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ANNEX A

EUROPEAN SYSTEM OF ACCOUNTS
ESA 1995

CHAPTER 5

FINANCIAL TRANSACTIONS

CLASSIFICATION OF FINANCIAL TRANSACTIONS

- 5.19. The financial transactions are classified in categories subdivided into sub-categories and some of which are further subdivided into sub-positions. The classification of the transactions in financial assets and liabilities corresponds to the classification of financial assets and liabilities (see paragraphs 5.06 to 5.08). Therefore, the definitions of the categories, sub-categories and sub-positions and the supplementary explanations are provided only once in the ESA — in this section of the financial transactions chapter. The balance sheets chapter does not repeat the definitions and their explanations in its main text but it provides in its Annex 7.1 a summary of all assets and liabilities defined in the system.
- 5.20. The classification of financial transactions and of financial assets and liabilities is based primarily on the liquidity and the legal characteristics of the financial assets. The classification does not contain functional categories with the exception of a memorandum item related to direct foreign investment. The definitions of the categories, sub-categories and sub-positions are in general independent of the classification of institutional units. As the need arises, however, the classification of financial assets and liabilities can be further detailed by a cross-classification with the classification of institutional units. The class deposits between monetary financial institutions would be an example. The detail in which the classification of financial assets and liabilities may be employed depends on the institutional sector to be analysed.

Table 5.1 — Classification of financial transactions

Classification of financial transactions	Code		
Monetary gold and special drawing rights (SDRs)	F.1		
Monetary gold		F.11	
Special drawing rights (SDRs)		F.12	
Currency and deposits	F.2		
Currency		F.21	
Transferable deposits		F.22	
Other deposits		F.29	

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Table 5.1 — Classification of financial transactions

Securities other than shares	F.3		
Securities other than shares, excluding financial derivatives		F.33	
Short-term			F.331
Long-term			F.332
Financial derivatives		F.34	
Loans	F.4		
Short-term		F.41	
Long-term		F.42	
Shares and other equity	F.5		
Shares and other equity, excluding mutual funds shares		F.51	
Quoted shares			F.511
Unquoted shares			F.512
Other equity			F.513
Mutual funds shares		F.52	
Insurance technical reserves	F.6		
Net equity of households in life insurance reserves and in pension funds reserves		F.61	
Net equity of households in life insurance reserves			F.611
Net equity of households in pension funds reserves			F.612
Prepayments of insurance premiums and reserves for outstanding claims		F.62	
Other accounts receivable/payable	F.7		

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Table 5.1 — Classification of financial transactions

Trade credits and advances		F.71	
Other		F.79	
Memorandum item: Direct investment	F.m		

5.21. Analyses of the monetary policy transmission channels may require to identify measures of money in the balance sheets and also in the financial accounts of the sectors and the rest of the world. However, the definitions of the measures of money applied vary among countries and in time. In addition, they are composed of components which in most of the cases do not correspond with the categories, sub-categories or sub-positions of financial assets and liabilities as defined in the system. Moreover, the money-creating, money-holding and money-neutral sectors depend on the definition of the monetary aggregate under consideration. Therefore, measures of money are not defined in the system. Nevertheless, a method is provided in the Annex 5.1 to this chapter which allows any measure of money in the balance sheets and the financial accounts to be shown.

5.22. Innovations in financial markets have diminished the usefulness of a short-term/long-term distinction for financial assets and liabilities. However, when maturity analysis is important, such as for analysis of interest rates and asset yields, a breakdown of a range of maturities may be required. Therefore, maturity distinction is recognized as a secondary classification criterion when relevant.

Definition : Short-term financial assets (liabilities) are financial assets (liabilities) whose original maturity is normally one year or less, and in exceptional cases two years at the maximum⁽¹⁾

Long-term financial assets (liabilities) are financial assets (liabilities) whose original maturity is normally more than one year, and in exceptional cases more than two years at the minimum.

5.23. Many of the categories, sub-categories and sub-positions of the financial assets and liabilities may be broken down by the units in which they are denominated.

<i>Definition:</i>	Financial assets (liabilities) in national currency are financial assets (liabilities) which are denominated in the currency unit(s) of the country's legal tender. Financial assets (liabilities) in foreign currency are financial assets (liabilities) which are not denominated in the currency unit(s) of the country's legal tender.
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Financial assets in foreign currency include financial assets denominated in a currency basket, for example ecus or SDRs, and financial assets denominated in gold. A distinction between national and foreign currency is particularly useful for the category currency and deposits (AF.2).

MONETARY GOLD AND SPECIAL DRAWING RIGHTS (SDRs) (F.1)

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5.24. Category F.1 consists of two sub-categories of financial transactions:

- (a) monetary gold (F.11);
- (b) special drawing rights (SDRs) (F.12).

5.25. The financial assets classified in the category monetary gold and SDRs (AF.1) are the only financial assets for which there are no counterpart liabilities in the system. Therefore, transactions in monetary gold and SDRs (F.1) always involve changes in ownership of financial assets (see paragraph 5.02).

Monetary gold (F.11)

5.26.	<i>Definition:</i>	The sub-category monetary gold (F.11) consists of all transactions in monetary gold (AF.11) that is gold held as a component of foreign reserves by monetary authorities or by others who are subject to the effective control of the authorities.
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5.27. The monetary authorities sector, which is based on a functional concept, consists of the subsector the central bank (S.121) and central government institutions which carry out operations usually attributed to the central bank. Such operations include the issue of currency, maintenance and management of international reserves and the operation of exchange stabilization funds.

Therefore, gold can normally be a financial asset only for the central bank or central government. However, in some circumstances, other financial corporations may hold title to gold that can only be sold with the specific consent of the monetary authorities. In such restricted circumstances, the concept of effective control can be applied to the gold holdings of financial corporations other than the central bank.

5.28. Monetary gold normally takes the form of bars with a purity of at least 995/1000.

5.29. Transactions in monetary gold consist predominantly of sales and purchases of monetary gold among monetary authorities. Purchases of monetary gold are recorded in the financial accounts of the domestic monetary authorities as increases in financial assets. The counterpart entries are decreases in financial assets of the rest of the world.

5.30. Transactions in non-monetary gold, that is in gold other than monetary gold, are treated as acquisitions less disposals of valuables (if the sole purpose is to provide a store of wealth) and otherwise as final or intermediate consumption and/or change in inventories. Transactions in non-monetary gold include transactions by the monetary authorities in gold that is not a component of their foreign reserves.

5.31. If monetary authorities add non-monetary gold to their holdings of monetary gold or release monetary gold from their holdings for non-monetary purposes, they are deemed to have monetized or demonetized gold, respectively. Monetization or demonetization of gold does not give rise to entries in the financial accounts; instead, the change in balance sheet positions is accounted for by entries in the other changes in the volume of assets account as a reclassification, i.e. the reclassification of gold as valuables (AN.13) to monetary gold (AF.11) (see paragraph 6.32). Demonetization of gold is recorded symmetrically.

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- 5.32. Deposits, securities and loans denominated in gold are treated as financial assets other than monetary gold and are classified along with similar financial assets in foreign currency in the appropriate category.

Non-monetary gold swaps, that is arrangements involving the temporary exchange of non-monetary gold for deposits, are treated as collateralized loans (see paragraph 5.81. e).

Special drawing rights (SDRs) (F.12)

5.33.	<i>Definition:</i>	The sub-category special drawing rights (SDRs) (F.12) consists of all transactions in SDRs (AF.12) that is international reserve assets created by the International Monetary Fund (IMF) and allocated to its members to supplement existing reserve assets.
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- 5.34. SDRs are not considered liabilities of the IMF, and IMF members to whom SDRs are allocated do not have an actual (unconditional) liability to repay their SDRs allocations. SDRs are held exclusively by official holders, which are normally central banks, and are transferable among participants in the IMF's Special Drawing Rights Department and other holders designated by the IMF (other central banks and certain international agencies). SDRs represent each holder's assured and unconditional right to obtain other reserve assets, especially foreign exchange.

- 5.35. Changes in SDRs held by a monetary authority can arise through transactions in SDRs involving SDR payments to or receipts from the IMF, other participants in the IMF's Special Drawing Rights Department, or other holders. They are recorded in the financial accounts of the monetary authorities and the rest of the world, respectively. Changes in SDRs can also arise from changes in the value of SDRs to be recorded in the revaluation account, or from allocations and cancellations of SDRs to be recorded in the other changes in the volume of assets account (see paragraph 6.27. a).

CURRENCY AND DEPOSITS (F.2)

5.36.	<i>Definition:</i>	The category currency and deposits (F.2) consists of all transactions in currency and deposits (AF.2) that is currency in circulation and all types of deposits in national and in foreign currency.
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- 5.37. Category F.2 is divided into three sub-categories of financial transactions:

- (a) currency (F.21);
- (b) transferable deposits (F.22);
- (c) other deposits (F.29).

The distinction between transferable and non-transferable deposits may be difficult and not very useful analytically in some countries (for the distinction between deposits and loans see paragraphs 5.74 to 5.76).

Currency (F.21)

5.38.	<i>Definition:</i>	The sub-category currency (F.21) consists of all transactions in currency
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(AF.21) that is notes and coins in circulation that are commonly used to make payments.

5.39. Sub-category AF.21 includes:

- (a) notes and coins in circulation issued by resident monetary authorities;
- (b) notes and coins in circulation issued by non-resident monetary authorities and held by residents.

5.40. Sub-category AF.21 does not include:

- (a) notes and coins that are not in circulation, for example, a central bank's stock of own notes or emergency stockpiles of notes;
- (b) commemorative coins that are not commonly used to make payment.

5.41. All sectors and the rest of the world may hold currency. It is issued by the central bank, central government, the rest of the world, and in exceptional cases other monetary financial institutions. Currency is deemed to be a liability of the issuing institutional unit.

Transferable deposits (F.22)

5.42. <i>Definition:</i>	The sub-category transferable deposits (F.22) consists of all transactions in transferable deposits (AF.22) that is deposits (in national or in foreign currency) which are immediately convertible into currency or which are transferable by cheque, banker's order, debit entry or the like, both without any kind of significant restriction or penalty.
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5.43. Sub-category AF.22 includes transferable deposits with resident and non-resident monetary financial institutions. They cover transferable deposits between monetary financial institutions, such as deposits which other monetary financial institutions hold with the central bank to satisfy compulsory reserve requirements, insofar as such deposits remain transferable, or working balances and foreign exchange deposits under swap arrangements or between other monetary financial institutions.

5.44. All sectors and the rest of the world may hold transferable deposits. They are liabilities predominantly of monetary financial institutions and the rest of the world, and sometimes of general government.

Other deposits (F.29)

5.45. <i>Definition:</i>	The sub-category other deposits (F.29) consists of all transactions in other deposits (AF.29) that is deposits (in national or in foreign currency) other than transferable deposits. Other deposits cannot be used to make payments at any time and they are not convertible into currency or transferable
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deposits without any kind of significant restriction or penalty.

5.46. Sub-category AF.29 includes:

- (a) time deposits. These deposits are not immediately disposable because they are subject to a fixed term or a period of prior notice before withdrawal. They include, for example, deposits with the central bank as a form of compulsory reserves to the extent that the depositors cannot realize them without notice or restriction;
- (b) savings deposits, savings books, savings certificates or certificates of deposit all of which are not negotiable, or whose negotiability, while theoretically possible, is very restricted;
- (c) deposits resulting from a savings scheme or contract. These deposits often involve an obligation on the part of the depositor to make regular payments over a given period, and the capital paid and interest accrued do not become available until a fixed term has elapsed. These deposits are sometimes combined with the issue, at the end of the savings period, of loans which are proportionate to the accumulated savings, for the purpose of buying or building a dwelling;
- (d) evidence of deposit issued by savings and loan associations, building societies, credit unions, and the like, sometimes called shares, which are legally, or in practice, redeemable on demand or at relatively short notice;
- (e) repayable margin payments related to financial derivatives which are liabilities of monetary financial institutions (see paragraph 5.81. c);
- (f) short-term repurchase agreements (repos) which are liabilities of monetary financial institutions (see paragraph 5.81. d)⁽²⁾.

5.47. Sub-category AF.29 does not include negotiable certificates of deposit and negotiable savings certificates. They are classified in category securities other than shares, excluding financial derivatives (AF.33).

5.48. Sub-category AF.29 includes further:

- (a) official ecus held by the central bank. These financial assets consist of the ecus issued by the EMI against monetary reserves from the central banks of the Member States for the purpose of implementing the EMS Agreement. These ecus may be used by the EMI and the central banks of the Member States as a means of settlement and for transactions between them and the EMI. The EMI may grant to the monetary authorities of third countries and to international monetary institutions the status of Other Holders of ecus⁽³⁾;
- (b) financial claims or liabilities of the central bank arising from the very short-term financing mechanism and the short-term monetary support mechanism. They are administered by the EMI⁽⁴⁾;
- (c) financial claims on the IMF that are components of international reserves and that are not evidenced by loans. They consist of an IMF member's reserve tranche position which arises from the payment of part of a member's subscription in reserve assets and the Fund's net use of the member's currency;

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- (d) liabilities to the IMF that are not evidenced by loans. They consist of use of Fund credit within the IMF's General Resources Account; it measures the amount of a member's currency with the IMF that the member is obligated to repurchase.
- 5.49. All sectors and the rest of the world may hold other deposits. They are liabilities predominantly of monetary financial institutions and the rest of the world, but also of other sectors, for example, general government (see paragraphs 5.74 to 5.76).
- SECURITIES OTHER THAN SHARES (F.3)

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| 5.50. | <i>Definition:</i> | The category securities other than shares (F.3) consists of all transactions in securities other than shares (AF.3) that is financial assets which are bearer instruments, are usually negotiable and traded on secondary markets or can be offset on the market, and do not grant the holder any ownership rights in the institutional unit issuing them. |
| 5.51. | Category AF.3 covers financial assets which are typically represented by documents intended to circulate, and whose nominal value is determined on issue. It includes bills, bonds, certificates of deposit, commercial paper, debentures, financial derivatives, and similar instruments normally traded in the financial markets (for the distinction between securities other than shares and loans see paragraphs 5.77 to 5.80). | |
| 5.52. | All sectors and the rest of the world may hold securities other than shares as financial assets. They are liabilities predominantly of financial and non-financial corporations, central, state and local government, and the rest of the world. | |
| 5.53. | Category F.3 is divided into two sub-categories of financial transaction ⁽⁵⁾ : | |
| (a) | securities other than shares, excluding financial derivatives (F.33); | |
| (b) | financial derivatives (F.34). | |
| Securities other than shares, excluding financial derivatives (F.33) | | |
| 5.54. | <i>Definition:</i> | The sub-category securities other than shares excluding financial derivatives (F.33) consists of all transactions in securities other than shares excluding financial derivatives (AF.33), that is securities other than shares which give the holder the unconditional right to a fixed or contractually determined variable money income in the form of coupon payments (interest) and/or a stated fixed sum on a specified date or dates or starting from a date fixed at the time of issue. |
| 5.55. | Sub-category F.33 may be divided, when relevant, into two sub-positions of financial transactions: | |
| (a) | short-term securities other than shares, excluding financial derivatives (F.331); | |

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(b) long-term securities other than shares, excluding financial derivatives (F.332).
Short-term securities other than shares, excluding financial derivatives (F.331)

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| 5.56. | <i>Definition:</i> | The sub-position short-term securities other than shares excluding financial derivatives (F.331) consists of all transactions in short-term securities other than shares excluding financial derivatives (AF.331) that is securities other than shares with a short-term original maturity (see paragraph 5.22) except financial derivatives. |
| 5.57. | Short-term securities other than financial derivatives are generally issued at a discount. | |
| 5.58. | Sub-position AF.331 includes: | |
| (a) | treasury bills and other short-term paper issued by general government, including those which are taken up by other monetary financial institutions to satisfy their compulsory reserve requirements; | |
| (b) | negotiable short-term paper issued by financial and by non-financial corporations. A variety of terms are used for such paper including: commercial paper, commercial bills, promissory notes, bills of trade, bills of exchange and certificates of deposit; | |
| (c) | short-term securities issued under long-term underwritten note issuance facilities (NIFs); | |
| (d) | bankers' acceptances (BAs). A BA involves the acceptance by financial corporations of drafts, commercial bills or bills of exchange issued by non-financial corporations and the unconditional promise to pay a specific amount at a specified date. The BA represents an unconditional financial claim on the part of the holder and an unconditional liability on the part of the accepting financial corporation. The financial corporation's counterpart transaction is a transaction in a short-term loan made by the financial corporation to its customer. For this reason it is recommended that BAs be treated as an actual liability of the accepting financial corporation and as a financial asset of the holder, even though no funds may have been exchanged. Flexibility in the application of this recommendation will be required to take national practices and variations in the nature of these instruments into account. | |
| 5.59. | Sub-position AF.331 does not include securities whose negotiability, while theoretically possible, is very restricted in practice and which are therefore classified in the sub-categories other deposits (AF.29) or short-term loans (AF.41) as appropriate (see paragraphs 5.74 to 5.76). | |
- Long-term securities other than shares, excluding financial derivatives (F.332)

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| 5.60. | <i>Definition:</i> | The sub-position long-term securities other than shares excluding financial derivatives (F.332) consists of all transactions in long-term securities other than shares excluding financial derivatives (AF.332) that is securities other than shares with a long-term original maturity (see paragraph 5.22) except financial derivatives. |
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- 5.61. Long-term securities are generally issued with coupons.
- 5.62. Sub-position AF.332 includes:
- (a) bearer bonds;
 - (b) subordinated bonds, often referred to as subordinated debt;
 - (c) bonds with optional maturity dates, the latest of which is more than one year away;
 - (d) undated or perpetual bonds;
 - (e) floating rate notes (FRNs);
 - (f) index-linked securities, where the value of the principal is linked to a price index, the price of a commodity, or to an exchange rate index;
 - (g) deep-discount bonds and zero-coupon bonds;
 - (h) eurobonds. A bond issue that is placed simultaneously on the market of at least two countries and is denominated in currency which need not be that of either, usually through international syndicates of financial corporations of several countries;
 - (i) privately issued bonds, that is bonds restricted by bilateral agreement to certain investors, if they are at least potentially transferable; if not, they are treated as long-term loans;
 - (j) loans that have become negotiable *de facto*. This should be interpreted to mean only if they are traded on an organized secondary market (see paragraph 5.79.);
 - (k) securities resulting from the conversion of loans. A conversion involves two financial transactions: the liquidation of the loan and the creation of the new securities;
 - (l) debentures and loan stock convertible into shares, whether shares of the issuing corporation or shares of another corporation, so long as they have not yet been converted. A conversion involves two financial transactions: the liquidation of the debenture or loan stock and the share issue. Where separable from the underlying bond, the conversion option should be regarded as a separate financial asset classified in the sub-category financial derivatives (AF.34) (see paragraphs 5.67. a and 5.67. b);
 - (m) shares or stocks that pay a fixed income but do not provide for participation in the distribution of the residual value of a corporation on dissolution, including non participating preference shares.
- 5.63. Sub-position AF.332 includes further financial assets issued as part of the securitization of loans, mortgages, credit card debt, accounts receivable and other assets. Sometimes the new security is issued as replacement for the original asset, which is effectively liquidated. Alternatively, the original asset is transferred to another institutional unit and the new securities replace the original asset on the original institutional unit's balance sheet. In this case the original asset should be recorded on the balance sheet of the new institutional unit that holds it.
- 5.64. Sub-position F.332 does not include:
- (a) transactions in securities as part of repurchase agreements. Repurchase agreements are classified in the sub-category other deposits (see paragraph 5.46. f) or in the category loans (see paragraph 5.81. d) depending on the institutional units involved. The stock

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lent or subject to repurchase does not change balance sheet and remains classified in AF.332;

- (b) transactions in non-negotiable securities. They are classified in sub-category long-term loans;
- (c) transactions in non-negotiable loans, including those which have been sold to a third party, but for which no organized secondary market exists (see paragraph 5.79).

Financial derivatives (F.34)

5.65.	<i>Definition:</i>	The sub-category financial derivatives (F.34) consists of all transactions in financial derivatives (AF.34) that is financial assets based on or derived from a different underlying instrument. The underlying instrument is usually another financial asset, but may also be a commodity or an index.
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5.66. Financial derivatives are also referred to as secondary instruments and since risk avoidance is frequently a motivation for their creation, they are also referred to as hedging instruments. Only those secondary instruments which have a market value because they are tradable or can be offset on the market are financial assets in the system and are classified in the sub-category AF.34 (see paragraph 5.05).

5.67. Sub-category AF.34 includes:

- (a) options, tradable and over-the-counter (OTC). Options are contingent assets which give their holders the right, but not the obligation, to purchase from (in the case of a call option) or to sell to (in the case of a put option) the issuer of the option (the option writer) financial or non-financial assets (the underlying instrument) at a predetermined price (the strike price) within a given time span (American option) or on a given date (European option). The purchaser of the option pays a premium (the option price) for the commitment of the option writer to sell or to purchase the specified amount of the underlying asset or to provide, on demand of the purchaser, appropriate remuneration. By convention, that commitment is treated as a liability of the option writer because the option price represents the current cost to the option writer of buying out his contingent liability;
- (b) warrants. They are a form of tradable options, which give their holders the right to purchase from the issuer of the warrant (usually a corporation) a certain number of shares or bonds under specified conditions for a designated period of time. There are also currency warrants, the value of which is based on the amount of one currency required to purchase another currency at or before the expiration date of the warrant and cross-currency warrants tied to third currencies. By convention, the issuer of the warrant is considered to have incurred a liability representing the current cost of buying out the issuer's contingent liability;
- (c) futures, but only if they have a market value because they are tradable or can be offset. Futures are commitments to deliver, or to take delivery of, a specified quantity of a standard grade of a commodity, foreign exchange, or a security at a fixed price and for a specified delivery date or period. Futures may also be based on an index rather than a specific financial or non-financial asset;

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- (d) [^{F1}swaps, but only if they have a market value because they are tradable or can be offset. Swaps are contractual arrangements between two parties who agree to exchange, over time and according to predetermined rules, streams of payment of the same amount of indebtedness. The most prevalent varieties are interest rate swaps, foreign exchange swaps and currency swaps (also named cross-currency interest swaps). Interest rate swaps involve an exchange of interest payments of different character, such as fixed rate for floating rate, two different floating rates, fixed rate in one currency and floating rate in another, etc. Foreign exchange swaps (including all forward contracts) are transactions in foreign currencies at a rate of exchange stated in advance. Currency swaps involve an exchange of specified amounts of two different currencies with subsequent repayments, which include both interest and repayment flows, over time according to predetermined rules. None of the resulting payments is considered as property income in the system and all settlements are to be recorded in the financial account;
- (e) forward rate agreements (FRAs), but only if they have a market value because they are tradable or can be offset. FRAs are contractual arrangements in which two parties, in order to protect themselves against interest rate changes, agree on an interest to be paid, at a settlement date, based on a notional amount of principal that is never exchanged. The payments are related to the difference between the agreement rate and the prevailing market rate at the time of settlement. These payments are not considered as property income in the system but are to be recorded under the item financial derivatives.]

Textual Amendments

- F1** Substituted by Regulation (EC) No 2558/2001 of the European Parliament and of the Council of 3 December 2001 amending Council Regulation (EC) No 2223/96 as regards the reclassification of settlements under swaps arrangements and under forward rate agreements (Text with EEA relevance).

5.68. Sub-category AF.34 does not include:

- (a) the underlying instrument upon which the financial derivative is based;
- (b) repayable margin payments related to financial derivatives. They are classified in other deposits (AF.29) (see paragraph 5.46. e) or loans (AF.4) (see paragraph 5.81. c) depending on the institutional units involved;
- (c) secondary instruments, which are not tradable and cannot be offset on the market.
- LOANS (F.4)

5.69. <i>Definition:</i>	The category loans (F.4) consists of all transactions in loans (AF.4) that is financial assets created when creditors lend funds to debtors, either directly or through brokers, which are either evidenced by non-negotiable documents or not evidenced by documents.
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5.70. Generally loans are characterized by the following features:

- (a) the conditions governing a loan are either fixed by the financial corporation granting the loan or negotiated by the lender and the borrower directly or through a broker;

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- (b) the initiative concerning a loan normally lies with the borrower;
- (c) a loan is an unconditional debt to the creditor which has to be repaid at maturity and which is interest-bearing.

5.71. Category F.4 may be divided, when relevant, into two sub-categories of financial transactions;

(a) short-term loans (F.41);

(b) long-term loans (F.42).

Short-term loans (F.41)

5.72. <i>Definition:</i>	The sub-category short-term loans (F.41) consists of all transactions in short-term loans (AF.41) that is loans with a short-term original maturity (see paragraph 5.22) and loans repayable on demand.
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Long-term loans (F.42)

5.73. <i>Definition:</i>	The sub-category long-term loans (F.42) consists of all transactions in long-term loans (AF.42) that is loans with a long-term original maturity (see paragraph 5.22).
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5.74. The distinction between transactions in loans (F.4) and transactions in deposits (F.22, F.29) may often be based on the criterion who is taking the initiative for the transaction. In cases where the initiative is taken by a borrower, the transaction is to be classified in the category loans. In cases where the initiative is taken by a lender, the transaction is to be classified in one of the deposit sub-categories. However, the criterion of who is taking the initiative is often a matter of judgement.

5.75. By convention, short-term loans granted to monetary financial institutions, resident or non-resident, are normally classified in one of the deposit sub-categories (AF.22, AF.29), and short-term deposits accepted by institutional units other than monetary financial institutions, resident or non-resident, are normally classified in sub-category short-term loans (AF.41). Therefore, deposits are liabilities predominantly of resident and non-resident monetary financial institutions (see paragraphs 5.44 and 5.49), while monetary financial institutions normally have no short-term loan liabilities in the system.

5.76. It might be useful analytically to allow for exceptions to the above conventions. Examples are savings deposits with general government and non-monetary gold swaps between monetary financial institutions (see paragraph 5.81. e)⁽⁶⁾.

5.77. The distinction between transactions in loans (F.4) and transactions in securities other than shares (F.3) can be based on the degree of marketability of the financial assets and its implications.

5.78. Security issues consist of a large number of identical documents, each evidencing a round sum, which together form the total amount borrowed. Compared with this, loans are evidenced in most cases by a single document and transactions in loans are carried out between one creditor and one debtor. In the case of syndicated loans, however, the loan is granted by several creditors.

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- 5.79. Secondary trade in loans exists. However, individual loans are only traded incidentally. In cases where a loan becomes negotiable on an organized market, it is to be classified in the category securities other than shares. An explicit conversion of the original loan is normally involved (see paragraphs 5.62. j and 5.62. k).
- 5.80. Standard loans are offered in most cases by financial corporations and they are often granted to households. The financial corporations determine the conditions and the households may only choose either to accept or not to accept. Compared with this, the conditions of non-standard loans are usually the result of negotiations between the creditor and the debtor. This is an important criterion which facilitates a distinction between non-standard loans and securities other than shares. In the case of public security issues, the issue conditions are determined by the borrower, possibly after consulting the bank/lead-manager. In the case of private security issues, however, the creditor and the debtor negotiate the issue conditions (see paragraph 5.62. i).
- 5.81. Category AF.4 includes:
- (a) balances on current accounts, for example, intra-group balances between non-financial corporations and their non-resident subsidiaries, but excluding balances which are liabilities of monetary financial institutions classified in the deposit sub-categories;
 - (b) balances of employees because of participation in the corporation's profits;
 - (c) repayable margin payments related to financial derivatives which are liabilities of institutional units other than monetary financial institutions (see paragraph 5.46. e);
 - (d) short-term repurchase agreements (repos) which are liabilities of institutional units other than monetary financial institutions (see paragraph 5.46. f) and long-term repurchase agreements;
 - (e) loans arising from non-monetary gold swaps. These are arrangements involving the temporary exchange of non-monetary gold for deposits. Their economic nature is similar to that of a collateralized loan in that the purchaser of the gold is providing to the seller advances backed by the gold for the period of the arrangement and is receiving a return from the fixed price when the gold is repurchased;
 - (f) loans which are counterparts of bankers' acceptances (see paragraph 5.58. d);
 - (g) financial leasing and hire-purchase agreements⁽⁷⁾;
 - (h) loans to finance trade credits;
 - (i) mortgage loans;
 - (j) consumer credit;
 - (k) revolving credits;
 - (l) instalment loans;
 - (m) loans paid as a guarantee for fulfilling certain obligations.
- 5.82. Category AF.4 includes further:
- (a) financial claims or liabilities arising from the medium-term financial assistance for Member States' balances of payments. The loans are administered by the EMI⁽⁸⁾;

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- (b) financial claims on the IMF evidenced by loans under the General Arrangements to Borrow or under special borrowing arrangements with members;

Liabilities to the IMF evidenced by loans under the Structural Adjustment Facility, the Enhanced Structural Adjustment Facility, and the Trust Fund.

5.83. Category AF.4 does not include:

- (a) other accounts receivable/payable (AF.7), including trade credits and advances (AF.71);
- (b) financial assets or liabilities arising from the ownership of immovable assets, such as land and structures, by non-residents. They are classified in sub-position other equity (AF.513) (see paragraph 5.95. f).

5.84. Loans may be financial assets or liabilities of all sectors and the rest of the world. However, monetary financial institutions have normally no short-term loan liabilities in the system.

5.85. The sub-categories short-term loans and long-term loans are not divided into sub-positions in the system. Nevertheless, it may be useful analytically to divide, in particular, long-term loans into consumer credit⁽⁹⁾, mortgage loans⁽¹⁰⁾ and other loans.

SHARES AND OTHER EQUITY (F.5)

5.86. *Definition* : The category shares and other equity (F.5) consists of all transactions in shares and other equity (AF.5) that is financial assets which represent property rights on corporations or quasi-corporations. These financial assets generally entitle the holders to a share in the profits of the corporations or quasi-corporations and to a share in their net assets in the event of liquidation⁽¹¹⁾

Shares offered for sale but not taken up on issue are not recorded in the system. Shares and other equity are redeemed when purchased by the issuing corporation or when exchanged for the net assets of a corporation in the event of its liquidation.

5.87. Category F.5 is divided into two sub-categories of financial transactions:

- (a) shares and other equity, excluding mutual funds shares (F.51);
- (b) mutual funds shares (F.52).

Shares and other equity, excluding mutual funds shares (F.51)

5.88. <i>Definition:</i>	The sub-category shares and other equity excluding mutual funds shares (F.51) consists of all transactions in shares and other equity excluding mutual funds shares (AF.51) that is financial assets except mutual fund shares which represent property rights on corporations or quasi-corporations. These financial assets generally entitle the holders to a share in the profits of the corporations or quasi-corporations
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and to a share in their net assets in the event of liquidation.

5.89. Sub-category F.51 may be divided, when relevant, into three sub-positions of financial transactions:

- (a) quoted shares, excluding mutual funds shares (F.511);
- (b) unquoted shares, excluding mutual funds shares (F.512);
- (c) other equity (F.513).

Quoted shares, excluding mutual funds shares (F.511), and unquoted shares, excluding mutual funds shares (F.512)

5.90. Definition: The sub-position quoted shares excluding mutual funds shares (F.511) consists of all transactions in quoted shares excluding mutual funds shares (AF.511) and the sub-position unquoted shares excluding mutual funds shares (F.512) consists of all transactions in unquoted shares excluding mutual funds shares (AF.512). Shares cover beneficial interest in the capital of corporations in the form of securities which in principle are negotiable. Sub-position AF.511 covers those shares with prices quoted on a recognized stock exchange or other form of secondary market, and sub-position AF.512 covers those shares that are not quoted.

5.91. Sub-positions AF.511 and AF.512 include:

- (a) capital shares issued by limited liability companies: these are securities which give the holders the status of joint owners and entitle them both to a share in the total distributed profits and to a share in the net assets in the event of liquidation;
- (b) redeemed shares in limited liability companies: these are shares whose capital has been repaid but which are retained by the holders who continue to be joint owners and to be entitled to a share in the profits left after dividends have been paid on the remaining registered capital and also to a share in any surplus which may be left on liquidation, i.e. the net assets less the remaining registered capital;
- (c) dividend shares issued by limited liability companies: these are securities:
 1. which, according to country and the circumstances in which they are created, have a variety of names such as founders' shares, profits shares, dividend shares, etc. and which are not part of the registered capital;
 2. which do not give the holders the status of joint owners strictly speaking (the right to a share in the repayment of the registered capital, the right to a return on this capital, the right to vote at shareholders' meetings, etc.);
 3. which entitle the holders to a proportion of any profits remaining after dividends have been paid on the registered capital and to a fraction of any surplus remaining on liquidation;
- (d) preferred (preference) stocks or shares which provide for participation in the distribution of the residual value on dissolution of a corporation. These may be quoted or unquoted on a recognized exchange.

5.92. Sub-positions AF.511 and AF.512 do not include:

- (a) shares offered for sale but not taken up on issue. They are not recorded in the system;

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- (b) debentures and loan stock convertible into shares. They are shown in the accounts under sub-category AF.33 up to the time when they are converted (see paragraph 5.62. l);
 - (c) the equity of partners with unlimited liability (unlimited partners) in incorporated partnerships. They are classified in sub-position AF.513;
 - (d) government investments in the capital of international organizations which are legally constituted as corporations with share capital. They are classified in sub-position AF.513 (see paragraph 5.95. c).
- 5.93. Sub-positions F.511 and F.512 do not include issues of bonus shares that is the remittance of new shares to shareholders in proportion to their holdings. Such an issue, which changes neither the liability of the corporation vis-à-vis the shareholders nor the proportion of the assets that each shareholder holds in the corporation, does not constitute a financial transaction and is not recorded in the system (see paragraph 6.56). The same applies for share split issues.

Other equity (F.513)

5.94.	<i>Definition:</i>	The sub-position other equity (F.513) consists of all transactions in other equity (AF.513) that is all forms of equity other than those classified in sub-positions AF.511 and AF.512, and in sub-category AF.52.
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5.95. Sub-position AF.513 includes:

- (a) all forms of equity in corporations which are not shares:
 - 1. the equity in incorporated partnerships subscribed by unlimited partners;
 - 2. the equity in limited liability companies whose owners are partners and not shareholders;
 - 3. the capital invested in ordinary or limited partnerships recognised as independent legal entities;
 - 4. the capital invested in cooperative societies recognized as independent legal entities;
- (b) investments by general government in the capital of public enterprises, whose capital is not divided into shares, which by virtue of special legislation are recognized as independent legal entities (see paragraph 2.16. c);
- (c) government investments in the capital of international and supranational organizations, with the sole exception of the IMF, even if these are legally constituted as companies with share capital (e.g. the European Investment Bank);
- (d) the financial resources of the EMI provided out of contributions by the national central banks⁽¹²⁾;
- (e) capital invested in financial and non-financial quasi-corporations (see paragraph 2.13. f). The amount of such investments corresponds to new investments (in cash or kind) less any capital withdrawals (see paragraph 4.61);

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- (f) the financial assets that non-resident units have against notional resident units (see paragraph 2.15) and vice versa.

Mutual funds shares (F.52)

5.96.	<i>Definition:</i>	The sub-category mutual funds shares (F.52) consists of all transactions in mutual funds shares (AF.52) that is shares issued by a specific type of financial corporation, whose exclusive purpose is to invest the funds collected on the money market, the capital market and/or in real estate.
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- 5.97. Sub-category AF.52 includes the shares issued by financial corporations called, according to country, mutual funds, unit trusts, investment trusts and other collective investment schemes, e.g. UCITS, whether they are open-ended, semi-open or closed-end funds. These shares may be quoted or unquoted. When they are unquoted, they are usually repayable on request, at a value corresponding to their share in the own funds of the financial corporation. These own funds are revalued regularly on the basis of the market prices of their various components.

INSURANCE TECHNICAL RESERVES (F.6)⁽¹³⁾

- 5.98. *Definition* : The category insurance technical reserves (F.6) consists of all transactions in insurance technical reserves (AF.6) that is the technical provisions of insurance corporations and (autonomous and non-autonomous) pension funds against policy holders or beneficiaries as laid down in Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings⁽¹⁴⁾

5.99. Category AF.6 covers:

- (a) net equity of households in life insurance reserves;
- (b) net equity of households in pension funds reserves;
- (c) prepayments of insurance premiums;
- (d) reserves for outstanding claims.

5.100. Insurance technical reserves are financial assets:

- (a) for policy holders — in respect of net equity of households in life insurance reserves and in pension funds reserves, and prepayments of insurance premiums;
- (b) for beneficiaries — in respect of reserves for outstanding claims.

5.101. Insurance technical reserves are liabilities:

- (a) of life or non-life insurance corporations and autonomous pension funds included in the subsector insurance corporations and pension funds (S.125);
- (b) of non-autonomous pension funds included in the sectors of the institutional units that set them up.

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Provisions or similar funds constituted by employers to provide employees with pensions (non-autonomous pension funds) are only included in category AF.6 if they are calculated according to actuarial criteria similar to those used by insurance corporations and autonomous pension funds. Otherwise, these provisions are covered by the shares or other equity issued by the institutional unit that sets up the provisions.

5.102. Category AF.6 does not include provisions established by institutional units classified in the sub-sector social security funds (S.1314). In the system, these provisions are not liabilities of the social security funds sub-sector.

5.103. Category F.6 is divided into two sub-categories of financial transactions:

(a) net equity of households in life insurance reserves and in pension funds reserves (F.611);

(b) prepayments of insurance premiums and reserves for outstanding claims (F.62).
Net equity of households in life insurance reserves and in pension funds reserves (F.61)

5.104. <i>Definition:</i>	The sub-category net equity of households in life insurance reserves and in pension funds reserves (F.61) consists of all transactions in net equity of households in life insurance reserves and in pension funds reserves (AF.61) that is technical provisions set aside in the corporations and quasi-corporations concerned for the purpose of satisfying, once the established conditions are met, the claims and benefits foreseen.
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5.105. Sub-category F.61 is divided into two sub-positions of financial transactions:

(a) net equity of households in life insurance reserves (F.61);

(b) net equity of households in pension funds reserves (F.612).
Net equity of households in life insurance reserves (F.611)

5.106. <i>Definition:</i>	The sub-position net equity of households in life insurance reserves (F.611) consists of all transactions in net equity of households in life insurance reserves (AF.611) that is technical provisions against outstanding risks and technical provisions for with-profit insurance that add to the value on maturity of with-profit endowments or similar policies.
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5.107. Sub-position AF.611 includes life insurance provisions, provisions for bonuses and rebates and technical provisions for life insurance policies where the investment risk is borne by the policyholders as defined in Articles 27, 29 and 31 of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings.

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5.108. Transactions in net equity of households in life insurance reserves consist of additions less reductions, which are to be distinguished from nominal holding gains or losses on the funds invested by insurance corporations (see paragraph 6.57).

Additions consist of:

- (a) actual premiums earned during the current accounting period;
- (b) plus premium supplements corresponding to the income from the investment of the provisions, which is attributed to policy holding households;
- (c) less service charges for life insurance.

Reductions consist of:

- (a) amounts due to holders of endowment and similar insurance policies when they mature and amounts due to beneficiaries from deaths of insured persons;
- (b) plus payments due on policies that are surrendered before maturity.

5.109. Life insurance reserves are financial assets of resident or non-resident households and liabilities of resident or non-resident insurance corporations.

In the case of a group insurance taken out, for example, by a corporation on behalf of its employees, the employees, but not the employer, are deemed to be the creditors, since they are considered as the real policy holders.

Net equity of households in pension funds reserves (F.612)

5.110. <i>Definition:</i>	The sub-position net equity of households in pension funds reserves (F.612) consists of all transactions in net equity of households in pension funds reserves (AF.612) that is technical provisions held by autonomous and non-autonomous pension funds established by employers and/or employees or groups of self-employed to provide pensions for employees or self-employed.
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5.111. Transaction in net equity of households in pension funds reserves consist of additions less reductions, which are to be distinguished from nominal holding gains or losses on the funds invested by pension funds (see paragraph 6.57).

Additions consist of:

- (a) actual contributions into pension funds payable by employees, employers, self-employed or other institutional units on behalf of individuals or households with claims on the funds and earned during the current accounting period;
- (b) plus contribution supplements corresponding to the income earned from the investment of the provisions of the pension funds, which are attributed to participating households;
- (c) less service charges during the period for managing the funds.

Reductions consist of:

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- (a) social benefits equal to the amounts payable to retired persons or their dependants in the form of regular payments or other benefits;
- (b) plus social benefits which consist of any lump sums payable to persons when they retire.

5.112. Transactions in net equity of households in pension funds reserves do not include funds transferred from non-autonomous pension funds to autonomous pension funds, classified in the subsector insurance corporations and pension funds (S.125), as a result of the conversion of one fund into another. This event is to be recorded in the category changes in sector classification and structure (K.12.1) of the other changes in the volume of assets account (see paragraph 6.30).

5.113. Pension funds reserves are financial assets of resident or non-resident households but not financial assets of the institutional units that manage them.

Prepayments of insurance premiums and reserves for outstanding claims (F.62)

5.114. <i>Definition:</i>	The sub-category prepayments of insurance premiums and reserves for outstanding claims (F.62) consists of all transactions in prepayments of insurance premiums and reserves for outstanding claims (AF.62) that is technical provisions established by insurance corporations and (autonomous and non-autonomous) pension funds for: <ul style="list-style-type: none"> (a) the amount representing that part of gross premiums written which is to be allocated to the following accounting period (prepayments of insurance premiums); (b) the total estimated ultimate cost of settling all claims arising from events which have occurred up to the end of the accounting period, whether reported or not, less amounts already paid in respect of such claims (provisions for outstanding claims).
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5.115. Prepayments of insurance premiums result from the fact that insurance premiums are, in general, due to be paid at the start of the period covered by the insurance, and this period does not normally coincide with the accounting period itself. Therefore, at the end of the accounting period when the balance sheet is drawn up, parts of the insurance premiums payable during the accounting period are intended to cover risks in the subsequent period. The prepayments of insurance premiums are determined on the basis of the proportion of the risks involved in relation to time for the period remaining to run until the contract expires.

In the financial account, the prepayments of insurance premiums recorded between policy holders and insurance corporations consist of those parts of the premiums that are payable in the

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current accounting period and that are intended to cover risks outstanding during the following period.

- 5.116. The prepayments of insurance premiums are financial assets of the policy holders. If these prepayments relate to life insurance, the policy holders are resident or non-resident households. If they relate to non-life insurance, the policy holders may belong to any sector of the economy or to the rest of the world. The insurance premiums or social contributions paid by the policy holders may be taken as the criterion to distribute the prepayments of insurance premiums among the sectors of the economy and the rest of the world.
- 5.117. Reserves for outstanding claims are held by insurance corporations in order to cover the amounts they expect to pay out in respect of claims that are not yet settled, for example, because they are disputed. Valid claims accepted by insurance corporations are considered due for payment when the event that gives rise to the claim occurs, however long it takes to settle disputed claims.
- 5.118. Reserves for outstanding claims are financial assets of the beneficiaries that may belong to any sector of the economy or to the rest of the world.
- 5.119. Sub-category AF.62 includes provisions for unearned premiums, other technical provisions, claims outstanding and equalization provisions as defined in Articles 25, 26, 28 and 30 of Council Directive 91/674/EEC of 19 December 1991 on the annual accounts and consolidated accounts of insurance undertakings.

OTHER ACCOUNTS RECEIVABLE/PAYABLE (F.7)

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| 5.120. | <i>Definition:</i> | The category other accounts receivable/payable (F.7) consists of all transactions in other accounts receivable/payable (AF.7) that is financial claims which are created as a counterpart of a financial or a non-financial transaction in cases where there is a timing difference between this transaction and the corresponding payment. |
|--------|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
- 5.121. Category F.7 includes transactions in financial claims which stem from the early or late payment for transactions in goods or services, distributive transactions or secondary trade in financial assets. They consist of the counterpart transactions in case payment is due and not yet paid. Debts arising from income accruing over time and arrears are also classified under this category.
- 5.122. Category F.7 does not include:
- (a) statistical discrepancies other than timing differences between transactions in goods and services, distributive transactions or financial transactions and the corresponding payments;
 - (b) items about which there is not enough information for them to be classified. The classification should be based on whatever information is available;
 - (c) items about whose nature nothing whatsoever is known;
 - (d) the miscellaneous item of the balance of payments described as net errors and omissions;

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- (e) early or late payment (inclusive of arrears) in case of the creation of financial assets or the redemption of liabilities other than classified in category F.7. They remain classified in their category.

5.123. Category F.7 is divided into two sub-categories of financial transactions:

- (a) trade credits and advances (F.71);
- (b) other accounts receivable/payable, excluding trade credits and advances (F.79).
Trade credits and advances (F.71)

5.124. <i>Definition:</i>	The sub-category trade credits and advances (F.71) consists of all transactions in trade credits and advances (AF.71) that is financial claims arising from the direct extension of credit by suppliers and buyers for goods and services transactions and advance payments for work that is in progress or to be undertaken and associated with such transactions.
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5.125. Sub-category AF.71 includes:

- (a) financial claims relating to the delivery of goods or services where payment has not taken place;
- (b) trade credit accepted by factoring corporations except when regarded as a loan;
- (c) rent of buildings accruing over time;
- (d) arrears concerning the payment of goods and services, when not evidenced by a loan.

5.126. Sub-category AF.71 does not include loans to finance trade credits. They are classified in category AF.4 (see paragraph 5.81. h).

5.127. Trade credits and advances may be financial assets or liabilities of all sectors and the rest of the world.

Other accounts receivable/payable, excluding trade credits and advances (F.79)

5.128. <i>Definition:</i>	The sub-category other accounts receivable/payable excluding trade credits and advances (F.79) consists of all transactions in other accounts receivable/payable excluding trade credits and advances (AF.79) that is financial claims which arise from timing differences between distributive transactions or financial transactions on the secondary market and the corresponding payment. It includes also financial claims due to income accruing over time.
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- 5.129. Sub-category AF.79 includes financial claims created as a result of the timing difference between accrued transactions and payments made in respect of, for example:
- (a) taxes;
 - (b) social contributions;
 - (c) wages and salaries;
 - (d) rents on land and subsoil assets;
 - (e) dividends;
 - (f) interest;
 - (g) transactions in financial assets on the secondary market.

[^{F2}The amounts of taxes and social contributions payable to the general government to be included under AF.79 should not include the part of these taxes and social contributions which is unlikely to be collected, and which therefore represents a general government claim that has no real value.]

Textual Amendments

- F2** Inserted by [Commission Regulation \(EC\) No 995/2001 of 22 May 2001 implementing Regulation \(EC\) No 2516/2000 of the European Parliament and of the Council modifying the common principles of the European system of national and regional accounts in the Community \(ESA 95\) as concerns taxes and social contributions.](#)

- 5.130. Preferably, the counterpart financial transaction of interest accruing on financial assets (see paragraph 5.17) should be recorded as being reinvested in that financial asset. The recording of interest will, however, have to follow national practices. If the interest accrual is not recorded as being reinvested in the financial asset, it should be classified in sub-category F.79.
- 5.131. At the date due for payment of interest, two financial transactions are recorded (see paragraph 5.17): firstly, in the event of payment, a transaction in the financial asset used for payment, or, in the event of non-payment, an increase of interest arrears to be recorded in sub-category F.79; secondly, the counterpart financial transaction reducing the net financial claim of the creditor against the debtor.

MEMORANDUM ITEM: DIRECT FOREIGN INVESTMENT (F.m)

- 5.132. *Definition* : Direct foreign investment (F.m) consists of all transactions in direct foreign investment (AF.m) that is investment involving a long-term relationship reflecting a lasting interest of a resident institutional unit in one economy ('direct investor') in an institutional unit resident in an economy other than that of the investor ('direct investment enterprise'). The direct investor's purpose is to exert a significant degree of influence on the management of the enterprise resident in the other economy. Direct investment involves both the initial transaction between the direct investor and the direct investment enterprise and all

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subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated⁽¹⁵⁾

- 5.133. Transactions in financial assets and liabilities that constitute direct foreign investment are to be recorded under the appropriate categories of financial transactions, i.e. loans (F.4), shares and other equity (F.5) and other accounts receivable/payable (F.7). However, the amounts of direct foreign investment included within each of those categories should also be recorded separately as a memorandum item.

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- (1) In certain cases, securities other than shares issued by the general government sector with a maturity up to five years may be classified as short-term.
- (2) The 1993 SNA (11.32, 11.72 and 11.83) classifies repurchase agreements under loans unless they involve bank liabilities and are classified in national measures of broad money; in the latter case, repurchase agreements are classified under other deposits.
- (3) Articles 6.2 and 6.3 of the Protocol on the Statute of the European Monetary Institute annexed to the Treaty establishing the European Community.
- (4) Article 6.1 second indent of the Protocol on the Statute of the European Monetary Institute annexed to the Treaty establishing the European Community.
- (5) The 1993 SNA (11.79, 11.80 and 11.81) recommends an optional subclassification of transactions in securities other than shares by maturity into short-term (F.31) and long-term (F.32). However, the 1993 SNA (11.82) provides for an additional optional subclassification of transactions in securities other than shares showing transactions in financial derivatives separately where they are important from the point of view of analysis and policy. This second option is adopted in the ESA. It also facilitates the linkage to the sub-category debt securities as defined in the 1993 Balance of Payments Manual, which divides debt securities into bonds, notes, money market instruments and financial derivatives. The codes F.31 and F.32 are not used in the ESA to avoid confusion with the 1993 SNA codes.
- (6) Foreign exchange swaps between the central bank and other monetary financial institutions, that is a central bank acquires foreign exchange from another monetary financial institution in return for a deposit at the central bank and there is a commitment to reverse the transaction at a later date, are not classified in the category loans. This is a deviation from the 1993 SNA (11.33).
- (7) See Annex II ‘Leasing and hire purchase of durable goods’.
- (8) Article 6.1 third indent of the Protocol on the Statute of the European Monetary Institute annexed to the Treaty establishing the European Community.
- (9) Consumer credit are loans granted to households, which in the case of these transactions are acting for purposes outside their business and profession. Mortgage loans for financing house building or buying (amongst others bridging loans) are excluded. It is the intention that consumer credit relates exclusively to credits used for buying goods and/or services which are consumed by the households individually. National practices might necessitate a somewhat different definition.
- (10) Mortgage loans are long-term loans secured by a mortgage on a dwelling used by the borrower for its own accommodation. National practices might necessitate a somewhat different definition.
- (11) Net assets in the event of liquidation are defined as the amount of assets of an enterprise less all liabilities other than liabilities to the owners themselves in respect of their invested capital.
- (12) Article 16.2 of the Protocol on the Statute of the European Monetary Institute annexed to the Treaty establishing the European Community.
- (13) See Annex III on insurance for a description of the treatment of social insurance and other insurance in the system.
- (14) [OJ No L 374, 31. 12. 1991, pp. 7—31.](#)
- (15) OECD benchmark definition of foreign direct investment, third edition.

Changes to legislation:

There are outstanding changes not yet made to Council Regulation (EC) No 2223/96. Any changes that have already been made to the legislation appear in the content and are referenced with annotations.

[View outstanding changes](#)

Changes and effects yet to be applied to :

- Regulation revoked by [S.I. 2021/1300 Sch. 1 para. 13](#)