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Introduction

I. Purposes of the *Monetary and Financial Statistics Manual and Compilation Guide*

1.1 The main purpose of the *Monetary and Financial Statistics Manual and Compilation Guide (Manual)* is to offer guidelines for the compilation and presentation of monetary statistics, with compilers and users of such statistics as its focal target audience. Additionally, the *Manual* provides an orientation to the financial statistics framework. The *Manual* is also useful to compilers and users of other macroeconomic statistics in understanding the relationships among the various macroeconomic datasets.

1.2 This *Manual* combines and updates the concepts, definitions, and recommendations contained in the 2000 *Monetary and Financial Statistics Manual (MFSM)* and the 2008 *Monetary and Financial Statistics Compilation Guide (MFS Guide)*. The *Manual* offers a set of tools for identifying, classifying, and recording stocks and flows of financial assets and liabilities. At the same time, it assists compilers responsible for monetary data collection with practical recommendations on the classification, valuation, and sectoring of financial assets and liabilities for monetary statistics purposes, with special emphasis on borderline cases. In this way, the *Manual* promotes the harmonization of concepts among different macroeconomic datasets and cross-country comparability.

1.3 This *Manual* sets up a conceptual framework for the analytical presentation of monetary statistics, which provides a critical input for monetary policy formulation and monitoring. The statistics covered in this *Manual* also support the assessment of financial system stability.

II. Historical Perspective

1.4 In 2000, the International Monetary Fund (IMF) published the *MFSM*, which was the first volume of its kind in the field of monetary and financial statistics. The *MFSM* was harmonized with the *System of National Accounts 1993 (1993 SNA)* and other statistical manuals, such as the fifth edition of the *Balance of Payments Manual (BPM5)*. Because of its focus on concepts, the *MFSM* was not intended as a compilation guide and did not deal with practical issues on sources or methods for compiling statistics.

1.5 The publication in 2008 of the *MFS Guide* filled the void for practical guidance, providing assistance to monetary statistics compilers on the ways to implement the methodology and statistical framework contained in the *MFSM*. The *MFS Guide* focused on the cross-country harmonization of source data and methodology, with special attention to the accounting standards applicable to the source data for MFS.

1.6 Between the publication of the *MFSM* and the *MFS Guide*, the IMF introduced in 2004 the standardized report forms (SRFs) for monetary data reporting by member countries to the IMF. The SRFs present the sectoral balance sheets of the central bank, other depository corporations (ODCs), and other financial corporations (OFCs) in a balance-sheet-like structure, according to the instrument, the currency of denomination, and the counterpart sector. Monetary data compiled using the SRFs were first published in *International Financial Statistics (IFS)* in September 2006. Most member countries are submitting their data to the IMF using the SRFs. Many of these countries are also using the SRFs as the platform to generate the monetary data disseminated through their national publications.

1.7 Since these events took place, the methodological framework for national accounts was updated with the release in 2009 of the *System of National Accounts 2008 (2008 SNA)*. Almost simultaneously, the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* was published. Finally, a revised *Government Finance Statistics Manual 2014 (GFSM 2014)* was made available to the public in 2014.

1.8 Another development was the publication in 2014 by the European Central Bank (ECB) and the United Nations of the handbook on *Financial Production, Flows and Stocks in the System of National Accounts*. This handbook elaborates on the financial production and income from an SNA perspective, complementing the concepts and methodology laid out in this *Manual*.

1.9 In view of these major developments, a revision of the 2000 *MFSM* and the 2008 *MFS Guide* was required, in order to align the methodology of monetary and financial statistics to the new framework. The need for revision also presented an opportunity to address practical compilation issues based on the experience gained with the implementation of the SRFs and to reflect recent developments in the financial sector and financial markets. The decision was made to combine the manual and the compilation guide into a single volume, as a way to reduce overlaps and to facilitate the work of compilers and users of monetary statistics.

III. Main Changes from the *MFSM* and the *MFS Guide*

1.10 The major methodological revisions contained in this *Manual*, compared with the *MFSM* and the *MFS Guide*, are summarized in the next paragraphs.

1.11 With respect to **institutional sectors**, the 2008 *SNA* increased to nine the number of the subsectors of the financial corporations (FCs) sector, compared with the five of the 1993 *SNA*. There is a greater focus on the OFCs, with a split between insurance corporations and pension funds, the identification of money market funds (MMFs) and non-MMF investment funds, and the inclusion of a category for captive financial institutions and money lenders. As it will be seen in Chapter 3, for monetary statistics purposes the institutional units of the FCs sector are grouped into only

three subsectors: central bank; ODCs, which include deposit-taking corporations except the central bank [MS]¹ and MMFs; and OFCs [MS], which include all remaining FCs. The *Manual* also expands on the treatment of some special cases of institutional units, such as special purpose entities (SPEs), sovereign wealth funds (SWFs), and central clearing counterparties (CCPs).

1.12 Regarding **financial instruments**, the *Manual* adopts the revised terminology and classification of the 2008 *SNA*, although in most cases the revisions do not connote a change in concepts. The new classification adds three subcategories to financial instruments: (1) investment fund shares/units are added to equity; (2) the term *Insurance technical reserves* is replaced by the term *Insurance, pension, and standardized guarantee schemes (IPSGS)*, while the asset boundary is extended to include *Provisions for calls under standardized guarantee schemes* and *Claims of pension funds on pension managers*; and (3) employee stock options (ESOs) are added to financial derivatives. This *Manual* contains additional discussions on borderline cases in the classification of financial assets and liabilities.

1.13 An important revision concerning financial instruments is the reclassification of the *Special Drawing Rights (SDR) allocations* to the Fund's member countries, from equity to long-term foreign liability. The change was introduced in August 2009 in the monetary data compiled by countries, with historical data having been revised correspondingly. Previously, *SDR allocations* were recorded in monetary statistics as part of equity. The 2008 *SNA* and the *BPM6* changed this treatment, considering the SDR allocations as long-term foreign liabilities of the countries receiving the allocation, because of a requirement to repay the allocation in certain circumstances, and also because interest accrues on the allocation. If SDR allocations are held on the balance sheet of the central bank, they are treated

¹The coverage of deposit-taking corporations except the central bank may differ between the national accounts and monetary statistics as the latter does not include deposit-taking institutions whose deposits are excluded from broad money (see paragraph 3.124). Hence in this *Manual*, "deposit-taking corporations except the central bank" are notated by "MS" (monetary statistics) when referring to monetary data, to emphasize the difference with the subsector with the same name in the 2008 *SNA*. A similar approach is taken for OFCs. The coverage of FCs is the same in this *Manual* as in the 2008 *SNA*.

as liabilities to nonresidents (foreign liabilities), and recorded as a separate line item (see Annex 4.2).

1.14 Another revision relates to the classification of **financial instruments with principal and interest indexed to a foreign currency**. In the 2000 *MFSM* and the 2008 *MFS Guide*, the currency of settlement of the instrument was the key factor to determine whether a financial asset or liability was classified as denominated in domestic or in foreign currency. Therefore, instruments denominated in domestic currency but fully indexed to a foreign currency were classified as denominated in domestic currency. This was, for instance, the case for the *IMF No. 1 Account*, *IMF No. 2 Account*, and *IMF Securities Account*, which were classified as being in domestic currency, although they are indexed to the SDRs. However, the *BPM6* recommends treating financial instruments with principal and interest indexed to a foreign currency as if they were denominated in foreign currency. This *Manual* defers to this approach.

1.15 This *Manual* offers a more elaborate discussion on **money aggregates**, focusing on the characteristics of the financial instruments that should be included as part of broad money: liquidity and store of nominal value. The *MFSM* and the *MFS Guide* were not prescriptive on the national definitions of money, monetary base, credit, and debt, which were left to the discretion of national authorities. This *Manual* provides clear guidelines on the instruments that should be included in the calculation of these aggregates, which should be tailored to the particular characteristics of each economy. For the definition of money aggregates, the *Manual* introduces the concepts of *money issuing*, *money holding*, and *money neutral* sectors. Furthermore, the *Manual* provides a more elaborate discussion on credit and liquidity aggregates.

1.16 To implement the methodological changes when compiling monetary statistics, the **sectoral balance sheets/SRFs were correspondingly revised**. The main changes relate to (1) the inclusion of a separate line for *SDR allocations* on the liability side of the central bank sectoral balance sheet; (2) the reclassification of the *IMF No. 1 Account*, *IMF No. 2 Account*, and *IMF Securities Account* from deposits denominated in domestic currency to deposits denominated in foreign currency; (3) the introduction of separate lines for MMF and non-MMF investment funds shares/units on the asset

side of the sectoral balance sheets; (4) the introduction of separate lines for MMF (in the ODCs sectoral balance sheet) and non-MMF investment fund (in the OFCs sectoral balance sheet) shares/units on the liability side with a breakdown by counterpart sector; and (5) more detail in memorandum items that identify assets and liabilities with nonresident FCs, interbank positions with affiliated nonresident FCs, debt securities and loans with a maturity of one year or less, and loans and deposits of households.

IV. Structure of the *Manual*

1.17 This *Manual* consists of eight chapters, including annexes to specific chapters, and three appendices, as presented below.

1.18 After this introductory chapter, **Chapter 2** describes the scope and uses of monetary and financial statistics. It provides the process for the compilation of monetary statistics in a schematic presentation. The process integrates the different institutional units that constitute the FC sector with the source data needed to compile their sectoral balance sheets. It also presents the different analytical surveys, which are generated from the sectoral balance sheets.

1.19 The chapter then discusses the main principles and concepts, focusing on the links between the 2008 *SNA* as an overarching framework for all macroeconomic datasets, including monetary and financial statistics, and explaining the areas where this *Manual* differs from the 2008 *SNA*.

1.20 The remainder of the chapter explains the linkages between the accounting records of FCs, which are the source data for monetary statistics, and the methodological guidelines for monetary and financial statistics. Accounting records are produced according to International Financial Reporting Standards (IFRSs) or national accounting standards, which focus on the financial position and performance of an entity as a way to provide information useful to a wide range of users in making investment and other economic decisions. Therefore, when compiling monetary and financial statistics, the information available from accounting records needs to be expanded to provide more details and be tailored so as to conform to the sectoring of institutional units and the classification of financial instruments recommended in this *Manual*.

1.21 Chapter 3 deals with institutional units and their allocation to institutional sectors. When distinguishing between resident and nonresident units, and classifying resident institutional units into sectors, the chapter follows the concepts and definitions of the *2008 SNA* and other statistical manuals (the *BPM6* and the *GFSM 2014*). This chapter elaborates on the description of institutional units and provides examples of borderline cases that arise when classifying resident and nonresident institutional units.

1.22 The focus of this *Manual* is on the relationship between the FCs sector vis-à-vis other resident sectors and the rest of the world. Therefore, the different subsectors of the FC sector, as presented in the *2008 SNA*, are combined here into only three subsectors: (1) central bank; (2) ODCs, comprising deposit-taking corporations except the central bank [MS] and MMFs; and (3) OFCs [MS], comprising all the remaining subsectors of the FCs sector. Furthermore, the resident nonfinancial corporations (NFCs) sector is split into only two subsectors—public nonfinancial corporations (PNFCs) and other NFCs—unlike the *2008 SNA*, where resident NFCs are divided into three separate subsectors: PNFCs, national private NFCs, and foreign controlled NFCs. In monetary and financial statistics, the subsectors state government and local government within general government are combined into one subsector, as are the sectors households and nonprofit institutions serving households (NPISHs).

1.23 Chapter 4 provides a detailed description of the characteristics of different categories of financial assets and liabilities. At its highest level, the classification of financial assets and liabilities in this *Manual* is fully consistent with that of the *2008 SNA*. The chapter provides guidance for the classification of: (1) monetary gold and SDRs, (2) currency and deposits, (3) debt securities, (4) loans, (5) equity and investment fund shares, (6) IPSGS, (7) financial derivatives and ESOs, and (8) other accounts receivable/payable. At a secondary level, currency and deposits are disaggregated into separate subcategories for (1) currency, (2) transferable deposits, and (3) other deposits.

1.24 For monetary statistics purposes, deposits and debt securities on the liability side are divided into *included in broad money* and *excluded from broad money*. Equity and investment fund shares are disaggregated into

separate subcategories for (1) MMF shares, (2) non-MMF investment fund shares, and (3) equity.

1.25 In line with the *2008 SNA*, IPSGS is disaggregated into (1) nonlife insurance technical reserves, (2) life insurance and annuity entitlements, (3) pension entitlements, (4) claims of pension funds on pension managers, (5) entitlements to nonpension benefits, and (6) provisions for calls under standardized guarantees. Similarly, *Other accounts receivable/payable* are disaggregated into (1) trade credit and advances, and (2) other accounts receivable/payable. Where relevant, financial assets and liabilities are split into denominated in domestic currency and denominated in foreign currency.

1.26 This chapter contains three annexes: (1) “Examples of Debt Securities Issued through Securitization,” (2) “Accounts with the IMF,” and (3) “Islamic Financial Institutions and Instruments.”

1.27 Chapter 5 describes the concepts of stocks and flows, and the accounting rules for compiling data for institutional units within the FCs sector. The chapter provides an overview of the integrated framework of stocks-and-flows data, where double-entry accounting rules give rise to data that add up both vertically and horizontally. It then covers the compilation of flows, with general recommendations on the recording of transactions, revaluations, and other changes in the volume of assets (OCVA).²

1.28 Chapter 5 also covers the following accounting rules: (1) time of recording; (2) treatment of transaction costs and financial services fees; (3) valuations of financial stocks and flows; and (4) aggregation, netting, and consolidation. The chapter concludes by providing detailed guidance on the compilation of stocks and flows for each category or subcategory of financial assets and liabilities, and by discussing the recording of debt reorganizations.

1.29 This *Manual*, consistent with the *2008 SNA*, recommends using the accrual basis of recording. In the accrual basis of recording, flows are recorded at the time economic value is created, transformed, exchanged, transferred or extinguished. Further, this *Manual* recommends that valuations of stocks and flows should be based on market prices or market-price equivalents. It recognizes that market prices are

²References to OCVA also apply to liabilities.

not available for financial assets not traded or infrequently traded in secondary markets. It is, therefore, necessary to estimate market-equivalent values for such financial assets. (See Table 2.2.)

1.30 It is the general principle in this *Manual*, and in the *2008 SNA*, that data should be reported on a gross basis; although in some circumstances reporting on a net basis may be needed due to the lack of availability of data on a gross basis. The underlying data for monetary and financial statistics should be reported on an aggregated basis, adding stock and flow data across all institutional units within a sector or subsector, or of all assets or liabilities within a particular instrument category. Data should be disseminated on a consolidated basis, eliminating stock positions and flows that occur between institutional units that are grouped together, and should be presented as if they constituted a single unit. For analytical purposes, positions with nonresidents and central government are presented on a net basis.

1.31 Four annexes are attached to Chapter 5, elaborating on the (1) estimation of transactions and valuation changes from exchange rate movements; (2) valuation, recording, and numerical examples for specific types of debt securities; (3) valuation, recording of financial derivatives, and a numerical example; and (4) settlement date and transaction date accounting.

1.32 Chapter 6 deals with the concepts of money, liquidity, credit, and debt. It covers a variety of issues pertaining to the collection and reporting of data for compiling monetary base, broad money, and other money aggregates. Money plays an important role in an economy and is a key component of the transmission mechanism from monetary policy to economic activity and inflation. This *Manual* provides a definition of broad money. The definition is intended to help monetary statistics compilers determine the scope of broad money, taking into account the structure and other features of the financial system in their own economies and against the principles specified in this *Manual*.

1.33 The aggregates of money, liquidity, credit, and debt have the following same underlying dimensions: (1) the financial instruments that are components of a particular aggregate, (2) the issuing sectors, and (3) the holding sectors. The distinction between money issuers, money holders, and money neutral sectors is

introduced in this chapter. Extending the discussion on money aggregates, this chapter presents the underlying framework for compiling liquidity aggregates with data on their counterpart sources, as well as measures of credit and debt.

1.34 Chapter 6 contains the following six annexes on: (1) currency-union currency; (2) dollarized economies and co-circulation; (3) reserve requirements; (4) seasonal adjustment of economic time series; (5) holding sectors of debt securities issued by FCs; and (6) divisia money.

1.35 Chapter 7 discusses the framework and practical issues in the compilation and presentation of monetary statistics in accordance with the methodology of this *Manual*, and the necessary source data. The chapter describes first the overall framework for monetary statistics, followed by sectoral balance sheets that provide a framework for the collection of monetary statistics, and then presents the main outputs of monetary statistics, namely the analytical surveys for the FC sector and its subsectors, explaining the use of the surveys for monetary policy formulation. The depository corporations survey (DCS), for example, contains consolidated data for all depository corporations (DCs), presenting their claims on other sectors of the economy and on nonresidents, which constitute the counterpart sources of broad money. The financial corporations survey (FCS) contains consolidated data for all institutional units within the FC sector and provides the broadest coverage of domestic credit supplied by FCs.

1.36 The source data for monetary statistics are discussed later in the chapter, including the systematic identification of data reporting requirements, data adjustments and estimations, and validation tests of the reported data. Finally, the chapter deals with the dissemination of monetary data, at the national level and for reporting to the IMF.

1.37 The following three annexes, mostly in table forms, are attached to Chapter 7: (1) “Other Changes in the Volume of Assets,” (2) “Consolidation Adjustments,” and (3) “Supplementary Data.”

1.38 Chapter 8 presents the framework for financial statistics, describing the compilation, presentation, and data sources for financial statistics. After providing definitions and scope for flow and stock accounts, more sophisticated frameworks are introduced,

with various levels of detail on financial statistics: (1) two-dimensional financial statistics, and (2) three-dimensional financial statistics on a from-whom-to-whom basis. The chapter touches also on the main data sources for financial statistics and statistical discrepancies when two or more datasets provide different results for a particular data category. The only annex attached to this chapter provides an overview of the *2008 SNA*.

1.39 In addition to annexes pertaining to specific chapters, the *Manual* contains three appendices. Appendix I presents the relationship between monetary and financial statistics on one side and government finance statistics and external sector statistics on the other. Appendix II contains illustrative sectoral balance sheets/SRFs and guidelines for their completion. Appendix III presents the FCSs and monetary authorities accounts.