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## Working Party on Financial Statistics

### KOREA'S COMPILATION METHOD FOR SECURITIZATION

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*This document has been prepared by Sung-Hwan KIM (Bank of Korea) and will be presented under item 2 of the draft agenda*

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## KOREA'S COMPILATION METHOD FOR SECURITIZATION

### 1. Background

According to the Act Relating Asset Debenture (legislated in 1998) and the Mortgage Debenture Company Act (legislated in 1999), an institution which wants to securitize its assets, establishes an SPC, and hand over the assets to the SPC. There are three kinds of securities in Korea - ABS, MBS, and student loan-backed securities.

### 2. Data collection

In Korea, an institution, which wants to securitize its assets, should register a plan for securitization with the Financial Services Commission (FSC). Then, FSC shares the information with the Financial Supervisory Service (FSS), which operates DART.

DART which stands for the Data Analysis, Retrieval and Transfer System is an electronic disclosure system operated by FSS that allows companies to submit disclosures online where it become immediately available to investors and other users.

We can identify SPCs which are established for securitization through DART.

Then, we send official documents to SPCs and receive data by mail or e-mail. Data collected from SPCs include balance sheet (B/S) and detailed statement of deposit, borrowing, bond and stock holdings, financial derivatives, and balance of ABS.

We compile flow of funds statistics quarterly and receive data from the SPCs quarterly. There are around three hundred (300) SPCs for securitization in Korea now.

### 3. Compilation method

#### 3.1. Stock

First, the stock of ABS liability of the economy is set by the sum of all SPCs' ABS balance. Because balance of ABS issued is recorded at the price of issue on the balance sheet in SPCs, we convert the value to a market price. Then, this becomes the stock of ABS asset of the economy as well.

Secondly, the stock of ABS assets held by financial corporation sector and general government sector is calculated by the sum of ABS holdings of the institutions in these sectors. For this, we collect balance sheet and bond-holdings statement from all institutions.

Information about ABS assets held by rest of the world sector comes from Balance of Payments Team in Bank of Korea.

ABS assets held by non-residents are zero by now.

The stock of ABS assets held by public corporations is also calculated by the sum of ABS holdings. For this, we collect balance sheet and bond-holdings statement from all public corporations.

We subtract the stock of ABS asset of the former two sectors and public corporations from the stock of ABS asset of the economy, and the remnants are the stock of ABS asset held by private corporations and household plus NPISH sector.

Thirdly, the stock of ABS assets held by private corporations and household plus NPISH sector are estimated respectively.

For this estimation, we use data from securities companies. Securities companies provide us with bond-deposit statement classified by institutional sector at the end of term basis.

In most cases, investors trade bonds through securities companies and deposit bonds at depository institutions. They receive depository receipts from depository institutions.

We basically use the ratio of bond deposit of institutional unit, for example private corporations, at the end of the period.

However, we also consult increase rate during the period, considering possible changes in investors' behavior of deposit.

### ***3.2. Valuation at market price***

We can find price of issue through adding premium or discount to par value. These are shown on the balance sheet of SPCs.

Because we record bonds at market price in flow of funds statistics, we need to find market price of the ABS.

For this, we collect data from bond-price-evaluating companies. There are three companies in Korea which evaluate the price of bonds on the request of their customers.

These companies provide us with amount of ABS at issue price and at market price as well. We apply the ratio of ABS at issue price to at market price to the stock of ABS liabilities calculated by adding up all the SPCs' liabilities at issue price.

### ***3.3. Flow***

First, total source of ABS of the economy is calculated by subtracting the sum of all SPCs' ABS balance at the end of period from that of the previous period valued at issue price. This becomes total use of ABS of the economy as well.

Secondly, use of general government sector and financial corporation sector and public corporations is calculated.

For this, we use balance sheet and bond-holdings statement from institutions in these sectors and public corporations. Because bonds are valued at market price in the balance sheet of investors, we change the value from market price to issue price using data from bond-price-evaluating companies.

Difference between ABS assets at the end of period and at the end of the previous period valued at issue price plus gain or loss of trading during the period becomes use of ABS during the period. We get

information about gain or loss of trading during a period from bond-holdings statement of these institutions.

Thirdly, use of private corporations and household plus NPISH sector is calculated by estimation. For this, bond-deposit statement from securities companies is used.

#### 4. Statistics

Total ABS liability of the economy at the end of June 2010 was 59 trillion Won. Because SPCs are included in Other Financial Intermediaries, 59 trillion Won is recorded in the liability of Other Financial Intermediaries.

In the asset side, Financial Corporations held 36 trillion Won of ABS, which is 60 percent of total ABS, and General Government held 8 trillion Won of ABS, that is about 14 percent of total ABS, and Household plus NPISH held 11 trillion Won, that is about 19 percent of total ABS. And Non-financial Corporations held 4 trillion Won of ABS, about 7 percent of total ABS of the economy.

#### Stocks and flows of ABS in Korea (trillion Won)

	2010.3 (Stock)	2010.2/4 (Flow)	2010.6 (Stock)
Total liability of the economy	57.0	1.7	58.9
Financial Corporations	57.0	1.7	58.9
Other Financial Intermediaries	57.0	1.7	58.9
Total asset of the economy	57.0	1.7	58.9
Financial Corporations	35.6	0.0	35.6
DMBs	19.3	-1.1	18.1
Insurance Companies	10.5	0.4	11.1
General Government	7.2	0.9	8.1
Household+NPISH	9.5	0.8	10.9
Nonfinancial Corporations	4.6	-0.1	4.4