Improving Quality of Information on International Capital Flows

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Findings: Official Data

- Under leadership of IMF GDDS and SDDS programs, data in general much improved
- IMF is pursuing the *balance sheet approach* in expanding data available and in performing semi-annual *surveillance*
- Private-sector users are not completely satisfied
  - Issues: reliability, timeliness, cost, quality
Findings: Hedge Fund Industry

• Official concerns about hedge funds are not focused on emerging-market exchange-rate issues
• Officials in developed markets are concerned about small investors and fund-of-funds, crowded trading and market behavior, unfair practices (valuation, side letters)

Findings: Hedge Fund Industry

• Hedge-fund regulation in developed markets unlikely
  – U.S. experience (registration and law)
  – FSA discussions
  – G7 comments (February 2007)
• Official hedge-fund data virtually non-existent
• Active private hedge-fund data collection
• Sophisticated investors know a lot about hedge fund strategies and trading
Derivatives

- Little firm reporting on derivative activity
  - 10-Ks on firms
  - Commodity pool operators
  - Comptroller of the currency bank reporting
- Exchanges versus over-the-counter markets
- Commitments of traders (COT) on organized exchanges

Recommendations: Official Data

- Premise: ABAC wishes to foster growth and efficiency of international capital movements
- Recommendations:
  - Code of conduct for statistical agencies to increase confidence of market
  - Investor relations departments for economy to serve the market
Recommendations: Official Data

• Recommendations:
  – Economy discussion of PINs after IMF surveillance
  – Support IMF SDDS improvements
  – Support IMF *balance sheet approach* with special emphasis on improving data from the non-bank non-financial sectors of the economy

Recommendations: Hedge Funds

• Premise: Hedge funds provide liquidity and are in general good for markets due to active trading and information discovery
• Recommendations:
  – If concerned about hedge funds, set up industry surveillance units that become sophisticated observers of the market using many data sources
  – Similar approach for derivative trading