2. CONCEPTS AND DEFINITIONS

2.1. Scope and Uses of the Statistics

The statistics described cover all financial assets and liabilities of all financial institutional units within an economy, (focus on the financial corporations sector). Most financial assets are creditor claims that give rise to corresponding obligations, or liabilities, of debtors.

2.2. Monetary Statistics

Monetary statistics consist of a comprehensive set of stock and flow data on the financial and non-financial assets and liabilities of an economy's financial corporations sector. For compiling the monetary statistics, financial corporations sector is subdivided into the central bank sub-sector, the other depository corporations' sub-sector and the other financial corporations sub-sector. The last of which encompasses the 1993 SNA sub-sectors for insurance corporations and pension funds, other financial intermediaries, and financial auxiliaries. The central bank and other depository corporations constitute the depository corporations sub-sector.

2.3. Financial Statistics

Financial statistics have broader sectoral coverage than the monetary statistics. The financial statistics are developed with the framework of SNA1993, which provides for comprehensive coverage of production, distribution, and all non-financial and financial stocks and flows for the total economy as well as each of its sectors. The broad components of the 1993 SNA are the current accounts, accumulation accounts, and balance sheets that together provide an integrated system for measuring economic flows and the resulting stocks of non-financial and financial assets and liabilities.

2.4. Flow of Funds Accounts

Flow of funds data, presented in a matrix form show the financial transactions among **all Sub-sectors** of an economy and are a particular focus of the financial statistics because of there important role in economic activity.

The flow of funds accounts record the acquisition of tangible and financial assets (and the incurrence of liabilities) throughout economy and document the sources of funds used to acquire those assets.

They also measure the value of assets and liabilities at the end of each quarter / year. The accounts trace transactions in types of financial instruments among economic sectors, volume of transactions in the instruments; analyze the development of instruments over time as alternative or complementary vehicles for financing economic activity. They also provide a means of tracking the role of financial intermediaries, such as banks and pension funds, in transferring funds from sectors that have positive savings to those borrow funds. The principal underlying the flow of funds accounts is that total sources of funds must equal total uses of funds. That is, all funds supplied by sectors in economy become uses of funds by sectors. Equality between sources and uses holds within each sector as well as across the entire economy.

2.5. Flows of Funds Statement

The financial statistics are developed within the framework of the SNA93, which provides for comprehensive coverage of production, distribution, and all non-financial and financial stocks and flows for the total economy as well as for each its sectors. The broad components of the 1993 SNA are the:

Current accounts

Accumulation accounts

- Capital account
- Financial account
- Other changes in assets account
  - Revaluation account
  - Other changes in volume account

Balance sheets that together provide an integrated system for measuring economic flows and the resulting stocks of non-financial and financial assets and liabilities with detail of:

- Opening balance
- Changes in stock positions
- Closing balance

Fully articulated flow of funds statements are, in essence, extensions of the financial account into three-dimensional matrices that show the transactions in financial assets and liabilities among sectors / sub-sectors and non-residents.

2.6. Financial Assets

Financial assets are financial claims (e.g., currency, deposits, and securities) that have demonstrable value. MSFM and the 1993 SNA define financial assets as a subset of economic assets— entities over which ownership rights are enforced, individually or collectively, by institutional units and from which economic benefits can be derived by holding or using the assets over a period of time. Most financial assets are financial claims arising from contractual relationships entered into when one institutional unit provides funds to another. Despite the absence of a corresponding liability, monetary gold and SDRs are also considered to be financial assets. Transactions in non-monetary gold are treated as transactions in non-financial assets.

2.7. Financial Claims

A financial claim is an asset that entitles the creditor to receive a payment, or series of payments, from the debtor in the circumstances specified in the contract between them. Monetary gold and SDRs are considered financial assets even though their holders do not have claims on other units.

2.8. Monetary Gold

Monetary gold consists only of gold held by the central bank or government (or by others subject to effective control of the central bank or government) as part of official reserves. Gold holdings that are not part of official reserves are classified as non-financial assets.

2.9. Special Drawing Rights (SDRs)

These are international reserve assets created by the IMF that can be transferred among Fund members and other authorized holders including the Fund. IMF members to whom SDRs are allocated do not have an actual (unconditional) liability to repay their SDR allocations. SDR holdings represent unconditional rights to obtain foreign exchange or other reserve assets from other IMF members.

2.10. Contingent Assets

Financial instruments of a contingent nature, such as loan guarantees, are not financial assets and therefore are not included in the monetary and financial statistics.

2.11. Sectoral Balance Sheet

Sectoral balance sheet is a framework that contains the highly disaggregated stock and flow data for all categories of assets and liabilities of an individual subsector within the financial corporations sector. The data for a sectoral balance sheet are obtained from the individual institutional units and are classified into standard components, in accordance with the sectorization, instrument classification, and accounting principles. In addition, sectoral balance sheets are directly useful for analyses requiring sub-sector data that are more highly disaggregated than the asset and liability categories shown in the corresponding financial sub-sector surveys.

2.12. Surveys

The survey is a framework in which the data from the sectoral balance sheets of one or more of the financial corporations' sub-sectors are combined into more aggregated asset and liability categories that are particularly useful for analytical purposes.
These surveys utilize, and rearrange into analytical presentations, the data in the sectoral balance sheets. These surveys comprise:

- Central bank survey (CBS)
- Other depository corporation survey (ODCS)
- Other financial corporation survey (OFCS)
- The two higher-level surveys based on the above surveys: -
  - Depository corporations survey - DCS (CBS and ODCS are consolidated to obtain DCS)
  - Financial corporations survey – FCS (CBS, ODCS and OFCS are consolidated to obtain FCS)

2.13. Sectoral Classification of Economy

Institutional units differ with respect to their economic objectives, functions, and behavior and are grouped into sectors that include units with similar characteristics. The units of the economy are grouped into the following mutually exclusive institutional sectors:

1. **Resident units**

   Financial corporations

- Central bank
- Other depository corporations
  - Deposit money corporations
  - Other deposits accepting institution
- Other financial intermediaries; except insurance corporations and pension funds
- Insurance corporations and pension funds
- Financial auxiliaries

  General government

- Central government; and
  - Federal government excluding NPIs and public enterprises
  - Federal government NPIs

– State and local government (Provincial governments)

  - Provincial government excluding NPIs and public enterprises
  - Provincial governments NPIs

Non-financial corporations

– Public non-financial corporations;

– Other non-financial corporations (Private non-financial corporation)

  - National private non-financial corporations; and
  - Foreign controlled non-financial corporations.

Households

– Employers

– Own account workers

– Employees

– Recipient of property and transfer income

Non –profit institutions serving households (NPISHs)

2. Rest of the world (Non-resident units)

2.14. Classification of Financial Assets

The assets and liabilities of the financial corporations sector are classified in the following broad categories with sub categories:

Monetary gold and SDRs (applicable to the central bank only)

Currency and deposits (with breakup of national currency and foreign currency of denomination)

– Currency

– Transferable deposits

– Other deposits (also included are restricted deposits)

Securities other than shares

Loans

Shares and other equity (with following breakup for liability side)

– Funds contributed by owners

– Retained earnings

– General and special reserves

– SDR allocation (applicable to the central bank only)

– Valuation adjustment

Insurance technical reserves

– Net equity of households in insurance reserves and pension funds

- Prepayments of premiums and reserves against outstanding claims

Financial derivatives

Other accounts receivable / payable

- Trade credits and advances
- Other

Non-financial assets

- Produced assets
    - Tangible fixed assets
    - Intangible fixed assets
    - Inventories
    - Valuables
- Non-produced assets
    - Tangible non-produced assets
    - Intangible non-produced assets

2.15. Residency Criteria

Residence is particularly important attribute of an institutional unit in the balance of payments because the identification of transactions between residents and non-residents underpins the system. The concept of residence is based on sectoral transactor's centre of economic interest. An institutional unit has a centre of economic interest and is a resident unit of a country when from some location, dwelling, place of production, or other premises within the economic territory of country, the unit engages and intends to continue engaging, either indefinitely or over a finite period usually a year, in economic activities and transactions on a significant scale. The one-year period is suggested only as a guideline and not as an inflexible rule.

2.16. The Principle of Accrual Accounting

This is an accounting method or recording transactions when economic value is created, transformed, exchanged, transferred, or extinguished (recognizing economic events regardless of when cash transactions happen). Claims and liabilities arise when there is a change in ownership.