

**INTERNATIONAL MONETARY FUND**

**Monetary and Financial Statistics Manual and  
Compilation Guide Revision**

**Statistics Department**



**Discussion Note**

**Prepared for the Experts Group Meeting**

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Content.....	Page
Introduction to the Discussion Note .....	3
I. Chapter 1. Introduction.....	3
II. Chapter 2. Framework for Monetary Statistics .....	3
III. Chapter 3. Institutional Units and Sectors .....	4
IV. Chapter 4. Classification of Financial Assets.....	8
V. Chapter 5. Stocks, Flows, and Accounting Principles .....	12
VI. Chapter 6. Money, Credit, and Debt.....	16
VII. Chapter 7. Compilation and Dissemination of Monetary Statistics .....	20
VIII. Chapter 8. Beyond Monetary Statistics.....	22
General Comments/Suggestions/Questions on the <i>MFSMCG</i> .....	23

## INTRODUCTION TO THE DISCUSSION NOTE

We received a significant number of very helpful responses to the questionnaire included in the Issues Paper that were overwhelmingly supportive of the proposed approach to revise the *Monetary and Financial Statistics Manual (MFSM)* and the *Compilation Guide (CG)*. In the main, these responses welcomed the issues raised and questions posed in the Issues Paper (December 2011) that was prepared for the MFSM and CG Experts Group Meeting. Drawing from these responses, this note aims at facilitating the discussion of the main issues at hand.

This note is organized according to the structure of the Issues Paper, namely by the envisaged chapters of the revised *Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG)*. For each question posed in the Issues Paper, the note provides a snapshot of the responses and, where relevant, preliminary conclusions along with a commentary. At the end of each chapter, the note poses questions and/or highlight issues for further discussion at the meeting.

### I. CHAPTER 1. INTRODUCTION

**1. *Based on the Annotated Outline for the MFSMCG, do you agree with the proposed structure for the MFSMCG?***

**Summary of survey responses:** Virtually all respondents agreed with the structure of the *MFSMCG* as proposed in the Annotated Outline. Moreover, virtually all respondents approved the merging of the *MFSM* and *CG* into one single document. A few respondents requested that linkages with other macroeconomic statistics datasets be presented in the *MFSMCG*.

**Preliminary conclusions:** The *MFSMCG* will adopt its proposed structure.

**Commentary:** Linkages with other macroeconomic statistics datasets will be covered in the *MFSMCG*.

### II. CHAPTER 2. FRAMEWORK FOR MONETARY STATISTICS

**1. *No question on Chapter 2 at this juncture.*** Although no questions were posed in Chapter 2, respondents provided comments on the general structure and content of the chapter.

**Summary of survey responses:** Some comments highlighted that the source data for monetary statistics include accounting and regulatory records, and that this issue should be addressed. It was suggested to elaborate on the updates of the *2008 SNA* and other statistical manuals and the implications for the revised *MFSMCG*. Other comments indicated the need

to focus the scope of monetary statistics on the assets and liabilities of the financial corporations sector only. Potential uses and limits of monetary statistics for financial stability analysis were also suggested for discussion.

**Preliminary conclusions:** The focus of the *MFSMCG* will be on the financial and nonfinancial assets and liabilities of an economy's financial corporations sector. Aspects related to accounting standards may be dealt with in this initial chapter or later when discussing compilation issues. References should be made to all relevant statistical manuals. Uses and limitations of monetary statistics for financial stability analysis will be discussed.

**Issues for the meeting:**

- Is the coverage of the *MFSMCG* on the financial and nonfinancial assets and liabilities of the financial corporations sector appropriate?
- What are the experiences on the uses and limitations of monetary statistics for financial stability analysis?

### III. CHAPTER 3. INSTITUTIONAL UNITS AND SECTORS

**1. Do you agree with having a special subsection for SPEs in the section of institutional units, including a fourth category for multi-government SPEs?**

**Summary of survey responses:** Virtually all respondents indicated their interest in having a separate discussion on SPEs in the revised *MFSMCG*. The inclusion of a separate discussion on multi-government SPEs was broadly supported, although many respondents indicated that such institutions were not relevant in the specific case of their own countries.

**Preliminary conclusions:** Chapter 3 will deal in-depth with SPEs and present the case of multi-government SPEs. For the latter, the decisions taken by Eurostat regarding the classification of the European Financial Stability Facility (EFSF) and the European Stability Mechanism (ESM) would serve as a framework.

**Commentary:** Respondents emphasized the need to be consistent with the *2008 SNA*. Another issue raised by respondents was to consider the cases of SPEs as separate institutional units and SPEs that are consolidated with their controlling entities.

**2. Do you agree with having a special subsection for SWFs in the section of institutional units? Any views on the subsector classification of SWFs?**

**Summary of survey responses:** The issue of SWFs was considered to be very relevant by almost all respondents. They noted that the criteria for sectoring should be consistent with the *2008 SNA* and the *BPM6*.

**Preliminary conclusions:** Chapter 3 will deal in-depth with SWFs and will present criteria for their sectoring.

**Commentary:** Respondents highlighted the need to determine, based on their autonomy and objectives, when SWFs should be classified as independent financial institutions and when as part of general government. One respondent suggested to use an ownership criterion (central government) rather than a functional criterion.

**3. *Do you find the current list of borderline cases on residence exhaustive enough? Do you think that other borderline cases should be included?***

**Summary of survey responses:** A large majority of respondents considered the current list to be exhaustive enough. Nonetheless, several respondents proposed to expand the list and include other borderline cases such as nonresident branches of banks, corporations with no physical presence, holding companies, highly mobile individuals, refugees, housing loans granted to nonresidents, and economic territories controlled by another country.

**Preliminary conclusions:** The current list of borderline cases described in the *Compilation Guide* to be expanded to include the ones proposed by respondents.

**4. *Should the allocation criterion of multiterritory enterprises be consistent with BPM6?***

**Summary of survey responses:** All respondents agreed to follow the recommendations of *BPM6* and the *2008 SNA* (para. 26.35). However, some respondents recognized that this may be difficult to implement and not always possible. Respondents mentioned that the *BPM6* seems to provide more than one option for splitting the operations of multiterritory enterprises. One respondent suggested classifying the multiterritory enterprise as resident of the economy where the accounts are held.

**Preliminary conclusions:** The allocation of accounts of multiterritory enterprises in the financial sector will be consistent with *BPM6*. Nonetheless, since the *BPM6* does not provide a single prorating methodology, the meeting should discuss a uniform approach.

**Commentary:** Since the interest for the allocation of multiterritory enterprises is the classification of the accounts they hold with the financial system and their liabilities to the financial corporations sector, a criterion should be agreed on the allocation of these financial instruments.

**5. *Do you agree that for compiling monetary statistics households and NPISHs continue to be grouped into one sector “Other resident sectors”?***

**Summary of survey responses:** Responses were evenly split between the grouping of households and NPISHs into one sector and the creation of two different sectors for the compilation of monetary statistics.

**Preliminary conclusions:** More discussion is needed at the expert group level before reaching a decision on this issue.

**Commentary:** The main arguments in favor of separating households from NPISHs for monetary statistics are the need to harmonize monetary statistics with the *2008 SNA* and the attendant analytical usefulness for users of monetary statistics. The difficulty of collecting separate data for these groups and the fact that a similar treatment is considered under ESA 2010 were mentioned as arguments in favor of keeping both groups together. Respondents that supported keeping both sectors together for monetary statistics purposes indicated that the labeling should be changed from “Other resident sectors” to “Households and NPISHs.” An alternative could be to keep these sectors together, but to include a memo item “of which: households” for countries that are in a position to collect disaggregated information.

**6. *Do you agree to keep the current sub-sectoring of the financial corporations sector, namely central bank, other depository corporations, and other financial corporations?***

**Summary of survey responses:** A slight majority of respondents agreed to keep the current sub-sectoring of the financial corporations sector. Nonetheless, several of these respondents indicated that some limited breakdowns could be envisaged for other financial corporations. Responses against this proposal indicated that the classification should be fully in line with the *2008 SNA*, although admitting that consolidating these subsectors into three analytical groups can still be done.

**Preliminary conclusions:** The revised *MFSMCG* will keep the sub-sectoring of the financial corporations sector in line with the *2008 SNA*. Nonetheless, for analytical purposes, it will distinguish between depository corporations (central bank, deposit-taking corporations except the central bank, and MMFs) and other financial corporations (all other financial corporations of the *2008 SNA*).

**Commentary:** The rationale behind the proposal to group financial corporations into depository corporations and other financial corporations is that the units included in the first group issue liabilities included in broad money, while the latter do not. Some of the suggestions received (e.g., to separate MMFs from non-MMF investment funds, as in *2008 SNA*) have already been incorporated in the draft of Chapter 3. One respondent suggested showing commercial banks separately from other deposit-taking corporations.

**7. *Do you find the current lists in the Compilation Guide, updated for 2008 SNA, describing other depository corporations, other financial intermediaries, and financial auxiliaries exhaustive enough? Which other institutions would you suggest to be described in these lists?***

**Summary of survey responses:** A large majority of respondents considered the current list to be exhaustive enough. Nonetheless, several respondents proposed to expand the list and

describe other institutional units of the financial corporations sector. Respondents proposed to elaborate on the following institutional units: issuers of electronic money, financial vehicle corporations engaged in securitization, financial corporations in the process of liquidation, central counterparties, Islamic banking institutions, deposit insurance corporations, shadow banking, collective investment schemes, and depository receipt agents.

**Preliminary conclusions:** The current list describing the units of the financial corporations sector is exhaustive but could be expanded to include institutions suggested by respondents.

**Issues for the meeting:**

- Does the meeting agree on a sub-sectoring of the financial corporations sector that is consistent with the *2008 SNA*, but that clusters them into three groups: a) central bank, b) other deposit-taking corporations (except the central bank) and MMFs, and c) all other financial corporations? (The first two groups are money-issuing sectors.)
- What are the meeting's views on the grouping of households and NPISHs into only one sector for monetary statistics purposes? Could an alternative be to keep both sectors together in the main reporting form, adding a memo item "of which, households" for countries that can collect such data?
- Does the meeting agree that clear criteria should be provided consistent with *2008 SNA*, to classify SPEs as separate institutional units or as part of their controlling corporations?
- What criteria should be provided for the sectoral classification of SWFs beyond that discussed in *BPM6*?
- What additional institutional units need to be discussed as borderline cases for residency?
- What institutional units in the financial corporations sector need further discussion in the *MFSMCG*, such as deposit insurance companies?
- Are further criteria than in *BPM6* needed to allocate the accounts that multiterritory enterprises hold with the financial corporations sector?

#### IV. CHAPTER 4. CLASSIFICATION OF FINANCIAL ASSETS

##### ***1. Do you agree with the proposed structure for the chapter on financial assets classification, including the three Annexes?***

**Summary of survey responses:** Virtually all respondents agreed with the proposed structure for Chapter 4 and indicated their interest in having the three annexes on specific topics. In particular, they underscored full support for any changes/revisions to be in line with *SNA 2008* and *BPM6*.

**Preliminary conclusions:** Chapter 4 will adopt the proposed structure.

**Commentary:** Respondents emphasized the usefulness of having the three annexes. In particular, they welcomed the annex on IMF Accounts as some countries find it unclear how to include them in monetary statistics. Respondents also noted that the annexes should have in-depth discussions on more specific topics, as well as illustrative examples. One option suggested by respondents was to prepare amendments or additions to this chapter of the *MFSMCG* at later stages, as needed, to provide guidance on financial instruments of increasing complexity and operational processes arising from developments in financial markets. One respondent suggested changing the title of this chapter from “financial assets” to “financial instruments.” While the term “financial instruments” would be an apt title for this chapter, the term “financial assets” should be maintained in order to be consistent with *2008 SNA*, *BPM6*, and the forthcoming revised *GFSM*. In addition, monetary statistics focus on financial instruments that are actually financial assets/liabilities, while excluding those financial instruments that are of a contingent nature.

##### ***2. Do you agree with the proposed scope for financial assets classification in the updated MFSMCG? Are there other financial asset-related aspects that you consider useful for inclusion in the updated MFSMCG?***

**Summary of survey responses:** Virtually all respondents supported the proposed scope for financial assets in *MFSMCG* and the consistency of the classification with the *2008 SNA*. They also welcomed the suggested addition and/or expansion of some financial assets sub-categories and their statistical treatment in monetary statistics, including, in particular, various forms of securitization, hybrid debt instruments, credit card credit, and the recording of lease agreements. Many respondents also suggested that the *MFSMCG* should make a reference to the *Handbook on Securities Statistics* when discussing debt securities and securitization.

**Preliminary conclusions:** Chapter 4 will enumerate broad financial assets categories as classified in the *2008 SNA* and add/expand the suggested subcategories in their specific forms and aspects.



**Commentary:** One respondent indicated that placing emphasis on some financial assets, which were problematic during the recent financial crisis, seemed to reflect a backward looking approach. For the *MFSMCG* to be comprehensive, a forward looking approach should be adopted by including financial assets that might cause potential instability in the future. Other suggestions included: (i) elaborating on the treatment of guarantees, which may be included at a later stage in some amendments or additions; (ii) providing guidance on treatment of unallocated gold, classification of central bank’s allocated gold and other precious metal accounts with nonresidents, and classification of nonresidents’ gold accounts with the central bank; (iii) providing guidance on “provisions for calls under standardized guarantees” as they may prove quite difficult; (iv) illustrating repo recording through worked examples of buy and sell repo accounting; and (v) discussing the rationale for certain changes in the *MFSMCG*, in particular, the revision of SDR allocation classification.

**3. Do you agree to maintain the current approach of MFSM and MFS Compilation Guide in classifying money market fund shares (MMFS) included in national definition of broad money with deposits? What are your views on adding a separate asset category MMFS included in broad money?**

**Summary of survey responses:** Virtually all respondents agreed to maintain the inclusion of MMFS in national definition of broad money, but preferred a separate asset category for MMFS instead of including them in deposits. They considered that such treatment would (i) be useful for monetary analysis given the significance of MMFs in the financial system in some countries; (ii) facilitate reconciliation with *SNA 2008* standards; and (iii) improve methodological soundness of MMFS presentation in monetary statistics as MMFS differ from deposits on valuation basis, legal basis, investment purposes, risk and liquidity characteristics. In addition, a large majority of respondents indicated the availability of data for reporting MMFS separately.

**Preliminary conclusions:** The *MFSMCG* to recommend that in the standardized report form for other depository corporations MMFS be identified separately from deposits under broad money instead of including them in deposits.

**Commentary:** A few respondents indicated that their current practice is in line with the proposed approach for MMFS, i.e., included in broad money, but separately identified from deposits. Other views expressed by respondents included: (i) a separate category for MMFS is probably not necessary; (ii) both approaches are acceptable; and (iii) the issue is not relevant at this time as MMFS do not exist in their economies.

**4. Do you consider it useful to include a separate section on cross-classification for financial assets, where applicable, by maturity, currency denomination, type of interest rates (fixed or variable), etc? What other cross-classification that you consider useful for the MFSMCG to address?**

**Summary of survey responses:** Virtually all respondents supported the inclusion of a section on cross-classification for financial assets and underscored the usefulness of such classification, in particular, by sector of counterparties. Many also supported the inclusion of classifications, where applicable, by: (i) currency of denomination; (ii) maturity (remaining maturity); (iii) type of interest rates; (iv) economic purpose/activities/borrowing purpose (e.g., loans by ISIC classification; household loans broken into mortgages and consumer credit); (v) inclusion in/exclusion from official reserves (for central bank only); and (vi) further sectoral breakdowns of nonresident counterparties. Nonetheless, several respondents expressed concern about the data availability and the reporting burden for some of the cross-classifications, e.g., data on interest types are often not available for stock data.

**Preliminary conclusions:** Chapter 4 to include a section, covering general guidance on cross-classifications that are most important for monetary statistics and have the support of a large majority of respondents.

**Commentary:** Several respondents also expressed concern about the cost that too detailed cross-classification may entail. Some also suggested that the cross-classification work be coordinated with other relevant exercises in particular with the new IMF-ECB *Handbook on Securities Statistics*, which are related to the G-20 Data Gaps Initiative. Such reference in the *MFSMCG* would help avoid duplicate texts (and eventual potential duplication of collection).

**5. What other specific (new) financial instruments that you consider useful for inclusion in the updated MFSMCG? For these specific (new) instruments, to what level of details do you want them to be dealt with in the updated MFSMCG?**

**Summary of survey responses:** All respondents supported the updating/expanding of the *MFSMCG* in line with *2008 SNA* changes on financial instruments. Some expressed a preference to focus on new financial instruments that are required by the *2008 SNA*. Some also suggested/supported a number of additional specific financial instruments for inclusion in *MFSMCG* at a greater detail, including: (i) debt securities, particularly asset-backed securities; (ii) Exchange Trade Fund (ETF) and iShares instruments (with a level of details similar to the repos); (iii) interbank positions (based on the *SNA 2008* definition para. 11.56 and 11.57); (iv) Credit Default Swap (CDS); (v) standardized guarantees, insurance, CDS and options, including those embedded in securities; (vi) covered bonds; and (vii) securitization products and structural products, including operational aspects, and issuers and holders of these financial products as detailed as possible. In this connection, the suggestion was made that the *MFSMCG* could synthesize the descriptions in a separate box or in an appendix to make comparisons of related products an easier task.

**Preliminary conclusions:** A list of additional specific instruments for inclusion in Chapter 4 will be decided following further discussion at the meeting.

**Commentary:** With reference to CDS, one respondent indicated that they should be classified as "options" following *BPM6*, whereas *2008 SNA* classifies them as "forwards." There was also one suggestion to discuss compilation methods in complicated cases, e.g., when the guarantee fee is embedded in loans, how should the transaction be recorded, and who consumes and benefits from standardized guarantee service.

**6. *The current MFS Compilation Guide provides useful guidance for distinguishing between (1) deposits and loans, (2) loans and securities other than shares, and (3) loans and trade credits. What other borderline cases that you consider useful for inclusion in the updated MFSMCG?***

**Summary of survey responses:** A large majority of respondents considered the above-mentioned three borderline cases to be the most important ones. Some also suggested additional borderline cases for inclusion in the updated *MFSMCG*. These are distinctions between: (i) deposits and debt securities; (ii) repurchase agreements and buy-sell-back transactions; (iii) preference shares, credit union shares and promissory notes; (iv) private placements in relation to securities; (v) deposits and close substitutes of deposits (e.g. certificates of deposits); (vi) non-monetary gold classified either as a deposit or commodity (non-financial asset); and (vii) prepayments of insurance premiums and reserves against outstanding claims.

**Preliminary conclusions:** Chapter 4 will address the existing borderline cases and the suggested additional cases (in Annex 4.1) following further discussion at the Expert Group Meeting.

**Commentary:** Some of the borderline cases have been addressed in *BPM6*. *MFSMCG* will address the same or similar cases in line with *BPM6*. It was also suggested that the guidance for distinguishing a loan from a deposit, debt securities, and trade credits and advances should all be grouped into Annex 4.1.

**Issues for the meeting:**

- Is there support for a separate identification of MMFS under broad money instead of including them in deposits?
- Discuss and agree on the scope of cross-classifications for financial assets to be addressed in the *MFSMCG*.
- Discuss and agree on the lists of borderline cases and of financial asset-related aspects that need additional guidance in the *MFSMCG*.

- Any comments on the list of suggested (new) financial assets not discussed in detail in the major financial assets categories and subcategories of *2008 SNA* that could be covered in *MFSMCG*. Are there other additions to the list?

## V. CHAPTER 5. STOCKS, FLOWS, AND ACCOUNTING PRINCIPLES

### 1. *Do you agree with the proposed structure for Chapter 5, including the four Annexes?*

**Summary of survey responses:** All respondents agreed with the proposed structure for this chapter, with distinct interest in existing and proposed new annexes. Several responses suggested to further evaluate the specific content of the annexes later on, as additions may be necessary once the work has progressed substantially.

**Preliminary conclusions:** As anticipated, there was a clear interest in having more detailed explanations and numerical examples on valuation issues. Therefore, Chapter 5 will have at least two new annexes containing numerical examples on valuation and recording of specific types of financial instruments.

**Commentary:** A respondent emphasized the importance of keeping the information contained in the *MFSM* Annex 5.1 Statistical Treatment of Financial Derivatives. The intention is to incorporate parts of Annex 5.1 into the main text of Chapter 5 and the remainder in the envisaged new annex on derivatives.

### 2. *Do you agree with the proposed scope for stocks, flows and accounting rules in the updated MFSMCG? Are there other aspects related to accounting and valuation rules that you consider useful for inclusion in the updated MFSMCG?*

**Summary of survey responses:** Although the majority of respondents agreed with the proposed scope, about one-third offered suggestions for additional aspects of accounting and valuation rules to be covered in Chapter 5. The suggestions mostly focused on the following four aspects: (i) expanding the coverage and discussion of the accounting and valuation rules of the International Financial Reporting Standards (IFRS), focusing mainly on differences between the IFRS rules and the principles for monetary statistics and more broadly macroeconomic statistics (*2008 SNA*); (ii) for special cases, as a second best solution accepting the possibility of using accounting data without adjustments for compiling monetary statistics, when needed adjustments are very difficult to apply in practice; (iii) accounting and valuation rules underlying the compilation of monetary statistics to fully adhere to the IFRS rules; and (iv) taking into account countries' practices when discussing the derivation of the components of flows.

**Preliminary conclusions:** Because the main data source for monetary statistics is accounting data, the IFRS and International Accounting Standards (IAS) rules are indeed important to understand whether the accounting data based on the IAS/IFRS can be used directly in

compiling monetary statistics or certain adjustments may be needed. Therefore, the *MFS Compilation Guide* already discusses several relevant cases and explains the differences in recording of certain financial assets between the accounting rules and statistical approaches. Most of these explanations will be retained in the *MFSMCG*. However, two important considerations need to be taken into account when discussing how intense the discussion of the IAS/IFRS rules should be in the *MFSMCG*. First, as monetary statistics are part of the broader macroeconomic statistics, they should primarily follow the main valuation principles adopted in the *2008 SNA*, which are given, not least to ensure consistency with other macroeconomic datasets. In fact, the revision of the *MFSM* and the *MFS Compilation Guide* is mostly driven by the need to harmonize their main concepts with the *2008 SNA* and *BPM6*. Second, the IAS/IFRS rules change more frequently than the methodologies for macroeconomic statistics, and in case of heavy reliance on IAS/IFRS rules there is the risk that these may become outdated relatively quickly.

**Commentary:** Most of the respondents' comments seemed to imply that there is an interest in having more detailed descriptions/explanations on how the accounting data that do not follow the required valuation and recording principles could be adjusted to fit the needs of monetary statistics.

**3. Do you think any of the general valuation principles in the *MFSM* and the *MFS Compilation Guide* needs to be revisited, in particular valuation for equity and other shares?**

**Summary of survey responses:** Only about two-fifth of the respondents suggested valuation issues that may need to be revisited or further elaborated in the *MFSMCG*. The two major issues that came up in most comments were related to the treatment of accrued interest and to the valuation of shares and other equity. (The latter will be discussed in the next item.) A comment from one respondent requested to elaborate on valuation methods for unquoted shares, especially for countries with no or a thin equity market. Concerning the accrued interest, the first group of comments proposed to expand the explanations on their treatment and the second group suggested adopting the inclusion of accrued interest in *other accounts receivable/payable* as a second best option.

**Preliminary conclusions:** There could be some merit in expanding the descriptions on the treatment of accrued interest, consistent with the currently adopted accrual basis in the *2008 SNA*. The current approach to be retained recommends that accrued interest on deposits, loans, and securities other than shares be incorporated into the outstanding amount of the financial asset or liability, rather than being treated as part of other accounts receivable/payable.

**Commentary:** The *MFS Compilation Guide* contains quite lengthy explanations on the treatment of accrued interest and these descriptions will mostly be retained and complemented as needed. Another suggestion from one respondent was to discuss and

present in a summary table different valuation methods, including face value, nominal value, book value, market value, and fair value, as in *BPM6*. This request will be addressed in the main text of Chapter 5 and in the new appendix on valuation and recording of different types of securities.

**4. *Do you agree with the intention to maintain the major difference on the valuation of Shares and other equity on the liabilities side of the balance sheet between the 2008 SNA and the MFSMCG?***

**Summary of survey responses:** The majority of responses supported the intention to maintain the difference on the valuation of shares and other equity on the liabilities side of the balance sheet between the *2008 SNA* and the *MFSMCG*.

**Preliminary conclusions:** This issue needs to be discussed at the Experts Group Meeting.

**Commentary:** The main argument of those in favor of maintaining the difference was that there are practical difficulties in market valuation of shares and other equity on the liabilities side of the balance sheet whereas book values are readily available from accounting records. In addition, the supporters argued that the valuation of shares and other equity on the liabilities side of the balance sheet will continue to be harmonized with the *2008 SNA* through the use of memorandum items for the market value of equity which accompany the financial corporations' balance sheets in the monetary statistics. Furthermore, recording shares and other equity on the liabilities side of the balance sheet at book value allows presenting a breakdown of this item by separate components. The main arguments of those against maintaining the difference were the need for consistency with the *2008 SNA* and the need for consistency of valuation of shares between equity assets and equity liabilities of individual institutions and sectors. In addition, it should be mentioned that the valuation of shares and other equity on the liabilities side of the balance sheet has no major implications for compiling the important aggregated indicators of monetary statistics, such as net foreign assets, net claims on government, monetary base, and broad money.

**5. *Do you agree to the proposed treatment of accumulated depreciation that is already recognized in the MFS Compilation Guide? Under this approach the nonfinancial assets are presented on a net basis (less accumulated depreciation).***

**Summary of survey responses:** The majority of respondents supported the proposed treatment of accumulated depreciation. However, several respondents noted that both components—nonfinancial assets and accumulated depreciation—needed to be shown in the presentation.

**Preliminary conclusions:** Adopt the proposed approach for the treatment of accumulated depreciation and accept the proposal to have gross nonfinancial assets and accumulated depreciation shown separately.

**Commentary:** Some of the comments noted that the accumulated depreciation in many cases may be quite arbitrary (as also noted in the *2008 SNA*) and, therefore, unacceptable from an economic viewpoint as a measure of consumption of fixed capital. Also the best estimate of fair value for a given nonfinancial asset of a specific institution may not be the historical cost less accumulated depreciation, given prevailing prices.

**6. Do you agree that tax credit and liabilities be recorded as “Other Accounts Receivable/Payable – Central/Local Government” rather than under “Miscellaneous Assets/Liabilities Items.”?**

**Summary of survey responses:** The vast majority of respondents were supportive of the proposed treatment of tax credit and liabilities. Two respondents noted that this approach could be difficult to implement because of source data availability and proposed to discuss the issue in the light of potential costs and benefits.

**Preliminary conclusions:** Discuss the potential costs and benefits of the proposed approach before taking a final decision.

**Commentary:** Even if the proposed approach were to be adopted, some room for flexibility could be allowed for those countries experiencing source data availability problems.

**Issues for the meeting:**

- How important is the reconciliation of stocks and flows for users in analyzing monetary data?
- To what extent should *MFSMCG* discuss IFRS and IAS based accounting rules? Is there support for valuation and recording principles to primarily follow the *2008 SNA* rules?
- What are the views on maintaining the different valuation treatment of shares and other equity on the liabilities side of the balance sheet in the *MFSMCG* from the *2008 SNA*.
- Is there a consensus on the valuation treatment of nonfinancial assets? Should gross nonfinancial assets and accumulated depreciation (based on prevailing market prices) be shown separately?
- Discuss the potential costs and benefits of the proposed approach that tax credit and liabilities be recorded as “Other Accounts Receivable/Payable – Central/State/Local Government” rather than under “Miscellaneous Assets/Liabilities Items.”

## VI. CHAPTER 6. MONEY, CREDIT, AND DEBT

### 1. *Do you agree that a definition of money should be spelled out in the MFSMCG?*

**Summary of survey responses:** A large majority of respondents considered that a definition of money should be spelled out in the *MFSMCG*.

**Preliminary conclusions:** The *MFSMCG* will include a definition of money.

**Commentary:** Some comments indicated that the definition of money should not be too prescriptive, but rather generic to allow some flexibility for each country.

### 2. *Do you agree that emphasis should be put on the function “medium of exchange”, then on the function “store of value”?*

**Summary of survey responses:** Virtually all respondents agreed that the emphasis should be first put on the function “medium of exchange” and then on the function “store of value.”

**Preliminary conclusions:** The emphasis will be first put on the function “medium of exchange” then on the function “store of value.” Other functions of money will not be ignored.

### 3. *Do you agree that the importance of measuring the “capacity of spending” or “potential purchasing power” in an economy should be spelled out?*

**Summary of survey responses:** A large majority of respondents agreed that the importance of measuring the “capacity of spending” or “potential purchasing power” in an economy should be spelled out in the *MFSMCG*.

**Preliminary conclusions:** The importance of measuring the “capacity of spending” or “potential purchasing power” in an economy will be spelled out in the *MFSMCG*.

**Commentary:** One respondent suggested complementing the concept of “capacity of spending” or “potential purchase power” with the concepts of liquidity ratio (broad money/GDP) and velocity of money.

### 4. *Do you agree that the discussion on monetary aggregates be drafted along the lines as follows: Monetary base, and broader monetary aggregates including media of exchange (usually: national currency holdings and transferable deposits in national currency), and other financial assets “easily” transformable in media of exchange without any risk of “significant” loss of the capital initially invested.*

**Summary of survey responses:** Virtually all respondents agreed with the above proposed drafting structure. One comment suggested to time-bound the definition of “risk of significant loss.”



**Preliminary conclusions:** The *MFSMCG* will include a definition of money (applicable to diverse monetary aggregates) along the lines drafted above.

**Commentary:** It is difficult to set thresholds to the level of risk on the capital and the time required for transformation into means of payment that could be applicable uniformly across countries and financial assets.

**5. Do you agree with the sequence used above to continue to discuss the concepts “money issuers”, then “money neutral”, and finally “money holders”?**

**Summary of survey responses:** Virtually all respondents agreed on the sequence proposed above.

**Preliminary conclusions:** The *MFSMCG* will present the institutional sectors as regard their role from the point of view of “money” in the sequence as follows: “money issuers”, then “money neutral”, and finally “money holders.”

**Commentary:** The concept “money neutral” sector, though not explicitly used in the current *MFSM*, was implicitly welcomed by the MFS Expert Group. Using this concept better structures the presentation of relations between sectors and money.

**6. Do you think the list of breaches is complete in paragraph 67? Can you suggest other possible breaches?**

**Summary of survey responses:** Virtually all respondents were of the view that the list of breaches was complete. One comment drew attention on central counterparties (*2008 SNA*, para 4.110 d), indicating that considering them as money-holders, while they act as a pure intermediary between MFIs, will likely lead to a misleading interpretation of monetary growth.

**Preliminary conclusions:** The *MFSMCG* will be drafted essentially along the lines in paragraph 67. The question of central counterparties, and their classification as “money holders” or “money neutral” units should be further discussed in the meeting.

**7. Do you agree that the *MFSMCG* should provide adequate analytical tools to help a compiler make decisions on the composition of monetary aggregates as economic and financial conditions evolve?**

**Summary of survey responses:** A large majority of respondents agreed with the proposal above. Some comments indicated that the *MFSMCG* was not the right place to deal with this issue.

**Preliminary conclusions:** The *MFSMCG* will include some limited discussion on this while inviting country compilers to reconsider periodically the content of monetary aggregates when economic and financial conditions evolve.

**Commentary:** One of the arguments against including analytical tools to decide on the composition of money was that in practice this is eventually a mix of policy and analytical decisions, and therefore not suitable for a statistical manual. It also risked to be outdated by financial innovations.

**8. *Should an item on the counterparts to broad money be included?***

**Summary of survey responses:** Virtually all respondents considered it useful to have some development on counterparts (or sources) of broad money in the *MFSMCG*.

**Preliminary conclusions:** The *MFSMCG* will include some development on counterparts (or sources) of broad money.

**Commentary:** One comment drew attention on financial assets not issued by depository corporations but that may be included in broad money aggregate (e.g., Treasury bills). The meeting could discuss three options to address this issue as regards the compilation of counterparts for such additional components: a) no counterpart is offered for these additional components (counterparts are available as a by-product of the Depository Corporation Survey; b) counterparts are compiled by the mean of one single contra-entry for the total amount into the most relevant item; and c) some components of the counterparts are precisely identified and a residual contra-entry is performed as a balancing item.

**9. *Do you agree that some development mention the “empirical” approach besides the “functional” approach to the end of establishing the list of components of money?***

**Summary of survey responses:** Virtually all respondents agreed that some discussion on the “empirical” approach besides the “functional” approach could be useful with the aim of establishing the list of components of money. One respondent requested clarifications on the nature of the empirical approach.

**Preliminary conclusions:** The *MFSMCG* will include some discussion mentioning the “empirical” approach in addition to the “functional” approach.

**Commentary:** The empirical approach seeks to define money by finding the grouping of financial assets whose movements are most closely correlated with the movements of various macroeconomic variables of interest—such as GDP and prices.

**10. *Do you agree that the MFSMCG should elaborate more on the liquidity aggregates?***

**Summary of survey responses:** A large majority of respondents was of the view that the *MFSMCG* should elaborate more on liquidity aggregates.

**Preliminary conclusions:** The *MFSMCG* will elaborate more on the liquidity aggregates.

**Commentary:** One comment was whether the three pronged approach—issuer sector, neutral sector, holding sector—applied to broad money should also apply to liquidity aggregates.

**11. Do you agree that the MFSMCG include, for reference, a text box featuring examples of nationally defined M<sub>1</sub> aggregates and draw out some common characteristics of monetary measures?**

**Summary of survey responses:** All respondents agreed that the MFSMCG should include, for reference, a text box featuring examples of nationally defined M<sub>1</sub> aggregates and draw out some common characteristics of monetary measures.

**Preliminary conclusions:** The MFSMCG will include the proposed text box.

**Commentary:** Respondents found it to be useful to have different examples of monetary aggregates in order to identify the financial instruments that should be included in their national definitions of money. Some respondents indicated the need to discuss monetary aggregates for currency unions.

**12. Do you suggest some particular additional development for the sections on credit, debt and seasonal adjustment of economic time series?**

**Summary of survey responses:** Respondents requested more discussion on securitization and credit sales; impact of credit from non residents; seasonal adjustment with emphasis on monetary aggregate data series rather than economic time series in general. More discussion was also sought on seasonal adjustment at a time of crisis. Regarding credit and debt aggregates, respondents indicated their interest on the financial assets that should be included, and the sectors other than financial corporations that should be covered.

**Preliminary conclusions:** Experts are invited to provide in advance as much details as they deem to be needed and reading materials on these topics in order to make the discussion at the meeting as productive as possible.

**Commentary:** The list of issues proposed by respondents is very detailed, and it is not feasible to include the entire list in the revised MFSMCG. The meeting should serve as a forum to identify the most relevant issues for monetary statistics.

### **Issues for the meeting**

- What are experts' views on elements to be covered in defining money?
- From the experience of the experts' what are the analytical criteria taken into account when reviewing the composition of monetary aggregates? How is the empirical approach used when establishing the components of money?

- Is there support for the *MFSMCG* to cover counterparts to broad money? If so, how to include financial assets not issued by depository corporations but included in broad money?
- What are the experts' views on the key elements of liquidity aggregates? Should credit extended by nonresident depository corporations be included in some measures? Should the issuer, holding and neutral sector approach to broad money also be applied to liquidity measures?
- What is the experience of experts in compiling data on “capacity of spending” or “potential purchasing power?”
- Are central counterparties either “money holding” or “money neutral” units?
- Are countries willing to provide national examples of monetary aggregates for inclusion in the *MFSMCG*?
- What is the experience of national experts with seasonal adjustment, particularly in periods of crisis, which could be covered in the revised *MFSMCG*?

## VII. CHAPTER 7. COMPILATION AND DISSEMINATION OF MONETARY STATISTICS

1. *Do you agree to submit to the IMF, additionally to the aggregated report form 2SR for ODCs, two supplementary SRFs 2SR: one for deposit-taking corporations and one for money market funds (MMFs)?*

**Summary of survey responses:** While a substantial majority of respondents indicated that they will be in a position to report supplementary 2SR forms for deposit-taking corporations and MMFs, many also indicated that a more detailed discussion is needed before committing to such reporting.

**Preliminary conclusions:** In principle, supplementary report forms 2SR can be implemented for deposit-taking corporations and MMFs.

**Commentary:** Some reasons that were mentioned against a separate reporting of data for deposit takers and MMFs were: (i) data availability; (ii) additional reporting burden; (iii) relevance of MMFs in some countries; and (iv) different level of detail and periodicity for data on deposit takers and on MMFs.

**2. Do you agree to add to the SRFs of the central bank, ODCs, and OFCs some memorandum items with more detailed subsector information on nonbank financial intermediaries for selected instruments? If so, which information do you think is needed and relevant for the analysis?**

**Summary of survey responses:** The large majority of respondents agreed that providing more detailed information would be useful, and that their countries are in a position to report such additional data. A wide range of options was suggested regarding this additional information. However, some respondents were against more detailed subsector information, mainly because it is difficult to obtain; increases the reporting burden; and its usefulness is doubtful.

**Preliminary conclusions:** In principle, some memorandum items with more detailed subsector information could be included in the SRFs. The final decision should consider costs and benefits of this additional information.

**Commentary:** Respondents highlighted the following additional instruments/units as relevant for the analysis: financial derivatives, financial leasing, securitization schemes, insurance corporations and pension funds, non-MMF investment funds, and factoring and finance companies.

**Issues for the meeting:**

- Does the meeting agree that countries submit to the IMF, in addition to report form 2SR, two supplementary SRFs for deposit-takers and for MMFs?
- Given the heightened user interest in the ties between the other financial corporations and other depository corporations:
  - What subsector information on nonbank financial institutions should be included as memorandum items in the SRFs? In other datasets, such as sectoral accounts, it has been agreed to distinguish insurance and pension funds from other OFCs.
  - What financial instruments are important to cover?

## VIII. CHAPTER 8. BEYOND MONETARY STATISTICS

1. *Do you agree to keep developments on “Financial Statistics” similar to those in MFSM and MFS Compilation Guide, or do you suggest reconsidering content and scope? If yes to the latter, in what sense and to what extent?*

**Summary of survey responses:** Most respondents agreed to keep the content and structure of this chapter similar to those in the *MFSM* and the *MFS Compilation Guide*, provided necessary revisions are made to ensure consistency with the *2008 SNA*. A few responses argued for limiting the information that goes “beyond monetary statistics,” while others argued for expanding the chapter substantially to include more detailed information on balance sheet approach (BSA) matrix, financial account, and sectoral balance sheets, as well as highlight the usefulness of SRFs in deriving savings and investments of financial corporations.

**Preliminary conclusions:** Most respondents supported keeping the content and structure broadly similar to those in *MFSM* and *MFS Compilation Guide*. The only addition would be the section on the BSA matrix as discussed in the next item.

**Commentary:** Some respondents arguing for limiting the coverage of this chapter suggested using references to other manuals rather than repeating the same information. One respondent suggested including the discussion on other relevant topics/data such as data for macro-prudential purposes and security-by-security data collection.

2. *Do you agree to include a section on the balance sheet approach matrix and its derivation from the standardized report forms?*

**Summary of survey responses:** All respondents but one agreed with the proposal to include a section on the BSA matrix and its derivation from the SRFs.

**Preliminary conclusions:** Add a separate section in Chapter 8 on the BSA matrix.

**Commentary:** Some respondents suggested discussing the use of additional data sources for compiling the BSA matrix, such as the GFS and IIP. One respondent highlighted the importance of developing a BSA matrix for macro-prudential policy.

### Issues for the meeting

- Is there a consensus to keep the content and structure of Chapter 8 similar to those in the *MFSM* and the *MFS Compilation Guide*, provided necessary revisions are made to ensure consistency with the *2008 SNA*? Is there support for a section on the BSA matrix to be added?

**GENERAL COMMENTS/SUGGESTIONS/QUESTIONS ON THE *MFSMCG***

**Summary of survey responses:** One respondent suggested that amendments to the *MFSMCG* be periodically issued to incorporate changes in the activities of the financial corporations sector (transactions, financial assets, institutional units). One comment requested to include more details on the source data and devote more attention to their possible limitations.

**Issue for the meeting**

- Should amendments to the *MFSMCG* be issued periodically to keep the methodology in line with the development observed in the financial corporations sector?