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Monetary and Financial Statistics:

Compilation Guide

Chapter 1. Introduction

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Introduction

1.1 The *Compilation Guide for Monetary and Financial Statistics* is aimed at providing direct assistance to data compilers who are responsible at the national level for implementing the methodology and statistical frameworks contained in the *Monetary and Financial Statistics Manual* (*MFSM*). This guide, like the *MFSM*, should also be useful to compilers working in other areas of macroeconomic statistics, as well to those users who are interested in the origins and computational elements of the monetary and financial data that they are analyzing.

1.2 The titles and topical coverage of Chapters 3-8 of this guide correspond to those of Chapters III-XIII in the *MFSM*. Chapter 2 in this guide, which deals with source data and the accounting standards applicable to these data, has no counterpart in the *MFSM*, given the broad scope of the *MFSM*—definitions and related concepts, major data classifications, general accounting rules, and statistical frameworks for the monetary and financial statistics. This guide delves into the practical issues associated with the application of the *MFSM* principles to institutional units, individually and collectively, in a national context.

1.3 This guide contains an assortment of main text, boxes, tables, annexes, and appendices. In addition, unnumbered and untitled boxes—dubbed "windows"—present selected passages of text from the *MFSM*. In some of these windows, the *MFSM* text has been corrected or revised for clarification. A complete list of the *MFSM* revisions is provided in the annex to this chapter (Annex 1.1).

Historical Perspective

1.4 By incorporating the compilation of flow data, the *MFSM* and this guide take a major step in the progression of the guidance on monetary statistics that the IMF has been providing to member (and non-member) countries for over a half century. This guidance began in the lead-up to the publication of the inaugural issue of *International Financial Statistics* (*IFS*) in January 1948 and has continued to the present day.[1]

1.5 The focus through time has been on compilation and reporting of balance-sheet data (end-of-month stocks) for the central bank and other depository corporations in each country. Expertise accumulated over three and a half decades of IMF technical assistance in monetary statistics was documented in *A Guide to Money and Banking Statistics in International Financial Statistics* (December 1984)—a draft manual that, though widely circulated to IMF

[1] Public release of the January 1948 issue followed the production of six pilot issues that were distributed only within the IMF. The first pilot issue (June 1947) contained pages for 33 countries. The January 1948 issue contained pages for 56 countries. The December 2005 issue of *IFS* contained 180 country pages, as well as pages for 3 currency unions.

member countries, was not officially published. The scope of the 1984 guide was limited exclusively to the compilation of stock data for depository corporations (called "banks and bank-like institutions" therein) as reported for the country pages in *IFS*.

1.6 The *MFSM* and this guide in particular contain substantial amounts of material on the compilation of flow data and related issues. The emphasis on flow data may appear to be, but is not, incongruous with the continuing focus on the reporting of stock data for the monetary statistics. A major step in the implementation of the methodology in the *MFSM* and this guide has been the introduction of standardized report forms (SRFs) for countries' transmittal of monetary data for publication in *IFS* and operational purposes of the IMF. The SRFs are designed for reporting of stock data only.

1.7 The *MFSM* and this guide are forward-looking with respect to realistic prospects for the development and use of flow data. In explaining its exclusion of flow data, the 1884 draft guide stated:

> This reflects the fact that most of the quantitative aspects of bank supervision and regulation are based on data from balance sheets and similar financial statements.... while changes in stock data provide approximate measures of financial flows, flow data cannot be used to compile stock data. While valuation adjustments can be significant for some of the asset and liability items entering into the balance sheets of financial institutions, such adjustments are likely to be comparatively small overall, particularly over short periods.

This statement may have been broadly applicable in the mid-1980s but certainly has become outdated. During that era, most assets and liabilities were recorded at book value (amortized or unamortized historical cost) and the only monetary statistics recommendations for revaluation pertained to conversion of foreign-currency-denominated assets and liabilities into national currency units at end-of-period market exchanges rates. Users of the monetary data, who possessed only period-to-period changes in stock data, were compelled to rely on their judgment or relatively unsophisticated quantitative methods for estimating the separate flow components—transactions and valuation changes—for the foreign-currency-denominated instruments.

1.8 The situation changed dramatically with the introduction of the *1993 SNA*, which recommended that revaluations should be based on current market prices or estimated market prices (fair values) for several types of financial assets and liabilities. This methodological change paralleled the accounting profession's drive, since the late 1960s, to move to market-or-fair-value accounting. Today, the results of these efforts are reflected in national accounting standard and, in particular, in the International Financial Reporting Standards.

It is possible to realize resource savings by treating the compilation of the financial statistics and the financial account of the *1993 SNA* as a single process or, at least, a highly cooperative effort of the compilers of the monetary and the national accounts statistics. ***MFSM*, ¶20.**

1.9 Development of flow data for the monetary statistics should produce short-term, as well as longer-term benefits. Though reporting and publication of flow data for the monetary statistics are projects for the future, the most direct and immediate benefit from the development of flow data is the usability of these data for the financial statistics.

Relationship to the *1993 SNA* and its update

> Because of the integral links between the monetary and financial statistics and the financial account of the *1993 SNA*, there is an almost complete concordance between this manual and the *1993 SNA* with respect to principles and concepts. In particular, these two sets of international guidelines are consistent on such issues as the delineation of resident and nonresident entities, sectorization of the economy, classification of the various categories of financial assets and liabilities, time of recording of transactions and other flows, financial asset and liability valuation, and data aggregation and consolidation. ***MFSM*, ¶23**
>
> Because of its broader scope, the *1993 SNA* contains many principles and concepts not directly relevant to this manual. This manual contains a few concepts not found in the *1993 SNA*, as well as more detailed treatment of some concepts contained therein. ***MFSM*, ¶24**

1.10 Differences between the *1993 SNA* methodology and that of the *MFSM* and this guide, though few in number, are noteworthy. Regarding the delineation of *institutional units and sectors,* the differences are:

- *Other resident sectors*. The *1993 SNA* (¶4.6) specifies separate subsectors for *Households* and *Nonprofit institutions serving households* (NPISHs), whereas the monetary statistics methodology combines the household and NPISH subsectors in the single category of *Other resident sectors*.

- *Other nonfinancial corporations*. In the *1993 SNA* (¶4.71), the nonfinancial corporations sector is divided into three subsectors: (1) *Public nonfinancial corporations*, (2) *National private nonfinancial corporations*, and (3) *Foreign controlled nonfinancial corporations*. In the methodology for the monetary statistics, only two categories are specified—*Public nonfinancial corporations* and *Other nonfinancial corporations*—given that sectoral classification on the basis of residency of those who control a corporation is not relevant for the monetary statistics.

- *Other nonfinancial corporations*. The *1993 SNA* (¶4.83) specifies separate financial corporations subsectors for (1) *Other financial corporations, except insurance corporations and pension funds*, (2) *Financial auxiliaries*, and (3) *Insurance corporations and pension funds*. These subsectors are recognized in the *MFSM* and this guide, but are combined to form the *Other financial corporations* subsector in all data compilation and presentations of the standard sets of monetary statistics.

- *Government entities that supervise financial corporations*. These supervisory agencies are placed in the *Central bank* sub-sector in the *1993 SNA* (¶4.86), whereas they are included in the *Financial auxiliaries* subsector in the *MFSM* and this guide.

- *Other depository corporations*. In the monetary statistics methodology, all financial corporations that issue liabilities included in broad money are designated as *Depository corporations.* These include the *Central bank* subsector and the *Other Depository Corporations* subsector. In the *1993 SNA* (¶4.88), other depository corporations are defined as those "...which have liabilities in the form of deposits or financial instruments such as short-term certificates of deposit which are close substitutes for deposits in mobilizing financial resources and which are included in measures of money broadly defined." The subtle distinction is that, in the *1993 SNA*, the delineation of an other depository corporation is not based on a single construct of *Broad money* as defined by the national authorities.

- *Regional central banks*. In the *1993 SNA* (¶14.34), a regional central bank which is the headquarters for a currency union or monetary union is not treated as a separate institutional unit, and its transactions and balance-sheet positions are apportioned among the member countries in the union. In the monetary statistics methodology, the *1993 SNA* treatment may apply or, depending on the characteristics of the monetary/currency union, the regional central bank may be delineated as a separate institutional unit whose transactions and balance-sheet positions are treated akin to an international organization.

- *Reinsurance corporations.* The *1993 SNA* states (Annex IV, ¶27): "Reinsurance transactions between resident insurance corporation should be recorded consolidated...without regard to the division between direct insurance and reinsurance." The methodology in this guide does not call for such consolidation. Reinsurance corporations are recognized as separate institutional units, and their transactions and balance-sheet positions are treated in the same manner as those of direct insurance corporations.

1.11 The major categories for financial assets and liabilities in the monetary statistics agree with those in the *1993 SNA*—i.e., *Monetary gold and SDRs*, *Currency and deposits*, *Securities other than shares*, *Loans*, *Shares and other equity*, *Insurance technical reserves*, *Financial Derivatives*,[2] and *Other accounts receivable/ payable*. Regarding the classification of financial assets, the differences are:

- *Classification by maturity*. In the *1993 SNA* (¶11.80-11.81 an ¶11.84-85), *Loans* and *Securities other than shares* are divided, at a secondary level of classification, into separate categories for *short-term instruments* (original maturity of one year or less)

[2] In the *1993 SNA* (¶11.82) as originally published, financial derivatives were classified within *Securities other than shares*, either indistinguishably or as a separate subcategory. In the *Updates and Amendments to the SNA 1993* (2004), *Financial derivatives* became a separate major category of financial assets.

and *long-term instruments*. The standard components of the monetary statistics do not include loans and securities other than shares classified by maturity.[3]

- *Classification by currency of denomination*. The *1993 SNA* does not include a secondary-level division of financial assets into subcategories for financial assets and liabilities (1) denominated in national currency and (2) denominated in foreign currency. In the *MFSM* and this guide, the categorization by currency of denomination is applied to currency and deposits on the asset side of the sectoral balance sheet and to deposits and securities other than shares on the liability side.[4]

- *Classification of monetary gold and SDRs*. In the *1993 SNA*, *Monetary gold and SDRs* is a single category for which a secondary level of classification as monetary gold and SDRs, respectively, is absent. *Monetary gold and SDRs* is also a major financial asset category in the monetary statistics, but *Monetary gold* and *SDRs* are shown as separate categories in the presentations of central bank accounts in the sectoral balance sheet and the *Central Bank Survey*.

- *Definition of trade credit.* In the *1993 SNA* (¶11.103), trade credit is classified within *Other accounts receivable/payable* and it is indicated that "Trade credit and advances does not include loans to finance trade credit, which are classified under [*Loans*]...." This guide distinguishes between trade credits and loans by specifying that trade credits are non-interest-bearing and that loans are interest-bearing.

- *Reclassification of impaired financial assets*. In this guide, impaired deposits and, in some cases, impaired securities other than shares are reclassified as loans (to facilitate the posting of provisions for loan losses for these instruments). This reclassification rule is not contained in the *1993 SNA*.

1.12 The valuation principles and other accounting rules in the *MFSM* and this guide are in general agreement with those in the *1993 SNA*. A major exception for the monetary statistics is the valuation of shares and other equity on the liability side of the sectoral balances sheets of financial corporations. For the monetary statistics, components of the *Shares and other equity account* are measured at book value.[5] In the *1993 SNA* methodology (including for the

[3] However, this guide recommends that data on short- and long-term subcategories of deposits, loans, and securities other than shares be compiled on a supplementary basis. See the *Supplementary data* section in Chapter 7.

[4] However, disaggregation by currency of denomination for loans, securities other than shares, shares and other equity, and financial derivatives in the context of the Standardized Reporting Forms (see Chapter 6), if possible, is recommended in this guide.

[5] The concept of book value is explained in the *Terminology* section of Chapter 2 of this guide.

financial statistic), the *Shares and other equity account* is valued at the market or fair value of the shares.[6]

1.13 The *1993 SNA* methodology does not delve into specific definitions of monetary aggregates. The *MFSM* and this guide focus is on the monetary aggregate that is designated as *broad money* in the national context. Monetary aggregates that are defined more narrowly are covered to a limited extent. *Monetary base*—a major liability category in the *Central Bank Survey* in the monetary statistics—is another construct not used in the *1993 SNA*.

1.14 In 2008, an update of the *1993 SNA* will be published as the *1993 SNA, Rev. 1*. The extensive collaborative efforts of national accounts statistics specialists from many countries has led to the identification of several methodological revisions that will appear in the *1993 SNA, Rev. 1* and that have been integrated into the methodology in this guide. These new features are:

- *Unallocated gold deposits*. Deposit claims on gold (as opposed to title claims on physical gold) are classified within *Deposits* in this guide. This type of deposit is not specifically covered in the *1993 SNA* or the *MFSM*.

- *Valuation of unquoted equity shares*. Alternatives for determining the fair values of equity shares that are not traded in active markets have been expanded beyond the *market-capitalization method* and *present-value method* recommended in the *1993 SNA* and the *MFSM*. The preferred approach is the use of transactions price data for the equity shares. In the absence of transactions price data, the valuation can be based on (1) a previously recommended method, (2) the *net-asset-value method*, or (3) *own funds at book value* (least preferred method) .

- *Employee stock options.* This guide describes the valuation and recording of employee stock options, which are classified as a separate sub-category of options contracts within the liability account for *Financial Derivatives*. Employee stock options were not explicitly covered in the *1993 SNA* or the *MFSM*

- *Unfunded pension liabilities*. This guide, unlike the *1993 SNA* and the *MFSM*, recommends that estimates of unfunded pension liabilities be included in the balance sheets of financial corporations who are employers liable for future pension payments that are not currently funded. The fair value of unfunded liabilities is based on actuarial principles of accounting.

[6] In the *1993 SNA (*¶13.82), net worth is defined as the difference between the value of all assets and all liabilities (including shares and other equity) in an institutional unit's balance sheet at a particular moment in time. In the SNA context, net worth can be positive negative, or zero. In the methodology of the monetary statistics, net worth is always equal to zero, because of the valuation of shares and other equity at book value. Net worth is equal to the market value *less* the book value of the liability account for *Shares and other equity*.

Relationships Among Macroeconomic Statistical Systems

1.15 Macroeconomic statistics manuals and guides published by the IMF, or jointly with other international organizations, are listed in Box 1.1. The core components of the statistical methodology for macroeconomic analysis are the *1993 SNA*, *MFSM* (2000), *BPM5* (1993), and *GFSM* (2001)—complemented by the more specialized methodologies in the manuals and guides on external debt, international reserves and foreign currency liquidity, foreign direct investment, and portfolio investment in the international context.

Box 1.1. Macroeconomic Statistics at the IMF: Other Manuals and Guides[1]

National accounts statistics
System of National Accounts 1993 (1993); *Updates and Amendments to the System of National Accounts 1993* (2004); and *System of National Accounts 1993, Rev. 1* (forthcoming).[2]
Quarterly National Accounts Manual: Concepts, data Sources; and Compilation (2001).[3]

Balance of payments, international investment, international reserve and foreign currency liquidity, and external debt statistics
Balance of Payments Manual. Fifth edition (*BPM5*,1993); successor is forthcoming.
Balance of Payments Compilation Guide (1995).
Balance of Payments Textbook (1996).
Financial Derivatives: Supplement to the Fifth Edition (1993) of the Balance of Payments Manual (2000).
International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template (2001).[4]
Coordinated Portfolio Investment Survey Guide. Second edition (2002).
Foreign Direct Investment Statistics: How Countries Measure FDI 2001 (2003).[5]
External Debt Statistics: Guide for Compilers and Users (2003).[6]

Government Finance Statistics
Government Finance Statistics Manual 2001 (*GFSM*, 2001).

Financial Soundness Statistics
Financial Soundness Indicators: Compilation Guide (2006).

Price Statistics
Producer Price Index Manual: Theory and Practice (2004).[8]
Consumer Price Index Manual: Theory and Practice (2004).[9]
Export and Import Price Index Manual (draft; publication in 2007).

[1] IMF publication alone unless otherwise indicated. Full citations are in *References* at the end of this guide.
[2] Commission of the European Communities, IMF, Organization for Economic Co-operation and Development, United Nations, and World Bank.
[3] By Adriaan M. Bloem, Robert J Dippelsman, and Nils O. Maehle.
[4] By Anne Y. Kester.
[5] International Monetary Fund and Organization for Economic Co-operation and Development.
[6] Bank for International Settlements, Commonwealth Secretariat, Eurostat, International Monetary Fund, Organization for Economic Co-operation and Development, Paris Club Secretariat, United Nations Conference on Trade and Development, and World Bank.
[7] Bank for International Settlements, Commonwealth Secretariat, Eurostat, International Monetary Fund, Organization for Economic Co-operation and Development, Paris Club Secretariat, United Nations Conference on Trade and Development, and World Bank.
[8] International Labour Organization, International Monetary Fund, Organization for Economic Co-operation and Development, United Nations Economic Commission for Europe, and World Bank.
[9] International Labour Office, International Monetary Fund, Organization for Economic Co-operation and Development, Statistical Office of the European Communities (Eurostat), and World Bank.

1.16 The evolution toward greater consistency of the methodologies for the national accounts, monetary, balance of payments, and government finance statistics began with release of the *1993 SNA* and the *BPM5* (1993) and was reinforced by publication of the *MFSM* (2000) and the *GFSM* (2001). The evolution is continuing with plans for the publication of the *1993 SNA, Rev. 1* and the successor to the *BPM5* (title yet to be determined)—both scheduled for 2008.[7]

1.17 Methodological consistency among the macroeconomic statistics has benefits for both (1) the users of the statistics—the policymakers and macroeconomic analysts who study the linkages among the domestic real sector, financial sector, external sector, and fiscal (central government) sector of the economy—and (2) those who are responsible for the collection and compilation of the statistics.[8]

1.18 Data consistency often implies that the same data set appears in two or more of macroeconomic statistical systems with the same nomenclature. In this guide, data consistency is based on the concept of reconcilability of data across macroeconomic statistical systems. The macroeconomic systems share many concepts and accounting rules, but each system has some nomenclature and concepts that are unique to the particular macroeconomic area, or is more prominent than in other macroeconomic systems. Data sets in two macroeconomic systems are designated as *consistent* if the data are reconcilable, meaning (1) the data are the same (to a reasonable level of accuracy), (2) data discrepancies can be explained and justified (subject to elimination of the discrepancies, if possible),[9] or (3) the data in one system can be constructed from "building blocks" of data from another system.

1.19 The monetary statistics provide source data for elements of other macroeconomic systems. The most obvious case is the use of monetary statistics as source data for the financial statistics, but the monetary statistics can also provide some data inputs for other systems—e.g., for the financial account of the balance of payments, the International

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[7] Plans are underway to update the *MFSM* and this guide at the same time or shortly after the release of *1993 SNA, Rev. 1* and the forthcoming manual on balance of payments statistics.

[8] An overview of linkages between the monetary statistics and the balance of payments and government finance statistics is presented in the *MFSM*, ¶367-387. In the *Depository Corporations Survey* (*DCS*), broad linkages to the balance of payments statistics are changes in (1) Claims on nonresidents and (2) Liabilities to nonresidents. In the *DCS,* broad linkages to the government finance statistics are changes in (1) *Claims on central government* and (2) Liabilities to central government.

[9] For example, suppose ODCs' data for deposit liabilities to the central government differ from the central government's records for these deposits. If time of recording of deposit transactions (on a delayed basis by the government) was identified as the source of the discrepancy, the data would be reconciled. The appropriate action would be a revision in the government's procedures for posting deposit transaction or, if such revision is not feasible, to choose the ODC data as the preferred source.

Investment Position, the external debt statistics, and the data template for international reserves and foreign currency liquidity.

1.20 The source data for the monetary statistics are obtained from the accounting and other information systems of financial corporations. The other macroeconomic systems also obtain source data from the financial corporations' records, as well as from many other sources. *This guide recommends that the data reporting be as unified as possible to avoid duplication of reporting requirements for the various types of macroeconomic data provided by the financial corporations and institutional units in other sectors of the economy.*[10] The methodology of the other macroeconomic systems, like that in the *MFSM*, specifies that several major categories of financial assets and liabilities should be measured at market or fair value (an approximation of market value). Introduction of the market-value rule ushers in a new era of application of estimation methods for source data for the macroeconomic statistics.

1.21 Similarly, each major macroeconomic statistics framework contains both stock data and flow data (i.e., data on transactions, valuation changes, and other flows) which often must be estimated. A strong case for data sharing across macroeconomic statistical systems is not new, but the rationale for data sharing and cooperative efforts among the compilers of the macroeconomic statistics is bolstered substantially by recognition of their joint need for estimated data on market values and flow data for the same or similar categories of financial assets and liabilities.

Overview

Chapter 2. Source Data for the Monetary and Financial Statistics

1.1 This chapter describes the linkages between the accounting data—the stock and flow data in an institutional unit's information system—and the source data reported to compilers of the monetary and financial statistics. The source data for the monetary statistics are based on the accounting records of the financial corporations (monetary statistic). The data in the accounting ledgers of these units are structured in accordance with national laws or regulations that constitute the *national financial reporting standards* of a country. This chapter focuses on the *International Financial Reporting Standards* in describing the relationships between national financial reporting standards and the statistical methodology of the monetary and financial statistics. Special attention is given to the double-entry accounting for stock and flow data. This chapter also contains recommendations for the periodicity (frequency) of the compilation and reporting of monetary and financial statistics.

1.2 This chapter also deals with policy concerns and practical issues associated with the costly nature of source data reporting for the monetary statistics, particularly for small

[10] See the *Systematic identification of data reporting requirements* subsection in Chapter 2, which deals with assessment of the benefits and costs of macroeconomic data reporting.

financial corporations. Identification of source data reporting requirements is covered from a cost/benefit perspective, and the use of data estimation is described. Validation and plausibility testing of reported data are also described.

Chapter 3. Institutional Units and Sectors

1.3 This chapter builds on the methodology in Chapter III of the *MFSM*, which in turn is based on *1993 SNA* principles for delineating an economy (economic territory), identifying and sectorizing the institutional units within an economy, and distinguishing between these institutional units and nonresidents. This chapter extends the description of institutional units and provides examples of "gray areas," or borderline cases, that arises in separating resident units from nonresidents. Particular attention is devoted to the sectorization of institutional units within the financial corporations sector, which gives rise to special issues concerning the treatment of currency unions and regional central banks, bank supervisory agencies, asset management companies, pension funds, and special purpose entities (SPE).

Chapter 4. Classification of Financial Assets

1.4 This chapter provides more detailed descriptions of the characteristics of subcategories of financial assets and liabilities within the major categories covered in the *MFSM*, Chapter IV. In elaborating on the underlying characteristics of various types of financial assets and liabilities, the chapter provides guidance for distinguishing, in unobvious cases, between (1) deposits and loans, (2) loans and securities other than shares, and (2) loans and trade credit. The chapter contains relatively detailed descriptions of the financial assets and liabilities within three major categories—insurance technical reserves, financial derivatives, and other accounts receivable/payable—as well as those within the categories of deposits, loans, securities other than shares, and shares and other equity.

Chapter 5. Stocks, Flows, and Accounting Rules

1.5 This chapter describes the compilation of stock and flow data for institutional units within the financial corporation sector. The first major section elaborates on the stock-and-flow data framework in which double-entry accounting rules give rise to both vertical and horizontal adding-up requirements for the data. The stock of each category of financial asset or liability at the end of a reporting period is specified as the opening stock *plus* flows in the form of transactions, valuation changes, and other changes in the volume of assets during the period.

1.6 The second major section covers (1) the initial valuation and subsequent revaluation of the various categories of financial assets and liabilities described in Chapter 4, (2) the recording of transactions, revaluations, and other flows for each category or subcategory of financial assets and liabilities, and (3) other accounting rules. Special attention is devoted to topics pertaining to nonperforming financial assets (especially, nonperforming loans), including the use of provisions (allowances) for losses on impaired financial assets, estimation of expected losses on impaired financial assets (and realizable values of impaired assets), and accounting for interest arrears (interest overdue for payment).

Chapter 6. Money, Credit, and Debt

1.7 The chapter covers a variety of issues pertaining to collection and reporting of data for broad money and other monetary aggregates, the monetary base within the *Central Bank Survey*, and credit and debt aggregates. Topics include several issues associated with the circulation of national currency, the use of foreign currency that functions as a medium of exchange and/or a national unit of account in some countries, and deposit components of broad money (which may include electronic money). Special attention is devoted to the reporting of monetary data for financial corporations that are closed while awaiting liquidation or reorganization. The last major section in the chapter describes the methodology for season adjustment of economic time series, emphasizing the estimation of seasonally adjusted monetary aggregates.

Chapter 7. The Framework for Monetary Statistics

1.8 Major topics covered in this chapter are (1) reporting of financial corporations' data, (2) compilation of sectoral balance sheets and surveys for the financial corporations sector, (3) country reporting of monetary data to the IMF, and (4) dissemination of a country's monetary data—directly by the national authorities and through IMF publication of country data in *International Financial Statistics*.

1.9 An extensive set of numerical examples of sectoral balance sheets and surveys of the financial corporations sector are contained in Chapter 7, Annexes 7.1-7.4. These examples are revised and extended versions of the illustrative sectoral balance sheets and surveys in the *MFSM* (Appendix 3, Tables 1-3; and Chapter VII, Tables 7.2-7.6). Major extensions include descriptions and numerical examples of other changes in the volume of assets (OCVA) and illustrations of consolidations adjustments for compilation of the surveys of the financial corporations sector.

1.10 Chapter 7, Annex 7.5 introduces an illustrative set of supplementary data that are disaggregated categories of sectoral-balance-sheet accounts of the central bank, other depository corporations, and other financial corporations. The financial assets and liabilities presented in Annex 7.5 are disaggregated by maturity (short or long term), currency of denomination (national or foreign currency), and type of interest rate (fixed or variable rate). The supplementary data include subcategories for financial derivatives by type of contract—balance sheet data for financial derivatives and amounts of notional principal specified in the contracts, as recorded outside the balance sheet.

Chapter 8. Financial Statistics

1.11 This chapter describes a systematic approach to the development of a country's financial statistics. Progressively more sophisticated frameworks are specified in terms of three levels of financial statistics, consisting of (1) basic flow of fund accounts, (2) an SNA integrated financial account and corresponding balance sheet, and (3) detailed financial statistics. The chapter covers the presentation of financial statistics in both matrix and time-series format, collection of the source data, and compilation procedures that include the

editing of the data, estimation of missing data, calculation of data for residual cells in the matrices, and accounting for data discrepancies. Though emphasizing the transactions data in a flow of funds context, the chapter also covers the compilation of other categories of flow data—revaluations and other changes in the volume of assets—and stock data for the balance sheet of an entire economy. Chapter 8 also provides an introduction to the use of the financial statistics.

Annex 1.2. Revisions in the *Monetary and Financial Statistics Manual*, 2000

The symbol ¶ denotes a paragraph in the *MFSM*. Additions to the text are indicated in bold; deletions are not indicated.

Chapter II.

¶40. Should read: The valuation of loans **and deposits** is an exception to the valuation principle based on market price or fair value. In particular, loan **and deposit** values should be based on creditors' outstanding claims without adjustment for expected loan **or deposit** losses.

Chapter III

¶73. First bullet. Should read: "Unincorporated government enterprises engaged in market production and operating **in a similar way to publicly owned** corporations.

¶73. Second bullet. Should read: "Unincorporated units operated by households, engaged in market production and operating as **if they were** private corporations.

Chapter IV

¶125. Some countries issue gold coins, which are held for intrinsic value, or commemorative coins, which are held for numismatic value. If not in active circulation, such coins should be classified as nonfinancial assets rather than as financial assets, **and within Other accounts payable by the seller/issuer.**

¶126. Central bank or central government holdings of unissued or demonetized currency are **recorded as nonfinancial assets** in the sectoral balances sheets. **Demonetized currency should be removed from the balance sheet upon disposal.**

¶156. This manual recommends that gold loans be treated as off-balance-sheet items (i.e., not recorded as transactions). If the gold is on-sold, however, the on-selling party (i.e., the gold borrower) should record a gold transaction, in like manner to gold swaps. **The gold underlying a gold loan is referred to as *gold in an allocated account* for which an ownership claim on physical gold exists. *Gold in an unallocated account*, which refers to a gold-denominated claim against a third-party (not the physical gold holder), is classified as a financial asset, specifically as a *deposit.***

¶166. Sixth bullet. Should read: " *Valuation adjustment* shows the net counterpart to changes in the value of assets and liabilities on the balance sheets of financial corporations, **excluding those changes in value (i.e., gains or losses) that are recorded in profit or loss for the period.**

¶168. First sentence. Should read: "Insurance technical reserves consist of net equity of households in life insurance reserve and pension funds and prepayments of **insurance** premiums **and reserves** against outstanding claims.

Chapter V

¶184. Second sentence. Should read: This chapter describes the methods for deriving fair values—approximations of market values—for assets and liabilities **that are traded on an infrequent basis**.

¶184. Last sentence. Other exceptions to the market valuation principle are necessary for the valuation of loans**, deposits,** and shares and other equity in the compilation of the monetary statistics.

¶194. Fourth bullet. Last sentence on page 39 (continuing on page 40). Should read: " These events include unforeseen obsolescence of fixed assets, abandonment of production facilities before being brought into economic use and other events that are not transactions, that should not be attributed to holding gains or losses, and that do not fall into the other categories of events requiring entries in the OCVA account.

¶220. First bullet. Market prices of financial assets and liabilities that are market traded but otherwise similar to the nontraded **or infrequently traded** financial assets that are being fair valued; or

¶220. Second bullet. Discounted present values of future cash flows from nontraded **or infrequently traded** financial assets and liabilities.

¶223. In the formula for fair value, which is based on the present value of future cash flows, the summation operator (Σ) should apply to both the numerator and denominator. The correct formula is:

$$\text{Fair value} = \sum_{t=1}^{N} \frac{(cash\ flow)_t}{(1+i)^t} .$$

¶231. First sentence. One method for calculating the amount of accrued interest is relatively easy to apply, **in particular, when the security is not traded and its fair value is assumed to be constant over its life.**

¶231. Fifth sentence. For securities sold on a discount basis, $F - L$ represents the total accrued interest to be distributed equally **(in terms of effective yield rather than absolute amount)** over the periods prior to maturity.

¶231. Last sentence. Should read: This method for calculating the amount of accrued interest is called the debtor approach, but it can be applied relatively easily by both the debtor and

creditor in recording the accrued interest for securities **that the creditor holds from the time of issuance to maturity—i.e., for securities that are not traded.**

¶232. Following the last sentence. ***Suppose that the market prices of the securities in succeeding months were P_1, P_2, P_3, etc. In these periods, F - P_1, F - P_2 , F - P_3 , etc. is viewed as the discount that is to be apportioned (n an effective yield basis) as accrued interest.***

¶242. Last sentence. Should read: In particular, an institutional unit consisting of a headquarters office and **resident** branch offices should report stock and flow data consolidated across all **resident** offices of the institutional unit.

Chapter VI

280.¶308. This manual recommends exclusion of all deposit liabilities of nonoperating depository corporations from the monetary aggregates, **if the expectation is that depositors will not have access to the funds within the next 12 months. These should be classified as restricted deposits (excluded from broad money), if (1) depositors are expected to receive less than the full value of the deposits or (2) the full recovery of deposit funds is expected to occur after a protracted period.**. These deposits should continue to be classified as restricted deposits as long as the nonoperating units continue to exist as legal entities. Reorganization, sale, or merger of the affected depository corporations may result in all or part of the deposits eventually becoming available to depositors.

¶313. Last sentence. Should read: Shares in equity mutual funds and bond mutual funds may experience substantial price variability, and the sale of such shares may involve significant transactions costs and time delays, **often** resulting in their exclusion from the monetary aggregates. **(See ¶ 100, Investment pools.)**

Box 6.2, **page 65**. Third line in bold font. Should read: Central bank **deposit** liabilities included in broad money.

¶334. First two sentences. Measures of **debt** have the same three dimensions as monetary aggregates. Defining **debt** measures involves specifying (1) the **liabilities** included, (2) the issuing sectors (**borrowers**), and (3) the holding sectors (**lenders**). [The revised sentence should be moved to **¶338. first sentence.**

¶334. The Inter-Agency Task Force on Finance Statistics comprising representative of certain international organizations, including the IMF) **has published** the *External Debt Statistics: Guide for Compilers and Users* **(2003)**, **which provides** international methodological standards for the measurement of external debt, as well as guidance on the analytical use of the data and on the sources and methods for their compilation. The guide **updates** *External Debt: Definition, Statistical Coverage, and Methodology*, 1988.

Chapter VII

¶373. First sentence. Should read: The *DCS* can be arranged to show that *broad-money liabilities* (*BML*) equal the sum of *net foreign assets*, *domestic* ***claims*** (DC), and *other items (net)* (*OIN*).

¶373. Third sentence. Should read: *DC* comprises *net claims on central government* and *claims on other sectors* ***of the economy***.

¶376. Text following the equation should read: where *NCG* and *CORS* denote *net claims on central government* and *claims on other sectors* ***of the economy***.

Table 7.1, pages 82-85. Subheading should read: Liabilities (By type of **obligation** and creditor)

Table 7.1, page 82. Subsection for "Deposits excluded from broad money – Transferable deposits, In national currency." Footnote 4 applies also to other financial corporations: i.e., should read: Other financial corporations **4/.**

¶399. Central bank float represents the amount that the central bank has provided to depository corporations that have sent checks or other items for collection, **even though the central bank has not yet collected from the depository corporation on which the checks or other items were written..**

Chapter VIII

¶417. First bullet, last sentence. Should read: The balancing item is net lending or net borrowing, depending on whether saving *plus* capital transfers is ***greater*** **or** *less* than the net acquisition of nonfinancial assets (equation 6).