

# Improving Quality of Information on International Capital Flows

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February 28, 2007

Advisory Group on APEC Financial System Capacity Building – Seattle, February 28, 2007

## 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

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## 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)

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## 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

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## 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

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## 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

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## 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

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## 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

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