Guidelines for the OECD questionnaire on

INSTITUTIONAL INVESTORS' ASSETS AND LIABILITIES

(Table 7II)

2016

INSTRUCTIONS FOR THE DATA QUESTIONNAIRE AND METHODOLOGICAL SURVEY COMPILATION

Questionnaire structure

The Excel-based OECD questionnaire on Institutional investors' assets and liabilities (T7II) is SDMX-compliant[1] and consists of the following sheets:

1. "**General Information**": the user is asked to report information on:
    a. Country (by selecting it from a drop-down list);
    b. Starting year (the first year for which data are reported);
    c. End year (the last year for which data are reported);
    d. Currency (by selecting it from a drop-down list);
    e. Unit multiplier (by selecting it from a drop-down list);
    f. Decimals (the number of decimal places of the reported data);
    g. Contact details (on the institution, main contact and questionnaire compiler).

   Most of this information is used to automatically fill in the headers of the data sheets.

2. **Data sheets by sector**: each one corresponds to an Institutional investor sector. The user is requested to report:
    a. Data values;
    b. Observation and confidentiality status flags (control codes associated to each data point - possible values are listed within the specific cells in the questionnaire);
    c. Footnotes (under the yellow-formatted cells in the sheet header – "sender footnotes");
    d. Embargo date (associated to the data, under the yellow-formatted cell -F18- in the sheet header).

3. "**Checks**": where, once the "General Information" sheet and the data sheets have been filled in, the user is requested to run the consistency checks integrated-procedure, which detects any inconsistency in the data (within the financial instruments hierarchy of each institutional sector and across sectors against predefined sector identities for each financial instrument).
   Any detected discrepancy is automatically reported in the table "inconsistency report", with information on:
    a. "sheet": the name of the data sheet(s) where the inconsistency is detected;
    b. "period": the quarter for where the inconsistency occurs;
    c. "instrument": the instrument identity which does not hold;
    d. "difference": the numeric difference detected.

   The information on "instrument" is generated as a hyperlink which redirects the user to the 'parent' cells (in the data sheets) where the inconsistency is detected. The user is asked to correct any inconsistency before returning the completed questionnaire to the OECD.

Instrument breakdown

The user is requested to provide data for all assets and liabilities listed in table 1, when available, for each sector category as presented in the next paragraph.
Definitions of the instruments are reported in the section "Definition of assets and liabilities categories: instrument breakdown".

[1] For any information on the SDMX standards for National Accounts, visit the following website: http://sdmx.org/?page_id=1498

Table 1: Instrument breakdown

NFA	**NON-FINANCIAL ASSETS**
FA	**FINANCIAL ASSETS**
F2	**Currency and deposits**
F3	**Debt securities**
F3S	Debt securities, short-term
F3L	Debt securities, long-term
F3R	Debt securities issued by residents
F3R1	*Debt securities issued by resident non-financial corporations*
F3R2	*Debt securities issued by resident financial corporations*
F3R3	*Debt securities issued by resident general government*
F3NR	Debt securities issued by the rest of the world
F4	**Loans**
F4S	Loans, short-term
F4L	Loans, long-term
F4R	Loans granted to residents
F4R1	*Loans granted to resident non-financial corporations*
F4R2	*Loans granted to resident financial corporations*
F4R3	*Loans granted to resident general government*
F4R4	*Loans granted to resident households and NPISHs*
F4NR	Loans granted to the rest of the world
F5	**Equity and investment fund shares**
F51	Equity
F52	Investment fund shares or units
F521	Money market fund shares or units
F522	Non MMF investment fund shares or units
F5R	Equity and investment fund shares issued by residents
F5R1	*Equity and investment fund shares issued by resident non-financial corporations*
F5R2	*Equity and investment fund shares issued by resident financial corporations*
F5R3	*Equity and investment fund shares issued by other residents*
F5NR	Equity and investment fund shares issued by the rest of the world
F6	**Insurance, pension and standardized guarantee schemes**
F7	**Financial derivatives and employee stock options**
F8	**Other accounts receivable**
FL	**LIABILITIES**
F2	**Currency and deposits**
F3	**Debt securities**
F3S	Debt securities, short-term
F3L	Debt securities, long-term
F4	**Loans**
F4S	Loans, short-term
F4L	Loans, long-term
F5	**Equity and investment fund shares**
F6	**Insurance, pension and standardized guarantee schemes**
F7	**Financial derivatives and employee stock options**
F8	**Other accounts payable**
BF90	**FINANCIAL NET WORTH**

Sector breakdown

Data are collected for two main institutional investors' sectors, namely the 'Investment funds' sector and the 'Insurance corporations and Pension funds' sector, and their sub-sectors.
The following tables (tables 2, 3 and 4) show the sector breakdown of the T7II data collection exercise:

Table 2: Sector breakdown for Investment funds

<table>
<tr><th colspan="7">Investment Funds (MMFs and non-MMFs)</th></tr>
<tr><th rowspan="3">Total</th><th rowspan="3">Money Market Funds (MMFs)</th><th colspan="4">Non-Money Market Funds (non MMFs)</th><th rowspan="3">Open-end Investment Funds (S123+S124A)</th></tr>
<tr><th rowspan="2">Total</th><th rowspan="2">Open-end Non MMFs</th><th colspan="2">Closed-end Non MMFs</th></tr>
<tr><th>Total</th><th>Closed-end Real Estate Funds</th></tr>
<tr><td>S12L</td><td>S123</td><td>S124</td><td>S124A</td><td>S124B</td><td>S124B1</td><td>S12LO</td></tr>
</table>

Table 3: Optional sector breakdown for Investment funds

<table>
<tr><th colspan="7">Investment Funds</th></tr>
<tr><th>Total</th><th>Real estate funds</th><th>Equity funds</th><th>Bond funds</th><th>Mixed funds</th><th>Hedge funds</th><th>Other funds</th></tr>
<tr><td>S12L</td><td>S12L1</td><td>S12L2</td><td>S12L3</td><td>S12L4</td><td>S12L5</td><td>S12L9</td></tr>
</table>

Table 4: Sector breakdown for Insurance corporations and Pension funds

<table>
<tr><th colspan="5">Insurance corporations and Pension Funds</th></tr>
<tr><th rowspan="2">Total</th><th colspan="3">Insurance corporations</th><th rowspan="2">Pension funds</th></tr>
<tr><th>Total</th><th>Life Insurance Corporations</th><th>Non-life Insurance Corporations</th></tr>
<tr><td>S12Q</td><td>S128</td><td>S1281</td><td>S1282</td><td>S129</td></tr>
</table>

The user is requested to provide data for all the instruments listed in table 1 for all the sectors presented in table 2 and table 4 on a priority basis. For the sectors presented in table 3, the user is encouraged to submit data for the instrument "Total financial assets" only (optional submission, sheet "7II_S12L (2)" in the Excel questionnaire).
Definitions of the sectors are reported in the section "Definition of Institutional Investors: sector breakdown".

Consolidation

For all sectors non-consolidated data are requested. Any deviation should be noted in the dedicated "sender footnotes" cells (in the data sheets header).

Missing data and zero values

For missing data the value should be reported as "NaN" and the associated observation status (control code) should be reported as "L" (for data that exist but are not collected) or as "M" for other reasons (e.g. not applicable). Zero values ("0") should only be reported when data are collected and computed as equal to zero.
No cells in the data field should be left blank.

Control codes

The user has the opportunity to associate an 'observation status flag' and a 'confidentiality status flag' to each data point reported in the questionnaire. For all other data points (when no flag is specified), the OECD will treat data as public and free for dissemination.
The possible values for the two categories of flags are reported within the specific cells in the questionnaire. These control codes are compliant with the SDMX standards. Detailed guidelines and definitions are available at the following URLs:

- Code list for Confidentiality Status;
- SDMX Cross-domain Code Lists.

Other technical features

The user will note that the data questionnaire has a locked structure and includes locked cell-fields. This measure has been implemented in order to prevent the user from changing the structure of the Excel template, which would compromise the functions of the questionnaire devices, such as the consistency checks integrated-procedure or the automatic compilation of the header and the *time* column in the data sheets.
Additionally, the rigid structure of the Excel template aims to facilitate the user's actions and to reduce them to a minimum, when filling in the questionnaire, and to ensure data consistency.

The Excel questionnaire is compatible with the 2010 version of Microsoft Office. The user is invited to contact the OECD (SNA.Contact@oecd.org) in case the file is not readable or in case of any other technical issues.

Data frequency and consistency

The data collection is limited to quarterly (Q) data only which is collected from the official institution producing quarterly data. Furthermore, the OECD assumes that data for the fourth quarter (Q4) correspond to the end-year (A) data by convention. The institution reporting quarterly data for the T7II exercise is encouraged to coordinate with the official institution compiling annual (A) data, in order to ensure consistency.
This practice is clearly reported in the OECD metadata published on the OECD.Stat on-line data warehouse, at the T7II dataset level. Any country-specific inconsistency is reported in the metadata (on the OECD database) at the country-level.

Data coherence with Financial Balance Sheets and practical arrangements

The user is requested to submit data for T7II that are consistent with those which are submitted in the context of the quarterly Financial Balance Sheets (FBS) SNA-2008-based (Table T720) data collection, which are published on the OECD online database at the following link: http://stats.oecd.org/Index.aspx?DataSetCode=QASA_TABLE720R.
More specifically, consistency should be ensured for the five sectors that are common to the two data collections, namely: sectors S123, S124, S12Q, S128 and S129.
Any country-specific inconsistency is reported in the metadata (on the OECD database) at the country-level.
To raise users' awareness on any existing discrepancies between FBS and T7II data, for each of the above-mentioned common sectors, the Excel questionnaire includes two (greyed) sheets (hereafter the "*ancillary* sheets"). In particular:

- "sector xxx *(FBS)*": automatically reporting data already submitted for FBS (SNA-2008-based);
- "sector xxx *(discrepancy)*": automatically reporting any existing differences between the data the user reports for T7II and those already reported for the FBS (previous point).

These additional ancillary sheets are automatically populated with the data once the basic information is reported in the "General Information" sheet (i.e. country name and time coverage) and in the T7II sector data sheets, without requiring extra reporting efforts.
Every quarter, at a certain date, a new version of the Excel questionnaire, including the most up-to-date data on FBS, is made available for download from the OECD data collection website.
In this regard, the user is invited to download and compile the questionnaire with the latest data on T7II, only after receiving a message (from the OECD Secretariat) informing on the availability of the latest version of the questionnaire.
In order to facilitate the questionnaire transmission (from a country to the OECD) the Excel template includes an integrated tool which reduces the size of the file. More specifically, a button is available in the "Checks" sheet of the questionnaire to activate this function. It is highly recommended to run it only once the compilation of the questionnaire is fully completed and ready for transmission to the OECD.
In fact, the user should consider that once this action is run, the dynamic compilation function of the *ancillary* sheets is disabled and thus the reported data are "frozen". Therefore, no change to the data should be made after that, to ensure data consistency within the questionnaire.
Finally, to make the final questionnaire even lighter for transmission, the user is encouraged to save it in a zipped (.ZIP) format.
With particular attention to those users submitting T7II data using the Excel questionnaire at the same time as/before those for the FBS for a given quarter, or to those transmitting data via SDMX (.XML files), the OECD has an internal procedure in place to run comparison checks. Therefore, any newly detected inconsistency between data reported for T7II and those reported for FBS is signalled to users and a generic note is added to the OECD metadata (as mentioned above), if these discrepancies cannot be resolved.
In any event, users are encouraged to ensure consistency between the two data collections and to cooperate with other data compilers/providers (when these are different between the two data programmes).

Methodological survey

The user is requested to respond to the *Methodological survey on Institutional investors' assets and liabilities* in the most complete way possible, in the context of the first data submission to the OECD.
Please transmit to the OECD a revised methodological survey if information changes so that the OECD has an up-to-date version.

DEFINITION OF INSTITUTIONAL INVESTORS: SECTOR BREAKDOWN

The following paragraphs present the definitions of the institutional investors sectors in line with the System of National Accounts 2008 (SNA 2008) / European System of National and Regional Accounts 2010 (ESA 2010).

Investment funds (S12L)

Investment funds are financial intermediaries which pool money from investors by issuing shares or units and use it to purchase financial assets and/or real estate.[2] Investment funds include mutual funds and unit trusts. Investment funds issue shares when a corporate structure is used and issue units when a trust structure is used (SNA 2008 § 11.96).
Investment funds may have no termination date previously established or may have a limited term with enforced redemption of shares on a specific date.
Investment funds are broken down in two categories: Money Market Funds (MMFs) and Non-Money Market Funds (Non-MMFs). In addition, the OECD questionnaire further disaggregates investment funds into Open-end investment funds (which include Money Market Funds (MMFs) and Open-end Non-Money Market Funds) and Closed-end funds.

Money Market Funds (MMFs) (S123)

Money market funds (MMFs) are collective investment schemes that raise funds by issuing shares or units to the public and typically invest the proceeds in short term money market securities such as Treasury bills, certificates of deposit and commercial paper, other transferable debt instruments with a residual maturity of less than one year and instruments that pursue a rate of return that approaches the interest rates of money market instruments.[3] Because of the nature of the instruments these schemes invest in, their shares or units may be regarded as close substitutes for deposits (SNA 2008 § 4.107).

Non-Money Market Funds (Non-MMFs) (S124)

Non-MMF investment funds are collective investment schemes that raise funds by issuing shares or units to the public and that invest the proceeds mainly in financial assets, other than short-term assets, and in non-financial assets (usually real estate).
Non-MMF investment funds cover investment trusts, unit trusts and other collective investment schemes whose investment fund shares or units are not seen as close substitutes for deposits (SNA 2008 § 4.108; ESA 2010 *§* 2.83). They are not transferable by means of cheque or direct third-party payments (SNA 2008 § 4.108).

[2] The SNA 2008 defines Investment Funds as collective investment undertakings through which investors pool funds for investment in financial or non-financial assets (SNA 2008 11.94). In SNA 1993, Investment Funds were classified either under the Other depository corporations (S122 in SNA 1993) or Other financial intermediaries (S123 in SNA 1993), depending on the liquidity of the funds they collect from the public (SNA 1993 § 4.94 and § 4.95, and ESA 1995 § 2.51 and § 2.54). Financial auxiliaries (S124 in SNA 1993), which were included in Other financial intermediaries (S123 in SNA 1993) by some countries, as well as insurance companies and pension funds (S125, in SNA 1993) were and are not considered investment funds.

[3] MMFs typically invest in money market instruments with a residual maturity of less than one year, are often transferable and are often regarded as close substitutes for deposits (SNA 2008 § 11.96).

Open-end Non-Money Market Funds (S124A)

An open-end non-MMFs is a non-money market fund whose investment fund shares or units are, at the request of the holders, repurchased or redeemed directly or indirectly out of the undertaking's assets (ESA 2010 *§* 2.84.a).
In some cases, certain restrictions regarding the issue or redemption of shares or units may exist. Open-end non-MMFs may allow investors to buy new shares or sell their shares above a certain minimum amount. Likewise, investment funds shares or units could be issued or redeemed only at predetermined points in time. Moreover, issues of new shares may be temporarily suspended due to market conditions or in light of very high amounts of funds' total assets. In these cases, the non-MMF should be still classified as open-end non-MMF as, despite some restrictions, investors have the possibility to buy/sell investment funds shares directly from/to the fund.[4]

Closed-end Non-Money Market Funds (S124B)

A closed-end investment fund is a collective investment scheme which, unlike an open-end investment fund, raises a fixed share capital, where investors entering or leaving the fund must buy or sell existing shares (ESA 2010 *§* 2.84.b).

Closed-end Real Estate Funds (S124B1)

Closed-end real estate funds are closed-end collective investment undertakings which primarily invest in real estate investment undertakings.

The identification of closed-end real estate investment funds by the nature of investments may differ across countries, as the national regulatory provisions underlying the investment policy may be different[5].

Open-end Investment Funds (S12LO)

This is another sub-sector not proposed in the SNA 2008, which combines Money Market Funds and Open-end Non-Money Market Funds.
An open-end investment fund (sometimes named mutual fund) is a collective investment scheme that stands ready to issue and to repurchase units or shares anytime. It sells or buys back its shares on demand.

Insurance corporations and pension funds (S12Q)

Insurance corporations and pension funds consist of financial intermediaries, whose primary function consists of pooling risks. They collect premiums and contributions from other institutional units and in return they guarantee to pay benefits and claims to policy-holders or beneficiaries. For this purpose, they hold technical reserves, which constitute their main liabilities.
Insurance corporations (S128)

Insurance corporations consist of incorporated, mutual and other entities whose principal function is to provide life, accident, sickness, fire or other forms of insurance to individual institutional units or groups of units or reinsurance services to other insurance corporations. Captive insurance is included, that is, an insurance company that serves only its owners. Deposit insurers, issuers of deposit guarantees and other

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[4] European Central Bank, Manual on Investment Fund Statistics based on regulation ECB/2007/8 and guideline ECB/2008/9, May 2009. [Link]

[5] For example, it may occur that an investment fund is required to invest only 70% of its total assets in real estate in one country while in another country it is required to invest 75% or more.

issuers of standardized guarantees that are separate entities and act like insurers by charging premiums and have reserves, are classified as insurance corporations (SNA 2008 § 4.115).
The most common form of insurance is called *direct insurance* whereby the policy is issued by an insurance corporation to another type of institutional unit. However, an important form of insurance is provided by one insurance corporation to another insurance corporation. This sort of insurance is called *reinsurance* (SNA 2008 § 17.2). Pure reinsurance corporations are to be considered as non-life insurance corporations.

Life insurance corporations (S1281)

Life insurance is an activity whereby a policyholder makes lump sum or periodic payments to an insurer in return for which the insurer guarantees to provide the policyholder (or, in some cases another nominated person) with an agreed sum, or an annuity, at a given date or earlier if the policyholder dies beforehand (SNA 2008 § 17.6).
The holder of a life insurance policy is always an individual. If a company takes out an insurance policy on the life of an employee, this should be treated as term insurance and therefore as non-life insurance in the SNA.[6] Life insurance transactions therefore take place only between insurance corporations and households, resident and non-resident (SNA 2008 § 17.52).

Life insurance corporations are insurance undertakings which *principal activity* is to cover life risks; this is, to provide the policyholder (or a nominated person) with an agreed sum, or an annuity, at a given date or earlier if the policyholder dies beforehand. The International Standard Industrial Classification of All Economic Activities (ISIC), Rev. 4 defines *principal activity* of an economic entity as the productive activity that contributes the most to the value added to the goods and services produced by the entity, as determined by the top-down method.[7]

Non-life insurance corporations (S1282)

An insurance undertaking is classified as non-life insurance corporation whenever its *principal activity* is to cover all non-life risks, such as accidents, sickness, fire, etc. (SNA 2008 § 17.6).
For the concept of *principal activity* refer to the definition of life insurance corporations above.
Pure reinsurance corporations must be included in this category.
Pension funds (S129)

Pension liabilities arise when an employer or government obliges or encourages members of households to participate in a social insurance scheme that will provide income in retirement. The social insurance schemes may be organized by employers or by government, they may be organized by insurance corporations on behalf of employees or separate institutional units may be established to hold and manage

[6] A policy that provides a benefit in the case of death within a given period but in no other circumstances, usually called term insurance, is regarded as non-life insurance because, as with other non-life insurance, a claim is payable only if a specified contingency occurs and not otherwise. In practice, because of the way in which insurance corporations keep their accounts, it may not always be possible to separate term insurance from other life insurance. In these circumstances, term insurance may have to be treated in the same way as life insurance for purely practical reasons (SNA 2008 § 17.6).
[7] The top-down method follows a hierarchical principle, by which it starts by identifying the section that has the highest share of the value added; within that section, the division with the highest share of value added; within that division, the group with the highest value added, and so on. As a result, it is not necessary that the principal activity account for 50 per cent or more of the total value added of an entity or even that its generated value added exceed that of all other activities carried out by the unit, although in practice will do so in the majority of cases (United Nations, International Standard Industrial Classification of All Economic Activities (ISIC), Rev. 4, Statistical Papers, Series M, Nº4, Rev. 4, 2008, Link.

the assets to be used to meet the pensions and to distribute the pensions. The pension fund subsector consists of only those social insurance pension funds that are institutional units separate from the units that create them (SNA 2008 § 4.116).[8]

Investment funds sector classification by nature of investment

The following paragraphs present the definition of the Investment funds sector broken down by nature of investment.
This type of classification is not proposed in the SNA 2008, so the following definitions are based on the ECB Guidelines[9] which set generic criteria to define investment funds by nature of investment, to be considered when specific national regulatory provisions do not exist.

Real estate funds (S12L1)

Real estate funds are investment funds primarily investing in real estate. The criteria for classifying investment funds into real estate funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect (ECB/2007/9, Annex).

Equity funds (S12L2)

Equity funds are investment funds primarily investing in shares and other equity. The criteria for classifying investment funds into equity funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect (ECB/2007/9, Annex).

Bond funds (S12L3)

Bond funds are investment funds (IFs) primarily investing in securities other than shares. The criteria for classifying investment funds into bond funds are derived from the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect (ECB/2007/9, Annex).

Mixed funds (S12L4)

Mixed funds are investment funds investing in both equity and bonds with no prevalent policy in favour of one or the other instrument. The criteria for classifying investment funds into mixed funds are derived from

[8] In SNA 1993, pension funds were defined as those which are constituted in such a way that they are separate institutional units from the units which create them. They are established for purposes of providing benefits on retirement for specific groups of employees or members who adhere on a voluntary basis (occupational and open pension funds). They have their own assets and liabilities and they engage in financial transactions in the market on their own account. These funds are organised, and directed, by individual employers and their employees; and the employees and/or employers make regular contributions. They neither cover pension arrangements for the employees of private or government entities which do not include a separately organised fund nor an arrangement organised by a non-government employer in which the reserves of the fund are simply added to that employer's own reserves or invested in securities issued by that employer (SNA 1993 § 4.98).

[9] European Central Bank Guidelines on monetary, financial institutions and markets statistics, Annex, ECB/2007/9. Link;
European Central Bank, Manual on Investment Fund Statistics, May 2009. Link

the public prospectus, fund rules, instruments of incorporation, established statutes or by-laws, subscription documents or investment contracts, marketing documents, or any other statement with similar effect (ECB/2007/9, Annex).

Hedge funds (S12L5)

Hedge funds shall mean any collective investment undertakings regardless of its legal structure under national laws, which apply relatively unconstrained investment strategies to achieve positive absolute returns, and whose managers, in addition to management fees, are remunerated in relation to the fund's performance. For that purpose, hedge funds have few restrictions on the type of financial instruments in which they may invest and may therefore flexibly employ a wide variety of financial techniques, involving leverage, short-selling or any other techniques. This definition also covers funds that invest, in full or in part, in other hedge funds provided that they otherwise meet the definition. These criteria to identify hedge funds must be assessed against the public prospectus as well as fund rules, statutes or by-laws, subscription documents or investment contracts, marketing documents or any other statement with similar effect of the fund (ECB/2007/9, Annex).

Other funds (S12L9)

Other funds are investment funds other than bond funds, equity funds, mixed funds, real estate funds or hedge funds (ECB/2007/9, Annex).

DEFINITION OF ASSETS AND LIABILITIES CATEGORIES: INSTRUMENT BREAKDOWN

The following paragraphs present the definitions of the instruments in line with the System of National Accounts 2008 (SNA 2008) / European System of National and Regional Accounts 2010 (ESA 2010).

Total non-financial assets, net (NN)

Within non-financial assets, SNA 2008 distinguishes between produced and non-produced assets.
Produced assets are non-financial assets that have come into existence as outputs from production processes that fall within the production boundary of the SNA (SNA 2008 § 10.9a; ESA 2010 § 7.22) while non-produced assets are non-financial assets that have come into existence in ways other than through processes of production (SNA 2008 § 10.10b; ESA 2010 § 7.24).

Non-financial assets may be shown gross or net of consumption of fixed capital. Gross figures are more often available, or available earlier, and they are generally considered more comparable between countries (SNA 2008 § 2.142). However, the OECD requires data on a net basis.

For details on the valuation of non-financial assets see SNA 2008 § 13.27 to 13.53.

Financial assets and liabilities

Financial assets consist of all financial claims, shares or other equity in corporations plus gold bullion held by monetary authorities as a reserve asset. Shares are treated as financial assets even though the financial claim their holders have on the corporation is not a fixed or predetermined monetary amount (SNA 2008 § 11.8).

A liability is established when one unit (the debtor) is obliged, under specific circumstances, to provide a payment or series of payments to another unit (the creditor) (SNA 2008 § 11.5).

Currency and deposits (F2)

The financial instrument Currency and deposits consists of the following components:

Currency (F21)

Currency consists of notes and coins that are of fixed nominal value and are issued or authorized by central banks or governments (SNA 2008 § 11.52).
Currency are valuated at their nominal or face value (SNA 2008 § 13.57).

Domestic currency consists of notes and coins issued by resident monetary authorities as national currency in circulation (ESA 2010 § 5.77).

Foreign currency consists of notes and coins issued by non-resident monetary authorities as foreign currencies in circulation (ESA 2010 § 5.77).

The total reported as currency must be equal to the sum of the sub-instruments domestic currency and foreign currency.

Transferable deposits (F22)

Transferable deposits comprise all deposits that are exchangeable for bank notes and coins on demand at par and without penalty or restriction; and that are directly usable for making payments by cheque, draft, giro order, direct debit/credit, or other direct payment facility (SNA 2008 § 11.54).

Following the recommendations of SNA 2008, this asset category is sub-divided into

- transferable deposits in domestic currency and transferable deposits in foreign currency (see definition of domestic and foreign currency above); and
- transferable deposits with residents and transferable deposits with the rest of the world (SNA 2008 § 11.55). This classification depends on whether these deposits are liabilities of resident institutions or the rest of the world.[10]

Other deposits (F29)

Other deposits comprise all claims, other than transferable deposits, that are represented by evidence of deposit. Typical forms of deposits that should be included under this classification are savings deposits (which are always non-transferable), fixed-term deposits and non-negotiable certificates of deposit. The category also covers shares or similar evidence of deposit issued by savings and loan associations, building societies, credit unions and the like. Deposits of limited transferability that are excluded from the category of transferable deposits are included here. Repayable margin payments in cash related to financial derivative contracts (described below) are included in other deposits, as are overnight and very short-term repurchase agreements if they are considered part of the national definition of broad money. Other repurchase agreements should be classified under loans (SNA 2008 § 11.59).

Following the recommendations of SNA 2008, this asset category is sub-divided into

- other deposits in domestic currency and other deposits in foreign currency (see definition of domestic and foreign currency above); and
- other deposits with residents and other deposits with the rest of the world (SNA 2008 § 11.63). This classification depends on whether these deposits are liabilities of resident institutions or the rest of the world.

Debt securities (F3)

Debt securities are negotiable instruments serving as evidence of a debt. They include bills, bonds, negotiable certificates of deposit, commercial paper, debentures, asset backed securities, and similar instruments normally traded in the financial markets (SNA 2008 § 11.64).

Loans that have become negotiable from one holder to another are to be reclassified from loans to debt securities under certain circumstances. For such reclassification, there needs to be evidence of secondary market trading, including the existence of market makers, and frequent quotations of the instrument, such as provided by bid-offer spreads (SNA 2008 § 11.65).

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[10] The concept of residence in the SNA is not based on nationality or legal criteria. An institutional unit is said to be a resident unit of a country when it has a centre of predominant economic interest in the economic territory of that country; that is, when it engages for an extended period (one year or more being taken as a practical guideline) in economic activities on this territory (SNA 2008 § 2.19). For further details see paragraphs SNA 2008 § 4.10 to 4.15. For purposes of the SNA, the rest of the world consists of all non-resident institutional units that enter into transactions with resident units, or have other economic links with resident units (SNA 2008 § 4.172).

Non-participating preferred stocks or shares are those that pay a fixed income but do not provide for participation in the distribution of the residual value of an incorporated enterprise on dissolution. These shares are classified as debt securities. Bonds that are convertible into equity should also be classified in this category prior to the time that they are converted (SNA 2008 § 11.66).

The SNA 2008 proposes a sub-classification of debt securities into short-term debt securities and long-term debt securities (SNA 2008 § 11.71).

Debt securities, short-term

Short-term debt securities include those securities that have an original maturity of one year or less (SNA 2008 § 11.71a).
Short-term securities, and the corresponding liabilities, are to be valued at their current market values. Such a valuation is particularly important under conditions of high inflation or high nominal interest rates (SNA 2008 § 13.59).

Debt securities, long-term

Long-term debt securities include those securities that have an original maturity of more than one year. Claims with optional maturity dates, the latest of which is more than one year away, and claims with indefinite maturity dates should be classified as long-term (SNA 2008 § 11.71b).

Long-term securities should always be valued at their current prices on markets, whether they are bonds on which regular payments of interest are paid or deep-discounted or zero-coupon bonds on which little or no interest is paid. The price should always be that including accrued interest. Although the nominal liability of the issuer of a long-term security may be fixed in money terms, the market prices at which fixed interest securities are traded may vary considerably in response to variations in general market rates of interest. As the issuer of a long-term security usually has the opportunity to refinance the debt by repurchasing the security on the market, valuation at market prices is generally appropriate for both issuers and holders of long-term securities, especially financial transactors who actively manage their assets or liabilities (SNA 2008 § 13.59).

In the questionnaire debt securities are also sub-classified into (asset side only):

Debt securities issued by residents
These debt securities are financial assets of institutional investors issued by resident institutional units.
Debt securities issued by residents are further sub-divided according to the issuing sector as follows:

Debt securities issued by resident non-financial corporations
These debt securities are financial assets of institutional investors issued by resident institutional units grouped in the institutional sector non-financial corporations.

Debt securities issued by resident financial corporations
These debt securities are financial assets of institutional investors issued by resident institutional units grouped in the institutional sector financial corporations.

Debt securities issued by resident general government
These debt securities are financial assets of institutional investors issued by resident institutional units grouped in the institutional sector general government.

Debt securities issued by the rest of the world
These debt securities are financial assets of institutional investors issued by non-resident institutional units grouped in the sector rest of the world.

Loans (F4)

Loans are financial assets that are created when a creditor lends funds directly to a debtor, and that are evidenced by documents that are not negotiable (SNA 2008 § 11.72). The category of loans includes overdrafts, instalment loans, hire-purchase credit and loans to finance trade credit (SNA 2008 § 11.73).

If there is evidence of a secondary market for a loan, and frequent market quotations are available, the loan is reclassified as a security. A loan that is traded once only and for which there is no evidence of a continuing market is not reclassified but continues to be treated as a loan. The valuation rules for debt securities and loans then apply (SNA 2008 § 13.64).

The values of loans to be recorded in the balance sheets of both creditors and debtors are the amounts of principal outstanding. This amount should include any interest that has been earned but not been paid. It should also include any amount of indirectly measured service charge due on the loan that has accrued and not been paid. In some instances, accrued interest may be shown under accounts receivable or payable but inclusion in loans is to be preferred if possible (SNA 2008 § 13.62).

The SNA 2008 proposes a sub-classification of loans into short-term loans and long-term loans (SNA 2008 § 11.79).

Loans, short-term

Short-term loans comprise loans that have an original maturity of one year or less. Loans repayable on the demand of the creditor should be classified as short term even when these loans are expected to be outstanding for more than one year (SNA 2008 § 11.79a).

Loans, long-term

Long-term loans comprise loans that have an original maturity of more than one year (SNA 2008 § 11.79b).

In the questionnaire, loans are also sub-classified into (asset side only):

Loans granted to residents
These loans are financial assets of institutional investors held as claims on resident institutional units.

Loans granted to residents are further sub-divided according to the issuer sector as follows:

Loans granted to resident non-financial corporations
These loans are financial assets of institutional investors held as claims on resident institutional units grouped in the institutional sector non-financial corporations.

Loans granted to resident financial corporations
These loans are financial assets of institutional investors held as claims on resident institutional units grouped in the institutional sector financial corporations.

Loans granted to resident general government
These loans are financial assets of institutional investors held as claims on resident institutional units grouped in the institutional sector general government.

Loans granted to resident households and NPISHs
These loans are financial assets of institutional investors held as claims on resident institutional units grouped in the institutional sector households and NPISHs.

Loans granted to the rest of the world
These loans are financial assets of institutional investors held as claims on non-resident institutional units grouped in the sector rest of the world.

Equity and investment funds shares (F5)

Equity and investment fund shares have the distinguishing feature that the holders own a residual claim on the assets of the institutional unit that issued the instrument. Equity represents the owner's funds in the institutional unit. In contrast to debt, equity does not generally provide the owner with a right to a predetermined amount or an amount determined according to a fixed formula. (SNA 2008 § 11.81).
Investment fund shares have a specialized role in financial intermediation as a kind of collective investment in other assets, so they are identified separately (SNA 2008 § 11.82).

Equity (F51)

Equity comprises all instruments and records acknowledging claims on the residual value of a corporation or quasi-corporation after the claims of all creditors have been met. Unlike in business accounting, equity is treated as a liability of the issuing institutional unit (SNA 2008 § 11.83).
According to the SNA 2008, equity may be sub-classified into listed shares, unlisted shares and other equity (SNA 2008 § 11.85).

Investment funds shares or units (F52)

Investment funds shares or units are those issued by collective investment undertakings which pool funds for investing in financial or non-financial assets.
Investment funds shares refer to those shares issued by investment funds rather than the shares the investment funds may hold (SNA 2008 § 11.96).

Investment funds shares or units are also sub-classified into:

Money market fund shares or units (F521)

They represent a claim on a proportion of the value of an established money market fund (SNA 2008 § 11.99). See Money Market Funds' definition above.

Non-Money Market Funds shares or units (F522)

They represent a claim on a proportion of the value of an established investment fund other than a money market fund (SNA 2008 § 11.100).
See non-MMFs' definition above.

In the questionnaire equity and investment funds shares are also sub-classified into (asset side only):

Equity and investment funds shares issued by residents
They comprise, on the one hand, financial assets in the form of equity and investment fund shares issued by resident institutional units and held by institutional investors.
Equity and investment funds shares issued by residents may be further sub-divided according to the issuer sector as follows:

Equity and investment funds shares issued by resident non-financial corporations These equity and investment funds shares are financial assets of institutional investors issued by resident institutional units grouped in the institutional sector non-financial corporations.

Equity and investment funds shares issued by resident financial corporations These equity and investment funds shares are financial assets of institutional investors issued by resident institutional units grouped in the institutional sector financial corporations.

Equity and investment funds shares issued by other resident
These equity and investment funds shares are financial assets of institutional investors issued by resident institutional units grouped in the institutional sectors different from non-financial and financial corporations.

Equity and investment funds shares issued by the rest of the world
They comprise, on the one hand, financial assets in the form of equity and investment fund shares issued by non-resident institutional units grouped in the sector rest of the world and held by institutional investors.

Insurance, pension and standardized guarantee schemes (F6)

Insurance, pension and standardized guarantee schemes all function as a form of redistribution of income or wealth mediated by financial institutions. The redistribution may be between individual institutional units in the same period or for the same institutional unit over different periods or a combination of the two. Units participating in the schemes contribute to them and may receive benefits (or have claims settled) in the same or later periods. While they hold the funds, insurance corporations invest them on behalf of the participants. The part of the investment income that is distributed to the participants as property income is returned as extra contributions. In all cases, net contributions or premiums are defined as actual contributions or premiums plus distributed property income less the service charge retained by the financial institution concerned. Entries in the financial account, therefore, reflect the difference between net contributions or net premiums paid to the schemes less benefits and claims paid out. Significant other additions to the reserves of the schemes come via other changes in the volume of assets and especially holding gains (SNA 2008 § 11.103). See further details in SNA 2008 § 11.105 to 11.110.

Financial derivatives and employee stock options (F7)

The financial instrument Financial derivatives and employee stock options consists of the following components:

Financial derivatives (F71)

Financial derivatives are financial instruments that are linked to a specific financial instrument or indicator or commodity, through which specific financial risks can be traded in financial markets in their own right (SNA 2008 § 11.111).
The value of a financial derivative derives from the price of the underlying item: the reference price. The reference price may relate to a commodity, a financial asset, an interest rate, an exchange rate, another derivative or a spread between two prices. The derivative contract may also refer to an index, a basket of prices or other items like emissions trading or weather conditions (SNA 2008 § 11.111; ESA 2010 § 5.201).

Financial derivatives meet the following conditions:
(a) they are linked to a financial or non-financial asset, to a group of assets, or to an index;
(b) they are either negotiable or can be offset on the market; and
(c) no principal amount is advanced to be repaid (ESA 2010 § 5.199).

Financial derivatives should be included in the balance sheets at market value. If market value data are unavailable, other fair value methods to value derivatives, such as options models or present values, may be used (SNA 2008 § 13.80).

There are two broad classes of financial derivatives: option contracts (options) and forward-type contracts (forwards). Within each class, a further distinction could be made by market risk categories; foreign exchange, single-currency interest rate, equity, commodity, credit and other (SNA 2008 § 11.115). A major difference between forward and option contracts is that, whereas either party to a forward contract is a potential debtor, the buyer of an option contract acquires an asset and the option writer incurs a liability (SNA 2008 § 11.116). See further details in SNA 2008 § 11.117 to 11.123.

See further details on the valuation of financial derivatives in SNA 2008 § 17.290 and 17.291. See also ESA § 5.223 to 5.229.

Employee stock options (F72)

An employee stock option is an agreement made on a given date (the "grant" date) under which an employee may purchase a given number of shares of the employer's stock at a stated price (the "strike" price) either at a stated time (the "vesting" date) or within a period of time (the "exercise" period) immediately following the vesting date. The exercise date is the time at which the option is exercised. It cannot be earlier than the vesting date or later than the end of the exercise period (SNA 2008 § 11.125).

Employee stock options (ESOs) should be valued by reference to the fair value of the equity instruments granted. The fair value of equity instruments should be measured at grant date using a market value of equivalent traded options (if available) or using an option pricing model (binomial or Black-Scholes) with suitable allowance for particular features of the options. For further details on the recording and valuation of ESOs see SNA 2008 § 17.384 to 17.398 and ESA 2010 § 5.223 to 5.229.

Other accounts receivable/payable (F8)

This category comprises trade credit and advances and other accounts receivable/payable, different from trade credit and advances.

Trade credit and advances consists of trade credit for goods and services extended to corporations, government, NPISHs, households and the rest of the world, and advances for work that is in progress (if classified as such under inventories) or is to be undertaken. Trade credits and advances do not include loans to finance trade credit, which are classified as loans (SNA § 11.126).

Other accounts receivable/payable, except trade credit and advances, includes credit and advances not related to the provision of goods and services. It covers amounts related to taxes, dividends, purchases and sales of securities, rent, wages and salaries, and social contributions (SNA § 11.127).

This category should not include statistical discrepancies (SNA § 11.128).

Other accounts receivable/payable should be valued for both creditors and debtors at the amount of principal the debtors are contractually obliged to pay the creditors when the obligation is extinguished. Interest due on other accounts receivable or payable may be included here but, in general, interest due on debt securities is recorded as increasing the value of the asset concerned. Interest accruing on deposits and loans may have to follow national practices and be classified here if it is not incorporated into the principal of the relevant loan or deposit (SNA 2008 § 13.84).

Financial net worth

Financial net worth is the difference between the value of all financial assets and all liabilities at a particular point in time. For this calculation, each financial asset and each liability is to be identified and valued separately (SNA 2008 § 13.85).

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