

International Financial Services, London (IFSL)



Duncan McKenzie, Director of Economics
d.mckenzie@ifsl.org.uk

Presentation to CPIS seminar, 2 March 2006

www.ifsl.org.uk

IFSL's role



- Cross-sectoral London-based association with 120 members that promotes the export of UK financial services
- Works towards the removal of trade and other barriers to market access that prevent cross-border provision of international financial services
- Provides research and statistics on the global role of UK financial services and on London's position as an international financial centre

Growing importance of cross border portfolio investment

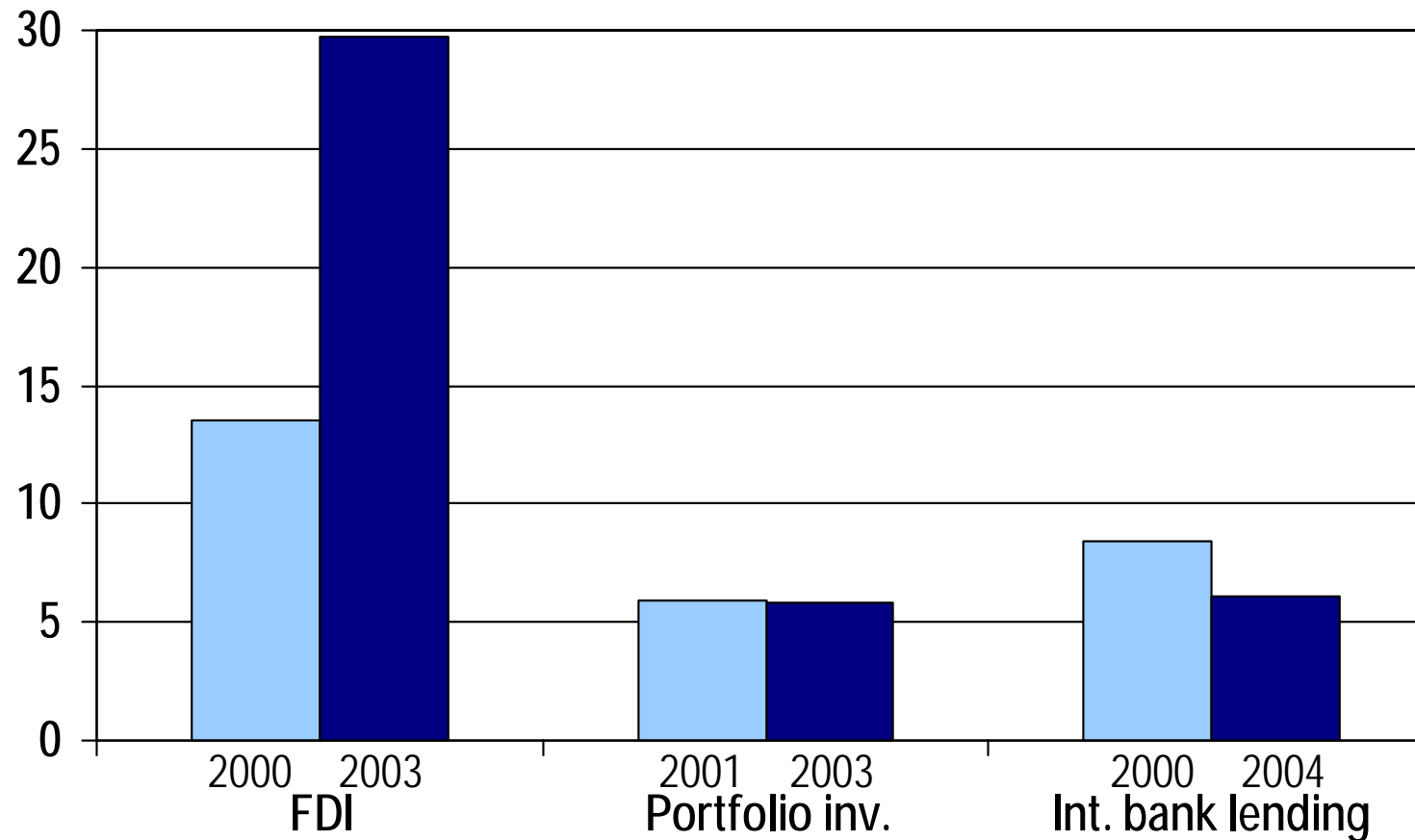


- Capital markets in their infancy in emerging markets
- Need for reform, development and expansion of pension funds in many countries
- Investors looking for new opportunities
- Substantial growth in the future

Emerging markets share of global external finance



% share of global market for external investment & finance provided to emerging markets



Source: BIS, IMF

Net flows into developing countries



\$bn	Portfolio inv.	FDI	Int. bank lending
	2003	2003	2004
Taiwan	29.6	0.5	18.2
South Korea	22.7	3.2	12.6
China: mainland	8.4	47.1	24.0
Brazil	5.1	10.1	-7.4
Mexico	3.9	10.8	-0.8
Hungary	2.9	2.5	6.6
Indonesia	2.3	-0.6	-2.3
Israel	2.3	3.7	8.9
Chile	1.7	3.0	0.9
Russia	-2.3	6.7	8.9
Argentina	-8.1	1.0	-5.3
Other countries	28.7	89.8	67.3
Total	97.1	177.8	131.6

Source: BIS, IMF

Key statistical issues regarding CPIS

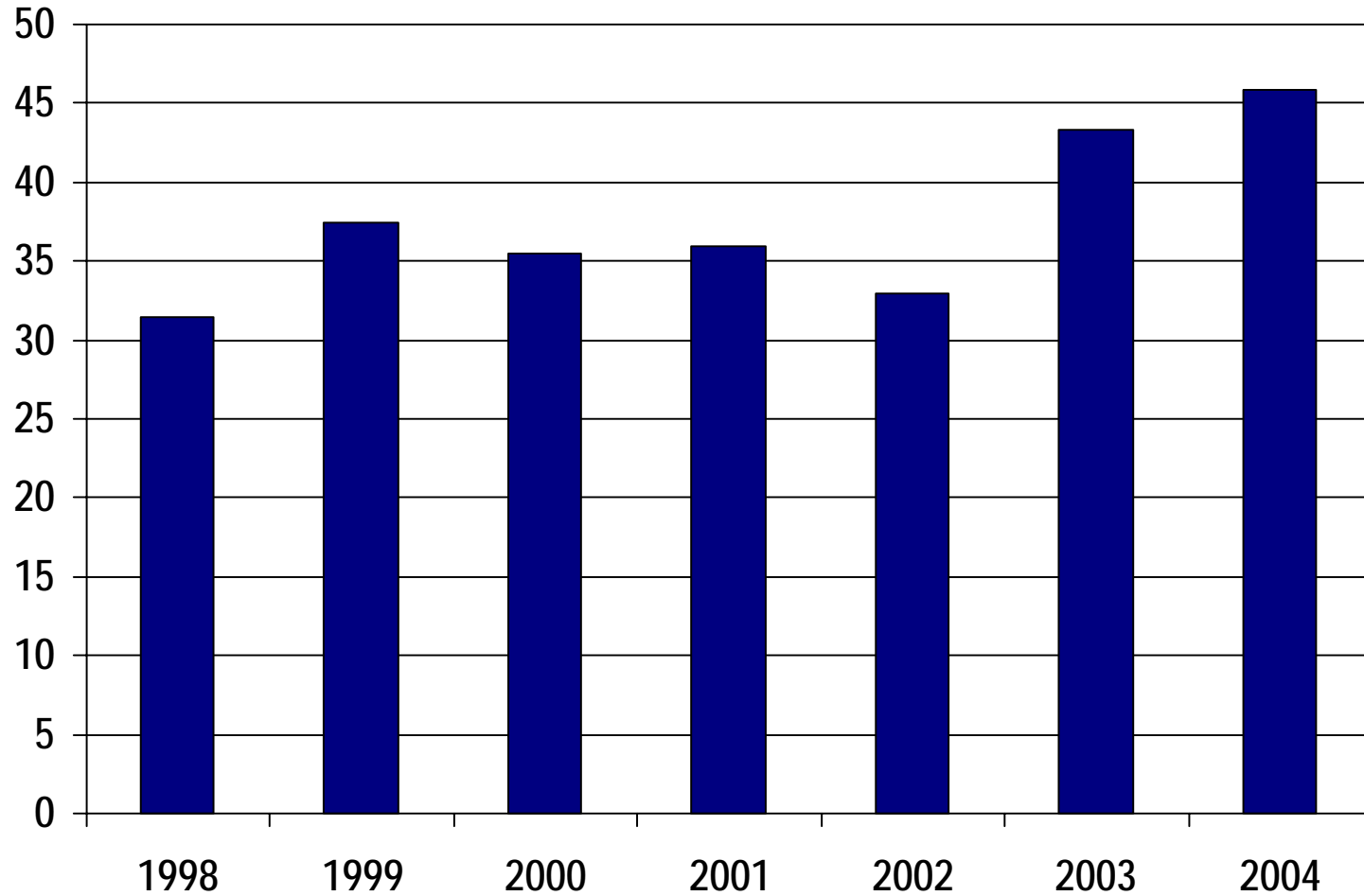


- *Comprehensiveness* Key countries missing e.g. China & India
- *Coverage* of alternative investments, such as:
 - *Securitisation*: Converts a future stable cash flow arising from a financial asset, usually a loan, into a lump sum cash advance
 - *Private equity*: Any type of equity investment where equity is not freely tradable on an a public stock market
 - *Hedge funds*: Privately-pooled investment limited partnerships which fall outside many of the rules and regulations governing mutual funds.
- *Collection* of data on these alternative investments

Global fund management

\$ trillion, conventional assets under management, end-year

STOCK

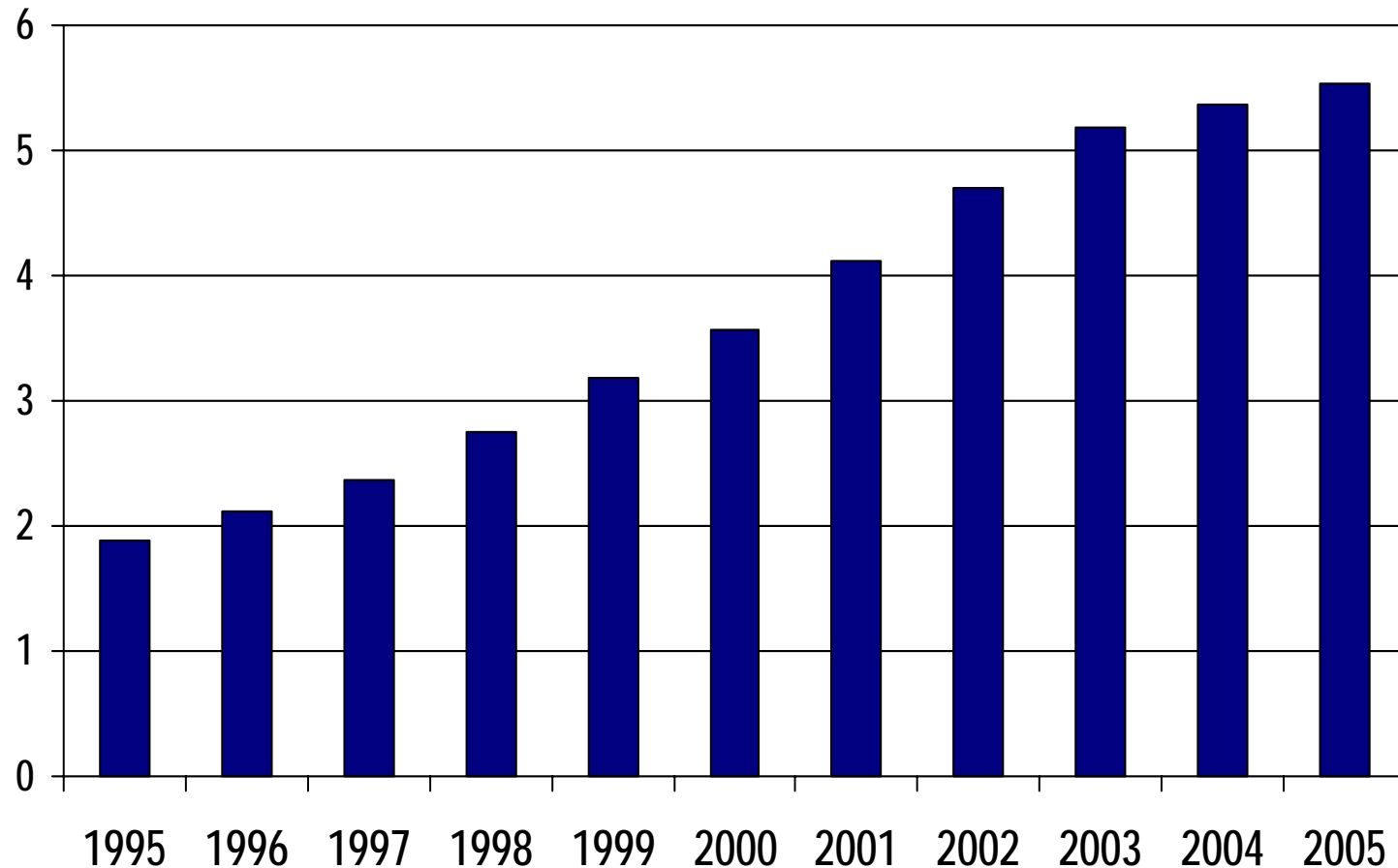


Source: IFSL Fund Management report: estimates based on Watson Wyatt, Bridgewater, Merrill Lynch, Swiss Re, Hennessee Gp.

Securitisation issues in US*

Assets securitised, amounts outstanding, \$ trillion

STOCK



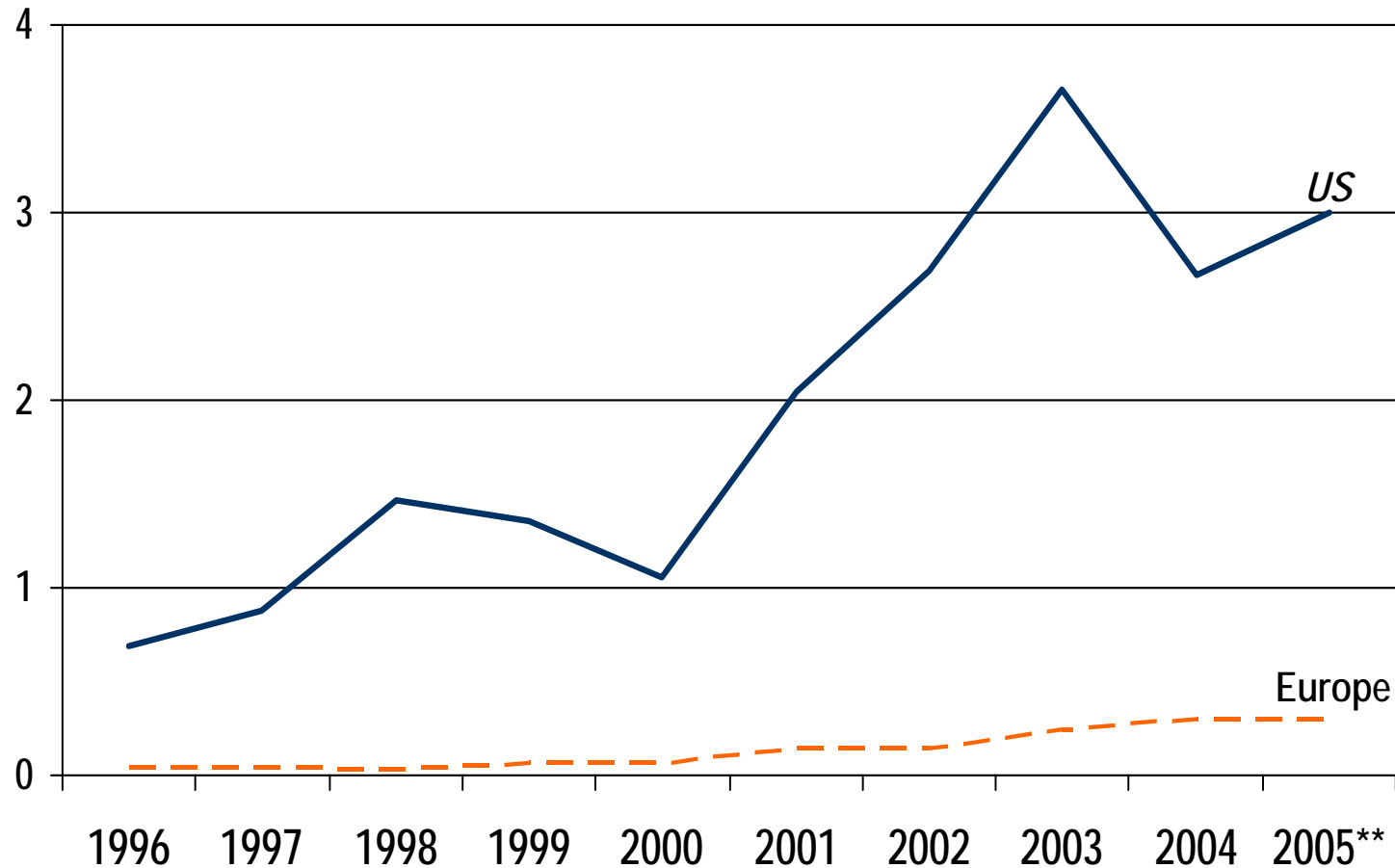
Sources: US Federal agencies, The Bond Market Association, IFSL Securitisation report

*Includes asset-backed securities (ABS) and mortgage-backed securities (MBS)

Securitisation issues in US and Europe*

Annual value of assets securitised, \$ trillion

FLOW



Sources: US Federal agencies, The Bond Market Association, IFSL Securitisation report

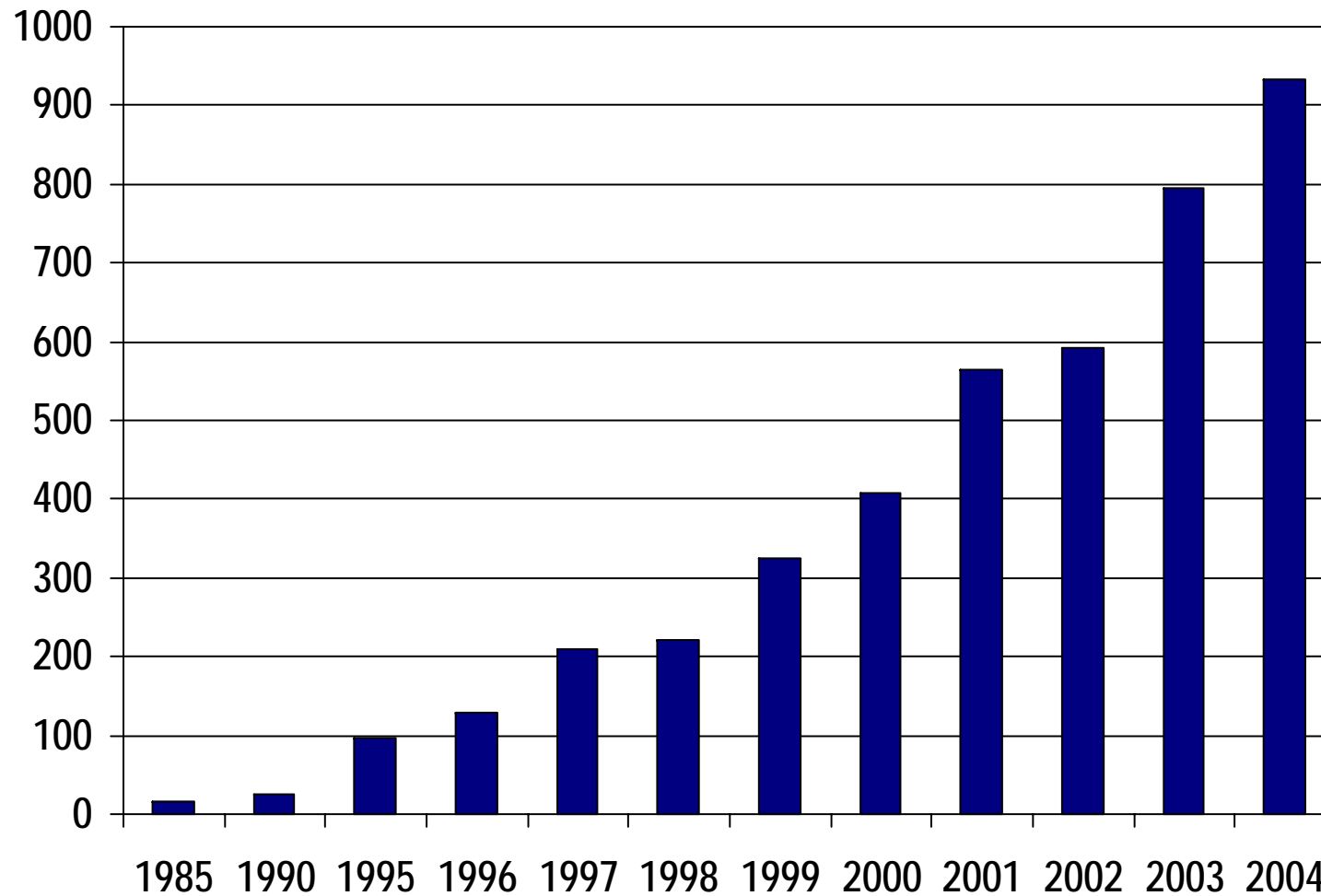
*Includes asset-backed securities (ABS) and mortgage-backed securities (MBS)

**Estimate

Global hedge funds

\$bn, assets under management, end-year

STOCK



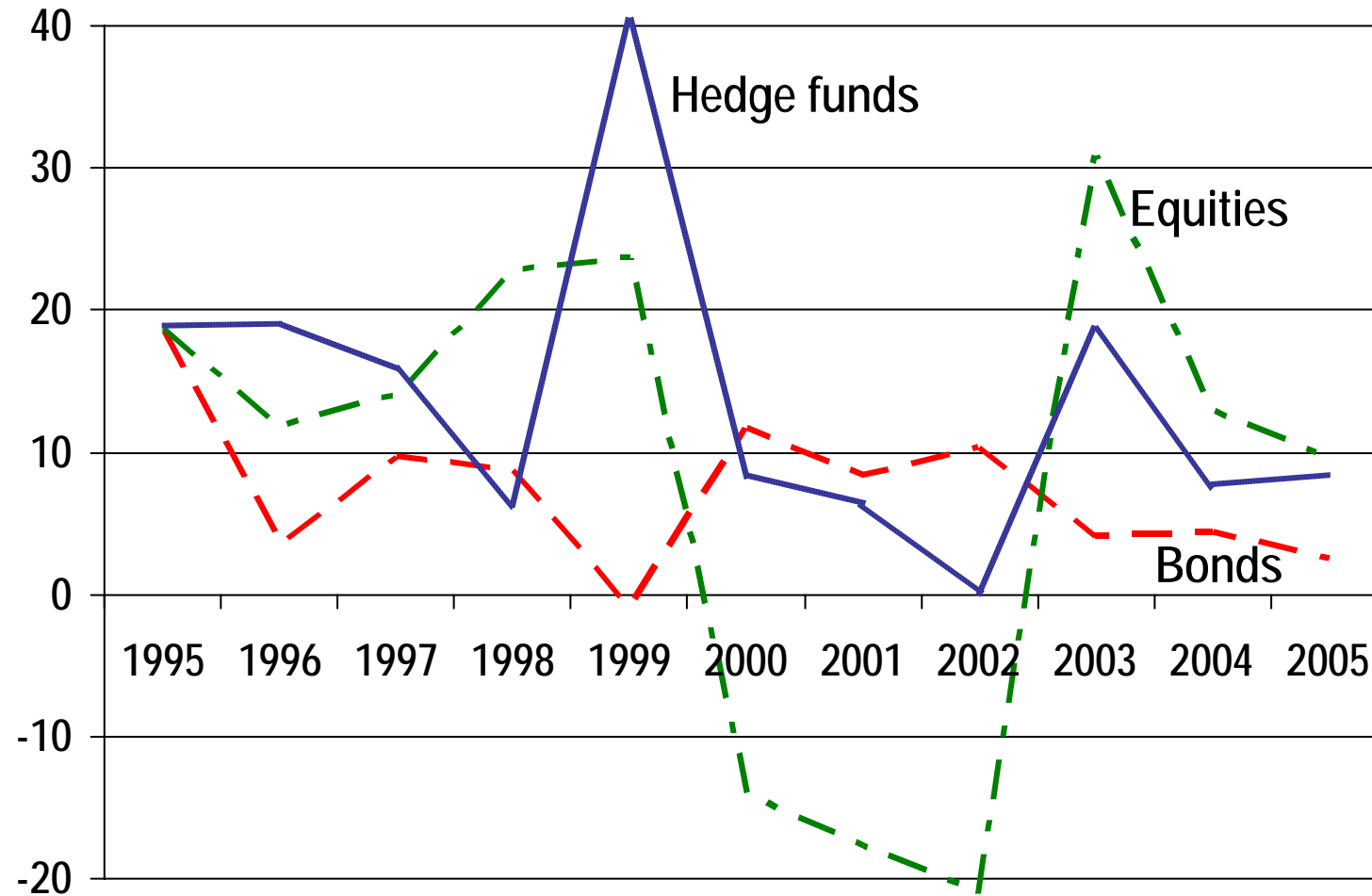
Source: Hennessee Group LLC; Hedge Fund Research, IFSL Hedge Fund report



Rates of return



Annual % rate of return on global assets

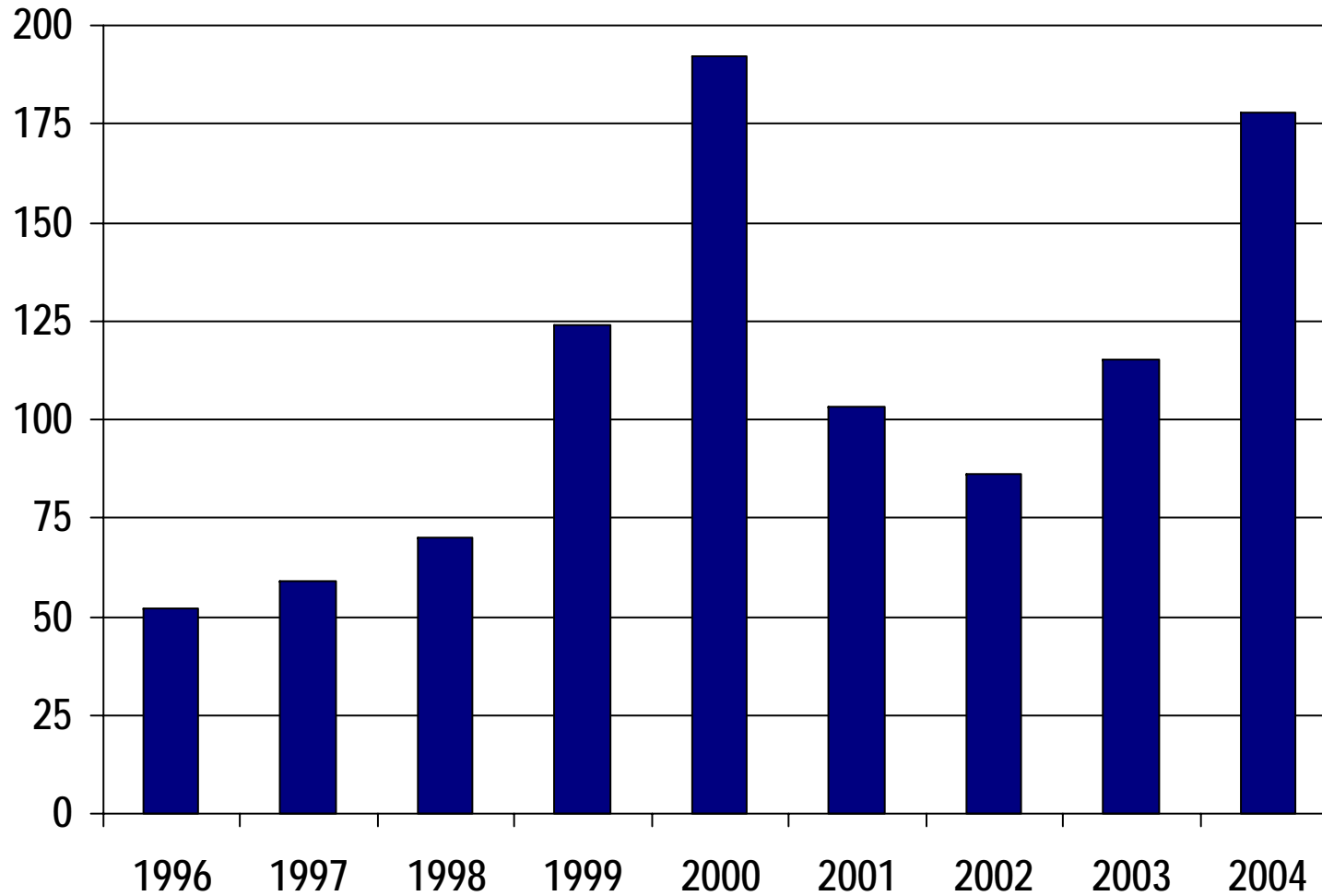


Source: Van Hedge Fund Indices

Global private equity

\$bn, amounts invested annually

FLOW



Source: Hennessee Group LLC; Hedge Fund Research, IFSL Private Equity report



Coverage of CPIS



Global stock of assets, estimated, end-2004

- Conventional fund management \$45 trillion
- Securitisation \$7 trillion
- Hedge funds \$1 trillion
- Private equity \$1 trillion
- Public Private Partnerships \$0.1 trillion

Coverage of CPIS



Key questions:

- Is cross-border investment in all of these alternative assets currently included in CPIS? (Asset backed securities are mentioned in Compilation Guidance but only with respect to mortgage-backed obligations)
- If not covered in CPIS, should they be?
- Would this create problems in data collection?