

# GUIDANCE NOTES ON THE MFI BALANCE SHEET STATISTICS RELATING TO EU ENLARGEMENT AS LAID DOWN IN REGULATION ECB/2003/10



## INTRODUCTION

1. The European Central Bank (ECB) recently adopted Regulation ECB/2003/10 of 18 September 2003 amending Regulation ECB/2001/13 of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector<sup>1</sup>. This Regulation takes account of the enlargement of the European Union (EU) by extending the quarterly reporting requirements to cover the countries acceding to the EU on 1 May 2004 (hereinafter the 'acceding countries'). Furthermore, it covers changes needed because of the revised procedures relating to the minimum reserves regime laid down in Regulation ECB/2003/09 of 18 September 2003 on the application of minimum reserves<sup>2</sup>. The amendments relating to EU enlargement apply from 1 May 2004 whereas the changes relating to the minimum reserves regime apply from 10 March 2004.
2. The aim of these guidance notes is to promote a clear and consistent understanding of the requirements and standards laid down in Regulation ECB/2003/10. For this purpose, the notes contain definitions, explanations and recommendations regarding the provision of additional country and currency breakdowns due to EU enlargement. The changes relating to the minimum reserves regime laid down in Regulation ECB/2003/09 are of a technical nature only and, for this reason, are not covered in detail by these notes. These technical changes relate to the revised procedure for submitting revisions to the reserve base and the reserve requirement, which is reflected in the deletion of Article 5(2) of Regulation ECB/2001/13, and the change in the duration of the maintenance period, which is reflected in the change to Annex II. These notes are addressed to

the statisticians of the national central banks (NCBs), but may also be of interest to the reporting agents and users of the statistics.

## RECITAL 2

3. Recital 2 of Regulation ECB/2003/10 notes that most of the data in respect of the acceding countries are unlikely to be significant. Hence, the benefit of separately identifying these data is likely to be less than the associated collection costs. For this reason, the recital provides that the flexible approach already used for quarterly series in Regulation ECB/2001/13 also applies to the new requirements in respect of acceding countries. Under this flexible approach, the NCBs may decide not to require quarterly reporting if figures collected at a higher level of aggregation show that the data involved are unlikely to be significant. This approach builds on the principle, laid down in Article 3 (a) of Council Regulation (EC) 2533/98 of 23 November 1998 concerning the collection of statistical information by the European Central Bank<sup>3</sup> that, in defining and imposing its statistical reporting requirements, the ECB shall minimise the reporting burden involved.
4. The Regulation itself does not specify the exact meaning of 'higher level of aggregation' nor define 'significant'. These notes provide recommendations in this respect.

<sup>1</sup> OJ L 330, 6.12.2002, p.29.

<sup>2</sup> OJ L 250, 2.10.2003, p. 17.

<sup>3</sup> OJ L 318, 27.11.1998, p. 8.

## ARTICLE 1(1)

5. Article 1(1) of Regulation ECB/2003/10 inserts a new sentence into Article 4(2) of Regulation ECB/2001/13. The new sentence specifies that the NCBs assess if data in respect of additional cells marked with the '#' symbol in Tables 3 and 4 are insignificant at aggregate national level. If the data are insignificant the NCBs may decide not to require their reporting and, in this case, inform the reporting agents of such a decision. The additional cells introduced by the Regulation form an integral part of the tables contained in Regulation ECB/2001/13. As the additional cells are only described in the Annex to Regulation ECB/2003/10 but not presented in a tabular format, these notes include Tables 3 and 4 in tabular format, as amended by Regulation ECB/2003/10.
6. The Regulation states that the assessment of whether data are insignificant is performed by the NCBs. This implies that the NCBs regularly assess and inform the ECB whether the data are significant or not at national level. As long as the data are deemed to be insignificant the NCBs may decide not to require their reporting. However, as soon as the data become significant the Regulation requires reporting agents to provide them. If the NCB had previously decided not to require the reporting of insignificant data, it would then inform the reporting agents (and also the ECB) of the necessary change in the reporting requirements.

## ANNEX

### ARTICLE 1(A)

7. Article 1(a) of the Annex to Regulation ECB/2003/10 amends Part 1, Section IV of Annex I to Regulation ECB/2001/13,

which relates to balance sheet statistics at quarterly frequency (stocks). The country and currency breakdowns are extended by Article 1(a)(i) and (ii) to cover positions vis-à-vis the acceding countries. The cells of these new positions are marked with the '#' symbol.

8. The data in respect of the cells marked with the '#' symbol must be reported in accordance with the requirements introduced by Regulation ECB/2003/10. Only if the data are deemed to be insignificant may the NCBs decide not to require their reporting. The terms 'significant'/'insignificant' are not defined in the Regulation itself.

- 8.1. With respect to the reporting requirements referred to in Article 1(a)(i):

- a) the data in respect of the liability side are deemed to be insignificant if the share of aggregate deposit liabilities of resident monetary financial institutions (MFIs) vis-à-vis all acceding countries in relation to the external liabilities<sup>4</sup> of resident MFIs does not exceed 2%;

- b) the data in respect of the asset side are deemed to be insignificant if the share of aggregate resident MFI holdings of loans, securities other than shares, money market fund shares/units and shares and other equities vis-à-vis all acceding countries in relation to the external assets<sup>5</sup> of resident MFIs does not exceed 2%.

If one of the stated threshold is exceeded on a sustained basis (i.e. three subsequent

<sup>4</sup> External liabilities shall mean the liabilities of resident MFIs vis-à-vis non-euro area residents.

<sup>5</sup> External assets shall mean the assets of resident MFIs vis-à-vis non-euro area residents.

periods) the data in respect of liabilities or assets respectively are deemed to be significant at national level and, therefore, data are required to be reported. As a minimum requirement, the coverage of the reporting of the cells marked with the '#' symbol must be such that the business attributed to the acceding countries but which is not covered by the reporting does not exceed 2% of total external assets/liabilities. The remaining non-covered business is regarded as insignificant.

8.2. With respect to the reporting requirements referred to in Article (1)(a)(ii):

a) the data in respect of the liability side are deemed to be insignificant:

- if the share of aggregate deposit liabilities placed with and debt securities issued by resident MFIs denominated in remaining currencies combined<sup>6</sup> in relation to the total of these liabilities in all currencies combined does not exceed 2%,

and

- if the above share exceeds 2% but the share of aggregate deposit liabilities placed with and debt securities issued by resident MFIs denominated in the national currencies of the acceding countries in relation to the total of these liabilities in foreign currencies<sup>7</sup> does not exceed 2%;

b) the data in respect of the asset side are deemed to be insignificant:

- if the share of aggregate resident MFI holdings of loans and securities other than shares denominated in remaining currencies combined in

relation to the total of these assets in all currencies combined does not exceed 2%,

and

- in case the above share exceeds 2% but the share of the aggregate resident MFI loans and holdings of securities other than shares denominated in the national currencies of the acceding countries in relation to the total of these assets in foreign currencies does not exceed 2%.

If the stated thresholds are exceeded on a sustained basis (i.e. three subsequent periods) the data in respect of liabilities or assets respectively are deemed to be significant at national level and, therefore, data are required to be reported. As a minimum requirement, the coverage of the reporting of the cells marked with the '#' symbol must be such that the business in acceding countries' currencies which is not covered by the reporting does not exceed the stated thresholds. The remaining non-covered business is regarded as insignificant.

In the context of the adoption of the euro by a Member State, the items denominated in the national currency of the participating Member State are automatically included in 'euro' as from the date of entry. For this reason, an NCB may decide not to require the separate reporting of a national currency shortly before the entry of the relevant country into monetary union, even if the abovementioned criteria are met.

<sup>6</sup> Remaining currencies combined: all currencies excluding the euro, USD, JPY, CHF, DKK, SEK and GBP. Hence, remaining EU Member State national currencies (except DKK, SEK, GBP) are included in this category after 1 May 2004.

<sup>7</sup> Foreign currencies: all currencies excluding the euro.

9. The following options are available to NCBs to ensure that significant business is covered while relieving the reporting burden in accordance with Regulation ECB/2003/10:

- a) the NCB may relieve those MFIs which have little or no business vis-à-vis the acceding countries or in their national currencies of the reporting requirements with respect to the cells marked with the ‘#’ symbol; and
- b) the NCB may decide not to require the full country or currency breakdowns for the acceding countries. The guiding principle is to identify those acceding countries or currencies which represent a major part of the business vis-à-vis these countries or in their national currencies and to require their reporting, and
- c) the NCB may exclude some instrument categories which are unimportant or non-existent in respect of business vis-à-vis the acceding countries or in their national currencies of the reporting requirements with respect to the cells marked with the ‘#’ symbol.

Without prejudice to the need to ensure adequate coverage of the positions vis-à-vis the acceding countries and in their national currencies, consistency over time should be maintained in the statistics collected from reporting agents. This will ensure stability in the statistical output as well as minimise the costs that would otherwise arise from frequent changes in reporting.

10. Article (1)(a)(iii) gives the NCBs the possibility to require the reporting of data in respect of cells marked with the ‘#’ symbol even if the data are

insignificant. In view of the fact that the data are insignificant, the Regulation allows an additional reporting delay of one month. The NCBs decide when they need to receive data from the reporting agents in order to meet the deadline.

#### ARTICLE (1)(B)

11. This paragraph describes the way in which Tables 3 and 4 of Regulation ECB/2001/13 are amended. As at the time of adoption of the Regulation uncertainty existed as to whether all ten acceding countries would join the EU on 1 May 2004, the tabular format displaying the specific country and currency breakdowns was not published in the legal act. Instead, Tables 3 and 4 as amended by Regulation ECB/2003/10 are included as an appendix to these notes.

12. The final column of Table 3 refers to ‘Rest of the world (excluding DK, SE, GB)’. This means that the positions vis-à-vis the acceding countries are included under this column, although separate cells for these countries are provided in the table, marked with the ‘#’ symbol. In the same way, the final column of Table 4 refers to ‘Remaining currencies combined’, which includes the positions in the national currencies of the acceding countries, although again separate cells are provided, marked with the ‘#’ symbol. Since NCBs may decide not to require the reporting of the cells marked with the ‘#’ symbol if the data are insignificant, it is important for consistency at euro area level that the country coverage of these final columns remains fixed and does not change depending on individual NCB decisions. However, the NCBs that require reporting of all the cells marked with the ‘#’ symbol may exclude these positions from the residual columns

‘Rest of the world’ and ‘Remaining currencies combined’ within their national reporting systems. In this case, they have to ensure that the final columns of Tables 3 and 4 as reported to the ECB include the cells marked with the ‘#’ symbol.

### ARTICLE (3)

13. First reporting according to Regulation ECB/2003/10 starts with quarterly data for the period ending June 2004. This applies in any case for significant data but may also apply for insignificant data, if the NCB does not decide not to require the reporting of these data. If however the NCB decides not to require the reporting of insignificant data as from end-June 2004 but only later, the Regulation states that first reporting should start 12 months after the reporting agents have been informed of the need to report.

14. In accordance with the standard deadline for the reporting of quarterly statistics, significant data covered by this Regulation must in principle be submitted to the ECB on the 28th working day following the end of the quarter to which the data relate. However, anticipating difficulties that may arise in implementing the new requirement, the Regulation includes a transitional provision that allows for an additional reporting delay of one month during the first year of reporting of significant data. In other words, during this transitional period, data are reported only on the 28th working day of the second month following the end of the quarter to which they relate. After the end of the 12 months transitional period the reporting deadline reverts to normal, so that significant data must be reported to the ECB by close of business on the 28th working day following the end of the quarter to which they relate. The NCBs decide when they need to receive data from the reporting agents in order to meet the deadline.

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TABLE 3 COUNTRY BREAKDOWN Data to be provided at a quarterly frequency

BALANCE SHEET ITEMS	B. Other participating Member States (i.e. excluding domestic sector) + part of C. Rest of the world (Member States) (1)																	Part of C. Rest of the world (excluding DK, SE, GB)									
	BE	CZ	DK	DE	EE	GR	ES	FR	IE	IT	CY	LV	LT	LU	HU	MT	NL		AT	PL	PT	SI	SK	FI	SE	GB	Total (2)
<b>LIABILITIES</b>																											
8. Currency in circulation																											
9. Deposits																											
a. from MFIs	#																										
b. from non-MFIs	#																										
10. MMFs shares /units																											
11. Debt securities issued																											
12. Capital and reserves																											
13. Remaining liabilities																											
<b>ASSETS</b>																											
1. Cash																											
2. Loans																											
a. to MFIs																											
b. to non-MFIs																											
3. Securities other than shares																											
a. issued by MFIs	#																										
up to 1 year	#																										
over 1 and up to 2 years	#																										
over 2 years	#																										
b. issued by non-MFIs	#																										
4. MMFs shares /units	#																										
5. Shares and other equity	#																										
6. Fixed assets	#																										
7. Remaining assets	#																										

General note: If figures collected at a higher level of aggregation show that the data in respect of the cells marked with the '#' symbol are insignificant, NCBS may decide not to require their reporting.

(1) For the calculation of the consolidated balance sheet aggregates, a differentiation of the country of residence of MFI counterparties by each potential participating Member State would be required.

(2) An individual country breakdown for the 'rest of the world' (excluding DK, SE, GB) may be of interest, but is considered to be beyond the scope of this exercise. For MFIs read SNA 93 sectors S.121 plus S.122.

**TABLE 4** CURRENCY BREAKDOWN Data to be provided at a quarterly frequency

BALANCE SHEET	All currencies combined	Euro	Other Member State currencies										Other currencies								
			CZK	DKK	EEK	CYP	LVL	LTL	HUF	MTL	PLN	SIT	SKK	SEK	GBP	Total	USD	JPY	CHF	Remaining currencies combined (1)	
<b>LIABILITIES</b>																					
<b>9. Deposits</b>																					
<b>A. Domestic</b>																					
a. to MFIs	M	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
b. to non-MFIs	M	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
<b>B. Other participating Member States</b>																					
a. to MFIs	M	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
b. to non-MFIs	M	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
<b>C. Rest of the world</b>																					
i. up to 1 year	M	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
ii. over 1 year	M	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
a. to banks		#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
b. to non-banks		#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
<b>10. MMFs shares/units</b>	M	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
<b>11. Debt securities issued</b>	M	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#
<b>12+13. Remaining liabilities</b>	M	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#	#

