Office of the Comptroller of the Currency, and is now chaired by Mr Jan Brockmeijer of the Netherlands Bank. The IOSCO Technical Committee's Working Group on the Regulation of Financial Intermediaries is chaired by Mr Paul Wright of the UK Financial Services Authority.

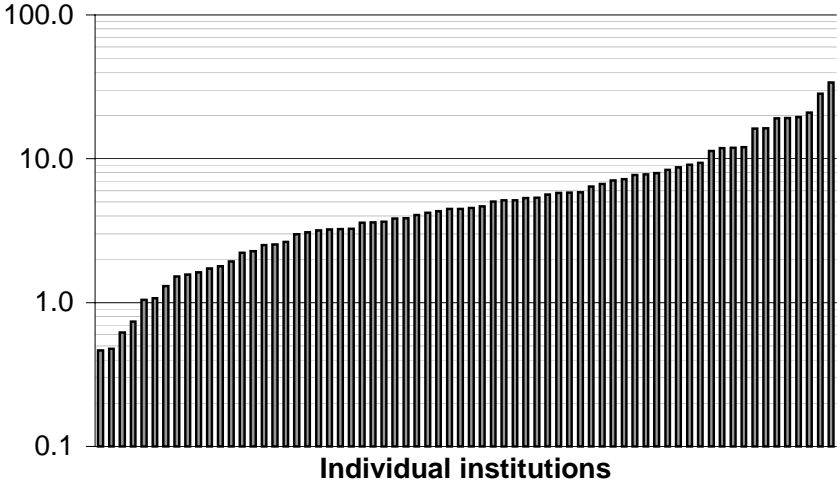
⁷ A summary of recent initiatives was included in the paper *Recommendations for public disclosure of trading and derivatives activities of banks and securities firms*, issued in October 1999.

III. Scope and methodological remarks

8. The survey of trading and derivatives disclosures focuses on the annual reports of 60 banks and 11 securities firms, representing a sample of major financial institutions in the G10 countries. For the most part, the institutions reviewed are the largest banks and securities firms involved in derivatives in their countries, as measured by the total notional amounts of derivative instruments. The institutions reviewed are listed in the attached tables, which present a comparison of the amount of total assets and the notional amount of the institutions' off-balance sheet derivatives positions in the national currency and in US dollars at the closing date of the financial statements.

9. As indicated in the attached tables, the banks and securities firms included in the survey represented a total asset base of over USD 17 trillion and a total notional amount of more than USD 130 trillion. Since the notional amount is used as a reference in calculating the cash flows under a derivatives contract, this amount is an indicator of the involvement of an institution in derivatives activities. The chart below depicts the ratio of the notional amount of derivatives to total assets for each institution. The ratio varied between 0.5 and 33.9, with the large majority of institutions having a ratio between 1.0 and 10.0. The weighted average was 7.4, that is, the average institution had an involvement in derivatives activities that corresponded to more than seven times its asset base.

Ratio of the notional amount of derivatives to total assets (logarithmic scale)



10. The tabulation of disclosures is, in part, a subjective exercise, and the review required criteria and judgement to determine whether or not an institution had made a particular disclosure. For example, one bank or securities firm might explicitly provide certain quantitative information, whereas in another bank's or securities firm's annual report similar information might only be inferable from other complementary data. For purposes of this analysis, indirectly communicated information was not generally included in the tables.

11. While the attached tables contain extensive information on trading and derivatives disclosures, they are not intended to imply recommendations for "best practice" disclosures (cf. Section I(3) above). The tables provide instead a relatively comprehensive overview of the types of trading and derivatives disclosures of large banks and securities firms. The

committees believe that the survey should provide an important impetus to support banks' and securities firms' continued efforts to develop meaningful disclosures in this area.

12. For the vast majority of the institutions reviewed, disclosure of trading and derivatives activities is provided on a consolidated basis and appears in two main places in the annual report:

- (i) **Management's discussion and analysis.** This is an analysis of the firm's financial condition and performance (including financial data) that typically includes a commentary on the firm's risk exposures and techniques for managing risk. This part of the annual report is not typically audited by independent accountants. In some countries, this portion of the annual report may be referred to as the financial review or management report.
- (ii) **Annual financial statements.** These financial statements generally include the statements of financial position (balance sheet), financial performance (income), changes in stockholders' equity and, in some countries, changes in financial position or cash flow. Footnotes which present information on financial statement line items in narrative or tabular form are also considered to be a part of the financial statements. The annual financial statements and their footnotes are audited by independent accountants.

This survey considers disclosures in both of these areas of the annual report.

13. It should be noted that an institution may sometimes not disclose a surveyed item because the information is not material to an assessment of that firm taking into account the size, complexity and nature of its trading and derivatives activities. Information is material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information. Therefore, the amount of information provided should be proportional to the importance of the activity to the institution's overall business, risk profile and earnings. Hence, a low frequency of disclosure for certain items, for example derivatives credit losses and the use of credit derivatives, should not necessarily be interpreted as a sign of poor transparency in these areas. Instead, the low frequency of disclosure might be explained by the fact that few institutions have incurred derivatives credit losses and use credit derivatives, respectively.

14. It was attempted to take account of cases where disclosure would have been irrelevant through the use of a separate category for "not applicable" disclosures. This category covers cases where there was no information to disclose, as opposed to cases where information was - or was not - disclosed. As a matter of caution, however, it should be noted that the determination of whether a particular disclosure is "not applicable" in part is subjective since the borderline between non-disclosure of material information and no information to disclose is not always readily apparent. Nevertheless, the figures reported for "not applicable" should give a broad indication about items for which a low frequency of disclosure is due to a lack of material information to disclose.

15. Compared with the previous surveys conducted by the Basel Committee and the IOSCO Technical Committee on trading and derivatives disclosures, this year's survey has been substantially revised to take into account the new disclosure recommendations issued by the two committees earlier this year. While the scope of the survey has been expanded and covers virtually all of the items included in previous surveys, survey items have often been

reworded or broken down into more specific components to increase clarity. For a number of items, therefore, it is difficult to directly compare the figures with those of previous years. Moreover, the survey population has changed, which also reduces the comparability of the results.⁸ In several respects, therefore, it is justified to refer to this year's survey results as a new baseline.

IV. Survey results

16. This section summarises some of the more important findings and conclusions of the survey on the trading and derivatives disclosures of banks and securities firms in 1998 annual reports. The survey results are presented in greater detail in the attached tables.

(1) Overall survey results

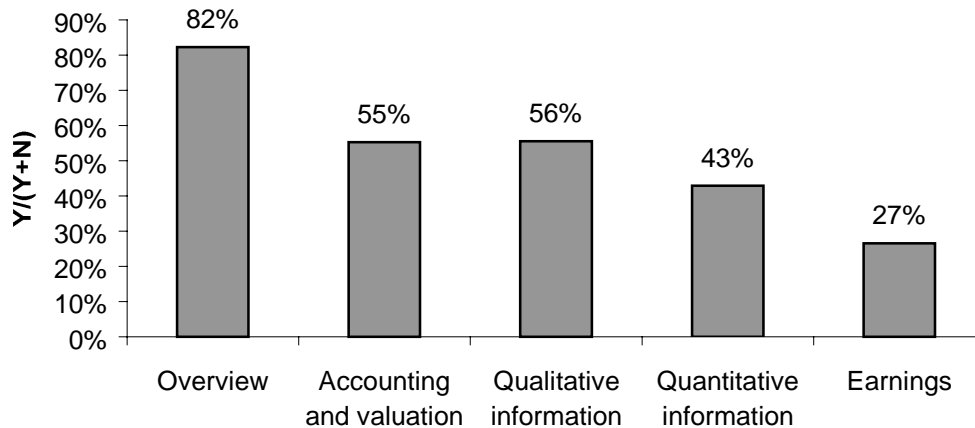
17. The survey covered the following types of trading and derivatives disclosure:

- overview information
- accounting and valuation methods
- qualitative disclosures, including information on risk management policies and risk exposures (market risk, credit risk, liquidity risk, and other risks)
- quantitative disclosures, including information on risk exposures (market risk, credit risk, liquidity risk and other risks)
- earnings information (trading and non-trading activities)

18. The chart below shows the aggregate amount of affirmative answers as a percentage of the sum of "yes" and "no" replies for each of these categories. These figures broadly indicate the degree to which institutions met the disclosure recommendations issued by the Basel Committee and IOSCO for the various categories of information. The chart reveals that "compliance" was best for overview information (82%) and much less widespread for earnings information (27%).

⁸ This year a total of 71 institutions were surveyed, compared with 78 in the previous report. Nine banks have been eliminated from the sample (two French, one German, two Italian, two Swedish, one UK and one US), for example due to mergers. On the other hand, two banks headquartered in Luxembourg were included in the sample for the first time.

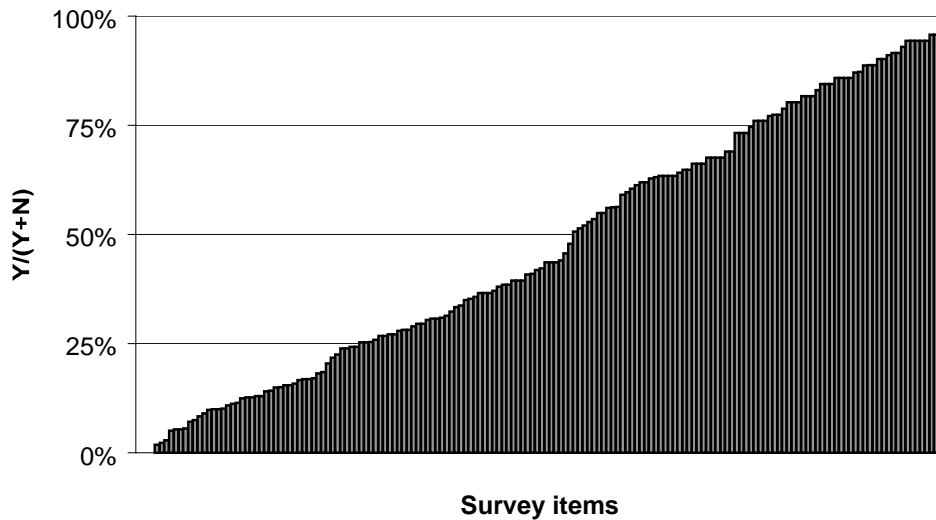
Categories of information



19. On the basis of the survey results, it is possible to identify a range of fundamental disclosures that are fairly consistently provided by banks and securities firms regarding their trading and derivatives activities in line with the disclosure guidance issued by the two committees. These disclosures, which are discussed in the following section, were provided in all of the areas indicated above with the exception of earnings information, for which the frequency of disclosures was generally lower. With respect to risk management policies and risk exposures, it is interesting to note that the most elaborate information is provided for market risk and credit risk and that less information is provided on liquidity risk and operational risk, and far less on other risks. Moreover, disclosure of information on risk measurement models is much more common for market risk than for credit risk.

20. The chart below illustrates the proportion of affirmative answers for each surveyed disclosure item. The chart indicates that there is an even progression from less common disclosures to disclosures that were provided consistently by virtually all banks and securities firms.

**Level of disclosure
Aggregate affirmative answers**



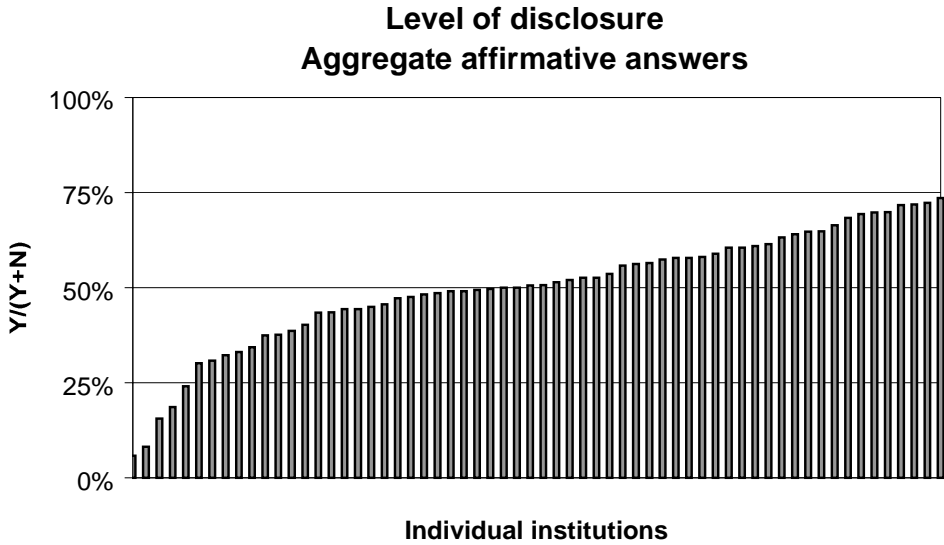
21. Among banks and securities firms, the most commonly provided disclosures included the following items:

- information on market risk and how market risk arises (96%)
- methods used to manage market risk (96%)
- accounting policies and methods of income recognition for trading and derivatives (96%)
- policies for identifying, measuring and managing market risk (94%)
- notional amounts (94%)
- overview of key aspects of the organisational structure central to risk management and control processes for trading and derivatives activities (94%)
- methods used to manage credit risk (94%)
- methods used to account for derivatives (94%)
- information on credit risk and how credit risk arises (93%)
- overview of risk-taking policies and how trading and derivatives affect the overall level of risk (92%)
- overall business objectives of trading activities and strategies for achieving those objectives (92%)
- type of model used for market risk, e.g. VaR (90%)

22. The few banks and securities firms that do not provide the disclosures indicated above and other commonly provided disclosures as outlined in this section and the attached

Table 2 are urged to enhance the transparency of their trading and derivatives activities as a matter of priority.

23. The chart below depicts the degree to which individual institutions provided the information included in the survey this year. As such, the chart gives a general indication of the degree to which individual banks and securities firms met all the disclosure recommendations issued by the Basel Committee and IOSCO earlier this year.⁹ The chart shows that there is a small group of institutions that disclose very little information about their trading and derivatives activities. Most institutions disclose more than 40% of the information included in the survey template.



24. Compared with previous years, this year’s survey indicates that many financial institutions expanded their disclosure of qualitative and quantitative information about market risk and market risk models, for example holding period, confidence level, method of aggregating risk factors and VaR numbers. The disclosure of quantitative information on credit risk also increased, for example data on current credit exposure and credit enhancements.

25. Some potentially useful disclosures that were less commonly provided by banks and securities firms included the following items:

- procedure for stress testing credit risk (3%)
- average market value of cash instruments in the trading account (6%)
- events that will result in the recognition of cumulative deferred losses on derivatives accounted for at historical cost (7%)

⁹ Please note that this chart includes only 62 institutions.

- performance in managing legal risk (7%)
- policies, strategies and objectives for credit derivatives (10%)
- average credit exposure or range of credit exposure of off-balance sheet instruments (10%)
- performance in managing operational risk (11%)
- major assumptions in the credit risk measurement model (11%)
- early termination agreements (11%)
- how liquidity is considered in determining market values (13%)
- summary results of scenario analyses or impact of rate shocks for non-traded portfolios (14%)
- summary information about activities involving material new/innovative, complex or leveraged derivative instruments or instruments that transfer credit risk and risks associated with these activities (14%)
- accounting treatment of hedges of anticipated transactions (15%)
- performance in managing liquidity risk (15%)

(2) Disclosure of overview information

26. In their report with disclosure guidance for trading and derivatives activities issued earlier this year, the Basel Committee and the IOSCO Technical Committee encourage banks and securities firms to provide overview information about their trading (for both derivative and cash instruments) and non-trading derivatives activities. The large majority of banks and securities firms provided such overview information in their 1998 annual reports. For instance, 92% of banks and securities firms discussed their risk-taking philosophies and how trading and derivatives activities affect the overall level of risk, and 83% provided information that illustrated how these activities contribute to their earnings profile. Moreover, 85% disclosed qualitative and quantitative information on the risk exposures associated with their trading and derivatives activities and on performance in managing these exposures.

27. To facilitate users' understanding of the information, banks and securities firms typically provided separate disclosures for trading and non-trading activities (85%). An analysis of trends in the level of derivatives and trading activities and the risks associated with those activities (e.g. the year-to-year trend in the level of market risk and credit risk) is useful in that it offers a perspective on changes in an institution's risk profile. Trend information for market risk and credit risk was provided by 61% of banks and securities firms in 1998 annual reports.

(3) Accounting and valuation methods

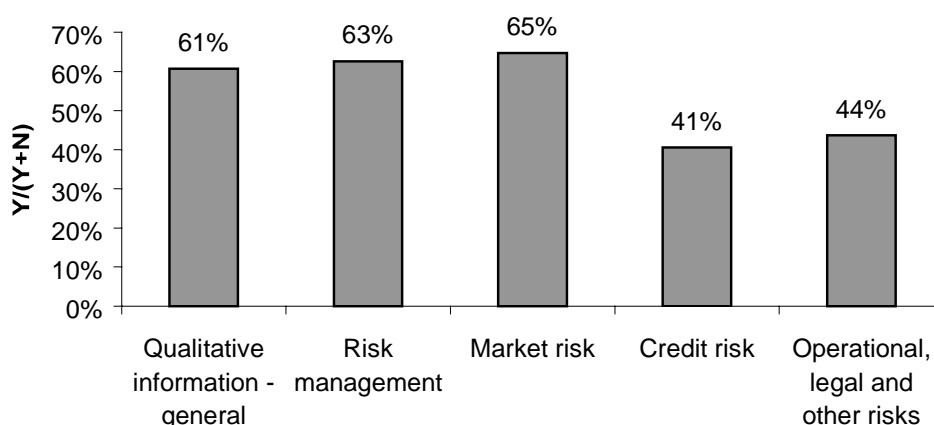
28. Virtually all banks and securities firms provided information about the accounting policies and methods that they use for trading activities (96%) and non-trading derivatives activities (89%). Information about accounting and valuation methods is important since policies may vary across institutions and countries, and so affect the comparability of information. Many banks and securities firms provided additional, more detailed information about their accounting methods, for example the types of derivatives accounted for under each method (73%) and the criteria to be met for each accounting method used (65%).

29. Also, banks and securities firms provided information about their valuation methods for trading and derivatives activities, for example the methods used to determine the fair value of traded and non-traded instruments (80%) and the methods and assumptions used to estimate market value when quoted prices were not available (76%). However, only 23% of the banks and securities firms surveyed provided information about any adjustments or valuation reserves for trading and derivatives instruments, such as credit, operational, liquidity and administrative reserves.

(4) Qualitative disclosures

30. Qualitative information, including information on business objectives, strategies and risk-taking philosophy, is necessary to set quantitative information in the appropriate context, in particular since quantitative information typically provides only a point-in-time view of an institution's activities. Most institutions made some general disclosures about their trading and derivatives activities. For instance, 92% of banks and securities firms reported on their overall business objectives of trading and derivatives activities and the strategies for achieving those objectives, and 86% discussed the objectives for use of non-trading derivatives. Most financial institutions also indicated whether they are wholesale market-makers, engage in proprietary trading or take positions as an accommodation to customers (79%).

Qualitative information



31. Typically, financial institutions described the principal internal control procedures that are in place for managing trading and derivatives activities (87%). Since exchange-traded and over-the-counter (OTC) derivatives have different risk characteristics, it is useful to indicate which type the institution primarily uses. A majority of banks and securities firms provided such information (63%). While only 32% of financial institutions disclosed information about material changes in their trading strategies, risk tolerances, and risk management systems since the previous financial statements, this was in reality a large majority of the institutions that had undertaken any changes. Such disclosures may provide a forward-looking perspective of the institution's risk profile.

(a) *Risk management*

32. The overwhelming majority of banks and securities firms (94%) provided an overview of key aspects of the organisational structure central to the institution's risk management and control process for its trading and derivatives activities (e.g. the structure of risk control functions/committees).

33. Banks and securities firms also provided information on the nature of the major risks associated with trading and derivatives activities and explained how risk arises. Over 90% of financial institutions provided such information for credit risk and market risk and around 70% for liquidity risk and operational risk. Only 44% provided similar information for legal risk. The number of institutions that discussed the methods used to manage various risks was of the same magnitude, that is, very high for market risk and credit risk, somewhat lower for liquidity risk and operational risk, and less than half for legal risk. With respect to information on actual performance, disclosure was most common for market risk (77%) and significantly lower for other types of risk, for example 41% for credit risk and 15% for liquidity risk.

(b) *Risk exposures*

34. As recommended by the Basel Committee and the IOSCO Technical Committee, financial institutions generally provided qualitative information about their policies for

measuring and managing market risk (94%). Moreover, 87% of banks and securities firms described the major assumptions and parameters used by internal models to facilitate an understanding of an institution's market risk disclosures. For instance, 82% disclosed the holding period, 86% the confidence level and 63% the observation period. In comparison with the previous period, this was an increase of around 5% in the number of institutions disclosing holding period and confidence level. Furthermore, 48% discussed the method of aggregating risk exposures, an increase of 19% since last year. Rather less than half of the banks and securities firms provided information about their policies and procedures for validating internal models (37%) and for backtesting internal models (37%). A majority of institutions discussed their policies and procedures for stress testing market risk (54%).

35. In their recently issued guidance, the Basel Committee and the IOSCO Technical Committee recommend that financial institutions summarise their policies for identifying, measuring and managing credit risk. An overwhelming majority of financial institutions (80%) provided such information in their 1998 annual reports. Two-thirds (65%) of banks and securities firms discussed risk limits, concentration limits or limit monitoring. Model-related qualitative disclosures were much less common, partly explained by the fact that many institutions did not use credit risk measurement models. Hardly any institution discussed their procedure for stress testing counterparty credit risk exposures (3%).

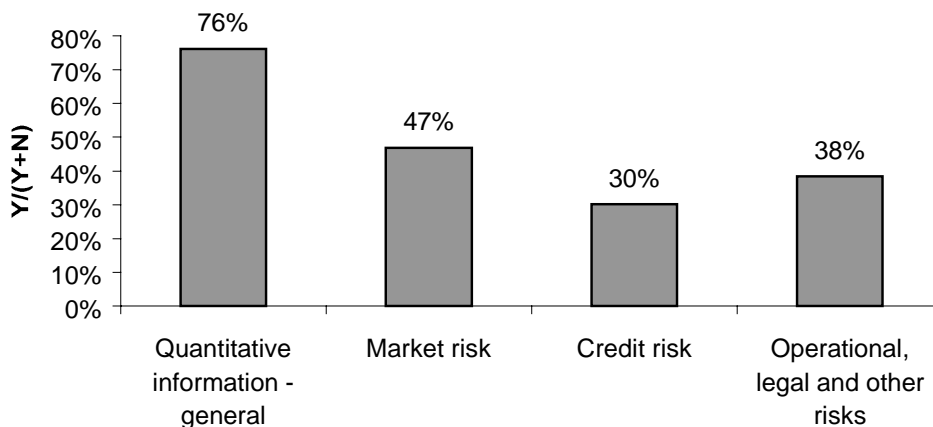
36. About two-thirds of banks and securities firms described how liquidity risk arises and is relevant to their trading and derivatives activities, and discussed their methods for measuring and managing liquidity risk. Disclosure of methods used to assess performance in managing liquidity was much less common (30%). Only 13% of institutions described how liquidity is considered in determining market values.

37. Institutions can help readers of financial statements understand their legal, operational, reputational and other risks by providing information on the nature of these risks and describing how they relate to the institution's activities. Although these risks may be hard to quantify, they can often be important in an assessment of an institution's overall risk profile. However, only 39% of institutions discussed the nature of other risks relevant to trading and derivatives activities and how they are managed.

(5) Quantitative disclosures

38. Quantitative disclosures are necessary to provide financial statement readers with a clear picture of an institution's trading and derivatives activities. Most banks and securities firms disclosed summary information about the composition of their trading portfolios and use of derivatives for non-trading activities (89%). It was common to distinguish between OTC and exchange-traded instruments (80%). Disclosure of information on market activity by broad risk category (interest rate, exchange rate, etc.) was also widespread (82%) as was disclosure by broad instrument category (90%) and by repricing date (72%). Two-thirds (66%) of institutions distinguished between trading assets and trading liabilities (an increase of 8% since the previous year).

Quantitative information



39. A key disclosure recommendation in the guidance issued by the Basel Committee and the IOSCO Technical Committee is that institutions should provide summary quantitative information on their exposure to market risk based on the methods they use for internal risk measurement purposes, together with information on their actual performance in managing these risks. Two-thirds of banks and securities firms disclosed such information to the public (66%). The survey results reveal a significant expansion in VaR disclosures since last year. A clear majority of financial institutions provided VaR data for their trading activities, for example high/low VaR (61%, an increase of 15%) and average VaR (56%, an increase of 15%). A greater proportion of institutions (42%) discussed the number of times actual portfolio loss exceeded VaR than in 1997 (27%). It was less common to provide VaR or earnings-at-risk (EaR) data for non-traded portfolios (27%).

40. Almost all banks and securities firms disclosed the notional amounts for trading and non-trading derivatives activities (94%). It was also common to disclose the gross positive market value of derivatives (73%) and the gross negative market value (59%). Just over half (51%) of institutions disclosed the overall market value of non-trading derivatives. Interestingly, a small but important number of institutions discussed the results of their scenario analyses or the impact of rate shocks for traded portfolios (25%) and for non-traded portfolios (14%).

41. With respect to quantitative information on credit risk, it was common practice among financial institutions to disclose the gross current credit exposure (replacement cost) for trading activities (76%) and for off-balance sheet instruments (82%). The large majority of banks and securities firms also provided information on the current credit exposure of derivatives after netting (66%). Another common disclosure was information on the credit exposure by maturity band (76%). It was less usual for banks and securities firms to provide information about potential future credit exposure of trading and derivative instruments, a measure of the potential volatility of credit exposures over time (28%).

42. Almost half of the surveyed banks and securities firms disclosed information on the effect of credit enhancements on their counterparty credit exposure, for example the effect of

legally enforceable bilateral netting agreements (37%) and collateral, guarantees, credit insurance or credit derivatives (39%).

43. A relatively recent phenomenon is the use of credit derivatives, such as default options, credit spread swaps and total return swaps, to reallocate credit risk between firms. However, very few institutions disclose information about their use of credit derivatives. For instance, only 8% of banks and securities firms disclosed the notional amount of credit derivatives, 7% disclosed the amount of credit risk protection bought or sold and 6% disclosed the fair value of credit derivatives. To some extent, the low frequency of disclosures can be explained by the fact that not all institutions use credit derivatives (for up to 30% of institutions, information on credit derivatives was not applicable).

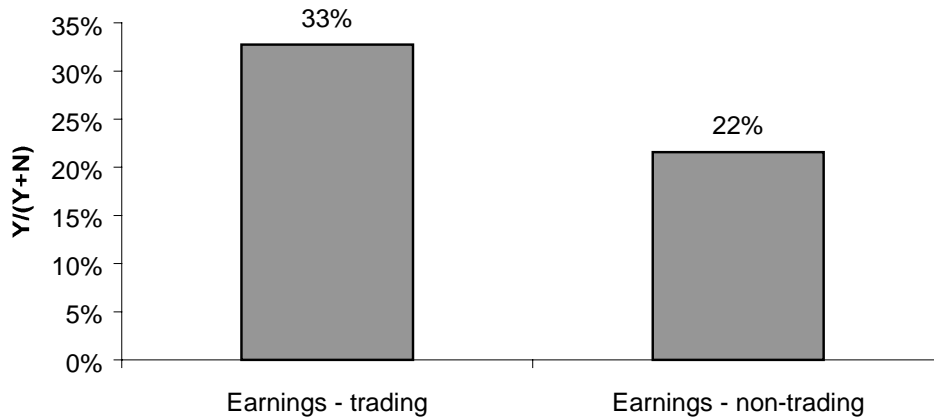
44. Measures of market liquidity risk include the notional amount and market value of exchange-traded and OTC contracts by market type (e.g. interest rate, foreign exchange contracts, commodity or equity contracts) and product (e.g. swaps, futures, forwards or options). Over two-thirds (68%) of banks and securities firms disclosed such information in 1998. One method to portray an institution's funding liquidity risk is to disclose a gap schedule for both trading and non-trading activities. This information was disclosed by 25% of banks and securities firms, while 27% also disclosed summary information about liquidity risk.

45. Accurate measurement of legal, operational and reputational risks is often difficult. With respect to legal risk, 20% of banks and securities firms provided information on the amount of current and potential loss for contracts in dispute in their 1998 financial statements.

(6) Earnings

46. Almost two-thirds (62%) of financial institutions provided summary information about how trading activities affect earnings based on internal measurement and accounting systems. It was less common to disclose breakdowns of trading revenues. For instance, less than half of the institutions provided information broken down by major risk category (37%) and by major product or line of business (35%). To enhance the understanding of the performance of an institution's broad trading strategies and the effect of isolated, non-recurring events, it is useful to provide information about material trading gains and losses. Around one-quarter (24%) banks and securities firms provided summary information about material trading gains and losses from broad trading strategies.

Earnings information



47. Less than half of the surveyed banks and securities firms provided quantitative information about the impact on earnings of off-balance sheet (hedging) positions held to manage risk exposures (34%). Just under one-quarter (21%) disclosed cumulative deferred losses derivatives accounted for at historical cost, while 24% discussed the net gain or loss recognised in earnings from non-trading derivative activities and the category of income affected. Finally, 38% disclosed the unrealised gain or loss on derivatives.

Transparency Group of the Basel Committee on Banking Supervision

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Federal Reserve Bank of New York	Ms Sarah Dahlgren
Office of the Comptroller of the Currency, Washington, D.C.	Mr Tom Rees Ms Inga Swanner
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European Commission, Brussels	Mr Patrick Brady
Secretariat of the Basel Committee on Banking Supervision, Bank for International Settlements, Basel	Mr Magnus Orrell

Working Group on the Regulation of Financial Intermediaries of the IOSCO Technical Committee

Chairman: Mr Paul Wright
Financial Services Authority, London

Australian Securities and Investment Commission, Sydney	Mr Malcolm Rodgers
Commission des Opérations de Bourse, Paris	Mr François Champarnaud
Commission Bancaire, Paris	Mr Olivier Prato
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Bundesaufsichtsamt für das Kreditwesen, Berlin	Mr Uwe Neumann
Securities and Futures Commission, Hong Kong	Mr Richard Yin
Commissione Nazionale per le Società e la Borsa, Rome	Mr Carlo Biancheri
Financial Supervisory Agency, Tokyo	Mr Takuji Yamada
Comisión Nacional Bancaria y de Valores, Mexico City	Mr Alfonso Orozco
Stichting Toezicht Effectenverkeer, Amsterdam	Mr Gé Overdevest
Ontario Securities Commission, Toronto	Ms Tanis MacLaren
Commission des Valeurs Mobilières du Québec, Montreal	Mr Alain Gélina
Financial Services Board, Pretoria	Mr Gerry Anderson
Comisión Nacional del Mercado de Valores, Madrid	Mr Ramiro Martinez-Pardo del Valle
Finansinspektionen, Stockholm	Mr Lennart Torstensson
Eidgenössische Bankenkommision, Berne	Mr Christopher McHale
Financial Services Authority, London	Ms Sarah Varney
United States Securities and Exchange Commission, Washington, D.C.	Mr Michael Macchiaroli
Commodities Futures Trading Commission, Washington, D.C.	Mr I Michael Greenberger

Banks and securities firms included in survey

(Millions)

Country	Institution	Head quarters	Financial Year End	Total assets		Notional amount of derivatives		Notional / Assets
				National currency	USD	National currency	USD	
Belgium	Bank Brussels Lambert	Brussels	31-Dec-98	4 207 995	121 395	15 257 447	440 156	3.6
	Generale Bank	Brussels	31-Dec-98	8 409 284	242 596	14 527 736	419 105	1.7
	KBC	Brussels	31-Dec-98	5 959 200	171 915	26 580 000	766 796	4.5
Canada	Bank of Montreal	Toronto	31-Oct-98	222 590	144 267	993 751	644 080	4.5
	Bank of Nova Scotia	Toronto	31-Oct-98	233 588	151 395	1 175 464	761 854	5.0
	Canadian Imperial Bank of Commerce	Toronto	31-Oct-98	281 430	182 403	2 166 729	1 404 322	7.7
	National Bank of Canada	Montreal	31-Oct-98	70 663	45 799	228 659	148 201	3.2
	Royal Bank of Canada	Toronto	31-Oct-98	274 399	177 846	1 588 218	1 029 372	5.8
	Toronto-Dominion Bank	Toronto	31-Oct-98	181 831	117 850	849 584	550 641	4.7
France	Banque Nationale de Paris Group	Paris	31-Dec-98	2 130 758	378 193	16 877 099	2 995 558	7.9
	Paribas	Paris	31-Dec-98	1 739 040	308 666	15 187 615	2 695 687	8.7
	Crédit Agricole Group	Paris	31-Dec-98	2 562 500	454 824	4 599 300	816 341	1.8
	Crédit Commercial de France Group	Paris	31-Dec-98	411 800	73 091	1 269 756	225 372	3.1
	Crédit Lyonnais	Paris	31-Dec-98	1 370 200	243 200	5 569 664	988 573	4.1
	Société Générale Group	Paris	31-Dec-98	2 515 800	446 535	21 059 700	3 737 938	8.4
Germany	Commerzbank AG	Frankfurt/M	31-Dec-98	638 014	379 791	3 290 159	1 958 536	5.2
	Deutsche Bank AG	Frankfurt/M	31-Dec-98	1 225 530	729 522	8 636 099	5 140 819	7.0
	DG Bank AG	Frankfurt/M	31-Dec-98	437 861	260 646	710 278	422 808	1.6
	Dresdner Bank	Frankfurt/M	31-Dec-98	714 808	425 504	2 266 755	1 349 334	3.2
	HypoVereinsbank AG	Munich	31-Dec-98	901 000	536 339	2 000 339	1 190 744	2.2
	Westdeutsche Landesbank	Düsseldorf	31-Dec-98	693 026	412 538	2 481 466	1 477 145	3.6
Italy	Banca Commerciale Italiana	Milan	31-Dec-98	218 520 000	131 409	547 894 000	329 481	2.5
	Banca di Roma	Rome	31-Dec-98	201 918 000	121 425	93 911 000	56 474	0.5
	Banca Nazionale del Lavoro	Rome	31-Dec-98	167 848 000	100 937	80 023 000	48 123	0.5
	Banco di Napoli	Naples	31-Dec-98	62 684 000	37 696	38 920 000	23 405	0.6
	S. Paolo-IMI	Turin	31-Dec-98	306 490 000	184 311	590 886 000	355 335	1.9
	Unicredito Italiano	Milan	31-Dec-98	283 887 000	170 718	209 287 000	125 857	0.7
Japan <i>Banks:</i>	Bank of Tokyo-Mitsubishi	Tokyo	31-Mar-99	69 807 000	579 070	374 117 000	3 103 420	5.4
	Fuji Bank	Tokyo	31-Mar-99	46 384 000	384 774	436 198 000	3 618 397	9.4
	Industrial Bank of Japan	Tokyo	31-Mar-99	42 089 000	349 144	245 646 000	2 037 711	5.8
	Mitsubishi Trust and Banking Co.	Tokyo	31-Mar-99	16 999 000	141 010	43 144 000	357 893	2.5

Banks and securities firms included in survey

(Millions)

Country	Institution	Head quarters	Financial Year End	Total assets		Notional amount of derivatives		Notional / Assets
				National currency	USD	National currency	USD	
Securities firms:	Sanwa Bank	Osaka	31-Mar-99	47 593 000	394 796	216 517 000	1 796 073	4.5
	Sumitomo Bank	Osaka	31-Mar-99	51 531 000	427 468	274 247 000	2 274 961	5.3
	Tokai Bank	Nagoya	31-Mar-99	30 363 000	251 872	98 900 000	820 410	3.3
	Daiwa Securities Group Inc.	Tokyo	31-Mar-99	6 268 596	51 807	not available	not available	-
	Nomura Securities Co., Ltd.	Tokyo	31-Mar-99	14 496 633	122 406	74 885 000	632 314	5.2
Luxembourg	Banque Générale du Luxembourg S.A.	Luxembourg	31-Dec-98	1 233 802	35 593	not available	not available	-
	Banque Internationale à Luxembourg S.A.	Luxembourg	31-Dec-98	1 195 086	34 477	not available	not available	-
Netherlands	ABN-AMRO Bank	Amsterdam	31-Dec-98	952 185	502 997	4 015 000	2 120 947	4.2
	ING Bank	Amsterdam	31-Dec-98	617 285	326 084	1 629 820	860 962	2.6
	Rabobank	Utrecht	31-Dec-98	550 307	290 703	1 787 207	944 103	3.2
Sweden	Skandinaviska Enskilda Banken	Stockholm	31-Dec-98	689 657	115 230	4 412 237	542 504	6.4
	Svenska Handelsbanken	Stockholm	31-Dec-98	926 450	85 778	6 189 382	761 012	6.7
Switzerland	Credit Suisse Group	Zurich	31-Dec-98	529 982	378 403	6 399 500	4 569 198	12.1
	UBS AG	Zurich/Basel	31-Dec-98	944 116	674 092	15 346 100	10 957 008	16.3
	Zürcher Kantonalbank	Zurich	31-Dec-98	61 932	44 219	64 629	46 145	1.0
United Kingdom	Abbey National plc	London	31-Dec-98	177 779	295 113	269 312	447 058	1.5
	Barclays PLC	London	31-Dec-98	219 494	364 360	1 710 100	2 838 766	7.8
	HSBC Holdings plc	London	31-Dec-98	291 326	483 128	1 119 437	1 856 027	3.8
	Lloyds TSBGroup	London	31-Dec-98	167 997	278 875	982 770	1 631 398	5.8
	NatWest Group	London	31-Dec-98	185 993	308 376	2 099 000	3 480 142	11.3
	Schroders	London	31-Dec-98	13 589	22 558	264 331	438 789	19.5
	Standard Chartered	London	31-Dec-98	47 858	79 444	51 221	85 027	1.1
United States Banks:	Bank of New York Co., Inc.	New York, NY	31-Dec-98	63 503	63 503	274 583	274 583	4.3
	Bank America Corp.	Charlotte, NC	31-Dec-98	617 679	617 679	4 441 926	4 441 926	7.2
	Bank One Corp.	Chicago, IL	31-Dec-98	261 496	261 496	1 473 000	1 473 000	5.6
	Bankers Trust Corp.	New York, NY	31-Dec-98	133 115	133 115	2 552 767	2 552 767	19.2
	Chase Manhattan Corp.	New York, NY	31-Dec-98	365 875	365 875	10 353 000	10 353 000	28.3
	Citicorp (Citigroup), Inc.	New York, NY	31-Dec-98	668 641	668 641	7 986 100	7 986 100	11.9
	J.P. Morgan & Co., Inc.	New York, NY	31-Dec-98	261 067	261 067	8 857 700	8 857 700	33.9
	Republic New York Corp.	New York, NY	31-Dec-98	50 424	50 424	194 069	194 069	3.8
	State Street Corp.	Boston, MA	31-Dec-98	47 082	47 082	140 924	140 924	3.0

Banks and securities firms included in survey

(Millions)

Country	Institution	Head quarters	Financial Year End	Total assets		Notional amount of derivatives		Notional / Assets
				National currency	USD	National currency	USD	
Securities firms:	The Bear Stearns Companies, Inc.	New York, NY	30-Jun-99	153 894	153 894	562 000	562 000	3.7
	Donaldson, Lufkin & Jenrette, Inc.	New York, NY	31-Dec-98	72 292	72 292	94 200	94 200	1.3
	The Goldman Sachs Group, L.P.	New York, NY	27-Nov-98	217 380	217 380	4 165 700	4 165 700	19.2
	Lehman Brothers Holdings, Inc.	New York, NY	30-Nov-98	153 890	153 890	2 495 700	2 495 700	16.2
	Merrill Lynch & Co., Inc.	New York, NY	25-Dec-98	299 804	299 804	3 557 000	3 557 000	11.9
	Morgan Stanley, Dean Witter, Discover & Co.	New York, NY	30-Nov-98	317 590	317 590	2 873 300	2 873 300	9.0
	Paine Webber Group, Inc.	New York, NY	31-Dec-98	54 176	54 176	84 600	84 600	1.6
	Prudential Securities, Inc.	New York, NY	31-Dec-98	31 547	31 547	71 800	71 800	2.3
	Salomon Smith Barney Holdings, Inc.	New York, NY	31-Dec-98	211 901	211 901	4 441 800	4 441 800	21.0
Total				17 753 951		130 942 489		7.4

Survey results

		yes / total			Y/(Y+N)	Total			1998													
		-93	-97	-98					-98	-98	BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK
		79	78	71	71	71	3	6	6	6	6	7	2	2	3	2	3	7	9	9		
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		
Overview of Trading and Derivatives Disclosure																						
1	- Provided meaningful summary information, both qualitative and quantitative, about trading (for both derivatives and non-derivative instruments) and non-trading (risk management) derivatives activities			86%	86%	61	10	0	2	6	2	6	6	7	2	0	2	0	3	7	9	9
2	- Provided an overview of the institution's risk-taking philosophies and how trading and derivatives affect the overall level of risk			92%	92%	65	6	0	3	6	5	5	6	7	2	0	2	2	2	7	9	9
3	- Provided summary information on how trading and derivatives activities contribute to the institution's earnings profile			83%	83%	59	12	0	2	6	3	6	6	7	1	0	0	0	3	7	9	9
4	- Provided separate disclosures for derivatives used for trading and derivatives used for non-trading purposes			85%	85%	60	11	0	3	6	4	3	6	7	2	0	3	0	1	7	9	9
5	- Disclosed qualitative and quantitative information on risk exposures, and on performance in managing exposures			85%	85%	60	11	0	3	6	4	4	5	7	1	0	0	2	3	7	9	9
6	- Provided trend information for market risk and credit risk			54%	54%	38	33	0	2	5	2	4	3	3	0	2	0	0	3	5	9	0

Survey results

		yes / total			Y/(Y+N)	Total			1998														
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9	
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
II	Accounting and Valuation Methods																						
A	Trading and Derivatives																						
1	- Discussed the accounting policies and methods of income recognition for trading derivatives			96%	96%	68	3	0	2	6	6	6	6	7	2	1	3	1	3	7	9	9	
2	- Discussed the accounting policies and methods of income recognition for non-trading derivatives			89%	89%	63	8	0	2	6	6	4	6	7	1	0	3	1	3	7	9	8	
3	- Described the methods used to account for derivatives	67%	87%	94%	94%	67	4	0	2	6	6	5	6	7	2	2	1	2	3	7	9	9	
4	- Described the types of derivatives accounted for under each method.			73%	73%	52	19	0	1	6	5	2	1	7	1	2	1	0	3	5	9	9	
5	- Described the criteria to be met for each accounting method used (e.g., hedge accounting criteria)			65%	65%	46	25	0	2	6	6	2	6	0	1	0	2	2	2	5	9	3	
6	- Described the accounting treatment for terminated hedges			45%	46%	32	38	1	1	4	1	0	6	0	1	0	1	0	1	3	9	5	
7	- Described the accounting treatment for hedges of anticipated transactions			15%	17%	11	54	6	1	2	1	0	0	0	0	0	0	0	0	2	4	1	
8	- Described the accounting treatment if specified hedge criteria are not met			39%	39%	28	43	0	1	3	2	0	6	0	1	0	0	2	0	3	8	2	
B	General Accounting																						
2	- Described the policies and procedures followed for netting assets and liabilities arising from derivative transactions	15%	47%	52%	53%	37	33	1	2	5	3	6	1	3	1	0	0	1	2	4	8	1	
3	- Described the methods used to determine the fair value of traded instruments and non-traded derivatives			80%	80%	57	14	0	1	6	4	5	5	7	1	0	3	0	2	5	9	9	
4	- Discussed the methods and assumptions used to estimate market value when quoted prices are not available	34%	76%	76%	76%	54	17	0	0	6	5	6	5	7	1	0	2	0	1	3	9	9	
7	- If applicable, discussed the accounting policies for credit derivatives			10%	13%	7	49	15	1	0	2	0	2	0	0	0	0	0	0	2	0	0	
8	- If applicable, described where credit derivatives are recorded (i.e., trading vs banking book.)			10%	14%	7	42	22	1	0	1	0	2	0	0	0	0	0	0	1	2	0	

Survey results

		yes / total			Y/(Y+N)	Total			1998													
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
13	- If applicable, discussed significant changes in accounting policies from previous periods			58%	91%	41	4	26	2	3	1	5	1	7	1	0	0	2	3	1	6	9
14	- Discussed anticipated changes in accounting policies (if applicable)			34%	63%	24	14	33	1	4	0	0	0	0	0	0	0	0	1	2	7	9
C	Impaired/Past Due/Nonperforming assets																					
5	- Discussed the policies for determining and reporting non-performing derivatives contracts			13%	13%	9	62	0	1	0	0	0	4	0	0	0	0	0	0	3	1	0
6	- Discussed the accounting treatment for derivatives credit losses	11%	36%	27%	27%	19	52	0	1	4	2	0	3	0	0	0	0	2	0	2	5	0
D	Allowances for Credit Losses																					
22	- If applicable, discussed the policies for determining adjustments and valuation reserves for trading and derivatives instruments (e.g., credit, operational liquidity and administrative reserves)	11%	41%	23%	31%	16	35	20	0	5	3	2	3	0	0	0	0	0	0	0	3	0

Survey results

		yes / total			Y/(Y+N)	Total			1998														
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9	
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
III	Qualitative Disclosures																						
A	General\Trading and Derivative																						
1	- Discussed the overall business objectives of trading activities and strategies for achieving those objectives			92%	92%	65	6	0	2	6	5	3	6	7	2	2	2	2	3	7	9	9	
2	- Discussed the objectives for use of non-trading derivatives			86%	86%	61	10	0	1	6	3	4	6	7	2	2	3	0	3	6	9	9	
3	- Described how derivatives are used to hedge risks (strategies)			63%	63%	45	26	0	2	6	2	2	0	7	2	0	2	0	1	3	9	9	
4	- Discussed the principal internal control procedures for managing trading and derivative activities			87%	87%	62	9	0	3	6	6	4	5	7	2	0	0	2	3	6	9	9	
5	- If applicable, provided summary information about activities involving material new/innovative, complex, or leveraged derivative instruments or instruments that transfer credit risk(e.g. credit derivatives) and risks associated with these activities			14%	18%	10	45	16	1	0	3	2	1	2	0	0	0	0	1	0	0	0	
6	- Discussed whether primarily involved in exchange-traded or OTC derivatives			63%	63%	45	26	0	3	6	3	6	6	0	0	0	2	0	3	2	5	9	
7	- Described how institution uses trading (e.g., market maker, proprietary position, arbitrage, customer accommodations)			79%	79%	56	15	0	1	6	3	2	6	7	2	0	0	2	3	7	8	9	
8	- If applicable, disclosed material changes in trading/risk management strategies or risk tolerances and risk management systems			32%	56%	23	18	30	2	1	5	2	3	1	1	0	0	1	3	1	0	3	
9	- Distinguished between different types of hedge strategies employed			31%	31%	22	49	0	1	4	3	0	6	0	0	0	0	0	0	2	6	0	
10	- Identified the risk management policy for each type of hedge			24%	24%	17	54	0	1	2	3	0	6	0	0	0	0	0	0	1	4	0	
11	- Provided a description of the items or transactions for which risks are hedged			56%	56%	40	31	0	1	6	4	0	6	0	1	0	0	0	1	3	9	9	

Survey results

		yes / total			Y/(Y+N)	Total			1998													
		-93	-97	-98		-98	-98	BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f	
		79	78	71	71	71	3	6	6	6	6	7	2	2	3	2	3	7	9	9		
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		
B	Risk management – Qualitative disclosures																					
1	- Provided an overview of key aspects of the organisational structure central to the risk mgmt. and control process for trading and derivative activities (e.g., structure of risk control functions/committees)			94%	94%	67	4	0	3	6	6	5	5	7	2	1	3	2	3	7	8	9
3	- Discussed changes in market risk exposure and risk management strategies from previous year			51%	56%	36	28	7	2	4	4	4	4	0	1	0	2	0	3	3	6	3
	Provided information on the nature of the major risks associated with trading and derivative activities and lending activities and explained how risk arises:																					
4	- Credit risk			93%	93%	66	5	0	3	6	5	5	6	7	2	0	3	1	3	7	9	9
5	- Market risk			96%	96%	68	3	0	3	6	6	5	6	7	2	0	3	2	3	7	9	9
6	- Liquidity risk			76%	76%	54	17	0	1	6	6	4	2	7	2	0	1	2	2	7	6	8
7	- Operational risk			69%	69%	49	22	0	1	6	6	5	1	7	2	0	2	1	2	4	5	7
8	- Legal risk			44%	44%	31	40	0	0	0	3	2	2	7	1	0	1	2	2	1	3	7
	Discussed the methods used to manage these risks:																					
9	- Credit risk			94%	94%	67	4	0	3	6	6	5	6	7	2	0	3	1	3	7	9	9
10	- Market risk			96%	96%	68	3	0	3	6	6	5	6	7	2	0	3	2	3	7	9	9
11	- Liquidity risk			77%	77%	55	16	0	1	6	6	4	2	7	2	0	1	2	3	7	6	8
12	- Operational risk			68%	68%	48	23	0	1	6	5	5	1	7	2	0	2	1	2	4	5	7
13	- Legal risk			44%	44%	31	40	0	1	0	3	2	2	7	1	0	1	2	2	1	2	7
14	Discussed how performance in managing market risk is assessed			62%	62%	44	27	0	1	6	6	5	2	7	2	0	1	1	3	1	8	1
15	Discussed how performance in managing credit risk is assessed			42%	42%	30	41	0	1	6	4	4	2	0	2	0	1	1	3	0	5	1
	Disclosed information on actual performance in managing these risks:																					
16	- Credit risk			41%	41%	29	42	0	1	6	2	4	6	0	1	0	0	1	2	1	5	0
17	- Market risk			77%	77%	55	16	0	1	6	4	5	5	7	2	0	0	1	3	4	8	9
18	- Liquidity risk			15%	15%	11	60	0	0	5	1	2	0	0	1	0	0	1	1	0	0	0

Survey results

		yes / total			Y/(Y+N)	Total			1998														
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f
		79	78	71	71	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
19	- Operational risk			11%	11%	8	63	0	0	3	0	4	0	0	0	0	0	1	0	0	0	0	0
20	- Legal risk			7%	7%	5	65	1	1	0	1	0	0	0	1	0	0	1	1	0	0	0	0
C	Market Risk – Qualitative Disclosures																						
1	- Summarized policies for identifying, measuring and managing market risk			94%	94%	67	4	0	3	6	6	5	6	7	1	0	3	2	3	7	9	9	
2	- Described the major assumptions and parameters used by internal models necessary to understand an institution's market risk disclosures:			76%	76%	54	17	0	2	4	6	5	5	7	0	2	2	2	3	7	9	0	
3	- Type of model used (e.g., simulation, VAR)			90%	90%	64	7	0	3	6	6	5	5	5	1	2	3	2	3	7	9	7	
4	- Portfolios covered by the model			75%	75%	53	18	0	2	3	6	5	5	7	1	0	3	0	3	3	9	6	
5	- Holding period	0%	76%	82%	82%	58	13	0	2	4	5	5	5	7	1	0	2	2	3	7	9	6	
6	- Confidence level	3%	81%	86%	86%	61	10	0	3	5	6	5	5	7	1	1	3	2	2	6	9	6	
7	- Observation period			63%	63%	45	26	0	1	3	6	5	2	4	0	0	2	1	2	7	6	6	
8	- Discussed the method of aggregating risk exposures	0%	27%	48%	48%	34	37	0	1	1	6	5	2	3	0	0	0	1	2	7	2	4	
9	- Discussed the method used to recognise correlations between market factors (e.g. correlation assumptions)			28%	28%	20	51	0	1	0	6	3	0	0	0	0	0	0	2	1	3	4	
10	- Provided an overview of policies and procedures for validating internal models			37%	37%	26	45	0	1	2	5	5	0	3	0	0	0	2	1	1	4	2	
11	- Provided an overview of policies and procedures for back-testing internal models			37%	37%	26	45	0	1	2	3	4	2	7	0	0	0	0	2	2	2	1	
12	- Provided an overview of policies and procedures for stress testing market risk			54%	54%	38	33	0	1	4	5	5	1	5	0	0	0	1	2	3	6	5	
D	Credit Risk – Qualitative Disclosures																						
1	- Summarised policies for identifying, measuring and managing credit risk:			80%	80%	57	14	0	2	6	5	5	6	7	1	0	3	1	3	7	8	3	
2	- Addressed risk limits/limits on concentrations/limit monitoring			65%	65%	46	25	0	2	5	5	4	5	3	0	0	0	1	3	7	8	3	
6	- Discussed the management, structure and organisation of the credit risk control/loan review function:			85%	85%	60	11	0	1	6	6	4	5	7	1	0	3	1	3	7	7	9	

Survey results

		yes / total			Y/(Y+N)	Total			1998														
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9	
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
7	- Internal controls			73%	73%	52	19	0	0	4	6	4	5	7	1	0	1	1	2	7	5	9	
12	- If applicable, discussed process for stress testing credit risk,			3%	5%	2	35	34	0	0	0	1	0	1	0	0	0	0	0	0	0	0	
14	- Discussed mechanisms to reduce credit exposure, including use of:			61%	61%	43	28	0	2	6	4	4	1	0	1	0	2	0	2	6	9	6	
15	- Collateral/margin			44%	44%	31	40	0	2	4	4	4	0	0	1	0	1	0	2	1	6	6	
16	- Bilateral or multilateral netting			51%	51%	36	34	1	2	3	3	4	1	0	1	0	1	0	2	4	9	6	
17	- Early termination agreements			11%	11%	8	62	1	1	0	3	0	0	0	0	0	0	0	0	0	1	3	
19	If applicable, discussed its policies, strategy and objectives for credit derivatives			10%	13%	7	47	17	1	1	1	1	1	0	1	0	0	0	0	0	1	0	
20	If applicable, discussed its policies, strategy and objectives for securitizations			23%	31%	16	36	19	1	4	2	2	0	1	0	0	0	0	0	2	4	0	
24	- Portfolios covered by the model (if applicable)			17%	31%	12	27	32	2	2	2	1	2	0	0	0	0	1	0	1	1	0	
27	- Disclosed whether a credit risk management model is used			34%	35%	24	44	3	1	6	3	2	1	6	0	0	0	1	2	0	2	0	
28	- Disclosed how the credit risk measurement model is used			30%	35%	21	39	11	0	5	2	2	1	6	0	0	0	1	2	0	2	0	
29	- Provided information on the type of credit risk measurement model (if applicable)			25%	42%	18	25	28	1	4	3	2	0	4	0	0	0	0	1	0	2	1	
30	- Portfolios covered by the model (if applicable)			20%	33%	14	28	29	1	2	1	1	0	4	0	0	0	1	1	0	2	1	
32	- If a portfolio credit risk measurement model is used, provided information on major assumptions used (if applicable):			11%	21%	8	31	32	0	0	0	1	0	3	0	0	0	0	1	0	2	1	
33	- Confidence level (if applicable)			8%	15%	6	34	31	0	1	0	0	0	2	0	0	0	0	1	0	1	1	
34	- Holding period (if applicable)			6%	10%	4	36	31	0	0	0	0	0	2	0	0	0	0	1	0	1	0	
35	- Observation period (if applicable)			3%	5%	2	37	32	0	0	0	0	0	1	0	0	0	0	1	0	0	0	
39	- Provided an overview of policies and procedures for stress testing the credit risk measurement model (if applicable)			3%	5%	2	35	34	0	0	0	0	0	1	0	0	0	0	0	0	1	0	

Survey results

		yes / total			Y/(Y+N)	Total			1998													
		-93	-97	-98					-98	-98	BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
E	Liquidity Risk in Trading and Derivatives Activities – Qualitative Disclosures																					
1	- Described how liquidity risk arises and is relevant to trading and derivatives activities	24%	65%	68%	68%	48	23	0	2	6	6	4	2	7	0	0	1	0	0	7	5	8
2	- Discussed the methods used to measure and manage liquidity risk	19%	68%	69%	69%	49	22	0	1	5	6	4	2	7	0	1	1	2	0	7	5	8
3	- Discussed how performance in managing liquidity risk is assessed			30%	30%	21	50	0	1	5	4	1	0	1	0	0	0	0	0	0	1	8
4	- Described how liquidity risk is considered in determining market values			13%	13%	9	62	0	1	1	3	1	1	1	0	0	0	0	0	0	1	0
F	Other Trading and Derivatives Risks – Qualitative Disclosures																					
1	- Discussed the nature of other risks relevant to trading and derivatives activities and how they are managed			39%	39%	28	43	0	0	0	2	5	2	0	0	0	0	1	0	7	8	3

Survey results

		yes / total			Y/(Y+N)	Total			1998														
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9	
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
IV	Quantitative Disclosures																						
A	General Trading & Derivative Information																						
1	- Provided summary information about composition of trading portfolios and the use of derivatives for non-trading activities			89%	89%	63	8	0	1	6	5	6	6	7	2	0	2	0	3	7	9	9	
2	- Provided end-of-period and average notional amounts and market values for trading and non-trading portfolios			63%	63%	45	26	0	2	1	3	5	6	0	1	0	3	0	3	6	6	9	
3	- Distinguished between trading assets and trading liabilities	34%	58%	66%	66%	47	24	0	1	3	6	5	0	7	2	0	0	2	1	4	9	7	
4	- Distinguished disclosures by OTC and exchange traded derivatives			80%	80%	57	14	0	3	6	6	6	6	7	1	0	3	2	3	7	2	5	
5	- Provided information on market activity by broad instrument category (futures, forwards, swaps, option, debt instruments)			90%	90%	64	7	0	1	6	6	6	6	7	2	0	3	0	3	7	8	9	
6	- Provided information on market activity by broad risk category (interest rate, exchange rate, precious metals, other commodities and equities)			82%	82%	58	13	0	2	6	5	6	5	7	1	0	3	0	3	2	9	9	
7	- Provided information by repricing date (maturity band)			62%	62%	44	27	0	3	6	3	6	1	6	0	0	3	2	2	5	7	0	
B	Market Risk from Trading and Derivatives Activities – Quantitative Disclosures																						
1	- Provided summary quantitative information on market risk exposure based on internal methods used for measurement, with information on performance in managing those risks			66%	66%	47	24	0	1	3	6	3	5	7	1	0	0	2	2	5	9	3	
2	- Provided daily information on profits and losses on trading activities, combined with daily value at risk numbers (i.e., graphics)			38%	39%	27	43	1	1	2	2	2	2	6	0	0	0	0	3	1	3	5	
3	- Provided summary VAR results on a weekly or monthly basis			25%	26%	18	50	3	0	2	3	3	5	0	0	0	0	0	3	0	2	0	

Survey results

		yes / total			Y/(Y+N)	Total			1998													
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	- For those disclosing VAR data, provided High/Low VAR	0%	46%	61%	64%	43	24	4	0	3	4	2	4	6	0	0	3	1	3	5	9	3
5	- For those disclosing VAR data, provided Average VAR	0%	41%	56%	60%	40	27	4	0	1	3	3	4	5	0	0	3	1	2	5	9	4
6	- Discussed the results of scenario analysis or impact of rate shocks for traded portfolios	1%	26%	25%	25%	18	53	0	1	2	2	2	2	3	0	0	2	0	1	0	2	1
7	- Discussed the number of times (days) actual portfolio loss exceeded VAR	0%	27%	42%	44%	30	38	3	1	4	3	3	2	7	0	0	0	0	3	2	4	1
8	- For non-traded portfolios: provided summary VAR or EAR	0%	33%	27%	28%	19	49	3	1	1	2	0	5	3	0	0	0	0	0	1	4	2
9	- For non-traded portfolios: provided summary results of scenario analysis of impact of rate shocks	6%	24%	14%	14%	10	61	0	0	2	2	1	0	1	0	0	0	0	0	0	4	0
10	- Disclosed the notional amounts for trading and non trading positions			94%	94%	67	4	0	2	6	6	6	6	7	1	0	3	2	3	7	9	9
11	- Disclosed the maturity schedule for trading assets			52%	52%	37	34	0	1	6	2	5	5	0	0	0	2	0	1	7	3	5
12	- Disclosed the gross positive market value of derivatives	33%	79%	73%	73%	52	19	0	2	6	5	5	3	7	0	0	3	2	3	7	9	0
13	- Disclosed the gross negative market value of derivatives			59%	59%	42	29	0	2	5	4	5	3	7	0	0	2	2	3	7	2	0
14	- Separated trading assets from trading liabilities			55%	55%	39	32	0	0	3	5	5	0	7	2	0	0	1	1	2	8	5
15	- Disclosed the end-of-period market value of cash instruments in the trading account			68%	68%	48	23	0	2	6	4	5	6	7	1	0	1	0	3	7	6	0
16	- Disclosed the average for period market value of cash instruments in the trading account			6%	6%	4	67	0	0	1	0	0	0	0	0	0	0	0	0	1	2	0
17	- Disclosed the end of period market value of derivatives in the trading account			86%	86%	61	10	0	2	6	6	6	3	7	2	0	2	0	3	6	9	9
18	- Disclosed the average for period market value of derivatives in the trading account			23%	23%	16	55	0	0	3	0	1	0	0	1	0	1	0	0	1	4	5
19	- Disclosed the overall market value of non-trading derivatives positions			51%	51%	36	35	0	2	6	5	5	3	0	1	0	0	0	2	4	6	2

Survey results

		yes / total			Y/(Y+N)	Total			1998														
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9	
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
20	- Disclosed the effect of derivatives on interest rate repricing gap positions	29%	31%	27%	27%	19	51	1	0	6	1	1	6	0	0	0	0	0	0	1	4	0	
21	- Disclosed quantitative info on derivatives presented with the position hedged		15%	17%	17%	12	58	1	1	0	2	1	6	0	1	0	0	0	0	0	1	0	
C	Credit Risk – Quantitative Disclosure																						
1	- Disclosed the gross current credit exposure (replacement cost) by major asset category, including:			77%	77%	55	16	0	1	6	6	6	6	7	0	2	3	0	3	7	8	0	
3	- Trading			76%	76%	54	17	0	2	6	6	6	6	7	1	0	2	0	3	7	8	0	
5	- Off-balance sheet			82%	82%	58	13	0	2	6	5	6	3	7	0	2	3	0	3	7	8	6	
6	- Disclosed the potential future credit exposure of trading and derivative instruments			28%	28%	20	51	0	2	5	2	1	2	0	0	0	3	0	2	0	3	0	
7	- Disclosed the current credit exposure of derivatives with netting	28%	55%	66%	66%	47	24	0	1	6	3	6	0	7	0	0	2	1	2	7	8	4	
8	- Disclosed the average credit exposure or range of credit exposure by major asset category including:			30%	30%	21	50	0	1	2	1	1	3	7	0	0	0	0	0	2	4	0	
10	- Trading			25%	25%	18	53	0	1	2	0	1	0	7	0	0	0	0	0	2	5	0	
12	- Off-balance sheet			10%	10%	7	64	0	1	1	0	0	0	0	0	0	0	0	0	1	4	0	
13	- Discussed the credit exposure by maturity band. (If the institution disclosed maturity bands, please indicate the maturity bands used for each disclosure)			76%	77%	54	16	1	1	5	6	6	6	7	0	2	3	2	3	7	6	0	
37	- Disclosed information about significant concentrations of credit risk:	14%	71%	55%	55%	39	32	0	1	4	4	6	6	0	0	0	2	1	1	7	4	3	
42	- Discussed the effect of legally enforceable netting agreements on credit risk exposure			37%	37%	26	45	0	2	3	2	4	0	0	0	0	0	0	1	5	8	1	
43	- Disclosed the effect on credit exposure of collateral, guarantees, credit insurance, or credit derivatives			39%	39%	28	43	0	0	3	2	0	2	7	0	0	1	0	2	7	3	1	
44	- Provided the nominal and market value of collateral			17%	17%	12	59	0	0	0	1	1	6	0	0	0	0	0	0	0	0	4	
46	- Provided summary credit exposure information on counterparty credit quality by internal credit rating			8%	8%	6	65	0	0	0	0	0	0	0	0	0	0	0	1	0	1	4	

Survey results

	yes / total			Y/(Y+N)	Total			1998													
	-93	-97	-98		-98	-98		BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f
	79	78	71		71	71	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
47			15%	15%	11	60	0	0	1	3	1	0	0	0	0	0	0	1	0	1	4
48			14%	15%	10	57	4	1	0	0	1	3	0	0	0	0	0	0	1	4	0
49	5%	17%	10%	13%	7	47	17	1	1	0	0	3	0	0	0	0	0	0	0	2	0
50			14%	16%	10	53	8	0	1	1	1	3	0	1	0	0	0	0	0	3	0
66			0%	0%	0	33	38	0	0	0	0	0	0	0	0	0	0	0	0	0	0
D	Credit Derivative Information (if applicable)																				
1			0%	0%	0	53	18	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2			0%	0%	0	56	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0
3			0%	0%	0	56	15	0	0	0	0	0	0	0	0	0	0	0	0	0	0
4			8%	11%	6	49	16	0	0	0	0	1	3	0	0	0	0	0	1	1	0
5			6%	8%	4	49	18	0	0	0	0	0	3	0	0	0	0	0	0	1	0
6			7%	9%	5	50	16	0	0	0	0	1	3	0	0	0	0	0	0	1	0
7			1%	2%	1	52	18	0	0	0	0	0	1	0	0	0	0	0	0	0	0
G	Liquidity Risk of Derivatives & Trading Activity – Quantitative Disclosures																				

Survey results

		yes / total			Y/(Y+N)	Total			1998													
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
1	- Provided summary information about liquidity risk (e.g., concentrations and funding)			27%	27%	19	52	0	1	6	2	0	0	0	2	0	0	2	1	0	5	0
2	- Discussed the notional amount and market value of exchange traded and OTC contracts by market type and product			68%	68%	48	23	0	2	6	2	6	6	7	1	0	0	2	3	7	4	2
3	- Provided gap schedule for both trading and non-trading derivatives			25%	29%	18	44	9	2	6	2	0	4	0	0	0	0	0	0	0	4	0
H	Other Trading & Derivatives Risks																					
1	- Disclosed the legal risk – amount of current and potential loss exposure of contracts in dispute (if applicable)			20%	26%	14	40	17	0	1	2	0	0	0	0	0	0	0	1	0	1	9
V	Capital Disclosures																					
22	Disclosed the risk-based capital, credit equivalent amount of derivatives	43%	55%	35%	41%	25	36	10	1	6	3	4	4	0	0	0	3	1	2	0	1	0

Survey results

		yes / total			Y/(Y+N)	Total			1998														
		-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f
		79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9	
		%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
VI	Earnings Information																						
A	Earnings – Trading Activities																						
1	- Provided summary information about how trading activities affect earnings, based on internal measurement and accounting systems			62%	63%	44	26	1	2	5	4	4	6	0	1	0	0	1	3	7	8	3	
2	- Provided information on trading revenues by major risk category (fx, interest rate, commodity, equity)			37%	37%	26	44	1	0	4	4	4	0	0	0	0	2	0	3	1	6	2	
3	- Provided information on trading revenues by major product/line of business (bonds, swaps, equities, etc.)			35%	36%	25	45	1	0	2	1	3	6	0	2	0	0	0	1	2	7	1	
4	- Provided information on trading revenues by some other approach (identify the approach used)			15%	17%	11	55	5	0	2	2	1	6	0	0	0	0	0	0	0	0	0	
5	- Provided information on trading revenues by cash positions vs. derivative instruments	28%	50%	27%	27%	19	51	1	0	1	2	0	6	7	0	0	0	0	1	0	1	1	
6	- Disclosed information about revenue from derivatives alone			18%	19%	13	57	1	0	1	1	0	6	0	0	0	2	0	1	0	2	0	
7	- Disclosed information about net interest revenue from cash positions	37%	37%	38%	39%	27	43	1	0	1	4	2	6	7	0	0	0	0	1	3	3	0	
8	- Provided summary information about material trading gains or losses from broad trading strategies (e.g., nonrecurring events or strategies that provide a significant portion of trading income)			24%	24%	17	53	1	1	3	3	1	0	0	2	0	0	0	2	1	4	0	
B	Earnings – Non-trading Derivatives Holdings																						
1	- Provided summary information about the effect on earnings of off-balance sheet (hedging) positions held by the organisation (e.g., to manage interest rate risk, currency risk and other risks)			34%	34%	24	47	0	1	1	1	1	6	0	0	0	0	0	0	2	7	5	
2	- Disclosed the cumulative deferred losses on derivatives accounted for at historical cost (if applicable)			21%	25%	15	44	12	1	2	0	0	6	0	0	0	0	0	0	1	3	2	
3	- Discussed the events that will result in recognition of these deferred losses (if applicable)			7%	10%	5	45	21	1	0	0	0	0	0	0	0	0	0	0	1	2	1	

Survey results

	yes / total			Y/(Y+N)	Total			1998														
	-93	-97	-98		-98	-98			BE	CA	FR	DE	IT	JP bank	JP sec f	LU	NL	SE	CH	UK	US bank	US sec f
	79	78	71	71	71			3	6	6	6	6	7	2	2	3	2	3	7	9	9	
	%	%	%	%	Y	N	NA	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y
4	- Disclosed the timing of recognition of deferred losses (Or gains) in the profit and loss account			20%	22%	14	50	7	1	4	2	0	0	0	1	0	0	0	0	1	4	1
5	- Disclosed the net gain or loss recognised in earnings from non-trading derivative activities and the category of income affected.			24%	24%	17	53	1	1	2	1	0	6	0	1	0	0	0	0	0	5	1
6	- Provided this information broken out by hedging strategy with the impact of hedge ineffectiveness separated			3%	3%	2	68	1	0	0	0	0	0	0	1	0	0	0	0	0	1	0
7	- Disclosed the amount of deferred gain or loss recognised in earnings due to a change in assumptions about whether a firm commitment or anticipated transaction will occur (if applicable)			1%	2%	1	42	28	0	0	1	0	0	0	0	0	0	0	0	0	0	0
8	- Disclosed the maximum period of time over which gains or losses are deferred (if applicable)			8%	10%	6	53	12	0	3	0	0	0	0	0	0	1	0	0	0	0	2
9	- Disclosed revenue impact of derivatives alone (amount or %)	6%	35%	24%	24%	17	54	0	1	1	0	0	6	0	0	0	0	0	0	0	4	5
10	- Disclosed the overall sensitivity of net interest margins (amount or %)	19%	26%	32%	32%	23	48	0	1	6	0	0	6	0	0	0	0	2	1	0	4	3
11	- Disclosed the unrealised gain or loss on derivatives	15%	45%	38%	38%	27	44	0	1	3	0	0	4	7	0	0	0	0	1	6	5	0