

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

10.5.1-1 Regulatory Tier 1 capital to assets

Definition and Rationale

Definition

This is the ratio of the core capital (Tier 1) to total (balance sheet) assets. Tier1 is not used for domestic banks, while "Core Capital" is captured as regulatory capital for them which consists of high loss-absorbency instruments such as common shares, retained earnings, and mandatory convertible preferred shares.

Concepts

Regulatory Tier 1 capital is calculated based on Basel I, II, or III depending on countries' supervisory practices. Denominator is total balance sheet (non-risk weighted) assets.

Rationale and Interpretation

It is a more stringent version of the leverage ratio and indicates the extent to which assets are funded by other than own funds and is a measure of capital adequacy of the deposit-taking sector.

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

It is calculated using total regulatory Tier 1 capital as the numerator and

total assets 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/FSI02>

Custodian Ministries of Data

Financial Services Agency

(Bank of Japan)

Custodian Ministries of Related Policies

Financial Services Agency

International Organizations

International Monetary Fund (IMF)