Derivatives data at the Banco de Mexico: Its structure and uses

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Abstract

The last financial crisis unveiled weaknesses in the functioning of derivative markets and in the ability by financial authorities to identify and monitor risks undertaken in those markets, among them: the big share of positions in OTC markets, without central clearing mechanisms, and the lack of information about these transactions and the counterparties involved. Several international initiatives are being implemented to tackle these risks. Regarding information, derivative transactions are being recently subject to reporting to trade repositories (TRs), giving access to financial authorities to important new data for indicators and statistics for risk monitoring and research. Some countries have a longer history of collecting data on transaction basis in these markets. Banco de Mexico has been collecting this information for more than ten years. This paper describes briefly the structure of the central bank derivatives data and some of its most relevant uses. The level of granularity of this data allows performing a rich micro- and macro prudential analysis. In particular, it is used for credit risk, capital and liquidity requirements analysis of financial institutions and for contagion network analysis. Recently, a broad new set of statistics on derivatives traded by domestic brokerage firms and banks, their corresponding outstanding transactions and their net position with other sectors, was released. We expect this experience could serve others to exploit the data submitted to trade repositories.

Keywords: financial derivatives; information model; micro-data; financial stability.