

## **Indicator 10.5.1**

### **Indicator Name, Target and Goal**

**Indicator 10.5.1** Financial Soundness Indicators (FSIs)

**Target 10.5** Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations

**Goal 10** Reduce inequality within and among countries

### **10.5.1-6 Liquid assets to short-term liabilities**

#### **Definition and Rationale**

##### Definition

This FSI is calculated by using the liquid assets as the numerator and short-term liabilities as the denominator. The ratio can also be calculated by taking the broad measure of liquid assets as the numerator. For jurisdictions that have implemented Basel III, this indicator could be supplemented with the liquidity coverage ratio.

##### Concepts

Liquid assets include currency and deposits and other financial assets available on demand or within three months. Broad measures equal core measure plus securities traded in liquid markets that can be converted into cash with minimal change in value. Short-term refers to three months and should be defined on a remaining maturity basis. If remaining maturity is not available, original maturity can be used as an alternative.

##### Rationale and Interpretation:

It is a liquid asset ratio and is intended to capture the liquidity mismatch of assets and liabilities and provides an indication of the extent to which deposit takers can meet the short-term withdrawal of funds without facing liquidity problems.

#### **Data Sources and Collection Method**

All data are regularly reported from banks to the Financial Services Agency (FSA) (or the Bank of Japan (BOJ)). All banks' accounting data are in accordance with national accounting rules.

## **Method of Computation and Other Methodological Considerations**

- Computation Method

This FSI is calculated by using the liquid assets as the numerator and short-term liabilities as the denominator.

- Comments and limitations

Accounting rules generally follow the J-GAAP.

The banks excluded from the sample are insignificant in terms of amounts.

## **Data Disaggregation**

N/A

## **References**

IMF FSI Compilation Guide Chapter 7. Specification of Core Financial Soundness Indicators for Deposit Takers

<https://www.imf.org/External/pa4158/fsi-guides/chapter-7.pdf>

IMF SDDS Plus Metadata (Japan) :

<https://dsbb.imf.org/sddsplus/dqaf-base/country/JPN/category/FSI06>

## **Custodian Ministries of Data**

Financial Services Agency

(Bank of Japan)

## **Custodian Ministries of Related Policies**

Financial Services Agency

## **International Organizations**

International Monetary Fund (IMF)