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Reporting regulations for Supplementary Nordic MFI reporting

Background and purpose

The aim of the supplementary Nordic MFI reporting (supplementary reporting) is to monitor cross-border balances within Nordic MFI groups of a considerable size. Increasing cross-border balances, either in the form of a transfer of balances from one unit to another within the Nordic MFI group or a build-up gradually over time, may erode the analytical value of national statistics. The supplementary reporting is identical for all the Nordic countries and data are collected for internal use within the Nordic central banks. Supplementary reporting will not affect or replace existing national reporting.

1. When does the reporting start?

In order to minimize the burden of the reporting MFI, supplementary reporting only covers MFIs that transfer/build-up balances between the Nordic countries Denmark, Finland, Norway and Sweden (DK, FI, NO and SE), and monitoring is only requested if the cross-border transfers/build-ups have – or can be foreseen to have – a significant effect on the national monetary statistics in one or more of the above-mentioned Nordic countries.

The supplementary reporting is only relevant for Nordic MFIs of a considerable size. When assessing whether an MFI is to submit supplementary reporting, the Nordic central banks will use thresholds as guidance, i.e. an important aggregate such as loans or deposits vis-à-vis households or non-financial corporations in one of the countries DK, FI, NO or SE must be affected by more than 5 per cent (measured in proportion to the total value of the item in the national MFI statistics). If the cross-border business is found to be significant, the Nordic countries will request the respective MFI to start the supplementary reporting.

If the monitoring shows that the national MFI statistics are – or in the near future may be – affected in such a way that the quality of these statistics in any of the Nordic countries are no longer sufficient for national monetary analyses, the degree of detail and timeliness of the supplementary reporting will be changed accordingly.

An overview of the data requirements for the supplementary reporting is given in Table A. A detailed description of the instrument categories is given in Section 4. In Table A, data are split between countries DK, FI, NO, SE and Other.

Table A. Supplementary reporting, stock data

Instrument category	Counterpart break-down	Maturity breakdown	Currency breakdown
Assets			
Loans	"7 sectors"	None	All currencies combined
Specified loan loss provisions	"7 sectors"	None	All currencies combined
General loan loss provisions	Total only	None	All currencies combined
Securities other than shares	"7 sectors"	None	All currencies combined
Shares and other equity	"7 sectors"	None	All currencies combined
Financial derivatives	"7 sectors"	None	All currencies combined
Liabilities			
Deposits	"7 sectors"	None	All currencies combined
Financial derivatives	"7 sectors"	None	All currencies combined

Note: "7 sectors": MFI – internal, MFI – other, General gov., Non-financial corp., Households, Other, and Total.

The definitions of the instruments and counterparties in the supplementary reporting follow the definitions in the regulation of the European Central Bank (ECB) concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13)¹. The regulation is a natural reference point since most of the Nordic countries – and hence the MFIs operating in these countries – have already implemented a data reporting form in accordance with this regulation. By basing the supplementary reporting on the ECB/2001/13, the reporting burden for the MFIs should thus be minimized.

2. Which units of a Nordic MFI group is the reporting covering?

The main purpose of the supplementary reporting is to monitor the cross-border activities of Nordic MFIs. Since a banking group typically deals with more than just MFI-related business, data from the entire group would contain irrelevant information with regard to MFI statistics. The supplementary reporting therefore only comprises the group's MFI units in the Nordic countries. Branches and subsidiaries outside the Nordic countries are as a basic principal not included in the reporting. The Nordic central banks will decide on a case-by-case basis which MFI units of the group that should report. An updated list of the financial institutions in the European Union classified as MFIs can be found on ECB's website (www.ecb.int), while a list of MFIs in Norway is available on the website of Norges Bank (www.norgesbank.no).

¹ Regulation (EC) No 2423/2001 of the European Central Bank of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector (ECB/2001/13) as last amended by Regulation (EC) No 2181/2004 of the European Central Bank of 16 December 2004 amending Regulation (EC) No 2423/2001 (ECB/2001/13) concerning the consolidated balance sheet of the monetary financial institutions sector.

3. Timeliness, responsibility and residence

The Nordic MFI group submits to the Nordic central banks a quarterly supplementary report containing stock data on the last working day of the month following the quarter to which the data relate. The supplementary reporting must be denominated in 1,000 EUR.

A reporting template (Excel format) for the supplementary reporting has been prepared by the Nordic central banks. The reporting template is available on the websites of the Nordic central banks. The Nordic MFI group will report data in sheets 1-4 of the template covering positions of its various MFI units vis-à-vis counterparties resident/with registered office in Denmark, Finland, Norway, Sweden and Other (the rest of the world aggregated). Sheet 1 contains data of the branch/subsidiary of the Nordic MFI group resident in Denmark broken down by residents in country DK, FI, NO, SE and Other, sheet 2 contains data of the branch/subsidiary resident in Finland broken down by residents in country DK, FI, NO, SE and Other, and so on. Data from sheets 1-4 are regrouped automatically in sheets 5-8 which are therefore not to be filled in manually. Sheet 5 e.g. shows positions for the subsidiaries/branches in FI, NO and SE vis-à-vis counterparties resident/with registered office in Denmark, sheet 6 shows positions for the subsidiaries/branches in DK, NO and SE vis-à-vis counterparties resident/with registered office in Finland, and so on. The exchange of information between the MFI in question and the central banks will be performed in a manner that respects confidentiality and security issues.

The head office or the parent company is responsible for reporting the data. The respective MFI may, however, make another unit within the MFI group responsible for reporting the entire set of supplementary data, i.e. if the head office of a Nordic MFI group is moved outside the Nordic countries. Other arrangements can also be agreed upon at the request of the respective MFI. In any case, the data is to be reported to the Nordic central bank in which the reporting unit of the MFI group is resident/situated (from now on the data receiver).

The data receiver sends the data to the other Nordic countries in an electronic format without delay, in such a way that no outsider can access data. All Nordic central banks will receive data for the countries DK, FI, NO, SE and Other. Consistency checks are carried out by the central banks.

The reporting MFI unit appoints one or more contact persons inside the banking group, who is responsible for the communication to the data receiver. The contact should be able to answer questions about the content of the supplementary reporting. All contact between the Nordic central banks and the reporting MFI unit will be through the data receiver.

Each of the Nordic central banks will run consistency checks of the data for the branch/subsidiary resident in its own country with the regular (monthly)

MFI reporting. Any discrepancies in the reporting will be addressed to the data receiver.

4. Instrument categories

The supplementary reporting is divided into the following instrument categories:

Loans: Comprise loans granted on the basis of non-negotiable documents or without underlying documents, as well as deposits placed with other MFIs and financial leasing contracts. Lending is reported gross, i.e. before provisions. Accrued interest is excluded from the loan to which it relates. Loans are valued at the nominal value on the last working day of the quarter to which the data relate (ECB/2001/13, Annex I, part 3).

Loan loss provisions: Allowances against bad or impaired loans, based on the judgement as to the likelihood of losses. *General loan loss provisions* are provisions not attributed to specific assets, but the amount of losses that experience suggests may be in a portfolio of loans. *Specified loan loss provisions* are charges against the value of specific loans (including a collectively assessed group of loans) and reflect identifiable losses.

Securities other than shares: Holdings of securities other than shares or other equity, which are negotiable and usually traded on secondary markets or can be offset on the market, and which do not grant the holder any ownership rights over the issuing institution. Securities other than shares comprise bonds, bills of exchange, certificates, corporate certificates and mortgage deeds registered to the vendor. Securities other than shares are valued at market prices. If a market value cannot be set objectively, a best estimate of market value is applied (ECB/2001/13, Annex I, part 3).

Shares and other equity: Holdings of securities which represent property rights in corporations or quasi-corporations. These securities generally entitle the holders to a share in the profits of corporations or quasi-corporations, and to a share in their own funds in the event of liquidation. Shares and other equity comprise shares, including own shares, subscription rights, share warrants, guarantee capital investment certificates with savings banks, shares in mutual funds and special funds and other capital investments, including capital investments in associated and affiliated companies and other significant capital investments. Shares and other equity are preferably valued at market prices or a best estimate of market prices (ECB/2001/13, Annex I, part 3) but cost prices can also be applied in cases where this is considered to be the best estimate of the market price.

Financial derivatives: Financial derivatives comprise unsettled spot transactions and derived financial instruments (forward rate agreements (FRAs), futures, options, swaps, etc.). Financial derivatives with a positive market value on the balance sheet date are categorised as assets, while financial de-

derivatives with a negative market value are categorised as liabilities (ESA 95, paragraph 5.65 to 5.68).

Deposits: Deposits comprise deposits and lending in all categories, which are not based on the issue of negotiable debt securities. Deposits are valued at the nominal value on the last working day of the quarter to which the data relate (ECB/2001/13, Annex I, part 3).

5. Counterparties

The supplementary reporting offers a breakdown by counterparties for the instrument categories Loans, Specified loan loss provisions, Securities other than shares, Shares and other equity, Financial derivatives and Deposits.

The supplementary reporting requires a breakdown by seven different counterparties (for the above-mentioned balance sheet items):

- ◆ MFI – internal
- ◆ MFI – other
- ◆ General government
- ◆ Non-financial corporations
- ◆ Households
- ◆ Other (residual)
- ◆ Total

A detailed definition of the different counterparties is given below. The definitions are based on ECB/2001/13 and ESA 95 (European System of National Accounts).

MFI – internal: Include all internal MFI business in the reporting MFI group as a whole (not just between the Nordic MFI units) – both banks, mortgage-credit institutes, etc. In the case of Norway the term MFI only covers banks. An updated list of the financial institutions in the European Union classified as MFIs can be found on ECB's website (www.ecb.int), while a list of MFIs in Norway is available on the website of Norges Bank (www.norgesbank.no).

MFI – other: Include any business with external MFIs (i.e. MFIs outside the reporting group). An updated list of the financial institutions in the European Union classified as MFIs can be found on ECB's website (www.ecb.int), while a list of MFIs in Norway is available on the website of Norges Bank (www.norgesbank.no).

General government: Units that are principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth (ESA 95, paragraphs 2.68 to 2.70 and ECB/2001/13, Annex I, part 3).

Non-financial corporations: Corporations and quasi-corporations not engaged in financial intermediation, but principally in the production of market goods and non-financial services (ESA 95, paragraphs 2.21 to 2.31 and ECB/2001/13, Annex I, part 3).

Households: Individuals or groups of individuals such as consumers, and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Excluded are non-profit institutions serving households, which are principally engaged in the production of non-market goods and services intended for particular groups of households (ESA 95, paragraphs 2.75 to 2.88 and ECB/2001/13, Annex I, part 3).

Other: A residual sector comprising insurance corporations and pension funds, other financial intermediaries, financial auxiliaries, and non-profit institutions serving households (NPISH). *Insurance corporations and pension funds* are defined as non-monetary financial corporations and quasi-corporations principally engaged in financial intermediation as the consequence of pooling of risks (ESA 95, paragraphs 2.60 to 2.67 and ECB/2001/13, Annex I, part 3). *Other financial intermediaries* are non-monetary financial corporations and quasi-corporations (excluding insurance corporations and pension funds) principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than MFIs (ESA 95, paragraphs 2.53 to 2.56 and ECB/2001/13, Annex I, part 3). *Financial auxiliaries* are financial corporations and quasi-corporations that are principally engaged in auxiliary financial activities (ESA, paragraphs 2.57 to 2.59 and ECB/2001/13, Annex I, part 3). *Non-profit institutions serving households*, which are principally engaged in the production of non-market goods and services intended for particular groups of households (ESA 95, paragraphs 2.75 to 2.88 and ECB/2001/13, Annex I, part 3).

6. Currencies

The supplementary reporting does not require a breakdown by currency. The supplementary reporting is denominated in 1,000 EUR.

7. Maturities

The supplementary reporting does not require a breakdown by maturity.

8. Countries

The supplementary reporting requires a breakdown by residents in DK, FI, NO, SE, and Other, cf. Section 1.