Bank groupings in statistical presentations

There is more than one system in use for grouping banks together in the Bank's statistical presentations. It may not always be clear to some users which system is in use, particularly where two systems use the same name to describe different groups. This note explains the grouping systems and their uses, and points out the differences between them.

1 Functional grouping system for the UK banking sector

This is the most commonly used grouping system. It appears, for example, in Tables 3.2–3.7 and Table 4 of the statistical annex of this *Bulletin*. In this system there are seven groups of banking institutions. Three of them are functional: *retail banks, British merchant banks* and *discount houses*. The remainder are identified according to the nationality of their majority ownership: *other British banks, American banks, Japanese banks* and *other overseas banks*. This grouping system was first introduced in December 1983.[1] The banks in each of these groups are listed each February in the statistical annex of the *Bulletin*.

Retail banks
This group broadly comprises banks which have extensive branch networks in the United Kingdom and participate in a UK clearing system.

British merchant banks
This group broadly comprises banks whose majority ownership is British and whose main business is primarily concerned with corporate finance and mergers.

Discount houses
This group comprises those institutions authorised under the Banking Act 1987 which have a money-market dealing relationship with the Bank of England.

Nationality groups
These groups contain those banks which do not fall into any of the 'functional' categories.

2 Other grouping systems

(i) International statistics
When presenting statistics relating to international banking (eg in the regular 'International banking developments' note in this *Bulletin*), the Bank uses a grouping system agreed with the Bank for International Settlements (BIS). This is based simply on the nationality of majority ownership of banks. The Bank of England provides figures on this basis to the BIS for inclusion in its quarterly and half-yearly statistical releases. The main groups are *British banks, American banks, Japanese banks* and *other overseas banks*.

In the most commonly used grouping system 'functional' considerations take precedence over 'nationality', while for international statistics the only consideration is nationality. Thus, for example, Yorkshire Bank PLC is categorised as a *retail bank* in the first system but as *other overseas* for international statistics (because it is a wholly-owned subsidiary of National Australia Bank Ltd). Similarly, discount houses owned by overseas banks are categorised by the appropriate nationality in international statistics.

(ii) Supervisory presentations
There is no formal categorisation of banks by the Bank of England for the purposes of banking supervision, other than a distinction between those incorporated within the United Kingdom and those outside. The annual Banking Act Report refers to institutions under the following headings: *Large British banks, Merchant banks*, and *Smaller UK banks*. None of these groups corresponds exactly to the groups in the functional grouping system; for example, the *Large British banks* group (whose membership is listed on page 15 of the Banking Act report 1989/90) is not the same as the *retail banks* group.

(iii) Statistics published by the Committee of London and Scottish Bankers (CLSB)
The CLSB collects, aggregates and publishes statistics for its member banks and their banking sector subsidiaries. These include many, but not all, of the banks in the Bank's *retail banks* group, together with a number in the *British merchant banks* and *other British banks* groups. The coverage is similar to the *Large British banks* group described in section (ii) above.

3 Some points to note

Financial deregulation and innovation have meant that banks have widened the range of their business. This has made functional distinctions increasingly hard to make, particularly so in the case of merchant banks. There is therefore a degree of arbitrariness in deciding where the boundaries in the functional grouping system should lie.

It is important to maintain some continuity in the composition of bank groups, for two reasons. First, analysts prefer to have long runs of data on a consistent basis.

(1) Described on page 562 of the December 1983 *Bulletin*.

Second. it is difficult to move a single bank from one bank group to another without revealing its contribution to the data at the time of transfer.

The *retail banks* group excludes some banks (Citibank NA and Standard Chartered Bank being examples) which, although part of a clearing system, undertake relatively little retail business in the United Kingdom via a branch network. Additionally, a number of banks with small branch networks are omitted because they are not members of a clearing system.

The *British merchant banks* group was established in January 1988, following the demise of the Accepting Houses Committee (AHC) and the formation of the British Merchant Banking and Securities Houses Association (BMBSHA). In presentations appearing in the *Bulletin* from August 1988 to November 1990, the group was defined in terms of membership of the BMBSHA, although the banks comprising that group remained those which were formerly members of the AHC. The definition of the group has now been changed to that described in section 1 above. The composition of the group has also been changed (see the list in the statistical annex). The data for this group have been revised onto the new basis back as far as January 1988. Two banks, Guinness Mahon & Co Ltd and Morgan Grenfell and Co Ltd, which are now both majority owned by overseas banks, have been retained in this group in order to preserve continuity in the statistics.

Consortium banks are institutions majority owned by two more bank owners but none individually holding over 50% of the equity. The Bank ceased publishing statistics for this category as a separate group in July 1987 from which time they have been treated as part of the *other overseas banks* group in the functional grouping system described in section 1. The *consortium bank* category is still used in Bank of England submissions to the BIS. Under the BIS system, *consortium banks* can include banks which are wholly owned by a number of banks from the same country,

whereas in the functional grouping system described in section 1 the Bank would categorise such institutions as *other overseas banks*. For example, Japan International Bank, which is owned by seven Japanese institutions, is classified as an *other overseas bank* in the functional grouping system and as a *consortium bank* for international statistics; in neither case is it classified as a Japanese bank.

The list below summarises the grouping systems used in the main presentations of banking statistics.

4 Summery

Functional system:
Bank of England Quarterly Bulletin statistical annex, Tables 3.2–3.7 and Table 4.

'Monetary Statistics' monthly press release tables.

'Analysis of bank lending to UK residents' quarterly press release.

'Sterling CDs/Bill Turnover' monthly statistics.

BIS system for international statistics:
'International banking developments' —regular note in the *Bulletin* in the article 'Financial market developments'.

'Developments in international banking and capital markets' —annual (May) *Bulletin* article.

Banking supervisory system:
Annual 'Banking Act Report.'

CLSB statistics:

Monthly statement.

'Analysis of bank lending to UK residents' quarterly press release.