Banking statistics review

The Bank of England collects data from all institutions authorised under the Banking Act 1987, and from certain other institutions, which together comprise the UK banking sector. The aim is to collect the information, which is needed for a variety of purposes (mainly the conduct of prudential supervision, the compilation of monetary, banking and other financial aggregates, and as a contribution to the national accounts), as efficiently as possible. To ease checking and minimise duplication, the forms interrelate where they can and, to the extent possible, the data on them are used for different purposes.

Banking statistics are reviewed periodically[1] to ensure that users' current needs are being met and that the burden on the banks is not unnecessarily onerous. This article describes the changes in banking statistics that have been agreed with the banks, largely through the British Bankers' Association, as a result of the latest review.

Background

The review began in 1987. Initial discussions took place with the Central Statistical Office and other government departments, before a first set of proposals was put to the banks in July of that year. The review was begun because a new Banking Act was coming into force, the previous review had been concluded in 1983, and financial innovation and deregulation had led to the creation of new financial instruments and a widening of the range of banks' business. The review was expected to take about two years.

That expectation proved to be unrealistic. Subsequent developments had major implications for banking statistics, causing the review to be protracted. These developments were: the Basle Convergence Agreement of 1988;[2] the Pickford Report on government economic statistics in 1989[3] and the subsequent 'Chancellor's Initiative' to improve economic statistics launched in May 1990;[4] and the evolution of proposals for harmonising statistics within the European Community. As a result of these developments, the priorities within the review changed over time.

The data needs arising from the Basle Convergence agreement were so urgent that a new form had to be introduced as soon as possible. The Capital Adequacy Return was introduced in 1989. Whilst discussions on it were taking place, progress on other aspects of the review was modest.

Attention then turned to the most important of the requests arising from the Chancellor's Initiative. Even so, the implementation of these had to be delayed, because the abolition of composite rate tax and the introduction of TESSAs in 1991 occupied banks' systems staff fully in 1990. Some changes related to the Chancellor's Initiative were introduced in 1991, but some of the main changes were not implemented until end-March 1992.

Most other changes arising from the review will be implemented in the course of 1993, though some will not be implemented until 1994.

Main changes arising from the review

Supervisory forms

Before the review, the main supervisory return was form Q7. This provided, among other things, the information required to monitor capital adequacy and a list of the ten largest non-bank exposures. The introduction of a new capital adequacy regime, based on the Basle Convergence Agreement, in 1989 and the new statutory requirements for reporting on large exposures which were part of the Banking Act 1987, made this form inadequate for both purposes. Two new forms (LE and BSD1) were therefore introduced and form Q7 was discontinued; the existing form S3 was also revised.

- *Large Exposures—form LE*

Form LE was introduced in 1987. The Banking Act requires banks to notify the Bank of England of all exposures which are more than 10% of their capital

(1) See: 'New banking statistics', *Bank of England Quarterly Bulletin*, June 1975, pages 162–65. 'Review of banking statistics', *Bank of England Quarterly Bulletin*, March 1983, pages 69–76.
(2) See: 'International Convergence of Capital Measurement and Capital Standards', Committee on Banking Regulations and Supervisory Practices, Bank for International Settlements, Basle, Switzerland, July 1988. 'Implementation of the Basle Convergence Agreement in the United Kingdom', Bank of England, BSD/1988/3, October 1988.
(3) 'Government Economic Statistics', *A Scrutiny Report*, Cabinet Office. HMSO, 1989.
(4) See: 'Official statistics in the late 1980s', *Treasury Bulletin*, HM Treasury, Summer 1990, page 2. 'Improvements to economic statistics', *Treasury Bulletin*, HM Treasury, Summer 1991, page 44. 'Improving economic statistics—the Chancellor's Initiative', *Economic Trends*, Central Statistical Office, February 1991, page 84.

resources. The likely adoption of an EC Directive on large exposures may lead to some changes in this form.

- *Capital Adequacy Return—form BSD1*

This major new source of information was introduced in 1989, following extensive discussions with the banks. Its main purpose is to measure a bank's Risk Asset Ratio in a standard fashion, in conformity with the Basle Convergence Agreement.(1) The form has since been slightly amended to accommodate changes arising from EC Directives.(2)

The return contains many elements of the balance sheet, as well as 'off-balance-sheet' items. The latter are an important aspect of the form. Many new financial instruments and techniques were developed in the 1980s which involved banks in risks that were not captured within the entries on their balance sheet. These include sale and repurchase agreements, note issuance facilities (NIFs), revolving underwriting facilities (RUFs), and interest rate swaps.

Form BSD1 differs in a number of respects from the balance sheet return used for statistical purposes for many years (form BS). The main differences are:

(i) The return covers the activities of all the branches of the bank concerned, whereas form BS covers only the business of banking offices in the United Kingdom.

(ii) At half-yearly intervals, an additional version of form BSD1 is completed in which some financial subsidiaries of the reporting bank are consolidated with the bank itself; on form BS there is no consolidation of subsidiaries.

(iii) The statistical sectoral definitions (eg of the 'UK banking sector', 'UK public sector' and 'overseas sector') are not used in the completion of form BSD1.

(iv) Form BSD1 is compiled on an accruals basis whereas form BS is compiled on a cash basis.

(v) Form BSD1 makes no distinction between sterling and foreign currency items.

- *Foreign currency exposure—form S3*

Two composite currency units, the Ecu and special drawing rights (SDR), have been identified separately on form S3 since March 1992. This reflects the increasing importance of banks' transactions in these composite currencies, especially the Ecu, which at present are split into their component currencies and included indistinguishably within the totals for those currencies.

An unmatched position in a composite currency unit might be matched by an offsetting position in the constituent currencies themselves. The revised form S3 allows for this possibility.

Improvements to the national accounts

The reporting forms completed by banks have traditionally been based on balance sheet entries, rather than on the flows into and out of accounts that give rise to changes in the amounts outstanding in the balance sheet. Balance sheet entries are also affected by changes in value that were not the result of any customer transactions, including those arising from changes in exchange rates, and the writing-off of a bad debt (though not the raising of a provision).

The financial account of the national accounts seeks to measure only transactions in financial instruments. Additional information is therefore necessary if transactions are to be derived from changes in balance sheet entries. The national accounts also seek to measure payments for goods and services between economic sectors, for which a form of income and expenditure account is needed; GDP, which includes banks' profits other than those arising from the turn on interest; and the balance of payments. The improvements to banks' reporting described in this section will meet these needs of the national accounts.

- *Sectoral composition of banking flows*

The most important payments between the banks and other sectors are the amounts of interest paid on deposits and charged on loans. In addition, fees are charged for various banking services provided. Two existing forms provide partial information for the domestic and overseas sectors respectively. These forms have been completed annually by a panel of banks, with benchmark surveys covering a much larger number of banks at roughly five-year intervals. In order to provide an immediate improvement to the statistics, the banks agreed that the existing annual reporters should report on a quarterly basis during 1991. In addition, a new benchmark survey was completed for 1990.

Two new forms have been introduced in 1992. A new quarterly income and expenditure form A3 with considerably more detail, and an enlarged reporting population, was introduced in March. The remaining banks which previously completed the old form A3 at five-yearly intervals will complete the new form A3 annually, starting with 1992. A new form, consistent with form A3, identifying transactions with the overseas sector was also introduced in March (form BP), and form IEE is being dropped.

The new form A3 will not subdivide interest payments made and received by banks by individual domestic sectors. Such information is, however, needed for the national accounts. It has been agreed that a sample of banks will estimate the contributions of the main domestic sectors to the totals of domestic interest payments, to enable better estimates to be made of the flows to and from each of these sectors. In addition, banks have agreed to give a full sectoral breakdown of non-interest-bearing deposits.

(1) See footnote 2 on page 314.
(2) See: 'Implementation in the United Kingdom of the Directive on own funds of credit institutions', Bank of England, BSD/1990/2, December 1990.
'Implementation in the United Kingdom of the Solvency Ratio Directive', Bank of England, BSD/1990/3, December 1990.

- *Asset revaluations*

The reasons for changes in amounts outstanding in the balance sheet between one reporting date and the next cannot be deduced from the balance sheets themselves. As explained above, it is important to be able to distinguish transactions from other factors causing the amounts outstanding to change. With the exception of investments, direct reporting of transactions would be very expensive for the banks. It is, however, possible for banks to estimate the amount by which they have revalued assets; this information allows the flow of transactions to be calculated more accurately from balance sheet levels.

A new form [Q1(R)] has been created to measure write-offs and other revaluations. The form, to be introduced in March 1993, will identify separately revaluations of lending to UK residents, overseas offices of the reporting institution, and other overseas residents quarterly, and revaluations of lending to UK residents by individual economic sectors annually. The banks have agreed that unusually large UK revaluations will be analysed by sector quarterly.

- *Transactions in UK investments*

The new asset revaluation quarterly form will also include an analysis of transactions in UK investments, showing gross purchases and sales of investments in each of the major domestic sectors. Such data on overseas investments are already collected.

- *Leasing*

The Central Statistical Office has changed the treatment of certain types of leasing activity in the national accounts. Reflecting the recommended practice of the accountancy profession, finance leases will be treated by banks as if they were loans by the lessor (the bank) to the lessee, with the lessee recording ownership of the physical asset leased. Currently the lessor records ownership of the physical asset. The recording of operating leases will not be changed; lessors will continue to record ownership of assets leased under operating leases.

A corresponding addition will be made to the Capital Expenditure return (form Q8), to categorise assets leased in by banks by the type of asset, as is done currently for other physical assets acquired by banks for their own use.

The analysis of lending to and deposits from UK residents

At present banks complete a quarterly analysis of their lending to UK residents by 37 separate categories of borrower (form Q3). These categories are based on the Standard Industrial Classification (SIC).[1] The SIC is being revised, in part owing to the introduction of a harmonised classification system within the European Community.[2] A revised version of the banks' analysis of lending is currently under discussion. It is unlikely to be completed until the SIC is itself finalised later this year. After that, the banks will need a year or more to undertake the re-coding of accounts, so the first analysis on the new basis is unlikely to be available until 1994.

The banks have agreed to two significant extensions of this analysis. The first is an analysis of deposits from UK residents. This will be a useful complement to the analysis of lending, providing for the first time a breakdown of bank deposits into the same economic sub-sectors. The second extension is a more detailed breakdown of lending to, and deposits from, non-bank financial institutions in the United Kingdom. This will assist both the interpretation of the substantial flows between banks and other financial institutions, and also help the CSO to improve the coherence of the national accounts by reconciling the large differences that currently exist between what is reported by the banks and what is reported by the financial institutions themselves.

With effect from March 1993, form Q3 will relate to the end of each calendar quarter instead of end-February, May etc, increasing the value of these statistics in illuminating the quarterly national accounts.

Lending to the personal sector

The review sought to achieve improvements in both the scope and frequency of statistics for banks' lending to persons.

- *Housing finance*

Banks currently distinguish their lending to individuals between that which is 'for house purchase' and 'bridging loans', and that which is not. The precise definition of 'lending for house purchase' was based upon eligibility for tax relief. The 1988 Budget, however, restricted tax relief for interest on loans and although, as a stop-gap, banks were asked to continue classifying loans using the pre-1988 tax relief criterion, a new definition was needed.

Two other developments had to be taken into account. The first arose from the Basle Convergence Agreement,[3] in which a special risk weight of 50% is attached to certain loans to individuals secured on residential property. The second development was the introduction in 1987 of separate statistics for classes 1,2 and 3 of building society lending, as defined in the Building Societies Act 1986.

The criterion for classifying bank loans to individuals as '50% weighted' corresponds closely to the criterion for classifying loans by building societies as 'class 1'. Broadly speaking, these criteria identify all first mortgages to owner-occupiers. The intention is to incorporate the new monthly data from the end-March 1993 reporting date.

(1) See: 'Standard Industrial Classification, Revised 1980', Central Statistical Office, HMSO 1979. 'Indexes to Standard Industrial Classification, Revised 1980', Central Statistical Office, HMSO 1981.
(2) Known as NACE Rev 1: see 'Official Journal of the European Communities', No L293/1 (October 1990).
(3) See footnote 2 on page 314.

Under the new criterion some bank loans to individuals secured on housing will not be captured. Banks were reluctant to agree to attempt to distinguish all lending secured on housing, because of the difficulty of producing a precise definition and the cost of maintaining a second classification criterion. Banks agreed, however, to provide annual figures for loans to individuals secured on housing which do not attract the '50% weighting', based on centrally-held data. These annual data will provide an estimate of lending by banks which is akin to 'class 2' lending by building societies and thus of total borrowing by individuals secured on housing, so enabling more precise estimates of 'equity withdrawal' (borrowing secured on housing which is applied for other purposes) to be made.

Banks also agreed to provide quarterly data on lending to housing associations, again using the '50% weighting' criterion; and to provide certain items of information monthly, to improve monthly data on the mortgage market as a whole. These items are: the amounts outstanding of bridging loans, and of loans secured on residential property; gross advances in the month of loans secured on residential property; and the number and value of approvals of such loans made in the month. (This information will be supplied only by banks with a significant amount of mortgage business.)

Banks which are major suppliers of mortgage finance currently provide a quarterly analysis of their lending for house purchase which includes details of purchase prices of properties and the size of loans made. In addition, they have agreed to identify each quarter gross loans in the form of mortgage packages acquired from other lenders.

- *Consumer credit*

From March 1993, banks extending a significant amount of consumer credit will provide monthly data on the amounts outstanding of credit card credits, overdrafts, and other loans and advances to individuals (each separately identified). Information on 'turnover' of lending to individuals was also sought, so that new lending and repayments could be distinguished. This is relatively easy to provide for credit cards, where monthly data will also be provided for gross new lending in the month, interest charged, repayments, and amounts written off. For overdrafts, the concept of 'turnover' is impossible to define because many accounts frequently switch between credit and debit. For other loans and advances, it is not possible to provide 'turnover' figures for all types of lending but monthly figures for gross new lending on centrally-administered personal loan schemes may be provided. The new monthly data will be incorporated into the CSO's monthly statistics for consumer credit, increasing the coverage to coincide with that of the CSO's broader quarterly series of consumer credit.

Statistics for international purposes

In a few respects the United Kingdom's international statistics do not fully conform with the standard set by the Bank for International Settlements, and certain changes were needed to implement the statistical recommendations of the Cross Report[1] (eg the collection of data for issues and holdings of euro-notes and underwriting and other commitments). Related to this was the particular need to report the Ecu as a separate currency as befits the growing importance of its use in banking business and the prospect of monetary union in the European Community.

Thus the Ecu (and the SDR) will be included as a separate currency on form S2 (section 2), which subdivides the main assets and liabilities in the balance sheet by individual currencies. The Australian dollar and the Spanish peseta will also be added to this form.

The detailed analysis of liabilities and claims by individual currencies and countries (form S2) will include the Ecu as a separate currency. This form will also identify certificates of deposit and portfolio investments as separate instruments, rather than including them indistinguishably within other totals.

These changes will be introduced as at end-December 1992.

Bank deposits in M2

The monetary aggregate M2 was originally intended to be more directly related to transactions in goods and services than to broader measures of money such as M3 and M4. However, banks and building societies have found increasing difficulty in measuring 'transactions balances', as a recent Discussion paper explained.[2] The conclusion in that Discussion paper was that a new definition of deposits in M2 should be sought, that would be easier to measure and that could be applied consistently by both banks and building societies.[3]

The chosen definition is one of 'retail' deposits (see section 3.2.3.2 of the Discussion paper). Building societies are required to measure their 'retail' deposits, defined in the Building Societies Act 1986 as all shares and deposits from individuals plus deposits from certain unincorporated businesses, including friendly societies, which are less than £50,000 *or* greater than one year maturity. The banks have agreed to define their 'retail' deposits as deposits which arise from a customer's acceptance of an advertised rate (including nil) for a particular product; typically 'retail' deposits are taken in the banks' branch networks.

This change in definition will take place as at end-December 1992.

(1) 'Recent innovations in international banking', Bank for International Settlements, Basle, 1986.
(2) 'Monetary aggregates in a changing environment: a statistical discussion paper', ***Discussion paper No 47***, Bank of England, March 1990.
(3) See 'Definitions of the monetary aggregates', *Bank of England Quarterly Bulletin*, August 1990, pages 336–37.

Other changes

- *Commercial paper*

A number of new short and medium-term instruments were created in the 1980s, notably sterling commercial paper (SCP). In April 1986 commercial companies were allowed to issue SCP for the first time. Banks were allowed to issue SCP and other short-term instruments from March 1989. In January 1990, the range of short-term instruments was extended to allow the issue of 'medium-term notes' (MTNs) of between one and five-years' maturity.

Although interim reporting arrangements were introduced at the times of introduction of the new instruments, further changes have been agreed, so that these new instruments are covered in as much detail as other similar instruments (eg commercial bills). At the same time, some rationalisation of reporting of euro-commercial paper has been agreed.

- *Lending under ECGD bank guarantee*

The schemes operated by the Export Credits Guarantee Department (ECGD) have become more varied since the previous review. The definition of the types of lending included in this category has been revised, and the amount of detail has been reduced. The new definition comprises all lending covered by an unconditional ECGD bank guarantee, participations in syndicated loans made under an ECGD guarantee even if the reporting bank does not itself hold the guarantee, and lending to export finance houses and export finance subsidiaries where these are separate sole purpose subsidiaries fully funded by the parent bank. (Such lending is attributed to the overseas sector in the national accounts.)

- *Acceptances*

Banks have agreed to identify their holdings of bills accepted by themselves, which are currently included indistinguishably in 'loans and advances', on the balance sheet form, to help the Bank in monitoring the market in commercial bills.

- *Custodial holdings for overseas residents*

Banks already provide details of their custodial holdings of a range of financial instruments on behalf of overseas residents. These data are used in the construction of the balance of payments statistics, and also in the domestic monetary statistics (so that overseas residents' holdings of certain monetary instruments can be excluded from M4). Banks have agreed to extend the range of instruments covered to include certificates of deposit issued by building societies, and other short-term sterling instruments issued by banks and building societies.

- *Capital market instruments issued by banks*

Data for banks' issues and redemptions of capital market instruments are needed for the construction of the national financial accounts by the CSO. Banks have agreed to provide more detail of the types of instrument involved, corresponding to the classification of instruments used by the CSO.

- *Banks' business with building societies*

Since the previous review, building societies have been classified as a separate sector in the national accounts, separately from other non-bank financial institutions. It has therefore been necessary for banks to show all their claims on and liabilities to building societies in separate categories, where they were not doing so already.

The reporting burden

The changes described above add to the reporting system. The Bank recognised the burden that the proposals would place on the banks, and offered some reductions in other statistics. These were: less detail in the 'industrial' analysis of bank lending to UK residents; the abandonment of the analysis of euro-sterling liabilities and claims of British banks' overseas affiliates (form S4), and of the informal quarterly survey of the maturity of banks' foreign currency deposits from oil-exporting countries. The Bank also agreed to abandon the split of retail deposits between chequable and non-chequable deposits; to omit retail information on public sector and overseas deposits; to discontinue a return of business with oil and gas enterprises operating in the North Sea; and to reduce the number of banks reporting on certain forms where possible.

It proved difficult to identify any major areas of statistics that might be dropped or cut back. The overall reporting burden on banks has undoubtedly increased significantly. To some extent this is a reflection of the increased complexity of the financial system, and the wider range of banks' activities. It also reflects the increasing needs of banking supervisors, following the Banking Act 1987 and the Basle Convergence Agreement, and measures taken to improve national accounts and balance of payments statistics. While improvements to computer systems have undoubtedly aided the routine production of data in recent years, setting up and amending systems is costly.

The burden is unlikely to diminish in the future; indeed, it is likely to grow further, if only because of new needs arising from the development of the European Community. It will therefore be necessary to examine all new requests for information very closely, to ensure that the cost of providing the information is fully justified by the benefits. It will also be necessary to reassess the value of existing statistical surveys from time to time.

Other subjects discussed in the review

Securitisation

At the outset of the review, the Bank had three main concerns about the effect on financial statistics of the growth of the practice of 'securitisation' of assets: first, the issue by banks of securities which are neither capital nor CDs nor deposits; second, the holding by banks of assets in the form of asset-backed securities issued by others; third, the issue of securities through the agency of banks, but not reported as balance sheet assets or liabilities of banks.

The first two concerns were easily met, by adding to reporting forms new categories of assets and liabilities where necessary, as described above. The new information on transactions in investments [form Q1(R)] will help prevent changes in the valuation of assets from distorting calculated flows. The third concern was that issues of asset-backed securities by companies other than banks might not be captured at all in financial statistics. It was thought that most issues of such securities would be managed by banks, and that the banks could thereby serve as a valuable source of information. In practice, the need has been met in other ways, and no special information will be sought from the banks. The issue of asset-backed securities requires the setting up of a vehicle company, which issues securities that are secured on the assets of the vehicle. The vehicle uses the proceeds of the security issue to buy those assets from the company which set up the vehicle, thereby removing the assets from the balance sheet of that company. It has proved possible to collect statistical reports directly from most major vehicle companies. In the national accounts they are treated as financial intermediaries in the 'other financial institutions' sector. The majority of the assets securitised in the United Kingdom in recent years have been mortgages, although some packages of consumer credit loans have also been securitised.

Integrated system of returns

The centre of the system of returns devised in the 1970s, and in use ever since for statistical purposes, is a detailed balance sheet return (form BS). This is completed monthly by most banks, and quarterly by very small banks. Most other returns, such as the analysis of deposits and lending by economic sector, the 'industrial' analysis of lending to UK residents, and analyses of external and foreign currency business, are expansions of sections of the balance sheet. Interlocking returns give built-in consistency checks, a great advantage when large quantities of data must be assembled quickly and (for many purposes) aggregated, or compared. Common definitions bring similar advantages.

For these reasons, the Bank was keen that interlocking returns should continue to form the core of the reporting system. Where prudential and statistical needs do not coincide, the Bank (and the banks) were also keen to preserve common bases of definition.

In the early stages of the review, it became clear that a fully integrated system would need to be more elaborate than hitherto, if the need of both supervisors and other users of banking statistics were to be met fully. There are some important differences between these two sets of needs:

(i) In UK monetary and national accounts statistics, there is an important distinction between residents of the United Kingdom and overseas residents. For that reason, it is necessary for banking offices in the United Kingdom to distinguish between their business with other UK residents and business with overseas residents (including their own branches and subsidiaries overseas). For supervisory purposes, it is important to consider the worldwide activities of each bank.

(ii) Statistically it is important to distinguish between the activities of banks and those of other financial institutions. For supervisory purposes, it is often important to look at consolidated figures for a bank and its financial subsidiaries.

(iii) The statistical convention is to report the value of assets and liabilities as they stand on the balance-sheet date, without including accruals of interest. By contrast, supervisors ask for assets and liabilities to include accruals.

These and other differences of approach mean that a fully integrated system of reporting would be too complex and it was agreed that this would not be sought. However, the interlocking nature of existing forms would be retained, and built upon where possible. It was also agreed that differences of approach in different forms would be kept to a minimum.

Review of building societies' statistics

The Building Societies Commission (BSC) has been carrying out a review of societies' statistics. The statistical system operated by the BSC also serves as the main source of statistics for monetary and national accounts purposes. The Bank and the CSO have been involved in the BSC's own review. This has provided the opportunity to ensure that as far as possible the statistics sought from banks and societies are compatible and comprehensive, especially in respect of the monetary data where liabilities of banks and societies form the bulk of the broad monetary aggregate M4. Changes to societies' statistics arising from the BSC's review will be implemented in August and September 1992.

The comprehensive monthly (MFS1) form has proved to be very successful in the dual role of providing economic as well as supervisory statistics, and the changes now are thus generally minor. They are:

(i) refinements to increase the accuracy of the monetary and financial accounts statistics (eg a split of public sector deposits, identification of non-interest-bearing deposits, extra sectoral analysis of commercial assets, more comprehensive data on depreciation/write-offs);

(ii) capturing of new types of liability and assets (eg 'permanent interest-bearing shares', holdings of bank and society securities);

(iii) a more detailed analysis of transactions in Class 2 and Class 3 assets, to enable eventual publication of monthly data on the whole mortgage market (including similar data from banks and the centralised lenders) and to improve the consumer credit data published by the Central Statistical Office (see section on lending to the personal sector, above);

(iv) removal of some breakdowns no longer needed.

Forms BS2 (quarterly) and BS3 (annual), collected by the Bank, have never been revised since the introduction of the comprehensive monthly balance sheet on form MFS1. A single quarterly form, harmonised with the MFS1, will now replace both the BS2 and the BS3. Its main purpose is to collect the full sectoral analysis needed for the monetary and financial accounts statistics; the BS2 form had become deficient in this respect because of the increasing variety of societies' business. The new form will be collected by the Commission who—as with the existing monthly form—will pass the aggregated data to the Bank for inclusion in the monetary and financial accounts statistics.

Data will also be collected on mortgages managed for other lenders, in an effort to ensure that there are no large gaps in the statistics for total mortgage lending, and on building societies' subsidiaries.

Future reviews of statistics

In the past it has been possible to conduct periodic reviews of statistics with gaps of five years or more between one review and the next. But in a changing financial world, statistical needs also change. The experience of the present review has been that it is impossible either to conduct discussions on a wide range of topics in a short time, or to implement all the changes quickly. This means that the statistics become more out of date than is desirable, and the review process itself becomes inefficient.

A number of factors suggest that statistical needs are likely to change further in the next five years:

(i) The needs of banking supervisors continue to evolve, partly as a result of the process of harmonisation of supervisory practices within the European Community, partly because of the wider process of convergence of international supervisory practices which continues to be discussed in Basle, and partly because of new developments within the field of banking itself.

(ii) Moves in the European Community towards greater economic integration are likely to have an impact on banking and monetary statistics across the Community.

(iii) The programme of work associated with the Chancellor's Initiative to improve economic statistics is continuing, and may give rise to recommendations for further changes in banking statistics.

All this suggests the likelihood of the need for changes to banks' statistics before the next periodic review. A formal review is still likely in five years or so, if only to ensure that obsolescent statistical surveys are identified.

Conclusion

Banks play a key role in the national economy through their participation in both the domestic and international financial systems, and reviews of banking statistics will continue to be necessary. There is always a danger that new surveys will be introduced as new needs arise, without scrapping or amending old ones as their usefulness declines. The financial world has become more complex, so a more elaborate statistical system is to some extent inevitable. It is therefore important that their statistics are accurate, comprehensive, and up-to-date. But statistics are costly to provide and requests for them must be related to real needs.

The Bank is grateful to the banks for the constructive role they play in providing statistics. In particular, the Bank is grateful to the members of the Statistical Committee and of the Statistical Unit of the British Bankers' Association, who have patiently worked through this review. The Bank is also grateful to the Central Statistical Office and certain government departments, especially the Department of Trade and Industry and the Department of the Environment, and to the Building Societies Commission and Building Societies Association, for their part in specifying requirements and helping to achieve them.

List of statistical returns submitted (or to be submitted) by banks following the banking statistics review

Balance sheet returns

Monthly balance sheet return (Form BS)

Selected balance sheet items (Form W1)

Quarterly balance sheet return (Form QBS)

Further analyses of the balance sheet

Sector details (Form Q1)

Further analysis of sterling loans secured on residential property (Form Q1 (A))

Monthly and annual analysis of certain items [personal lending] on Form Q1 (Form Q1 (D))

Analysis of write-offs, other revaluations and transactions in investments (Form Q1 (R))

Analysis of loans and advances, acceptances and facilities to UK residents including holdings of sterling commercial paper issued by UK residents; analysis of deposits (Form Q3)

Maturity analysis of liabilities and assets (Forms Q6, S5, QMA)

Capital expenditure (Form Q8)

Liabilities to and claims on overseas residents payable in sterling (Form S1)

Liabilities and claims in currencies other than sterling: country analysis of UK external liabilities and claims (Form S2) and currency analysis of liabilities and claims (Form S2, Section 2)

Foreign currency exposure (Form S3); foreign currency options (Form S3 Annexes A and B)

Country exposure (Forms B1, C1)

Other returns

Capital adequacy (Form BSD1)

Large exposures (Form LE)

Analysis of profits, exposures and certain other miscellaneous information (Form B7)

Revenue and expenditure (Form A3)

Transactions with overseas residents (Form BP)

Overseas direct investment (Form H1)

Securities transactions affecting the UK balance of payments (Form P1)

Annual valuation return (Form A1)

Annual valuation of British Government stocks held for overseas residents (Form A2)

Transactions in gold bullion and coin with certain UK residents (Form G)

Discount houses' transactions in sterling CDs (Form CD (DM))

Bill turnover in the money market (Form MM)

Market-makers' holdings of loan capital issued by authorised institutions and banks overseas (Form M1)