

METHODOLOGICAL NOTES

1 Introduction

The title of this publication refers to its principal contribution, which is in Chapter 2. The *Financial Accounts of the Spanish Economy* form part of the Spanish system of National Accounts and are the statistical basis for analyses of the financing of the economy, including the analysis in the Banco de España *Annual Report*. Chapter 1 reproduces the non-financial part of the Spanish National Accounts (CNE), compiled by the National Statistics Office (INE), relating to the macroeconomic setting and to the accounts of the various institutional groupings (sectors and sub-sectors). This broadly supports the *Annual Report* and provides a means by which the operations to be financed can be related to their financial counterparts, which are covered in Chapter 2. Finally, Chapter 3 is a sort of statistical appendix that complements aspects covered in Chapters 1 and 2 and includes some international references.

The last print edition of this publication came out in June 2007. As usual, quarterly updates of all its chapters have since been produced which include the figures for the latest quarter available and revise, where appropriate, previously published quarterly data. These updates are disseminated exclusively in electronic format on the Banco de España website (www.bde.es). The latest update was disseminated on 18 April 2008 and included initial estimates for 2007 Q4 and 2007. This edition revises those initial estimates for the aforementioned periods and preceding periods.

The methodology used in compiling these Accounts follows the guidelines of the European System of Accounts (ESA 95) contained in Council Regulation (EC) No 2223/96 of 25 June 1996, which is binding upon all European Union (EU) countries. Although this regulation requires only annual series, the Banco de España decided from the outset to adopt a quarterly periodicity for the accounts, since that is what is demanded by users, fundamentally the analysts of the Banco de España itself. Drawing on the Financial Accounts and on other complementary statistics, the latter compile quarterly reports on the financing of the various institutional groupings, inter-sectoral financial flows, intermediation and liquidity developments. Further, in January 1999 ECOFIN, on the proposal of what was then the Monetary Committee (now the Economic and Financial Committee), endorsed a *Report on information requirements in Economic and Monetary Union (EMU)* which stated, inter alia, that “quarterly national accounts (financial and non-financial) are the core of the statistical information system, and should therefore be developed”. Subsequently, and on the basis of the importance of sound public finances in the Member States for the success of EMU, to which issue the Treaty on European Union and the Stability and Growth Pact refer, the Report recommended the compilation of quarterly general government accounts to assess how public finances are performing. In conformity with these requirements, an intensive legislative programme has been undertaken in the EU in recent years which, in the area of the national accounts, has given rise to: a) Regulation (EC) No 1161/2005 of the European Parliament and of the Council of 6 July 2005, which requires EU Member States to compile and submit to Eurostat quarterly non-financial accounts by institutional sector, within 90 calendar days from the last quarter to which they relate; and, b) the Guideline of the European Central Bank (ECB/2005/13) of 17 November 2005 on quarterly financial accounts by sector, which the national central banks are required to submit to the ECB within 110 calendar days of the last quarter included in the accounts.¹

1. ECB Guidelines are legally binding on the national central banks.

Prior to these legal provisions, the European Commission established the requirement for the Member States to compile quarterly non-financial and financial accounts for the sector general government, in 2002 and 2004, respectively. Also, in order to strengthen, even more, the foundations and quality of the statistical information on which the analyses of the public finances required by the Stability and Growth Pact are based, in March 2004 the EU countries were placed under an obligation to submit to Eurostat quarterly public debt data within one quarter and, in December 2005, Regulation 3605/93, which regulates the twice yearly notifications that the EU countries are required to make on their public finances, was amended.²

In parallel with these requirements to increase the periodicity and reduce the availability lag of the data for all sectors (especially general government), Eurostat has been working intensively on the methodology in order to improve the comparability of general government data across EU Member States. This work has been necessary for three reasons: a) the importance of this data in the excessive deficit procedure (EDP), which all EU countries are required to apply; b) the great variety of and minor differences between the operations carried out by general government in practically all the countries; and, c) the absence of sufficient detail in the ESA 95 on the accounting treatment for many of these operations. The work performed by Eurostat in collaboration with the EU Member States, through the relevant committees and working groups, is being included in the ESA 95 Manual on government deficit and debt, a document that serves as the methodological guide to aspects not addressed in sufficient depth in the ESA 95, in the form of new chapters or extensions to existing ones. These expansions and clarifications of the methodology can be followed by consulting the Eurostat website (www.ec.europa.eu/eurostat). Box 1 contains a summary of the main decisions taken by Eurostat in recent years in this area.

This edition of the Accounts covers the period 2000-2007, the period 1990-2007 being disseminated in csv files which can be accessed through the electronic edition at www.bde.es.³ The experience acquired since these series began to be published on the basis of the ESA 95 in 2000 has made it possible to establish a reasonable revision policy which gives the published series a degree of stability. It is intended that, when the accounts for each quarter are updated, the accounts of at most the eight preceding quarters and their corresponding years will be revised. It should be noted that, in addition to the quarterly updates for year n , made in July (data to year n Q1) and October (to n Q2) of year n and in January (n Q3) and April (n Q4 and annual totals for n) of year $n + 1$, the update of April of year $n + 1$ is revised in June of year $n + 1$, with application here too of the policy of extending the revision to the eight preceding quarters and their corresponding years. This regular revision procedure does not rule out exceptional revisions when warranted by the circumstances (conceptual changes, new basic information, extension of the time series and the like). Box 2 describes the main changes to the accounts since 2000 due to methodological changes, extension of the information or better estimation methods.

2 Editions, release calendar, scope, conceptual framework, estimation methods and sources of the publication

As mentioned in the previous section, the *Financial Accounts of the Spanish Economy* are disseminated in two editions, one in printed form and another in electronic form available at www.bde.es. The print edition, which comes out in June, contains the *Methodological Notes* and a broad selection of tables. The electronic edition is updated quarterly, is preceded by a short note describing the changes introduced and contains all the available tables. Both editions disseminate annual and quarterly series. The dates of the updates of the Accounts appear in a release calendar for the publication along with the other Banco de España statistics,

2. See Box 2 of the Methodological Notes to the 2006 edition of this publication for further details of this legislative process. 3. CSV stands for "comma separate values".

The monitoring and valuation of public finances is of key importance among the objectives of European institutions. As mentioned in section 1 of these Methodological Notes, in recent years significant legislative steps have been taken to ensure that Eurostat has the necessary statistics – with a reasonable periodicity and lag – to enable it to carry out that work. However, experience in the past showed that the criteria applied in accounting for certain transactions in general government accounts were not completely homogeneous across the different Member States, either because ESA 95 [the basic methodological manual governing both compilation of the financial accounts and excessive deficit procedure (EDP) notifications] does not expressly include some of them, or because that manual is not sufficiently precise in others. To remedy this situation, which notably hindered the necessary inter-country comparability of statistics as sensitive as those relating to this sector, the ESA95 Manual on Government Deficit and Debt which complements the ESA 95 on these matters was revised in 2002. Subsequent years have seen new chapters added and existing ones extended to reflect Eurostat decisions on unclear points in the compilation of general government accounts. This box sets out the main decisions adopted by Eurostat in the last few years, following the pertinent consultations and discussions with the European Central Bank, national statistics institutes and national central banks through the usual committees and working groups in which these and other matters are addressed.

1. Capital injections

The concept of “capital injection” is not expressly defined in the ESA 95. This concept refers to payments by general government to a public corporation such as investment grants, capital grants, loans and acquisitions of share capital and other equity. These injections are usually made in cash, but can also be in kind. The issue raised was in what conditions should these injections be recorded as a financial transaction, for example an addition to the general government holding in a corporation, and therefore without effect on general government net lending or net borrowing, or as a non-financial transaction, in which case the payment would be accounted for as a capital transfer, which would alter general government net lending or net borrowing. The general treatment decided on by Eurostat is that if general government, acting for public policy purposes, provides funds to a company without receiving financial assets and without expecting property income, the capital injection must be recorded as a capital transfer and if general government, acting as a shareholder similarly to the way a private shareholder would act, provides funds and in exchange receives financial assets and expects dividends, the capital injection is to be recorded as a financial transaction to acquire shares and other equity.

2. Long-term contracts between general government and units not classified as general government: public-private associations (PPAs)

Contracts between general government and other non-government units (private partners of PPAs) can adopt different forms which normally do not pose methodological problems. However, at times these contracts enable general government to purchase certain services

from other units over a long period of time and arise from the use of a non-financial asset constructed specifically for this purpose. These services do not necessarily have to meet the needs of general government and can be consumed by other units, as in the case of health care and educational services or of those provided by transport infrastructure. The most important issue is how to classify the assets that generate the production of services under the contract: if they are classified as general government assets, their construction affects net lending or net borrowing and therefore has to be recorded as government investment, and will also affect public debt if the liabilities financing the asset construction have to be included in general government liabilities. If, however, they are classified as assets of the private partner, the government deficit and debt will not be affected since it will be recorded as investment and as liabilities of the non-financial corporations. Under the current methodological treatment, these assets can be considered as assets of the private partner without any effect on net lending or net borrowing and on general government debt if it is the partner that bears most of the risk associated with constructing and operating the assets. This treatment means that, to account for the asset off the general government balance sheet, the private partner has to bear the risk of asset construction (liability for events such as construction overruns for different reasons, for example, earth movements, etc.) and also the availability risk (adequate service volume and quality) and demand risk (variability of demand for the service).

3. Recording of taxes and social contributions

Taxes and social contributions represent at least 80% of general government revenue in European Union countries. Therefore, the way in which these revenues are recorded in general government accounts is vital for the sake of comparability between countries. With this in mind, legislation was passed¹ to regulate the accounting principles governing the date at which taxes and social contributions are recorded and the amounts to be recorded. Its aim is to ensure that amounts whose collection is uncertain should not affect general government net lending or net borrowing. Under this regulation, taxes and social contributions are to be recorded at the date the activity creating the tax obligation takes place, or, in the case of corporate income tax, when general government determines with certainty the amount of tax owed. Regarding the amounts to be recorded, any of the following three criteria can be applied:

1. The amounts owed by taxpayers which are recorded are adjusted by a co-efficient that reflects the amounts that are uncollectible. The co-efficients have to be estimated taking into account the experience acquired in previous years and the projections for the date when the accounts are compiled.
2. The amounts payable by taxpayers are recorded in full. In this case the differences between these theoretical amounts and the

¹ Regulation (EC) No 2516/2000 of 7 November 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.

actual cash proceeds are treated as capital transfers to defaulted taxpayers.

3. The cash amounts are recorded in the accounts, but a timing adjustment is made to allocate them to the period in which the activity generating the tax obligation took place.

4. *Recording of military equipment expenses*

The ESA 95 does not consider military equipment to be an asset, so it is not recorded in the balance sheet of the general government that acquires it, but rather accounted for as intermediate consumption. Also, one of the general principles of the ESA 95 is that transactions have to be recorded on an accrual basis, independently of when the receipt/payment took place. In this case, the convention is to record the intermediate consumption at the date of delivery. However, in regard to the military equipment expenses of general government, there are long-term contracts the accounting for which poses doubts in three respects: the methodology applicable, the uniformity of treatment of these transactions in Europe and the availability of reliable statistical sources. In March 2006 a Eurostat decision on the recording of these transactions clarified these matters as follows:

1. Military equipment lease contracts should be considered financial rather than operating leases, which means the military equipment is recorded as if it were acquired by general government and a counterpart liability is recorded in general government accounts for the intermediate consumption. This liability is amortised as the leased asset is paid off.
2. When there are long-term contracts relating to complex military equipment, the Eurostat decision stipulates that the partial deliveries of the operational parts comprising the equipment are to be recorded, without waiting until the contract is completed.
3. For military equipment constructed over a number of years, the date at which it is recorded is to be that when the equipment is physically transferred and not that when ownership is transferred.
4. Regarding the availability of information, the Eurostat decision allows provisional use of data on the payments made, a subsequent adjustment being made to the accrual principle of accounting.

5. *Recording of transfers between European Community institutions and EU Member States*

Around 80% of the Community budget is returned to the Member States to finance European common policies. Eurostat published in February 2005 a decision on the accounting treatment of these transfers received by EU Member States. The decision specifies that in no case should general government net lending or net borrowing be affected by the differences between the time of recording of general government payments to pre-finance the grants and the time of recording of effective transfers from the EU budget.

If the final beneficiary of the EU grants is an institutional unit not classified as general government, it is considered that general government acts on behalf of the EU. This means that neither the funds received from the EU nor the payments from general government to beneficiaries should be recorded in general government accounts: these grants are accounted for as current or capital transfers, paid by the EU and received by the final beneficiary.

If the beneficiary is general government, the time of recording of the transfer received from the EU should coincide with the time of recording of the general government expense relating to the financed project, despite the effective transfer from the EU normally being after the project-linked expense has been realised. Also, if the EU makes pre-payments to Member States at the beginning of a multi-year programme, these payments should be recorded as financial transactions without effect on the recipient's net lending or net borrowing.

6. *Securitisation operations undertaken by general government*

In July 2007, Eurostat published a decision in response to certain doubts regarding some contracts for the securitisation of fiscal claims by general government and contracts specifying deferred purchase prices, substitution clauses or specific guarantees. Previously, in July 2002 Eurostat had published an initial decision on the treatment of general government securitisation operations.

The main question in the treatment of all securitisation operations is whether the proceeds received by general government should be treated as a liability or as income from the sale of an asset. An essential criterion is to determine whether there has been a sufficient transfer of risk to consider that the asset has been sold. Another important consideration is whether or not the securitised asset previously existed in the general government balance sheet. If the asset did not previously exist in the general government balance sheet, as is the case of future rights, the securitisation should be treated as a general government liability and has no effect on net lending or net borrowing.

As regards the securitisation of fiscal claims recorded in general government assets, the Eurostat decision establishes that all transactions of this type should be treated as general government liabilities without effect on net lending or net borrowing, since general government keeps direct or indirect control of the securitised assets due to their nature and therefore it cannot be considered that the risks associated with the securitised assets have been transferred. Also, Eurostat considers that this treatment assures the comparability of tax and social contribution revenues referred to in Section 3 of this Box.

The decision regarding contracts in which there is a deferred purchase price or similar agreement establishes that these contracts should be treated as general government borrowing, since such clauses are evidence that not all the risks associated with the transaction have been transferred to the purchaser.

Regarding contracts with substitution clauses, which normally involve an option to replace the transferred assets with others if it finally turns out that the securitised assets do not exist, the decision of Eurostat is to treat these contracts as a general government liability, without effect on net lending or net borrowing, because it is considered that there is insufficient transfer of the risks associated with the securitised assets.

Lastly, in contracts including guarantees, the decision of Eurostat is that if general government compensates the securitisation special purpose entity in an effective manner or through an assumption of debt or other means, even though this compensation were not necessary under the contractual terms, the transaction should be reclassified as a general government liability, with an effect on net lending or net borrowing in the year in which the compensation arose.

which may be consulted at www.bde.es. Chapter 2 of this publication includes the financial accounts per se and is one of the statistics included in the National Statistics Plan.

The publication is divided into the three chapters referred to above. Both the non-financial accounts, i.e. the summary of the Spanish National Accounts compiled by the INE (Chapter 1), and the financial accounts (Chapter 2) are compiled in accordance with the ESA 95. This system comprises the accounts in which GDP is determined (from the standpoint of supply, demand and income), which include the main macroeconomic aggregates, an input-output table and the accounts (financial and non-financial, and flow and balance sheet) of the institutional sectors and also employment data.

Regarding the main characteristics of the ESA 95, first, all its elements are obligatorily applicable to all EU Member States, thereby ensuring the use of a uniform methodology in all countries. Second, the ESA 95 is an accounting system that is harmonised with the System of National Accounts (SNA 93) compiled under the aegis of the Statistical Office of the United Nations, the World Bank, the OECD, the IMF and the European Commission (Eurostat) and with the *IMF Balance of Payments Manual* (5th edition), within the scope proper to it. Of particular significance in the European context is the inclusion in the System of a specific sub-sector within the sector financial institutions, namely the sub-sector monetary financial institutions (MFIs), the grouping the European System of Central Banks (ESCB) defines as the money creating sector, which reinforces the link between monetary and national accounts statistics.

The ESA 95 Regulation also provides for harmonisation as regards the deadline for data availability. Following its entry into force, analysts' demands have focused, first, on requiring national accounts data with shorter than annual periodicity; and further, on reducing the lag between the data release date and the date to which they refer. These demands have been promoted by users in general and most especially by the ECB. The latter has come to play an important role first as a producer of statistics as part of its monetary functions, and further in formulating requirements for statistics compiled within the European Statistical System (Eurostat and national statistical offices). The demands are being addressed by specific legislative measures such as those mentioned and the waiver by Member States of most of the derogations granted to them in respect of the provision of particular annual series required by the ESA 95, although regrettably there continue to exist derogations from the requirements for quarterly accounts. As regards the lag with which the data must be supplied, the time limit continues to be nine months from the reference period, but Eurostat has requested Member States to reduce it voluntarily to six months and several countries, including Spain, are complying with this more demanding deadline on a permanent basis. Moreover, both Eurostat and the ECB,

Year	Change	Observations
2000	Presentation of the Financial Accounts of the Spanish Economy (FASE) following ESA 95 methodology.	The series are quarterly and span the period 1995-1999.
	Treatment of non-residents' investment in real estate as a liability of non-financial corporations under the heading other equity (it was previously under the liabilities of households as loans).	According to ESA 95, the heading other equity includes non-resident units' financial claims on fictitious resident units which, by convention, are considered to be quasi-corporations.
2001	Reclassification of transferable deposits as other deposits in the position in the IMF.	ESA 95 establishes that the category other deposits includes financial claims on the IMF that are components of international reserves and that are not evidenced by loans.
	Inclusion of the breakdown of quoted and unquoted shares.	
2002	Reclassification of amounts of life insurance technical reserves as prepayments of insurance premiums and reserves for outstanding claims.	It was substantiated that a portion of the amounts recorded as life insurance technical reserves related to insurance transactions subscribed by pension funds to ensure payment of the benefits which, in turn, they had committed to. These amounts were excluded from the life insurance technical reserves (as according to ESA 95 this instrument can only be part of the assets of households) and included in the instrument prepayments of insurance premiums and reserves for outstanding claims as assets and liabilities of insurance corporations.
	Change in the treatment of reinsurance transactions.	The technical provisions for reinsurance transactions ceded to/accepted from the rest of the world, and deposits made in this connection, are estimated on the basis of the premiums paid to/received from the rest of the world for these types of transactions. Formerly, reinsurance transactions ceded to the rest of the world, net of reinsurance accepted from the rest of the world, were estimated on the basis of the difference between the total reinsurance ceded and accepted by Spanish insurance corporations.
	Revision of the time series of the State's holding in ICO (Official Credit Institute), transferring it from unquoted shares to other equity.	
	Revision of the balancing item general government net financial transactions.	Eurostat revised the treatment of specific general government transactions, as part of the framework to determine the deficit following the excessive deficit procedure/Stability and Growth Pact. Generally, these transactions involved contributions of State funds to non-financial corporations which, instead of being considered as financial transactions (shares and other equity), were recorded as capital transfers.
2003	Introduction of a new investment and financing table.	Table 2.5 was included, offering a summary of investment (financial and non-financial) and financing transactions and their reflection in changes in net worth for the whole of the total economy, non-financial corporations, financial institutions, general government, households and NPISHs, and the rest of the world.
	Publication of time series since 1990.	Dissemination of the first extension of time series using CSV files.
	Revision in the time series of the balancing item net financial transactions and other accounts receivable/payable of general government (outstanding amounts and transactions).	Change to the recording principle for general government taxes and social contributions as a result of the application of Regulation (EC) 2516/2000 of the European Parliament and of the Council (relative to the determination of amounts of doubtful collectibility). This involved the revision of the amounts that featured as taxes and contributions receivable from non-financial corporations and households. Reclassification of specific public entities reporting to general government, which ceased to be included in this sector and became part of the sector non-financial corporations.
	Revision of the time series of other deposits in the liabilities of other monetary financial institutions (MFIs) to households, non-financial corporations and other financial intermediaries.	Use for the period prior to 1997 of the harmonised EMU returns, which include a more detailed definition of the sectors than was previously the case.
	Reclassification of peseta-denominated and unreturned banknotes and coins from the heading cash to other accounts payable in the Banco de España (banknotes) and general government (coins) accounts.	Revision due to the provisions laid down in Eurostat's decision on the treatment of unreturned banknotes and coins in the context of the introduction of the euro (News Release 88/2002 of 22 July).
	Estimation of the amounts of euro-denominated banknotes held and issued by other euro area countries.	In the context of the introduction of the euro, this estimate is made in coordination with the exercise conducted by the ECB to estimate cash holdings by sectors other than MFIs.

Year	Change	Observations
	Revision of the estimate of exchange-rate changes in credit institutions' loans granted and deposits in currencies other than the euro, thereby changing the amount of the financial accounts of these instruments.	Change carried out following the introduction of the euro.
	Revision of the time series of issues of long-term securities.	Change to the time series of issues of long-term securities held by non-residents, owing to the inclusion of the amounts relating to issues by public units included in the sector general government.
2004	Reclassification both of outstanding amounts and issues abroad of commercial paper securitised by securitisation vehicles as short-term securities other than shares.	In keeping with the classification adopted in the balance of payments and international investment position statistics, this reclassification has been carried out since 1999. In previous editions of FASE, such commercial paper issued abroad was classified as short-term loans received by non-MFIs from the rest of the world.
	Revision to 1995 of the new estimates of interest rate swaps in the general government accounts (other accounts receivable).	Adoption of the ESA 95 reform, detailed in Regulation (EC) 2558/2001 of 3/12/2001, obliging interest rate swaps to be recorded as financial transactions, as opposed to the previous situation in which they were recorded by correcting the interest burden.
	New coverage of agents within the sub-sector other financial intermediaries.	Excepting insurance corporations and pension funds, financial holding companies quoted on the continuous market that control and manage subsidiaries that are insurance corporations and pensions funds have been classified as other financial intermediaries, as have preference share-issuing special-purpose vehicles, created by credit institutions, and venture capital funds and companies. Inclusion of information on venture capital funds and companies.
	Reclassification of institutional units.	As a result of Eurostat decisions, within the framework of EDP Notifications, institutional units previously included in the sector non-financial corporations have been included in the sector general government since 2000.
	Change to the balancing item unquoted shares issued by the rest of the world.	Improved estimation of the reinvested earnings used in the calculation of holdings of unquoted shares by resident MFIs.
2005	Incorporation of holdings of securities other than shares issued by non-residents into the Social Security accounts.	Revision from 2000, both in outstanding amounts and in transactions, of holdings of Social Security holdings of securities other than shares, as new information became available on Reserve Fund investments.
	Revision of MFIs' holdings of long-term securities issued by the State (financial transactions).	Based on new bank balance sheet details on revaluations, acquisitions of long-term securities issued by the State have been revised from 1999.
	Change to the balancing item general government net financial transactions.	Revision for all quarters of the period 2000-2004 of the balancing item net financial transactions, as a result of the reclassification of institutional units entailed by the application of the National Accounts Base 2000 methodology. In practice, numerous institutional units hitherto included in the sector non-financial corporations were reclassified in the sector general government. This same sectorisation underlies the compilation of general government debt under the excessive deficit procedure (EDP).
	Reclassification of reverse repos of other financial intermediaries as loans.	In order to adopt the ESA 95 recommendations, the classification throughout the series of reverse repos entered into with sectors other than MFIs by entities classified in the sub-sector other financial intermediaries was changed, and they were reclassified under the heading short-term loans instead of other deposits as had been the case.
	Reclassification of savings deposits.	As a result of the entry into force of Banco de España Circular 4/2004, from 2005 Q2 savings deposits under the heading other deposits were reclassified under transferable deposits. This classification is more in keeping with their nature and allows like-for-like comparisons in the euro area statistical field.
	Revision of loans granted by securitisation vehicles.	Revision from 1999 of the series relating to loans granted by securitisation vehicles, arising mainly from asset securitisations by credit institutions. The revision was as a result of new information, compiled within the scope of Banco de España Circular 4/2004, on the sectorisation of assets derecognised from credit institutions' balance sheets.

Year	Change	Observations
	Creation of the new category of financial instruments shares issued by SICAV (open-end investment companies).	Owing to the entry into force of the new law regulating collective investment institutions (Law 35/2003 of 4 November 2003), the category shares issued by SICAV was created, in which these financial instruments were classified as from 2004, the year the aforementioned legislation came into force. These instruments had previously been classified under the heading quoted shares.
2006	Revision of the amounts relating to other accounts receivable/payable.	Revision following the implementation of new Banco de España Circular 4/2004.
	Change to the breakdown of the portfolio of shares and other equity of other MFIs and to the amounts of loans granted by this sub-sector.	Change, from 2004 Q1, to certain breakdowns of the portfolio of shares and other equity of other MFIs as the new security-by-security information available has allowed previous estimates to be revised. Revision from 2005 Q2 of the amounts of loans granted by MFIs owing to the revision in the accounting balance sheets of transactions relating to asset securitisation, which also affected the amounts of loans transferred that are recorded on the balance sheets of securitisation vehicles.
	Revision of the balancing item net financial transactions of financial institutions.	Revision of the balancing item net financial transactions for the period 1999-2005, within the framework of the Spanish National Accounts compiled by INE drawing on basic information whose source is the Banco de España. Two revisions were made. The first affects the period 1999-2003 and originates in new information on extraordinary contributions to credit institutions' internal pension funds, made with a charge to reserves, which, under National Accounts, are recorded as capital transfers from employers (the sector financial institutions) to employees (the sector households). The second revision, included in the accounts for the years 2004 and 2005, is the result of new information becoming available on real estate investment funds and on the issuing institutions of preference shares.
2007	Inclusion of the amounts in financial balance sheets relating to financial derivatives.	Based on data for 2005, the amounts in financial balance sheets of this instrument have begun to be estimated, completing the estimates of financial transactions, which had been disseminated since 1993. The main source of information is the new confidential return relating to financial derivatives transactions that credit institutions have to send to the Banco de España in keeping with Banco de España Circular 4/2004. Owing to the limitations of the information available, in some sectors the amounts of financial derivatives are presented net on the asset side of the balance sheet.
	Revision of other MFIs' portfolio of securities issued by securitisation vehicles.	Under the application of International Accounting Standards, when MFIs acquire securities of a securitisation vehicle relating to assets transferred to the vehicle, but which have not been derecognised from the MFIs' balance sheets, the latter institutions do not record the securities in their assets but deduct their amount from the liability (deposit) that has been generated as a counterpart to the securitised asset which has not been derecognised from the balance sheet. Since 2006 Q1, the outstanding amount of the portfolio of MFIs has been revised to reflect these holdings of securities issued by securitisation vehicles, and also included as a gross amount is the deposit generated as a counterpart to the securitised assets not derecognised from the balance sheets of MFIs.
2008	Inclusion in the sector non-financial corporations of intercompany loans.	Estimation on the basis of Central Balance Sheet Data Office figures.
	Revision of general government accounts	The data between 1995-9099 have been revised, owing to the fact that the application of the base 2000 methodology has been extended to this period. In practice, this has meant that the entire series for 1995 onwards has a homogenous classification of institutional units. In addition, the same sectorisation is applied to the entire period in question for the compilation of general government debt according to the EDP.
	Inclusion of separate information on the balance sheets and on the financial transactions accounts of the sectors S.14 households and S.15 non-profit institutions serving households.	Public dissemination of summary tables 2.21.1 and 2.21.2 of instruments for these sectors.

exploiting the advantages provided by new technologies, are promoting IT tools to provide for rapid and efficient data transmission from the Member States, speeding up the compilation and dissemination of aggregates for economic areas such as the EU and the euro area.

CHAPTER 1 SUMMARY OF THE SPANISH NATIONAL ACCOUNTS

In addition to a conspectus of the National Accounts under the remit of the INE, Chapter 1 provides a summary of the balance of payments and the international investment position, statistics compiled by the Banco de España. The basic source for the data included in this chapter are the INE publications *Contabilidad Nacional de España. Base 2000. Serie contable 2000-2006, Cuentas Trimestrales no Financieras de los Sectores Institucionales Base 2000* (quarterly series for 2000 Q1-2007 Q4) and *Contabilidad Nacional Trimestral de España. Base 2000* (quarterly series for 1995 Q1-2007 Q4). When the sources referred to do not offer all the details that feature in the accounts, estimates by the Banco de España have been included, drawing on information released by the INE, the IGAE (National Audit Office) on general government, the National Stock Market Commission (CNMV) and the Banco de España itself. The Banco de España estimates relate to specific details of production, taxes on production and imports, property income, social contributions, social transfers in kind, collective and actual consumption, and capital transfers. They will be replaced with the official data once these become available.

For the specific case of the estimates of the general government sub-sector accounts for 2007, the official information released by the Ministry of Finance in its preliminary report on the budgetary results for 2007 (*Avance de la actuación presupuestaria de las Administraciones públicas en 2007*) and other supplementary information published by the IGAE has been used. The availability of the annual and quarterly data and of the sector and sub-sector data on different dates complicates the compilation of the tables of this chapter.

The inclusion in this publication of a summary of the Spanish National Accounts need not preclude consultation of the above-mentioned original source. As already stated, the aim has been to set the financing of the economy (i.e. the financial accounts) within the framework of the flows to be financed (i.e. the non-financial accounts). Moreover, such integration is necessary if it is recalled that one of the main aims of this publication is to aid the drafting of the *Annual Report* of the Banco de España, where developments in the economy are analysed from an overall perspective. An attempt to illustrate the structuring of both approaches (non-financial and financial) in the System defined by the ESA 95 is made in Scheme 1 (integration of the balance sheets and accumulation accounts).

CHAPTER 2 FINANCIAL ACCOUNTS

The ESA 95 includes a comprehensive system of accounts comprising financial balance sheets and flow accounts, which explain the changes between the opening and closing balance sheets of each period. In addition to encompassing financial transactions, the flow accounts also address other changes in financial assets (and in liabilities).⁴ The latter are made up, in turn, of: a) accounts of other changes in the volume of financial assets, which reflect the changes in the amount of financial assets and of liabilities as a result of the appearance or disappearance thereof (e.g. loan write-downs/write-offs and sectorisation changes), and b) revaluation accounts, which include changes in the value of assets and liabilities as a result of changes in the prices thereof or in the exchange rate of the currency in which they are denominated. Accordingly, the ESA 95 accounts constitute an integrated system in which, for each sector and sub-sector, the difference between financial stocks or balance sheets at two

4. All the financial assets are, from the standpoint of the issuer/debtor, liabilities, which is why these clarifying brackets are not repeated hereafter. Moreover, all liabilities are financial, by definition, while there are non-financial assets (the capital stock of the various sectors) which are not reflected in the Financial Accounts. The difference between financial assets and liabilities is the net financial assets, also called "net financial wealth", of the institutional grouping involved.

moments in time is explained by the three types of account mentioned: financial transactions, revaluation and other changes in the volume of financial assets.

Naturally, the general methodological reference to the ESA 95 does not exclude other more specific references on how this System has been adapted to the Spanish institutional framework, the correspondence of transactions defined therein to the instruments used in Spanish markets, the monitoring of theoretical valuation rules in practice and the sources used. Such references have to date featured in all editions of the Financial Accounts in a set of highly summarised but very complete schemes, among them being the aforementioned Scheme 1. All these schemes are included in the Appendix at the end of these Notes. Completing the schemes is a description of the process of compilation of the Financial Accounts in the following sections. The schemes provided in the Appendix are:

- Scheme 1. Integration of the balance sheets and accumulation accounts.
 - Annex. Relationship between the capital transactions account and the financial transactions account.
- Scheme 2. Classification of institutional groupings.
- Scheme 3. Classification of financial instruments.
- Scheme 4. Valuation of the categories of the system.
- Scheme 5. Main statistical sources.

The *Financial Accounts of the Spanish Economy* (FASE) reflected in this chapter include the financial transactions account and financial balance sheets, in quarterly and annual series. The series which are disseminated in the electronic version of this publication cover all the quarters and years of the period 1990-2007 for financial transactions and all the quarters of the period 1989 Q4-2007 Q4 for financial balance sheets (the annual balance sheet data coincide with the Q4 data). A summary of the revaluation and other changes in the volume of assets accounts, for the year 2007 only, is included in Table 2.1. The process of compilation of the FASE enables these two accounts to be determined, with the same series breakdown and scope as the financial transactions accounts, and their estimates are extremely useful when checking the quality of the FASE.

The accounts relating to the various groupings are unconsolidated in Tables 2.b) and 2.d) (see contents), with the exception of trade credits and advances in the households sector which do not include those that may have arisen between units of the sector itself (credit between sole proprietors and that granted by sole proprietors to households for the purpose of consumption). The aggregated accounts of the various sectors – both unconsolidated and consolidated – are presented in Table 2.1. In order to prepare the consolidated accounts, the transactions (and positions) between the various agents and sub-sectors making up each of the resident sectors (by definition, the rest of the world sector is consolidated) have been eliminated, but not the movements between sectors. Also included is a breakdown of the transactions and stocks among the resident sectors, which enables consolidated data to be obtained for the total economy. This consolidated account of the total economy is obviously equivalent to presenting the rest of the world account from the standpoint of the resident sectors. It is possible to prepare consolidated accounts for each sector because, as explained in section 4 below, during the process of compilation the counterpart sectors are identified for each of the financial assets, either using the source of information of the financial instrument in question itself, or by resorting to supplementary sources.

This chapter is made up of supplementary statistics divided into two sections: a) Spanish statistics, and b) international statistics. This information, combined with that of the preceding chapters, makes this publication an annual of monetary, financial and general economic statistics relating to both the Spanish economy and the international sphere. This chapter com-

pletes and summarises statistics included in the monthly *Boletín Estadístico* and in other publications of the Banco de España, of the INE and of other national and international agencies quoted as the source of the tables.

3 Changes introduced and reference to the calculation of certain items

3.1 MAIN CHANGES

Scope of the sector general
government in base year 2000
National Accounts

In the financial accounts for general government, the application of the base year 2000, which was introduced for data after 1999 in the 2004 edition, has been extended to the period 1995-1999. As indicated in the Methodological Notes to that edition, the application of base year 2000 essentially means that the classification of certain public units is changed from non-financial corporations to general government.

Separate presentation of the
accounts of households and non-
profit institutions serving
households

In Chapter 2, the section with tables providing a breakdown by instrument includes, for the first time, two summary tables (2.21.1 and 2.21.2) with separate accounts for the sectors households and NPISHs. Each of these tables comprises the balance sheet and financial transactions of the corresponding sector. Following a period in which the information on the NPISHs sector was monitored and checked in the internal databases of the financial accounts, it is now disseminated separately from households since its quality level is considered acceptable. Box 3 provides additional information on these two sectors.

Inter-company loans between
non-financial corporations

The amounts of unconsolidated inter-company loans between non-financial corporations have been included under the loans category, on the basis of Central Balance Sheet Data Office information. Prior to this edition, these loans were presented on a consolidated basis. The financial accounts already included unconsolidated loans of this type between companies classified under the sector non-financial corporations and companies classified under the sectors (i) other financial intermediaries, which includes entities that issue preference shares and channel the funds raised to their parents, and (ii) the rest of the world, if they have subsidiaries abroad or their parent is abroad.

3.2 ESTIMATION OF THE CASH HELD BY RESIDENTS

Until the FASE for 2002, it was considered that the cash put into circulation by the Banco de España (banknotes) and by the State (coins) corresponded to the cash holdings of the non-financial resident sectors of the Spanish economy (non-financial corporations, households and NPISHs and general government). In other words, it was considered that neither the holdings of pesetas of non-resident sectors nor the holdings of foreign banknotes and coins of non-financial resident sectors were significant. These simplifying assumptions cannot continue to be maintained following the introduction of the euro at the beginning of 2002, since net inflows and outflows of euro are definitely taking place as a result of movements of tourists and other travellers, cross-border purchases and also inward and outward foreign investment, mainly in deposits. Consequently, from 2002, the cash held by the non-financial resident sectors of the countries participating in the euro area is, under the ECB's co-ordination, estimated jointly for all the members of the ESCB. The procedure consists of dividing up by country the total amount of euro issued by all the central banks of the ESCB, after deducting the amounts estimated to be held by non-euro area residents, thereby avoiding the inconsistencies that could arise for the area as a whole if each country were to make its own estimates. In this procedure it is possible to take into account the national evidence available, which includes the seasonal behaviour of cash in circulation and tourism-related transactions, both of which are of particular interest in the case of Spain. As a result of these exercises, it is estimated that during the period 2002-2007 resident sectors "imported" euro from the rest of the world in an approximate amount of €17.8 billion (net liabilities incurred by the rest of the world included in Table 2.24.a, which is published in electronic format).

This edition of the *Financial Accounts of the Spanish Economy* includes for the first time, for the period 2000-2007, separate information on the balance sheets and on the financial transactions accounts of the sectors S.14 Households and S.15 Non-profit Institutions serving households (NPISHs), which until the present edition were presented jointly. This information was already being compiled separately in the internal databases of the financial accounts and, once the quality of the estimates for the NPISHs sector was judged to be acceptable, it was decided to publicly disseminate the summary tables 2.21.1 and 2.21.2 broken down by instrument for these sectors.

According to ESA 95, the reference methodological manual for the financial accounts, the sector Households includes individuals and groups of individuals as consumers and possibly also as entrepreneurs, provided that this activity is not performed by a separate entity treated as a quasi-corporation in the system. The persons or groups of persons comprising households in their capacity as consumers normally share fully or in part the living accommodation, their wealth and their current resources, which arise from compensation of employees, property income, transfers from other sectors, etc. Also included in this sector is the activity of households as entrepreneurs producing market goods and non-financial and financial services. In this case, these activities are pursued without the corresponding legal status being separate from that of the householders. In the Spanish financial accounts, the individuals and groups of individuals comprising households are identified because they use a NIF (taxpayer identification code) that matches their national ID card followed by a letter in their relations with the entities that make up the financial system and general government. Also included in the sector are entities whose NIF begins with the letters E and H (owners' associations and joint property associations, respectively).

ESA 95 considers as NPISHs those non-profit institutions with an independent legal status that serve households and that are private non-market producers. These entities are principally financed through voluntary contributions from households, payments made by general government and property income. In the Spanish financial accounts, this sector includes any type of association, foundation, and religious, political and trade union organisation that engages in its activities

serving households on a non-profit basis. It does not include entities of these characteristics which finance themselves through the sale of their products or through charging for their services (education, health, social care, etc.) to households, directly or through general government payments or subsidies. These latter institutions are classified in the sector non-financial corporations, unless they are controlled by general government, in which case they are included in this sector.

In terms of their balance sheet, for 2007, the assets of NPISHs account for almost 1.5% of the financial asset of Households and for somewhat less than 0.7% of their liabilities. As to the balancing item of the net financial transactions of NPISHs (net acquisition of financial assets less net liabilities incurred), this sector posted a positive result of between 0.02% and 0.22% of GDP throughout the period 2000-2007.

In the financial accounts, the information presented for NPISHs is not drawn from the aggregation of information proper to the accounts of the entities included in this sector but is obtained from information taken from the counterpart sectors, basically the accounting and administrative records of credit institutions. As for other sectors, these entities provide data on the balancing items of deposits, loans and other accounts payable to and receivable from NPISHs. Further, based on the accounts of securities held in safe custody that credit institutions report in a half-yearly statement contained in Banco de España Circular 4/2004¹ (previously statement A5 of Circular 4/1991), the balancing items and financial transactions of fixed-income securities and equities are obtained.

Identification of the institutions that are NPISHs by credit institutions is made on the basis of the definition of this sector given in Rule sixty-six "sectorisation of customers" of the accounting circular 4/2004. To complete this definition, work is under way on a list which will include, on an itemised basis, these institutions in the database of the sectorisation of the Spanish economy that is disseminated by the Banco de España (www.bde.es).

1. Previously this statement was annual (Banco de España Circular 4/1991).

3.3 TIME PERIOD ALLOCATION AND CALCULATION OF INTEREST ON FINANCIAL TRANSACTIONS IN SECURITIES AND ITS REFLECTION IN FINANCIAL BALANCE SHEETS

In accordance with the ESA 95, the accrual principle is applied. The application of this principle when recording interest in non-financial transactions accounts affects financial transactions accounts since it means that the accrued interest must also be included in the financial transaction up to the time of payment. This recording in the financial account could be done either in the category other accounts receivable/payable, or in that of the instrument generating the interest itself. However, in the case of securities categories, the ESA 95 stipulates the second of these options, which has been followed in the FASE, while for interest on deposits and loans both possibilities were left open by the ESA 95, and in the FASE the first option has been applied. Therefore, in the case of securities, accrued interest is treated as if it were re-invested in

the same instrument from which it stems (so that the amount of such accrued interest is recorded as an issuance of securities), with a disinvestment from the related instrument at the time of payment of the interest (which is included in the accounts as a redemption of securities equal to the interest paid). Yet despite the precision with which the ESA 95 establishes the accrual criterion for the recording of interest, the practical application of this principle is not expressly stipulated in this National Accounts system. The three following procedures have been considered for recording the interest accrued on negotiable securities:

- a) The so-called “debtor principle”, whereby the interest accrual is obtained from the return on the issue of the securities. In a fixed interest rate issue, the issuer can value the future interest charge in its accounts.
- b) The so-called “creditor principle”, or market principle, which sets the implicit return at the market price ruling at each moment in time, for the calculation of the interest generated by the security in question. The recording of interest is modified during the life of the issue as and when changes in the prices of the securities come about.
- c) The so-called “acquisition principle”, which obtains the interest accrual on the basis of the prices, and the implicit returns, at which the securities are purchased by investors.

The debtor principle has been followed in the compilation of the FASE for the following reasons: a) it is considered the best interpretation of the references made in the ESA 95 to the interest accrual criterion; b) it is the alternative Eurostat has opted for in its *ESA 95 Manual on Government Deficit and Debt, 2002*; and c) it is consistent with the recording of interest in the general government deficit in the excessive deficit procedure notifications.⁵ Noteworthy here is a Decision, of 14 October 2002, of the Inter-Secretariat Working Group on National Accounts (the highest authority on the subject, in which Eurostat, the IMF, the OECD, the UN and the World Bank participate), which endorses the adoption of the debtor standpoint over the alternatives and which was approved by the United Nations Statistics Committee in January 2003. Regarding the financial balance sheets, the outstanding stock of securities shall be recorded at market prices, with accrued interest being precisely one of the market price components.

3.4 VALUATION OF SECURITIES ITEMS AT MARKET PRICES

ESA 95 methodology establishes that the valuation of financial balance sheets or stocks of financial assets and liabilities shall be at market price. The items most affected by this type of valuation are shares and other equity and, to a lesser extent, securities other than shares.

In connection with the valuation of financial instruments at market price established by the ESA 95, the practical application of this rule poses difficulties in the case of those instruments where said valuation cannot be calculated directly. Indeed, market price can only be accurately recorded for securities quoted on reasonably liquid organised markets, and for quoted shares. Estimates have been made for the remaining securities. The valuation methods used for the main instruments affected by this rule are discussed below. Evidently, these valuations are identical for a financial instrument insofar as it is a financial asset and insofar as it is a liability. Nonetheless, since the availability of sufficiently detailed information differs for securities

5. Note that the application of the creditor principle is equivalent to accepting that the budget deficit changes when market interest rates do so, irrespective of public debt issuance policy. In the case of the debtor principle (which has been applied in the FASE), the deficit is only affected as and when the interest set at the time of issuance accrues.

issues and portfolios, the estimation procedure followed in each case shall be separately discussed. (Scheme 4 gives a summarised version of the valuation procedures adopted).

3.4.1 Outstanding liabilities and net issuance

A) Securities other than shares

Outstanding stocks of instruments with a high degree of liquidity (e.g. State issues) have been valued at market prices. In the case of monetary financial institutions, their zero-coupon issues have been valued by adding the amount of the interest accrued but not yet payable to the actual value at issue. For non-financial corporations and other agents issuing securities other than unquoted shares, the market value has been calculated using issuance data of similar characteristics relating to quoted securities. To make these estimates resort was had first to zero-coupon bonds and, further, to other issues.

Financial transactions have been obtained as the difference between issuance and redemptions at their respective issue and redemption prices. Accrued interest has been added in the case of issues at a discount and interest accrued less interest paid in the case of other issues.

B) Shares and other equity

Valuation principles for outstanding stocks. The ESA 95 lays down the following valuation principles for shares and other equity: a) general principle: valuation at current prices, which may be approximated by calculating the current, or discounted, value of future profits (paragraph 7.27); b) quoted shares are valued at observed market prices (paragraph 7.53); c) unquoted shares are valued with reference to the valuation of quoted shares, taking into account the difference between these types of shares (basically their liquidity) and considering the sector and accumulated reserves (paragraph 7.54); d) mutual funds shares and the shares of investment companies are valued at observed market prices, i.e. at their redemption value (paragraph 7.57); and finally, e) other equity is either valued at the value of own funds or at nominal value (paragraph 7.56).

Valuations applied. These valuation criteria have been applied in the FASE in the following way: a) quoted shares have been valued at the market prices observed on stock markets (market capitalisation); b) in the case of unquoted shares, the valuation of quoted shares in the same sector has been used as a reference, provided that the corporations whose shares are quoted are representative of such sector. When they are representative (e.g. in the case of banks), the market value of unquoted shares has been estimated by applying the capitalisation/own funds ratio of quoted shares to the own funds of unquoted shares. When they are not representative (which is more frequently the case with non-financial corporations), in that, as mentioned below, it is estimated that the value of this group of companies does not depend so much on its own funds as on the elements implicit in the discount factor applicable to its future profits, the discount rate implicit in the valuation of quoted shares has been used as a reference to estimate the market value of unquoted shares to which an illiquidity premium has been added. The discount rate has been calculated: i) using as reference the shares of non-financial corporations quoted on the continuous market, so that the set of reference securities is as broad as possible; ii) one discount rate has been calculated for the electricity sector and another one for other non-financial corporations, owing to the specific circumstances of the electricity utilities; and iii) the median discount rate obtained is taken as reference, instead of the average one, in order to correct the large-firm bias. Given the particular nature of insurance corporations, their unquoted shares have been valued at the value of own funds or book value. This valuation criterion has also been followed for other financial institutions; c) shares in mutual funds and the shares of investment companies have been valued at their net asset value and d) other equity has been valued at the value of own funds or book value.

Procedures followed. Unlike with banks, the value of unquoted shares issued by non-financial corporations has not been obtained by applying the ESA 95-recommended ratio (capitalisa-

tion/own funds ratio of quoted corporations of a similar size and activity), largely owing to the narrowness of the Spanish stock market, which means that this ratio cannot be validly applied to unquoted corporations,⁶ and also because financial analysts consider it more appropriate to determine the value of a firm by discounting its future profits. Accordingly, the value of unquoted shares in circulation issued by public limited companies (*sociedades anónimas*) classified in the sector non-financial corporations has been estimated on the basis of the present value of the flow of expected ordinary profits. The discount factor applied includes, implicitly, expected long-term interest rates, a risk premium (to cover the risks associated with the possibility of these corporations going bankrupt, with the lack of liquidity of the shares involved and with other factors) and the expected nominal growth rate of profits. Anomalous cases are stripped out of these calculations.⁷ In practice, the discount rate used, inferred from the behaviour of the valuation of the quoted corporations, is equivalent to applying a market capitalisation/expected profits ratio instead of a market capitalisation/own funds one. This is warranted because, in cases where the market is narrow, it is preferable to use a variable more closely correlated with the value of the corporation (which is the case of the ratio based on expected profits rather than own funds), there being empirical evidence of this in the case of Spanish non-financial corporations.

Special cases. This group includes a) the own funds accounts of savings banks which are not recorded as shares and other equity (recording them as such would require these securities to be assigned to the portfolio of a particular institutional grouping, which would obviously not be appropriate). They are not included under any other liability heading, so that they appear in the net worth of the savings banks themselves, in the form of non-financial assets and of net financial assets. This is also the case, within the grouping financial auxiliaries, of the deposit guarantee funds and, until it was incorporated in the *Consorcio de Compensación de Seguros* (Insurance Compensation Consortium), of the *Comisión Liquidadora de Entidades Aseguradoras* (Insurance Undertakings Settlement Commission); b) the shares of unquoted corporations – of whatsoever type – that incur systematic losses, which are recorded at the value of their paid-up capital c) foreign direct investment in unquoted Spanish non-financial corporations, which has been estimated on the basis of the accumulation of balance of payments flows, which include reinvested earnings, and d) other equity issued by any institutional grouping whose own funds are negative, which is recorded at its paid-up capital.⁸

The data on *transactions for the period (issues)* are calculated on the basis of the information on contributions of funds from various sources. These provide full data for quoted corporations and an estimate for contributions of funds for unquoted ones. This estimate is subject to ongoing testing and revision. Also, the information available on mergers and takeovers is used to estimate reductions in capital and their valuation. The data on other changes in balance sheet

6. In 2005 there were about 1,122,000 firms in Spain, of which approximately 115,000 were *sociedades anónimas* (public limited companies). Of these, 140 non-financial corporations were quoted. The 27 securities of the non-financial corporations included in the IBEX 35 at end-2007 accounted for 75% of the total market capitalisation of non-financial corporations. As at the same date, three securities alone accounted for 32% of the total market capitalisation of non-financial corporations. 7. The valuations referred to have been obtained from company-by-company data, with specific characteristics, available in the databases of the Central Balance Sheet Data Office (some 420,000 in 2005, of which 45,000 were public limited companies). Evidently, these data do not cover the entire population of corporations, so this is obtained from an extrapolation based on the data of the INE Central Directory of Enterprises, in the manner described in the Central Balance Sheet Data Office annual monograph. 8. Under Spanish law, "other equity" is issued, first, by *sociedades de responsabilidad limitada* (private limited companies) [which, along with *comanditarias por acciones* (limited partnerships) and *sociedades anónimas* (public limited companies), are joint-stock companies whose shareholders' liability is limited] and, second, by *cooperativas* (co-operatives) or *colectivas y comanditarias simples* (limited partnerships without shares) (none of whose members' liability is limited). As a case in point, it should be noted that the market value of instruments other than shares, i.e. equity securities other than shares and any other instrument that may represent the ownership of public entities and their autonomous agencies (classified in the sector non-financial corporations for national accounts purposes), has been deducted from book value.

accounts (revaluation or other changes in volume) for all shares and other equity is obtained by taking the difference between the change in positions (balance sheet) and transactions.

3.4.2 Outstanding assets (portfolios) and net asset acquisitions

From the standpoint of holders (financial assets), the estimation of the market-price-valued portfolio stocks of the various sectors, sub-sectors and agents has been carried out for the most recent period using the information available in the portfolios valued on this basis for most financial institutions (credit institutions, collective investment institutions, insurance corporations and pension funds) and for the portfolio investment of the rest of the world and, when the valuation on this basis is not available, using the estimates made on the basis of the book or face values, as the case may be, that appear in their portfolios or in the statements of securities deposited with credit institutions.⁹ In the latter case, it has been taken into account that, in the financial statements of credit institutions, part of their portfolio is already valued at market prices or fair value. As regards *net acquisitions* (financial transactions), these have been obtained from financial corporations' book values and profit and loss accounts, from balance of payments records, and from information on securities deposited for non-financial corporations and households and NPISHs. Lastly, to separate quoted from unquoted shares in both portfolios and financial transactions, the information on securities deposited by third parties in financial institutions has been used, along with security-by-security portfolio breakdowns of quoted and unquoted shares in financial institutions' balance sheets in relation to own-portfolio securities.

3.5 INSURANCE TECHNICAL RESERVES AND OTHER INSURANCE TRANSACTIONS

From the viewpoint of their issuing entities, the insurance technical reserves appearing in the FASE consist of: a) those set aside by insurance corporations which appear in their balance sheets as a liability vis-à-vis the policy beneficiaries; b) those created by autonomous pension funds in favour of their beneficiaries; and c) those created by financial institutions (basically banks and savings banks) and by non-financial corporations, insofar as they manage non-autonomous, or internal, funds, to make pension payments to their employees, to supplement those provided by the social security system. Insurance technical reserves are presented in the FASE with the following breakdown: a) life insurance reserves; b) pension funds reserves; and c) prepayments of insurance premiums and reserves for outstanding claims. The scope of these types of reserves is described below with special reference to the recording of reinsurance transactions and to the reflection in the Financial Accounts of the conversion of non-autonomous pension funds into autonomous pension funds, which is usually referred to as "externalisation" of non-autonomous pension funds.

3.5.1 Insurance technical reserves

A) Life insurance reserves

In the framework of the ESA 95, these reserves are an asset of households. Indeed, the System refers to this item as "net equity of households in life insurance reserves". In a particular period, the change in life insurance reserves is obtained by adding to the premiums paid or payable (i.e. falling due) in that period the income generated from the investment of such reserves and deducting the amounts corresponding to: a) service charges for life insurance; b) payments that must be made to policyholders or beneficiaries under the relevant contracts and c) payments due on policies surrendered before maturity.

Life insurance reserves, according to the ESA 95 and, thus, those that appear in the FASE, differ from the liabilities of Spanish insurance corporations under this heading (which the Chart

⁹ Foreign direct investment in resident corporations has been an exception to this general portfolio valuation rule. To date, the international investment position statistics have been reflecting this investment using the procedure of cumulative balance of payments flows, including reinvested earnings. Since it is not valued at market prices, the application of the foregoing method alone would lead to an overvaluation of the portfolios of the sectors non-financial corporations and households that are obtained together residually. To avoid this overvaluation, the stock of liabilities has been adjusted to correct for the revaluation that is estimated to correspond to non-residents' portfolios. Residents' direct investment in non-resident corporations has not yet been valued at market prices either. It is expected that both types of investment will be given at market prices in the near future.

of Accounts applicable to insurance in Spain calls “life insurance provisions”) insofar as they include, in addition to life insurance reserves in the strict sense, reserves that are assets of autonomous pension funds. These reserves, which are not linked to life insurance, have been recorded in the FASE as “prepayments of insurance premiums and reserves for outstanding claims” of insurance corporations vis-à-vis such funds (see section 3.5.2).

B) Pension fund reserves

As indicated above, these reserves are generated by autonomous pension funds and by non-autonomous pension funds. As in the case of life insurance reserves, these reserves are, by their very nature, a financial asset of households and correspond to what the ESA 95 calls “net equity of households in pension funds reserves”. There are two possible types: a) those of autonomous pension funds, and b) those of non-autonomous pension funds. In the case of autonomous pension funds, in any particular period, these reserves are obtained by adding to the actual contributions into pension funds attributable to the period (paid or payable, by employees, employers, self-employed workers or other institutional units on behalf of households with claims on the funds) the income earned from the investment of such contributions and deducting the service charges during the period for managing the funds and the amounts payable to beneficiaries.

In the accounts of autonomous pension funds, technical reserves appear as liabilities under the heading “pension scheme position account”. The reserves of non-autonomous pension funds appear in the liabilities of the financial institutions or non-financial corporations that have created them, under the heading “non-autonomous pension funds”.

C) Prepayments of insurance premiums and reserves for outstanding claims

This sub-category includes the technical provisions created by insurance corporations that are not reflected in previous sub-categories. In any particular period these reserves are made up of the premiums written but not earned (prepayments of insurance premiums) and of provisions set aside by insurance corporations to meet claims, whether reported or not, that have arisen in the period, but have not yet been paid. These reserves are assets of the policyholder sectors, i.e. of those paying the premiums, and of those awaiting payment under claims in the process of settlement. However, except as regards reinsurance, in the FASE they have been attributed exclusively to households and non-financial corporations, according to the type of insurance from which they have arisen.¹⁰

3.5.2 Reinsurance transactions

When an insurance corporation reinsures (the ceding corporation), it transfers some or all of the risk that it has assumed to another insurance corporation (the accepting corporation), but it does not transfer its obligations to the policyholder, rather it generates in its assets a “technical reserve for reinsurance ceded”. For its part, the accepting corporation generates a “technical reserve for reinsurance accepted” in its liabilities. In the FASE these provisions are reflected under the heading “prepayments of insurance premiums and reserves for outstanding claims”. In addition, where the ceding insurance corporation requires a deposit from the accepting corporation to secure the operation, such deposits are recorded under the heading “other deposits” as liabilities or assets, respectively.

When an autonomous pension fund insures part of the benefits it has agreed to pay with an insurance corporation, a transaction similar to the one just described arises. However, insurance corporations do not consider these transactions as accepted reinsurance, but as direct life insurance, so it is necessary to adjust the balance sheet of these corporations.

¹⁰. Insurance corporations provide very detailed information on the distribution of their technical provisions by type of insurance (motor, fire, etc.). On the basis of certain assumptions, such provisions are assigned to each of the two sectors mentioned.

Reinsurance transactions are entered into between resident insurance corporations and between resident insurance corporations and non-resident insurance corporations. As yet, no direct information is available as to what portion of the reinsurance reserves relates to the reinsurance transactions of resident insurance corporations with non-resident insurance corporations, so it is estimated on the basis of the premiums paid to/received from the rest of the world in respect of reinsurance transactions. In the FASE, the net balance of technical reserves vis-à-vis the rest of the world is positive, from the viewpoint of resident insurance corporations, since the reinsurance ceded to the rest of the world exceeds the reinsurance accepted from the rest of the world. Thus, this net amount is reflected in the assets of resident insurance corporations as “prepayments of insurance premiums and reserves for outstanding claims” vis-à-vis the rest of the world and, in the same amount and under the same heading, in the liabilities of the rest of the world vis-à-vis resident insurance corporations.

3.5.3 The externalisation of non-autonomous pension funds

The publication of Law 8/1987 of 8 June 1987, which regulated autonomous pension schemes and funds for the first time in Spain,¹¹ saw the start of a system to supplement the social benefits generated by the compulsory social security system. Until then, most entities covered their commitments to pay supplementary pensions to their workers by setting up non-autonomous funds and, in some cases, simply by charging pensions to the profit and loss account as and when they arose. Subsequently, Royal Decree Law 1588/1999 of 15 October 1999 required that, by 31 December 2001, these commitments should be covered by autonomous pension funds or insurance contracts. Credit institutions, insurance corporations and securities-dealer companies and securities agencies were exempt from this obligation. The deadline was later extended to November 2002 by the 2001 General Budget Law. Finally, additional provision 15 of Law 44/2002 of 22 November 2002 on Financial System Reform Measures, extended the period for integrating lump-sum retirement bonuses into employment pension schemes to 31 December 2004. This period has been extended by several royal decrees, under the latest one (RD 1552/2005 of 23 December 2005) until 31 December 2006.

When entities have set up non-autonomous funds, the transfer of these to an autonomous pension fund, or the establishment of an insurance contract, gives rise to a transfer of both the liabilities (the technical reserves established) and of the funds necessary to cover the commitments in question. As a result, this part of the technical reserves belonging to households is explicitly reflected in the assets of the balance sheet of the autonomous fund, whether the latter is in an insurance corporation or pension fund.

According to the ESA 95, the transfer of non-autonomous funds or autonomous funds, should not be treated as a transaction, because there has not been one, but rather as a change of sector and, therefore, as a change in volume of assets arising from “changes in sector classification and structure” in the two sectors concerned. However, in the FASE it has been necessary to record these transfers as if such movements were actual financial transactions since, at present, the counterpart financial assets of the transferred reserves are not known and, therefore, it is not possible to distinguish in the period in which the transfer has occurred what part of the total change in the assets of the institutions involved corresponds to the transfer of funds arising from externalised pension commitments.

3.6 ISSUANCE OF SECURITIES OTHER THAN SHARES BY OTHER FINANCIAL INTERMEDIARIES

The issuance of securities other than shares by other financial intermediaries has grown strongly in recent years. In addition to the notable issuing activity of financial vehicle corporations, there has been that of companies that issue preference shares and other similar financial instruments since the entry into force of Law 19/2003 of 4 July 2003, which regulates the incorpora-

¹¹. The related Regulation was approved by Royal Decree 1307/1988 of 8 September 1988.

tion and operation of these companies in Spain. Most of these companies are set up by credit institutions since, with the funds raised by the securities issued, the issuing companies make deposits in the credit institutions to which they are linked. As at end-2007, the outstanding stock of securities issued by other financial intermediaries represented 39% of all securities other than shares issued by resident sectors (and 54% of those issued by the sector financial institutions), while general government issues accounted for 26% of such securities. The securities issued by other financial intermediaries are basically sold abroad and to MFIs, with the portfolio of non-residents and MFIs representing, as at the same date, 68% and 26%, respectively, of the outstanding stock of this type of security.

Among MFIs' holdings of these financial instruments issued by other financial intermediaries, the FASE includes those securities which under International Accounting Standards are not recorded in MFIs' balance sheets because they relate to a financial vehicle corporation to which assets were transferred without the MFIs having removed them from their balance sheets. Consequently, although under these Standards neither the securities nor the deposit generated when they were securitised are included in the MFIs' balance sheets, in the FASE both instruments are included under MFIs' financial assets (securities) and liabilities (deposits).

3.7 CATEGORIES INCLUDED IN THE OTHER CHANGES IN FINANCIAL ASSETS AND LIABILITIES ACCOUNTS

The other changes in financial assets and liabilities or other flows account reflects flows transactions other than financial transactions. The ESA 95 includes two types of other-flow transactions: revaluations [which the ESA 95 calls nominal holding gains/losses (K.11)] and other changes in volume (K.3 to K.10 and K.12), which are recorded in the revaluation account and in the other changes in volume of assets account, respectively.

In compiling the Financial Accounts, two types of revaluations of financial assets/liabilities have been identified: a) those arising from the change in market price of financial assets/liabilities quoted on the market [the case of the categories securities other than shares (3), quoted shares (511) and mutual funds shares and shares in investment companies (52)]; or, that may be estimated on the basis of the conditions prevailing on the markets [the case of unquoted shares (512)]; and, b) those revaluations of financial assets/liabilities denominated in currencies other than the euro that result from the change in the euro rate.

As regards other changes in volume transactions, the ESA 95 indicates two types of other flows potentially affecting the financial categories. These are: a) other volume changes in financial assets and liabilities (K.10), which correspond, for example, to allocations and cancellations of SDRs, changes in insurance technical reserves due to the alteration of current actuarial criteria or the age structure of the population, credit write-downs and certain statistical discrepancies, and b) other flows due to changes in classifications and structure (K.12), which are reflected in the financial categories owing, for instance, to reclassifications of institutional units from one sub-sector to another (in this case they would affect the entire balance sheet of the units involved) or reclassifications of certain financial instruments.

4 *Financial accounts compilation process*

The Financial Accounts are compiled using information stored in the Banco de España data-banks and, more specifically, from that available in a time series database (FAME), which contains over 300,000 series for this purpose. These data management processes are fully integrated with the primary information sources (banking data, securities markets data, etc.). Using this basic information, the financial instruments that circulate in the Spanish economy, including those arising from relations with the rest of the world, are classified in a matrix whose rows and columns correspond to approximately 40 financial instruments (reduced at a later stage to the ESA 95 standardised instrument categories) and 20 institutional groupings (reduced at a later stage to the ESA 95 sectors and sub-sectors, which are those disseminated

in the print edition of the FASE). The compilers of the Financial Accounts, experts on each of the instruments and groupings, identify, for each instrument, the groupings that issue them and that hold them and the accounting identities that explain the balance sheet changes in a period. Each of the elements in these equations is coded, with the different positions of each code identifying the nature of the instrument, the issuing sector, the counterpart sector and whether a stock, a transaction, a revaluation or a change in volume is concerned. This coding facilitates the formal consistency of the whole system.

In practice, there are two sources of information for a financial transaction, namely the two parties thereto. For example, in the case of deposits held by non-financial corporations with banks classified in the sub-sector “other monetary financial institutions”, information is available, on one hand, from the deposits vis-à-vis non-financial corporations according to the accounting statements of the banks and, on the other, from the Central Balance Sheet Data Office. For certain instruments there is also a third source of information, namely administrative records of the transactions, such as for example, those of Iberclear for government securities transactions (until March 2003, the Banco de España Central Book-Entry Office). This means that a ranking of sources must be established when compiling the accounts. In principle, priority is given to primary information sources, which provide greater detail on the instrument in question. For example, the confidential returns of the Banco de España accounting circulars for credit institutions report both total deposits and the breakdown for the various sectors of the economy to which they belong. For each of the financial instruments of the economy, identified in the matrix mentioned above, the following accounting identity must hold:

$$S_1 = S_0 + OF_1 + R_1 + OV_1$$

where S_0 and S_1 are the outstanding stocks at the beginning and end of the period, OF_1 financial transactions of the period, R_1 the revaluations and OV_1 the changes recorded in stocks owing to other changes in volume (e.g. change in institutional units from one sector to another or unilateral bad-loan write-offs).

The amounts in the Financial Accounts are, for most of the transactions of the institutional sectors, obtained from the differences in financial assets over two consecutive quarters (or, where applicable, from the differences in liabilities over two consecutive quarters). These differences are adjusted for changes in stocks that do not correspond to actual transactions, namely capital gains and losses, changes owing to movements in the exchange rate, write-offs, etc., this information being drawn fundamentally from the profit and loss accounts of the units involved. Nonetheless, certain transactions are calculated directly from the basic supporting information, for example, securities issues, and certain financial assets and liabilities items are even determined by accumulation of flows.

The accounts of the various sectors, compiled according to the procedure described, are submitted to a series of consistency tests, such as cross-checking the financial balance sheets obtained for an institutional grouping (e.g. for other monetary financial institutions and the rest of the world) with the conventional financial balance sheets of that grouping (in the example, the balance sheet of other monetary financial institutions according to Regulation ECB/2001/13 and international investment position data). This practice enables the changes in certain instruments, which basically arise from valuation and source ranking problems and are necessary to ensure that each instrument is treated in the same way in the different accounts of the system, to be identified. Lastly, in co-ordination with the INE and the IGAE, the stocks obtained in the capital account are compared with those obtained in the financial account (see section 6).

5 Financial accounts of the sectors non-financial corporations and households and non-profit institutions serving households

The schemes included in the Appendix to these Notes describe both the institutional classification of these sectors and the valuation of and means of calculating their main financial transactions. However, it has not been possible to detail in these schemes certain aspects instrumental to ascertaining the special characteristics underlying the compilation of the accounts of such sectors. These characteristics include most notably:

- a) Transactions that need not be considered, since they do not exist in these sectors, as is the case of the category monetary gold and SDRs (1), since the only gold considered in the Financial Accounts is, by convention, the monetary gold held by the central bank and, where appropriate, by central government. In the FASE, all the monetary gold is in the Banco de España's accounts although, up to 1990 when it was transferred to the Banco de España, some gold was held by the Treasury (State).
- b) Transactions obtained from information on the counterpart sectors (financial institutions, general government and rest of the world). This is the case of the categories currency and deposits (2), loans (4), insurance technical reserves (6) and other accounts receivable/payable, except trade credits (7).

The information is drawn basically from: the supplementary statements reported by credit institutions to the Banco de España, in keeping with Circulars 22/1987, 4/1991, 5/1997 and 4/2004 (which has repealed 4/1991); diverse statistical information used to compile the balance of payments; general government budgetary outturns; breakdowns of official credit accounts; data from the Banco de España Central Credit Register System, etc. Some degree of estimation is needed in the odd case such as, for example, insurance technical reserves other than pension funds and life assurance reserves, which have been assigned to non-financial corporations or to households and NPISHs, depending on whether the insurance branches where the reserves have been generated cover mainly risks from one sector or the other.

- c) Transactions obtained residually from information exogenous to the sector, not from a counterpart in the true sense of the term. This is the case of transactions with securities other than shares (3) and shares and other equity (5), whose issues, subscriptions, outstanding stocks and portfolios are determined in the fashion and using the sources detailed in Schemes 4 and 5 of the Appendix.

The distribution, on the assets side, between non-financial corporations and households and NPISHs is principally based on statement S.2 of Circular 4/2004 (since 2005) and the same statement of Circular 4/1991 (prior to 2005), which credit institutions are required by the Banco de España to complete. These statements detail the nature of the securities deposited with institutions, including own securities, indicating the issuing and holding sectors. This information is set against all the information available on the securities markets, likewise mentioned in Scheme 5, and, obviously, that from the remaining sectors of the economy. Lastly, to assign holdings of mutual funds shares, use is made of an accounting statement created in 1999 which institutions send quarterly to the CNMV. For prior years in which this information did not exist, this assignment was made on the basis of a survey of the main management companies of collective investment institutions (the funds managed by the entities surveyed accounted for 41% of the sector total).

- d) Trade credits between non-financial corporations, between non-financial corporations and households and NPISHs, and between non-financial corporations and the rest of the world. These have been estimated and sectorised on the basis of an aggregate balance sheet for non-financial corporations obtained by the Banco de España Central Balance Sheet Data Office and the structural ratios observed in that information between trade credits granted, trade credits received and bank credit.¹² In addition, the information on the trade bills that non-financial corporations and households discount at deposit institutions is used to estimate the distribution between these sectors of the trade credits received by non-financial corporations.

The previous paragraphs imply that the financial accounts of non-financial corporations have largely been drawn from sources outside the sector itself, although estimates of the financial accounts of the sector are available, compiled by the Central Balance Sheet Data Office on the basis of the provisions of the ESA 95 and using direct sources, i.e. data provided by the non-financial corporations themselves. The reason for this apparent incongruity arises from the fact that the integration of the accounts of the sector non-financial corporations in the overall framework of the system requires preference to be given to certain counterparts obtained from alternative sources (for example, the information of financial institutions is taken as a source for the deposits of non-financial corporations with credit institutions and for the loans of credit institutions to non-financial corporations). However, apart from this, it should be borne in mind that the financial accounts of this sector compiled by the Central Balance Sheet Data Office are used as a final check of the structure, levels and path of all the headings that appear in this publication.

6 Reconciliation between the capital transactions account balancing item and the financial transactions account balancing item

6.1 ESTABLISHING THE RECONCILIATION

A) Annual accounts

As previously indicated, the INE is the agency responsible for compiling the Spanish National Accounts (CNE) which include, inter alia, the non-financial accounts of the various institutional groupings. The capital account is the last of the non-financial accounts and its balancing item links with that of the financial transactions account. In Chapter 8 of the ESA 95, which addresses the sequence of the accounts and balancing items of the System, the balancing item (resources minus uses) of the capital account is called “net lending (+) or borrowing (-)”. This denomination coincides with that given by the System to the balancing item of the financial account (see paragraph 8.50), thereby highlighting the conceptual identity of these two balancing items.¹³ For practical reasons, the FASE refer to the balancing item of the financial account as “net financial transactions”, which are obtained by deducting the net liabilities incurred by each institutional grouping from its net acquisition of financial assets.

Establishing consistency between or reconciling the “net lending (+) or borrowing (-)” and “net financial transactions” of the different institutional groupings of the System is difficult. This is because the calculations are made by different institutions, and they have been compiled, in most cases, on the basis of different underlying information and, often, at different points in time. To overcome these difficulties, the teams entrusted with this work at the INE and at the Banco de España have, in collaboration with the IGAE (the National Audit Office), co-ordinated

¹² The Banco de España Central Balance Sheet Data Office has been collecting data directly from some 8,600 corporations, most of which are large, and whose gross value added at factor cost (GVAfc) accounts for approximately 30% of the estimated GVAfc for all non-financial corporations. Also, the Central Balance Sheet Data Office has set up a supplementary database of corporations, most of which are small and medium-sized, on the basis of the accounting statements these are obliged to file with the Mercantile Registries. This means data considered valid for analysis purposes are available for some 380,000 corporations (accounting statements are received from more than 550,000 corporations, but almost half of them fail to satisfy certain consistency tests). ¹³ More straightforwardly, the capital account referred to is the result of the consolidation of two accounts of the System, namely the change in net worth due to saving and capital transfers account and the acquisitions of non-financial assets account.

their compilation processes as far as possible. Two information blocks have been identified in this process, as follows:

- Block 1. Comprises the sectors rest of the world, financial institutions and general government, whose non-financial accounts are compiled drawing on the underlying information available at the Banco de España and at the IGAE, and which the INE, as part of its remit, integrates into the Spanish National Accounts.¹⁴ This allows financial-accounts compilers to be familiar with the characteristics of the non-financial accounts of the sectors included in this group. On this basis, it has been decided to adopt as balancing items of the financial accounts of these three sectors those obtained for their capital accounts. The identity of these two balancing items has been achieved by making the statistical adjustments referred to in section 6.2., having confirmed their small amount and/or that they offset each other over time.
- Block 2. Comprises the sectors that make up the institutional grouping “other resident sectors”, i.e. non-financial corporations and households and NPISHs, whose non-financial and financial accounts are compiled, respectively, by the INE and the Banco de España, in two different processes using different underlying information, so that neither institution has room for manoeuvre to unify these two balancing items. Neither the INE nor the Banco de España can discard their statistical sources in respect of these sectors without calling into question the ultimate foundations of the systems in which they operate and in which aggregates such as the following are determined: on one hand, gross disposable income, saving and gross capital formation, etc.; and on the other, the financing of and financial investment by the various sectors and, indirectly, the monetary aggregates and their counterparts. For these reasons, and unlike with the accounts of the sectors in block 1, the teams compiling the financial and non-financial accounts estimate, for block 2, balancing items for the capital account and for the financial account independently on the basis of their own sources and, therefore, such balancing items do not coincide. That said, checks and information exchanges are regularly carried out to reduce the discrepancies.

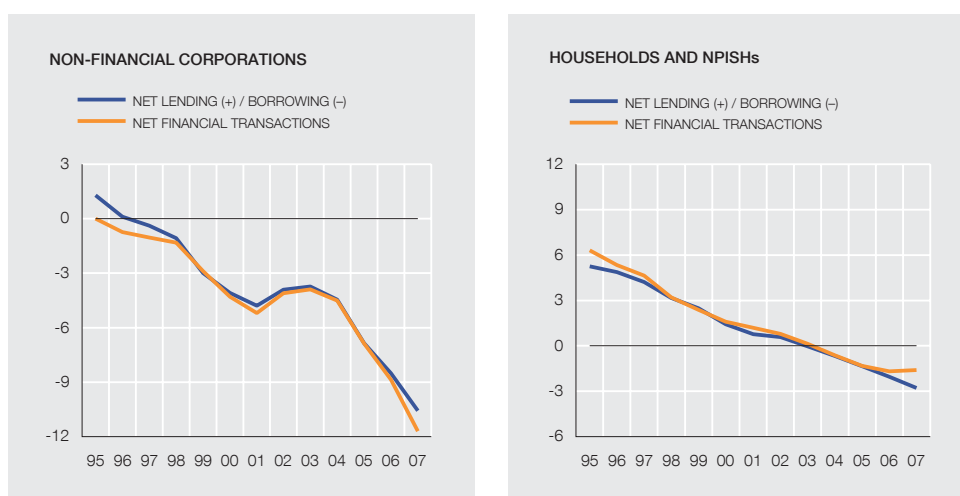
B) Quarterly accounts

The process described corresponds to that in force until the beginning of 2006, which is when the INE, in collaboration with the IGAE (which prepares the accounts of the general government sector), disseminated for the first time non-financial accounts by institutional sector on a quarterly basis in the form of a series that begins in 2000 Q1, the latest observation available as at the closing date of this publication being for 2007 Q4 (see the contents of Chapter 1). Given that the Banco de España had already been publishing quarterly financial accounts, these institutions have proposed extending the co-ordination established for the annual accounts referred to in the preceding paragraphs to the quarterly accounts in order to reduce, in so far as possible, the quarterly discrepancies between the balancing items of the capital and financial accounts of the various sectors. The joint work carried out so far by the three institutions has only enabled the identity of the balancing items of the sectors rest of the world and financial institutions to be maintained. The work currently in progress is expected to enable the discrepancies in the quarterly balancing items of the other sectors to be reduced.

¹⁴ The IGAE has a team of National Accounts experts who work in close co-ordination with accountant counterparts at the INE and the Banco de España.

COMPARISON BETWEEN THE BALANCING ITEMS OF THE CAPITAL ACCOUNT AND THE FINANCIAL ACCOUNT OF THE SECTORS NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS AND NPISHs

CHART 1



SOURCES: INE and Banco de España.

6.2 IMPLICATIONS OF THE ADOPTION OF COMMON BALANCING ITEMS FOR THE CAPITAL AND FINANCIAL ACCOUNTS OF THE SECTORS REST OF THE WORLD, FINANCIAL INSTITUTIONS AND GENERAL GOVERNMENT IN THE ANNUAL ACCOUNTS: THE EFFECTS ON THE ACCOUNTS OF NON-FINANCIAL CORPORATIONS AND HOUSEHOLDS AND NPISHs

As indicated in the preceding sections, the process of compiling the financial accounts gives rise to initial estimates for the balancing items for these sectors that do not coincide with those of the capital accounts, which have, in turn, been determined following contacts with the compilers of the financial accounts. Thereafter, statistical adjustments are introduced in the transactions recorded among the net liabilities incurred by these sectors, specifically in the category other accounts payable, except trade credits and advances (F.79), which equate the balancing item of the financial account with that of the capital account. Naturally, the introduction of these statistical adjustments is contingent upon an analysis of their amount, a point which is returned to later. Moreover, under the logic of the system, the introduction of these statistical adjustments makes it necessary to introduce the related adjustment transactions into their counterparts. These adjustments, in the case of those arising from financial institutions and general government, have been carried to the grouping “other resident sectors” (which are subsequently divided among its components), and also to category F.79 (other accounts payable, except trade credits and advances), on this occasion with the sign reversed. In the case of adjustments arising from the rest of the world, the counterparts of the adjustments have likewise been carried to the net liabilities incurred by the institutional grouping “other resident sectors”, also in the category other accounts receivable, excluding trade credits and advances (F.79).

In testing the quality of the estimates included in the Financial Accounts, the amounts of the aforementioned discrepancies and statistical adjustments (whatever their sign) are analysed. Should these amounts be large and/or have very different profiles over time, this may be indicating the need to revise the estimates on which they are founded and, if they offset each other over successive periods, that may be indicating that it would be reasonable to consider them as lagged proceeds or payments (F.79). Chart 1 shows for the annual accounts of the sectors non-financial corporations and households and NPISHs the amount and changes in the balancing items of the capital account and of the financial account. As can be seen, in the early years of the series presented, the discrepancy is more acute than in the subsequent years, during which the coverage and quality of the sources of information improved notably. In 2007, such difference widens again owing to the greater provisionality of the estimates in the latest period.

7 Main limitations of this work

The adoption of the ESA 95 and the availability of more and better information on non-financial corporations, as work carried out by the Central Balance Sheet Data Office is incorporated, have improved the quality of the FASE. The Financial Accounts are becoming increasingly complete and harmonised in that they incorporate more information than in previous editions and because uniform time allocation and valuation criteria are being adopted in all sectors. Moreover, they are more consistent with the non-financial approximation of the Financial Accounts referred to earlier. Notwithstanding, limitations remain. These may be grouped, conventionally, into problems linked to the use of the balance of payments and the international investment position statistics as sources for compiling the accounts of the rest of the world in the Financial Accounts, and problems rooted in a different source.

Notable among the former is the treatment given to the balance of payments category “errors and omissions” when constructing the financial transactions account. As indicated in Scheme 3 of the Appendix, this category has been classified in F.79 (other accounts payable, except trade credits and advances), despite the fact that paragraph 5.122 (d) of the ESA 95 does not consider this treatment appropriate, as obviously not all “errors and omissions” will be of this nature. This procedure has been followed because, once it has been decided to maintain the balancing item of the financial account equal to that of the capital account (which is drawn from the National Accounts), the accounting identities, which must be respected, do not allow an alternative solution. In relation to the foregoing it is important to clarify that the counterpart of the aforementioned adjustments has been carried to category F.79 (other accounts receivable, except trade credits and advances) of the sectors non-financial corporations and households and NPISHs. Foreseeably, future revisions of this balance of payments category and/or agreements on this matter within the scope of EU Member States’ financial accounts will either enable the nature of the transactions included in “errors and omissions” to be discerned, which would reduce the amount of such adjustments, or allow this treatment in future editions to be revised. Furthermore, there remains a certain degree of heterogeneity in the valuation of specific instruments between, on one hand, the balance of payments and the international investment position (statistics which are the basis of the financial accounts of the rest of the world), and, on the other, that envisaged in the ESA 95. This is the case even though, in theory, as indicated in section 2, it is intended that valuations be harmonised in SNA 93, the ESA 95 (its Community version) and the *IMF Balance of Payments Manual* (5th edition).¹⁵ Solutions to these problems can be expected in the medium term, once work under way both in Spain and the EU is concluded.

There are also other shortcomings, present in previous editions of the Financial Accounts, which have been duly reported in successive editions. All these problems will be tackled in future editions. Among the aspects of the ESA 95 not yet reflected in the Financial Accounts, the following non-exhaustive list may be offered:

- a) Euro banknotes held by residents. For the reasons given in section 3.2, the quality of these estimates is still limited.
- b) Short-term securities other than shares issued by the rest of the world: these do not appear in the Financial Accounts as a specific category. The amounts that appear in the balance of payments and in the international investment position (under the description money market instruments) are incorporated, together with bonds and notes, into the category long-term securities other than shares.

¹⁵ For instance, although foreign direct investment should be valued at market prices in its dual approximation of resident sectors’ liabilities and assets (holdings) of the rest of the world, it has hitherto been valued by accumulation of flows, including reinvested earnings.

- c) Financial auxiliaries. Under consideration is the incorporation of currency-exchange bureaux and also insurance brokers into this sub-sector for future editions of the Accounts, although the necessary information on the latter is not currently available.

As regards improvements to the Financial Accounts, work is being carried out notably on the following:

- a) Euro banknotes held by residents. The Banco de España is collaborating with European working groups, both in the balance-of-payments and financial-account areas, to improve the initial estimates of these holdings for all the euro area countries.
- b) Shares and other equity. Improvements have continued to be made in the estimation of the outstanding stock and of the financial transactions of these instruments, in their valuation at market prices and in the identification of the holding sectors. Nonetheless, and although the quality of the current figures is deemed acceptable, additional work needs to be done in this area.
- c) Deposits of non-financial corporations and of households and NPISHs with the rest of the world. Although further headway has been made in improving the quality of these categories, the Financial Accounts continue to pose problems that have been mentioned in previous editions, with regard to the separation of these deposits between these two sectors.
- d) Adjustments referred to in sections 6 and 7. Developments will be monitored closely in the manner referred to on describing those arising in the balance of payments category "errors and omissions".

APPENDIX

SCHEMES

BALANCE SHEET AT BEGINNING OF PERIOD	ACCUMULATION (OR FLOWS OR CHANGES IN BALANCE SHEET) ACCOUNTS			BALANCE SHEET AT END OF PERIOD
	Changes in assets due to transactions of the period and financing thereof (see Annex)	Revaluation account	Other changes in volume of assets (and of liabilities) accounts	
1	2	3	4	5=1+2+3+4
Non-financial assets (nFA) ₀	Changes in non-financial assets due to transactions [Capital account uses (CU)]	Changes in opening balance sheet and in the transactions of the period due to changes in prices of non-financial (RnFA)	Changes in opening balance sheet and in the transactions of the period due to other changes in volume of non-financial (OVnFA)	Non-financial assets (nFA) ₁
Financial assets (FA) ₀	Net acquisition of financial assets transactions (nAFA)	and financial assets (RFA)	and financial assets (OVFA)	Financial assets (FA) ₁

Net worth (NW)=A-L	Changes in net worth (CNW) due to transactions materialising in:	Changes in NW (CNW) due to revaluations (RA-RL)	Changes in NW due to other changes in volume (OVA-OVL)	Net worth (NW)=A-L
- Non-financial (nFA) ₀	1) Changes in non-financial assets	- Non-financial (RnFA)	- Non-financial (OVnFA)	- Non-financial (nFA) ₁
- Financial (FA-L) ₀	2) Changes in net financial assets	- Financial (RFA-RL)	- Financial (OVFA-OVL)	- Financial (FA-L) ₁

Liabilities (L) ₀	Net incurrence of liabilities transactions (nL)	Changes in opening balance sheet and in the transactions of the period due to changes in prices of liabilities (RL)	Changes in opening balance sheet and in the transactions of the period due to other changes in volume of liabilities (OVL)	Liabilities (L) ₁

Scope of the Financial Accounts of the Spanish Economy compiled by the Banco de España (see Table 2.1 of the publication)

	CAPITAL TRANSACTIONS ACCOUNT	FINANCIAL TRANSACTIONS ACCOUNT	CHANGES IN ASSETS DUE TO TRANSACTIONS OF THE PERIOD AND FINANCING THEREOF
	1	2	3=1+2
BALANCING ITEMS	Net lending / net borrowing (Resources - Uses) TOTAL 10	Net financial transactions (Net incurrence of liabilities - net acquisition of assets) ¹ TOTAL -10	Consolidation 10-10=0
	Changes in non-financial assets due to transactions [Uses of the capital account (CU)] TOTAL 90		Changes in non-financial assets due to transactions [Uses of the capital account (CU)] TOTAL 90
		Net acquisition of financial assets transactions (nAAF) TOTAL 60	Net acquisition of financial assets transactions (nAFA) TOTAL 60
Changes in assets	90	60	90+60=150
	Changes in net worth due to transactions [Resources of the capital account (CR): Gross saving + Net capital transfers] TOTAL 100		Changes in net worth due to transactions materialising in: 1) an addition to non-financial assets TOTAL 90 2) an addition to net financial assets TOTAL 10
		Net incurrence of liabilities transactions (nIL) TOTAL 50	Net incurrence of liabilities transactions (nIL) TOTAL 50
Changes in liabilities and in net worth	100	50	100+50 =90+10+50

1. The balancing item of the financial transactions account is obtained in the publication as the difference between the net acquisition of financial assets and the net incurrence of liabilities. In order to make the consolidation between the capital and financial transactions accounts explicit, the balancing item is obtained in this scheme as the difference between the net incurrence of liabilities and the net acquisition of financial assets.

SECTORS, SUB-SECTORS AND AGENTS	DEFINITION AND/OR OBSERVATIONS
S.1 TOTAL ECONOMY/ S.11/15 RESIDENT SECTORS	
S.11 NON-FINANCIAL CORPORATIONS	<p>Comprise resident market-producer institutional units, whose principal activity is the production of goods and non-financial services, whose distributive and financial transactions are distinct from those of their owners and which are, moreover, separate legal entities from their owners. Non-financial sole proprietorships without independent legal status are classified under the sector households (S.14), except for very large ones (quasi-corporations) which are classified under sector S.11. By convention, market regulatory bodies whose exclusive or principal activity is to purchase, store and sell agricultural and food products [e.g. in Spain, the FEAGA (State Agricultural Guarantee Fund) which has replaced the former FORPPA (Agricultural Price and Product Regulation Fund)]. In Spain, it is assumed that this definition is fulfilled by all non-financial corporations that use in their relations with credit institutions and the tax authorities a fiscal identity code beginning with a letter (A: Sociedades Anónimas, B: Sociedades de Responsabilidad Limitada, etc.), except jointly held property and owners' associations (E and H, respectively) which are classified under households (S.14). Those enterprises controlled by general government which, despite their corporate legal nature, are not market producers (as defined by ESA 95) are not included in this sector. Such corporations have been classified in the general government sector (S.13), in compliance with the ESA 95 sectorisation rules.</p>
<p>S.12 FINANCIAL CORPORATIONS</p> <p>S.121/122 MONETARY FINANCIAL INSTITUTIONS</p> <p>S.121 Banco de España</p> <p>S.122 Other monetary financial institutions</p> <p>— Credit institutions</p> <p>— Money market funds</p>	<p>Comprise all resident corporations that are principally engaged in financial intermediation (financial intermediaries) and/or in auxiliary financial activities (financial auxiliaries). Non-profit institutions recognised as independent legal entities serving financial corporations are included.</p> <p>These sub-sectors include resident credit institutions, as defined in Community legislation, and all other resident financial corporations whose business is to receive deposits and/or close substitutes for deposits from entities other than monetary financial institutions, and, for their own account (at least in economic terms), to grant loans and/or invest in securities. This sub-sector is the grouping that the ECB considers to be the "money-creating sector" in the euro area monetary statistics [See Regulation (EC) No 2423/2001 of the ECB of 22 November 2001 (ECB/2001/13)].</p> <p>This grouping comprises resident institutions, which means in practice that the Spanish financial accounts include the business of the Spanish branches of foreign institutions and do not include the business of Spanish institutions' foreign branches.</p> <p>These comprise banks, savings banks, credit co-operative banks, Instituto de Crédito Oficial and specialised credit institutions. The latter institutions have existed as such since 1997 and were created by Royal Decree 692/1996. Until then, those known as specialised lending institutions (ECAOL) were included here.</p> <p>Regulation (EC) No 2423/2001 of the ECB of 22 November 2001 (ECB/2001/13) defines money market funds as those collective investment undertakings of which the units are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments, and/or in other transferable debt instruments with a residual maturity up to and including one year, and/or in bank deposits, and/or which pursue a rate of return that approaches the interest rates of money market instruments. This legal and statistical definition came into force on 1 January 1999 and, as the Spanish money market mutual funds (FIAMMs) legal category matched this definition, the MMF sector since that date consists of all FIAMMs.</p> <p>Until 1/1/99 the assignment to this grouping of the various Spanish collective investment institutions was made in accordance with statistical criteria based on duration and volatility. The Spanish MMF population obtained as a result of applying such criteria included exclusively FIAMMs, but not all FIAMMs. This grouping is the one considered in the Accounts until 1998. The rest of the collective investment institutions (including some FIAMMs) are included in the sub-sector other financial intermediaries, except insurance corporations and pension funds (S.123).</p> <p>Law 35/2003 of 4 November 2003 specifies that the National Securities Market Commission (CNMV) shall define the categories of collective investment institutions according to their investment orientation. CNMV Circular 1/2007 of 11 July 2007 establishes the monetary investment policy or orientation that determines which mutual funds, or sub-funds, are monetary financial institutions, and therefore subject to the requirements of the Regulation.</p>

SECTORS, SUB-SECTORS AND AGENTS	DEFINITION AND/OR OBSERVATIONS
S.123/125 NON-MONETARY FINANCIAL INSTITUTIONS	Comprise all resident financial institutions that are principally engaged in financial intermediation other than monetary financial institutions.
S.123 Other financial intermediaries, except insurance corporations and pension funds <ul style="list-style-type: none"> — Collective investment institutions other than MMFs — Securities-dealer companies — Financial vehicle corporations (FVCs) — Venture capital funds and companies — Financial holding companies — Issuers of preference shares 	<p>This sub-sector consists of financial intermediaries which are 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 monetary financial institutions, or insurance technical reserves.</p> <p>Comprising: capital market mutual funds (FIMs), closed-end investment companies (SIMs), open-end investment companies (SIMCAVs) and real-estate investment companies and mutual funds. Also included, until December 1998, were FIAMMs that until then had not been considered money market funds, as indicated in the observations on sub-sector S.122. Law 35/2003 of 4 November 2003 establishes open-end investment companies (SICAVs) as the sole investment company category. CNMV Circular 1/2007 of 11 July 2007 defines the monetary orientation that mutual funds must have in order to be included in sub-sector S.122, other funds being classified as other financial intermediaries in sub-sector S.123.</p> <p>These are included in this sub-sector since as part of their business they can take positions for their own account. By contrast, securities agencies, which cannot engage in such business, are considered financial auxiliaries.</p> <p>Comprising: FVCs created to hold mortgage-backed securities, FVCs created to hold asset-backed securities and the nuclear moratorium FVC.</p> <p>Funds and companies that provide medium- and long-term funds to firms with difficulties in gaining access to other sources of financing.</p> <p>Companies that do not themselves carry out financial intermediation activities but that control a group of subsidiaries that engage in financial intermediation.</p> <p>Companies other than credit institutions that issue equity units that carry entitlement to the redemption of their face value along with the accrued return (in the event that the company makes a profit), but not the liquidation value of the issuer in the event of dissolution, and that, for the purposes of seniority of debt, stand immediately behind all the creditors (Law 19/2003 of 4 July 2003). Also included are companies issuing securities with the features established in Law 19/2003.</p>
S.124 Financial auxiliaries	This sub-sector consists of all financial corporations which are principally engaged in activities closely related to financial intermediation but which are not financial intermediaries themselves. They include deposit guarantee funds, securities agencies, mutual guarantee companies, appraisal companies, management companies (of pension funds, mutual funds and portfolios), the Insurance Undertakings Settlement Commission until it was included in Consorcio de Compensación de Seguros (Insurance Compensation Consortium) and the managing companies of organised markets and of securities clearing and settlement. Included here are the holding companies that themselves carry out activities of financial auxiliaries.
S.125 Insurance corporations and pension funds	This sub-sector consists of life and risk insurance corporations, non-profit insurance institutions, the Consorcio de Compensación de Seguros (Insurance Compensation Consortium) and autonomous pension funds.
S.1251 Insurance corporations	<p>Comprising: <i>Life and risk insurance corporations</i>. These include both (Spanish and foreign) corporations and "mutualidades" (mutual companies), whose operations are similar to those of corporations and which should not be confused with the entities with the same name which are either included under social security funds (sub-sector S.1314) or with non-profit insurance institutions, which are described below.</p> <p><i>Non-profit insurance institutions</i>. These are welfare entities mostly set up prior to Law 8/1987 (see "Pension funds" below) by certain groups which in some cases maintain pension funds that supplement social security system pensions, provide benefits to their members in the event of death, birth, etc. and even grant loans). Some of them are so-called cajas de pensiones (specialised in pension funds). These institutions are autonomous with respect to the groups (companies, associations, etc.) that created and developed them.</p> <p><i>Consorcio de Compensación de Seguros (Insurance Compensation Consortium)</i>. The Consorcio de Compensación de Seguros is a public law entity whose object is to cover the extraordi-</p>

SECTORS, SUB-SECTORS AND AGENTS	DEFINITION AND/OR OBSERVATIONS
S.1252 Pension funds	<p>nary risks of individuals and property. It is basically financed by surcharges on the premiums paid by policy-holders and by State contributions and loans, although it also receives premiums directly. In addition, it acts as the State's agent in dealings with the Spanish export credit company, the public-sector life and risk insurance corporation that manages, on behalf of the State, the coverage of political risks and certain trade risks affecting Spanish exports. This activity is not included in these accounts, but is consolidated in the State accounts.</p> <p>Funds created under Law 8/1987 are considered to be pension funds. These funds, which are known as autonomous funds, fall under the control of the Directorate General of Insurance and Pension Funds. They are separate and independent from the assets of the institutions that promote them, do not have separate legal status and are formed by the resources assigned for previously established purposes in their corresponding pension schemes. The funds' management is entrusted to a management and depository institution, and they are monitored by a supervisory committee. Non-autonomous pension funds, i.e. pension funds set up by certain credit institutions and non-financial corporations by means of contributions to provision funds or internal reserves, are not included here. These funds figure in the liabilities of the sectors which formed them, where they are recorded as "insurance technical reserves" vis-à-vis the employees (households) entitled to claim them. Royal Decree 1588/1999 set a deadline of 1 January 2001 for non-financial corporations to convert their non-autonomous pension funds into autonomous ones. Subsequent provisions postponed this deadline to 31 December 2006.</p>
<p>S.13 GENERAL GOVERNMENT</p> <p>S.1311 Central government</p> <p>S.1312 Regional (autonomous) governments</p> <p>S.1313 Local governments</p> <p>S.1314 Social security funds</p>	<p>Comprising the State and all administrative and similar autonomous agencies reporting to central government. It also includes, enterprises controlled by the State that do not comply with the ESA 95 rules for sectorisation as non-financial corporations.</p> <p>Included here are the management institutions of the regional (autonomous) governments and their administrative and similar autonomous agencies, including the universities for which such governments are responsible, but not their service-producing enterprises or their commercial autonomous agencies (except those that do not comply with the rules of ESA 95 for sectorisation as non-financial corporations, which are included here). Social security transferred to the regional (autonomous) governments are also included here.</p> <p>Comprising the provincial, municipal, island, town and minor local authorities, and the groupings to which these units belong. Also included here are the administrative and similar autonomous agencies which report to them, but not service-producing enterprises (except those that do not comply with the criteria of ESA 95 for sectorisation as non-financial corporations, which are included here).</p> <p>Comprising the General Treasury and other management entities (mutual insurance companies covering workplace accidents and occupational diseases within the Social Security System, the National Social Security Institute, the Institute for the Elderly and Social Services, the National Health Institute and the Naval Welfare Institute), as well as the State Employment Public Service and the Wage Guarantee Fund, even though the last two have the legal status of autonomous administrative agencies.</p>
<p>S.14/15 HOUSEHOLDS AND NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS</p> <p>S.14 HOUSEHOLDS</p>	<p>Comprising individuals or groups of individuals as consumers and possibly also as entrepreneurs producing market goods and non financial and financial services provided that, in the latter case, their distribution (income, taxes, transfers etc.) and financial operations (deposits, loans, securities etc.) are not separated from their business activity. That is to say, sole proprietorships that are not separate legal entities from their owners are included here, except those (normally large) which, despite not having independent legal status, behave economically and financially like corporations (which ESA 95 calls "quasi-corporations"). The latter are classified under non-financial corporations (S.11). This sector also includes individuals or groups of individuals as producers of goods and non-financial services for exclusively own final use. Specifically, this sector includes: employees, recipients of property incomes, recipients of pensions, recipients of other transfer incomes and, with the qualifications made above, employers (including own-account workers), owners' associations and jointly held property, etc.</p> <p>In Spain, the practical application of this definition in the Financial Accounts involves including in this group individuals and groups of individuals which in their relations with credit institutions and</p>

SECTORS, SUB-SECTORS AND AGENTS	DEFINITION AND/OR OBSERVATIONS
S.15 NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS	<p>the tax authorities use as their fiscal identity number (NIF) their national identity card number (DNI) followed by a letter and those which use a NIF beginning with the letters E and H (owners' associations and jointly held property, respectively).</p> <p>Consists of non-profit institutions which are separate legal entities, which serve households and which are private other non-market producers (trade unions and professional, scientific, religious, recreational and cultural associations etc.) Their principal resources, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind from households, from payments made by general governments (provided that they are not controlled and mainly financed by general government as, if they are, they will be included in this latter sector), and from property income. If occasional sales cover more than 50% of their costs of production they must be sectorised as non-financial or financial corporations, as the case may be.</p>
S.2 REST OF THE WORLD	Covers the transactions and positions between resident and non-resident units.

FINANCIAL INSTRUMENTS (AF/F) Items included	OBSERVATIONS
<p>1 GOLD AND SPECIAL DRAWING RIGHTS</p> <p>11 Monetary gold — Gold of the Banco de España. — Gold of the Treasury.</p> <p>12 Special drawing rights (SDRs). — International reserve assets created by the IMF and allocated to its members to supplement existing reserve assets.</p>	<p>ESA 95 considers monetary gold and SDRs to be financial assets of the monetary authorities and negative financial assets of the rest of the world (see Table 2.22). These are the only financial assets of the System which have no corresponding liability, so that transactions involving these instruments always involve a change in ownership of financial assets.</p> <p>Changes in SDRs held by a monetary authority may arise from payments to (receipts from) the IMF and from (to) other participants in the System (transactions accounts), due to changes in their value (revaluation accounts) and due to allocations/cancellations by the IMF (other changes in volume accounts).</p>
<p>2 CURRENCY AND DEPOSITS</p> <p>21 Currency — Euro-denominated banknotes and coins¹ held by resident sectors. — Banknotes and coins denominated in currencies other than the euro held by financial institutions.</p> <p>22 Transferable deposits — Overnight deposits in euro² and in other currencies. — Held by resident sectors, except credit institutions, with other resident and non-resident credit institutions. — Held by non-residents with resident credit institutions.</p> <p>29 Other deposits — Interbank transactions of all kinds, in euro² and in other currencies, except those included in sub-category 22. — Banco de España Certificates (Ministerial Order of 21.2.1990). — MFIs' repos. — Time accounts, mutual accounts and other. — Transferable interbank deposits (TIDs). — Residents' deposits with resident credit institutions: — Savings deposits (until May 2005). — Time deposits (including asset participation certificates). — Repos. — Structured deposits. — Other residents' deposits not included in sub-category 22, for example tax-collection accounts. — Special registered covered bonds and other deposits: arising from financing received in asset securitisation transactions. — Miscellaneous deposits among resident sectors. — Other financial claims on the IMF. — Equivalent value in ECU of the central US dollar and gold reserves deposited with the EMI/ECB (to December 1998). — Counterpart of the external reserves transferred to the ECB. — Residents' deposits with non-resident credit institutions.</p>	<p>Placed in circulation by the Banco de España and, since 2002, by other euro area NCBs.</p> <p>The term "transferable", applied to deposits, refers to the fact that they are available without notice, and not to their possible negotiability.</p> <p>Savings deposits have been included since June 2005.</p> <p>TID transferability refers to the fact that the deposit plus the interest initially contracted between the deposit bank of the TID and the depositor can be subject to successive transfers, either on the same date they are made, or else on any date before their maturity.</p> <p>Included here is the counterpart of securitised loans that, as a consequence of the entry into force of Circular 4/2004, has been reinstated in the balance sheet in 2005.</p>
<p>3 SECURITIES OTHER THAN SHARES</p> <p>331 Short-term securities — Issued by monetary financial institutions (S121/122). — Notes whose original maturity is one year or less. — Issued by Other financial intermediaries, except insurance corporations and pension funds. — Securitisation promissory notes. — Promissory notes issued by issuers of preference shares. — Issued by general government. — Treasury bills. — Commercial paper.</p>	<p>Financial transactions in securities other than shares (excluding financial derivatives) include interest accrued less interest paid in the period in relation to these instruments. Accrued interest pending payment is included in the financial balance sheets.</p>

FINANCIAL INSTRUMENTS (AF/F) Items included	OBSERVATIONS
<ul style="list-style-type: none"> — Regional (autonomous) government and local government notes. — Issued by non-financial corporations. <ul style="list-style-type: none"> — Negotiable bills. — Commercial paper. <p>332 Long-term securities</p> <ul style="list-style-type: none"> — Bonds and notes whose original maturity is more than one year, issued by financial corporations under any name: asset-backed, ordinary, subordinated and mortgage bonds and notes. Included here are preference shares not entitling the holder to the liquidation value of the issuer. — Medium- and long-term public debt (general government issues, including medium-term notes). — Bonds of non-financial corporations. — Bonds issued by non-residents and held by residents, including the external assets of the Banco de España in the form of securities. <p>34 Financial derivatives</p> <p>Including options and similar instruments (warrants, etc.), futures and similar instruments and, from 2005, swaps.</p>	<p>Data are presented for the transactions accounts and, from 2003, for the financial balance sheets. On account of information availability problems the amounts for some sectors are shown net on the assets side of the balance sheet.</p>
<p>4 LOANS</p> <p>41 Short-term loans</p> <ul style="list-style-type: none"> — Short-term loans extended by credit institutions to resident and non-resident sectors. — Short-term financial loans granted by non-residents to resident sectors and by non-financial resident sectors to non-residents. — Non-interbank transfers of private short-term assets. — Non-MFIs' repos <p>42 Long-term loans</p> <ul style="list-style-type: none"> — Long-term loans extended by credit institutions to resident and non-resident sectors. — State transfers and loans to official credit institutions. — Loans granted by non-residents to resident sectors and by resident sectors to non-residents. — Loans granted by the State or other general government bodies to state-owned enterprises. — Loans from the Development Fund (FAD) granted by the State to the rest of the world. — Financing between (resident and non-resident) related enterprises. — Liabilities of the country to the IMF: use of loans granted by the IMF. — July 1984 Rumasa debt. — 1991 special debt issue. — Issues of the Deposit Guarantee Fund. — Non-interbank transfers of long-term assets. — Inter-company loans. 	<p>Includes loans in euro and in other currencies. Loans between resident non-financial corporations are consolidated and do not appear in the Accounts, except those relating to securitisation transactions.</p> <p>Includes the assets of other monetary financial institutions (S.122) transferred, with all their risks and rights, to other sectors.</p> <p>Fully repaid in 1996. Repaid in 1997. Repaid in 1997. These issues were only negotiable between credit institutions and the Banco de España. Includes the long-term assets of credit institutions transferred, with all their risks and rights, to other sectors. Interest-bearing loans between non-financial corporations. Trade credits are not included.</p>

FINANCIAL INSTRUMENTS (AF/F) Items included	OBSERVATIONS
<p>5 SHARES AND OTHER EQUITY</p> <p>511 Quoted shares — Shares quoted on organised resident and non-resident markets.</p> <p>512 Unquoted shares — Shares not quoted on organised resident and non-resident markets.</p> <p>— Endowments and other kinds of capital supplied by non-resident non-financial corporations to their branches in Spain and by resident non-financial corporations to their branches abroad.</p> <p>513 Other equity — Capital of non-financial corporations which do not have the legal status of a sociedad anónima (public limited company). — State or Banco de España investments (whether or not in the form of shares) in the capital of international organisations. — Endowments supplied by non-resident banks to their branches in Spain and by resident banks to their branches abroad. — Other forms of equity investment by non-residents in Spain and by Spain abroad. — Investments by general government in the capital of state-owned enterprises which do not have the legal status of a sociedad anónima. — The State's holding in the capital of the Banco de España and in that of the ICO (Official Credit Institute). — Real-estate investments of non-residents (insofar as these are acquired by a "front" resident unit and financed by the issuance of equity vis-à-vis non-residents); and, similarly, the real-estate investments abroad of residents.</p> <p>521 Mutual funds shares — Shares in capital market mutual funds. Since 1999 these correspond, respectively, to the mutual funds included in the sub-sector other financial intermediaries, except insurance corporations and pension funds (S.123) and in the sub-sector other monetary financial institutions (S.122) (see the observations on money market funds in Scheme 2). — Shares in real estate mutual funds.</p> <p>522 Shares issued by investment companies — Shares in capital market investment companies. Since the adaptation to the provisions of Law 35/2003, open-end investment companies (SICAVs) (see Scheme 2). — Shares in real estate investment companies.</p>	<p>Includes shares in investment companies, until 2003.</p> <p>Data of the Central Balance Sheet Data Office and the Mercantile Registries have been used to estimate the total unquoted shares issued by non-financial corporations (see section 3.4. of the Methodological Notes and Scheme 4).</p> <p>Reinvested retained earnings on direct foreign investment are included.</p> <p>Data of the Central Balance Sheet Data Office and the Mercantile Registries have been used to estimate the total equity issued by non-financial corporations (see section 3.4 of the Methodological Notes and Scheme 4).</p> <p>Comprises the realisable value of shares in mutual funds (in the balance sheet data) and fund subscriptions net of redemptions plus the balance of the income, financial costs and operating costs items of the funds (in the financial transactions data).</p> <p>Comprises the net asset value of investment companies (in the balance sheet data) and the net subscriptions for shares (in the financial transactions).</p>
<p>6 INSURANCE TECHNICAL RESERVES</p> <p>611 Life insurance reserves</p> <p>612 Pension funds reserves Included here are the reserves set aside to cover future pension payments by life and risk insurance corporations, by non-profit insurance institutions and by associated, individual and employment pension funds (also known as autonomous pension funds), and by the so-called non-autonomous pension funds set up by other monetary financial institutions and non-financial corporations.</p> <p>62 Prepayments of insurance premiums and reserves for outstanding claims</p>	<p>This item includes the current value of future commitments relating to life insurance policies taken out.</p> <p><i>Autonomous funds</i> have a counterpart entry assigned in the assets of the fund set up. Non-autonomous pension funds are set up at the initiative of credit institutions and non-financial corporations in order to pay pensions to their employees, supplementing those they may receive from the Social Security System. Normally, non-autonomous pensions funds have no explicit counterpart entry in the assets of the company, but they have been included here because it is assumed they are recognised and provided pursuant to actuarial criteria by the companies that create them in favour of their employees (the sole condition specified in ESA 95 5.101). Although not all</p>

FINANCIAL INSTRUMENTS (AF/F) Items included	OBSERVATIONS
<p>Prepayments of insurance premiums arise because the duration of the insurance policy does not coincide with the fiscal year of the corporation. Reserves for outstanding claims cover the estimated value of indemnities pending at the end of the fiscal year. Technical reserves arising from reinsurance transactions are also included here (see the Methodological Notes).</p>	<p>Spanish non-autonomous funds may have such features, the decision to classify them all under this item is based on the fact that a legal process is currently under way in Spain to convert non-autonomous funds set up by non-financial corporations into autonomous funds. This process concluded on 31 December 2006.</p>
<p>7 OTHER ACCOUNTS RECEIVABLE/PAYABLE</p> <p>71 Trade credits and advances Includes credits, not in the form of the instruments set out above, granted to general government, granted to/received by the rest of the world, and client/supplier relations between non-financial corporations and households.</p> <p>79 Other accounts receivable/payable, excluding trade credits</p> <ul style="list-style-type: none"> – Diverse accounts receivable/payable. – Interest accrued on deposits/loans and pending receipt/payment (see Scheme 4, section C). – Transactions under way between financial corporations. – Transactions under way between general government bodies. – Outstanding taxes and social contributions. – Margin deposits in future transactions. – Errors and omissions of the balance of payments. – Other unclassified. 	<p>The estimation is based on information from the Central Balance Sheet Data Office, except in the case of credits granted to general government, for which general government budget outturn information is used. Trade credit between households is consolidated and does not appear in the accounts.</p> <p>Through clearing houses, transactions pending settlement, etc. Arising from obligations pending receipt and payment, and from current and capital transfers between general government bodies.</p>
<p>1. Until 2002, when euro banknotes and coins were put into circulation, these were peseta-denominated. 2. In pesetas until 2000, when the euro was created.</p>	

FINANCIAL TRANSACTIONS ACCOUNTS	FINANCIAL BALANCE SHEETS
A. GENERAL VALUATION PRINCIPLES FOR ALL CATEGORIES	
<p>A.1 REFERENCE CURRENCY</p> <p>The <i>Financial Accounts</i> are presented in millions of euro and no explicit indication is given for any sub-category of the transactions or balance sheets whose original series are expressed in foreign currencies. Naturally the extent to which the various transactions/balance sheets are expressed in any particular currency can be determined from the available database information. This database information has been translated into euro as follows:</p> <ol style="list-style-type: none"> Original series in pesetas (ending on 1/1/99). These have been expressed in euro at the irrevocable conversion rate. Original series in the other currencies that were integrated into the euro on 1/1/99. These have been expressed in pesetas at the exchange rate prevailing at the time of the transaction or at the end of the period (financial balance sheets) and have then been converted into euro as in a) above. Original series in other currencies. Until 1/1/99 the procedure of b) above has been followed, i.e. they have been converted into pesetas and then into euro, and from 1/1/99 they have been expressed in euro at the exchange rate prevailing at the time of the transaction or at the end of the period (financial balance sheets). <p>A.2 OTHER GENERAL PRINCIPLES</p> <p>The following three principles have also been followed:</p> <ol style="list-style-type: none"> Valuation of assets equal to liabilities Financial transactions are recorded at the transaction value, both in the case of transactions in euro and in that of transactions in other currencies, including in the case of securities other than shares the interest accrued less interest paid in the reference period. The balancing items of the balance sheet accounts have been recorded at market value, including in the case of securities other than shares the accrued interest not yet payable. 	
B. GENERAL VALUATION CRITERION FOR THE NEGOTIABLE SECURITIES CATEGORIES	
<p>3 SECURITIES OTHER THAN SHARES</p> <p>331 Short-term securities</p>	
<p>For the liabilities (issuing sectors), the transactions have been recorded at the actual issue value plus the interest accrued during the period less the actual amounts repaid.</p> <p>For the financial assets (holding sectors), the transactions have been estimated on the basis of the changes in stocks.</p>	<p>For the liabilities (issuing sectors), a market-price valuation has been obtained for the more liquid short-term securities. This valuation has been used to estimate that of the less liquid short-term securities.</p> <p>The financial assets (holding sectors) have been valued at market prices using information available on the realisable value of portfolios or estimating the market-price valuation on the basis of accounting data.</p>
<p>332 Long-term securities</p>	
<p>The transactions incorporate, together with the transaction value (the actual issue value less the actual redemption value) the interest accrued less interest paid during the reference period.</p> <p>For financial assets (holding sectors) the transactions have been estimated on the basis of the transactions of the period (obtained from the changes in the stocks and the profit and loss accounts) to which has been added the interest accrued less interest paid estimated for the holding sectors.</p>	<p>The valuation and estimation criteria are the same as those applied to sub-position 331 (short-term securities).</p> <p>In the case of non-residents' issues, international investment position data have been used, which since December 2002 include security-by-security information on negotiable securities and on their market prices.</p>
<p>34 Financial derivatives</p>	
<p>The transactions have been obtained from the changes in stocks (for options) and profit and loss account information (for total derivatives), for resident sectors, and directly from the transactions recorded in the balance of payments for non-residents. Since June 2006, information from credit institutions on derivative transactions has been used.</p>	<p>Stocks have been obtained for options since 2003. Since June 2006, stocks have been obtained for other derivatives, when the counterparty is a credit institution, from information provided by the latter on their transactions and positions in derivatives.</p>

FINANCIAL TRANSACTIONS ACCOUNTS	FINANCIAL BALANCE SHEETS
5 SHARES AND OTHER EQUITY 511 Quoted shares	
<p>The liabilities (issuing sectors) are obtained from the contribution of funds (nominal value plus share premium) of quoted resident companies, without including bonus shares or shares issued to exchange shares in corporations of the same sector in take-overs. The reductions in capital that distributions of funds to shareholders involve are considered negative contributions of funds. For the issues of non-residents the information on flows of Spanish investment abroad in negotiable securities and on balance of payments flows has been used.</p> <p>The assets (holding sectors) are obtained from the differences between stocks and profit and loss account information for residents. In the case of financial institutions, the data available security by security or the details of quoted shares from balance sheets are used. For non-financial corporations and households the information available in the statement of securities deposited with deposit institutions has been used. For non-residents the information on flows of foreign investment into Spain in negotiable securities and on balance of payments flows has been used.</p>	<p>Quoted shares of resident companies are valued at their market capitalisation.</p> <p>In the case of non-residents, use has been made of information on Spanish investment abroad in negotiable securities and on foreign investment in Spain in negotiable securities provided by the international investment position, which since December 2002 includes security-by-security information on negotiable securities and on their market prices.</p>
512 Unquoted shares	
<p>The liabilities (issuing sectors) are obtained in a similar way to that indicated for quoted shares, including reinvested earnings on direct foreign investment in Spain. For non-residents balance-of-payments flows are used, including reinvested earnings on Spanish outward direct foreign investment.</p> <p>For the assets (holders) of resident sectors the data on transactions are obtained from stocks and the profit and loss accounts for the total portfolio of shares and deducting that corresponding to quoted shares. Subsequently, reinvested earnings on direct foreign investment are added on in the sectors concerned.</p> <p>For non-financial corporations and households the information available in the statement of securities deposited with deposit institutions has been used.</p> <p>For non-residents, transactions relating to quoted shares are deducted from the balance-of-payments total investment flow and reinvested earnings on direct foreign investment in Spain are included.</p>	<p>Unquoted shares have been valued using some of the following criteria (as detailed in section B.bis of this scheme): net present value; estimation based on the market capitalisation of quoted shares and own funds of quoted companies; accumulation of financial transactions; valuation of own funds (capital and reserves).</p> <p>In the case of non-residents only portfolio investments have been valued at market prices. Direct investments have been obtained by accumulation of flows, except where the shares are quoted, in which case they have been obtained at market prices.</p> <p>The assets (holders) have been obtained from security-by-security information or from the details of the balance sheets of the financial institutions.</p> <p>For non-financial corporations and households the information of the statement of securities deposited with deposit institutions has been used.</p> <p>The data for non-residents have been obtained from the information of the international investment position.</p>
513 Other equity (excl. mutual funds shares)	
<p>The valuation criteria are the same as those applied for sub-positions 511 and 512, except for investment in property, which is obtained directly from the balance-of-payments transactions.</p>	<p>Valuation of own funds (capital plus reserves). Where a negative value is obtained, the amount of the net paid-up capital has been incorporated into the aggregate. In the case of investment in property the stock of the international investment position is taken directly.</p>
521 Mutual funds shares	
<p>Net contributions from shareholders (subscriptions less redemptions) in the reference period plus the balance of the financial income/costs and operating costs headings of mutual funds.</p>	<p>Realisable value of the shares</p>
522 Shared issued by investment companies	
<p>Actual amount of capital increases less that of reductions in capital.</p>	<p>Net asset value of the companies.</p>

FINANCIAL TRANSACTIONS ACCOUNTS	FINANCIAL BALANCE SHEETS
B.bis. SPECIFIC CRITERIA FOR THE VALUATION OF NEGOTIABLE SECURITIES CATEGORIES IN FINANCIAL BALANCE SHEETS	
This section sets out those cases in which for various reasons (basically the availability of information and degrees of liquidity) the criteria applied depart from the general valuation criteria, although in practice it has been attempted to approximate the latter taking into account the particularities of the markets and the Spanish institutional context.	
3 SECURITIES OTHER THAN SHARES	
<i>Issued by other monetary financial institutions (S.122)</i>	
The valuation of issues at a discount or zero-coupon issues has been carried out on the basis of the recorded stocks deducting the pre-paid interest on funds raised at a discount and adding the interest accrued during the period. Since the entry into force of Circular 4/2004, the available security-by-security information on issues has been used.	
<i>Issued by non-residents (S.2. Rest of the world)</i>	
Until 2002 Q3, the data relating to the portfolios of monetary financial institutions and portfolio investment institutions (including the latter in sub-sector S.123. Other financial intermediaries) have been obtained directly from their balance sheets, and those of other resident sectors have been obtained by accumulation of flows corrected for the exchange rate valuation effect. In this latter case, due to a lack of adequate information, the accumulation of flows has not been corrected for the changes in the prices of the assets. Since 2002 Q4 the security-by-security information available from the international investment position has enabled market price portfolios to be obtained for all sectors.	
5 SHARES AND OTHER EQUITY 511/512 Shares	
<i>Issued by monetary financial institutions</i>	
The unquoted shares of banks have been valued by applying to their own funds (capital and reserves) the relationship between the market capitalisation and the own funds of the shares of banks that are quoted. This is the method that seems to be implied by ESA 95, so that it is not worth giving any more details of these calculations.	
The valuation of the shares issued by other monetary financial institutions matches the value of their own funds (capital and reserves).	
<i>Issued by other financial intermediaries, financial auxiliaries and insurance corporations</i>	
Unquoted shares have been valued according to their own funds (capital and reserves).	
<i>Issued by non-financial corporations</i>	
Unquoted shares have been valued using the net present value criterion using a discount rate and risk premiums derived from quoted corporations. Unlike in the case of banks it has not been possible to extrapolate to non-financial corporations the market capitalisation/own funds ratio of quoted non-financial corporations, as the quoted corporations are hardly representative of the sector as a whole. Corporations for which this value is negative have been included at the amount of their net paid-up capital.	
To obtain the total value of unquoted shares, the shares included in the portfolio of non-residents (S.2. Rest of the world) have not been valued at market prices like direct investment since, as mentioned above, this portfolio is not valued at market prices in the international investment position.	
<i>Issued by non-residents (S.2. Rest of the world)</i>	
The data relating to the portfolios of monetary financial institutions and collective investment institutions (the latter being included in sub-sector S.123. Other financial intermediaries) have been obtained directly from their balance sheets, and those of other resident sectors have been obtained by the accumulation of flows corrected for the exchange rate valuation effect. Since 2002 Q4 the international investment position provides security-by-security and market price information for portfolio investment. Under portfolio investment to 2002 Q3, the balance of payments flows have been de-accumulated, adjusting for price and exchange rate effects.	
513 Other equity (excl. mutual funds shares)	
<i>Issued by monetary financial institutions</i>	
The equity holdings in the Banco de España and in the ICO (recorded in the liabilities of the Banco de España and of the ICO and in the assets of the State) are valued according to their own funds (capital and reserves). The equity holdings in banks' foreign branches are valued according to the capital endowments transferred to such branches.	
<i>Issued by non-financial corporations</i>	
Valued according to their own funds (capital and reserves). The corporations for which this value is negative have been included at the amount of their net paid-up capital.	

FINANCIAL TRANSACTIONS ACCOUNTS	FINANCIAL BALANCE SHEETS
C. GENERAL CRITERION FOR THE VALUATION OF THE DEPOSITS AND LOANS CATEGORIES	
<p>Differences between financial balance sheets adjusted for exchange rate changes in the case of currency, deposits and loans in currencies other than the euro. In principle ESA 95 establishes that, as in the case of the rest of the categories, the interest accrued less interest paid in the period on these financial instruments should be recorded by modifying their amount, as if such interest were reinvested in deposits and loans. However, where national practice differs, or the available information does not permit this, it is recorded under other accounts receivable/payable (F.79). This is what has been done in the Financial accounts (as indicated in the content of sub-category F.79 set out in Scheme 3).</p>	<p>Book value (nominal). The interest accrued on these financial instruments but not yet due is not included for the reason given in the reference to the financial transactions accounts.</p>

SECTORS AND ITEMS	Boletín estadístico (chapter)	SOURCE	
S.11 NON-FINANCIAL CORPORATIONS	—	Register of securities issues of the National Securities Market Commission (CNMV) and information on securities issues obtained from the official Mercantile Registry bulletin and specialist publications.	
	—	Central Balance Sheet Data Office of the Banco de España. Specific use of database information to check the consistency of the sectoral information from the counterpart sectors and, specifically, to determine the valuation of the general government portfolio of non-financial corporations, in order to value unquoted shares and other equity issued by non-financial corporations and to determine the categories insurance technical reserves (of non-autonomous pension funds), loans (inter-company loans) and other accounts receivable/payable (arising from trade credits).	
	—	Since 1999, information on mutual funds shareholders supplied to the CNMV by mutual fund managers. Until then, a Banco de España survey of the management companies of collective investment institutions on mutual funds shareholders.	
	—	Details of securities deposited at banks, savings banks, credit co-operative banks and the Instituto de Crédito Oficial (Official Credit Institute) sent to the Banco de España.	
	—	Information from the statistical sources of the other sectors insofar as it relates to this sector.	
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S.12 FINANCIAL CORPORATIONS	S.121 Banco de España	7	EMU statistical requirements and other details from the Banco de España balance sheet.
		—	The Banco de España profit and loss account.
	S.122 Other monetary financial institutions	8	EMU statistical requirements and the balance sheets and supplementary statements submitted by credit institutions to the Banco de España.
		4	Credit institutions' profit and loss accounts.
		8	EMU statistical requirements and the balance sheets and profit and loss accounts submitted by money market funds to the CNMV.
	S.123 Other financial intermediaries	9	The balance sheets and profit and loss accounts submitted to the CNMV by both capital market and real-estate collective investment institutions (except the money market funds included in sub-sector S.122).
		9	The balance sheets and profit and loss accounts submitted to the CNMV by securities dealer companies, FVCs and venture capital funds and companies.
		9	Accounting statements of the holding companies of financial corporations, obtained from the Mercantile Registry.
		9	Prospectuses for preference shares and other securities (Law 19/2003) disseminated by the CNMV, or announced in the official Mercantile Registry bulletin and the accounting statements filed with the Mercantile Registries.
	S.124 Financial auxiliaries	9	Annual report of the Deposit Guarantee Funds and that of the Insurance Undertakings Settlement Commission until it was included in the Consorcio de Compensación de Seguros (Insurance Compensation Consortium).
		9	The balance sheets and profit and loss accounts submitted by mutual guarantee companies and appraisal companies to the Banco de España.
		9	The balance sheets and profit and loss accounts submitted to the CNMV by mutual fund management companies, portfolio management companies, securities agencies, stock exchange and derivative market managing companies, AIAF (association of securities dealers) and the securities clearing and settlement services.
		9	The accounting statements (balance sheet and profit and loss account) of pension fund management companies published by the Directorate General of Insurance in the annual statistical reports on pension schemes and funds.
		10	Quarterly information bulletin of the Directorate General of Insurance and Pension Funds (DGSFP).
		10	Annual statistical report. Insurance undertakings of the DGSFP.
10		Annual statistical report. Pension schemes and funds of the DGSFP.	
S.125 Insurance corporations and pension funds	10	Annual report of the Consorcio de Compensación de Seguros (Insurance Compensation Consortium).	
	10	Report. Insurance sector. DGSFP.	
	10	Report of the Association of collective investment institutions and pension funds (INVERCO) on the net asset value and portfolios of pension funds.	
	10	Economic report on the insurance sector. ICEA.	
	10		
	10		

SECTORS AND ITEMS	Boletín estadístico (chapter)	SOURCE
	10 10	Report on activities. National confederation of non-profit insurance institutions. Other information on non-profit insurance institutions supervised by regional (autonomous) governments.
S.13 GENERAL GOVERNMENT	7 8 21	Information of the Control and Accounting Department of the Banco de España. Balance sheets and supplementary statements submitted by credit institutions to the Banco de España. Public-debt market book-entry system up to April 2003. Thereafter the Banco de España and the Directorate General of the Treasury and Financial Policy (for State issues) and Iberclear (for the public-debt book-entry market). Central Balance Sheet Office of the Banco de España.
S.1311 Central government	12 12 12 12 12	National Audit Office (IGAE): — Budget outturn statistics. — Preliminary general government budget results. — General government accounts. — General government economic and financial statements. Directorate General of the Treasury and Financial Policy: Foreign-currency liabilities and Monthly bulletin.
S.1312 Regional (autonomous) governments	13 13 13 21 13	IGAE: General government accounts. Directorate General of Community Funds and Territorial Financing: Budgets of the regional (autonomous) governments and Budget outturns of the regional (autonomous) governments. Official Gazettes of the regional (autonomous) governments. Official State Gazette and information on issues supplied by the regional (autonomous) governments and the Directorate General of Community Funds and Territorial Financing. Information from the Banco de España Central Credit Register.
S.1313 Local governments	14 14 21 14	IGAE: General government accounts. Directorate General of Community Funds and Territorial Financing: Budgets of the local governments and Budget outturns of the local governments. Register of securities issues of the CNMV and the Official State Gazette and information on issues supplied by local governments. Information from the Banco de España Central Credit Register.
S.1314 Social security funds	12 12 12 12	Directorate General of Planning of the Social Security System: Social Security bulletin and Social Security System accounts and balance sheets. Social Security System General Treasury: Preliminary budget outturn of revenues and Statistical report. IGAE: General government accounts. State Public Employment service: Provisional budget outturn.
S.14/15 HOUSEHOLDS AND NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS	— — —	Information from the statistical sources of the other sectors insofar as it relates to this sector. Details of securities deposited at banks, savings banks and credit co-operative banks sent to the Banco de España. Since 1999, information on mutual funds shareholders supplied to the CNMV by mutual fund managers. Until then, a Banco de España survey of the management companies of collective investment institutions on mutual funds shareholders.
S.2 REST OF THE WORLD	17 17 —	Balance of payments of the Banco de España. International investment position, Banco de España. International Banking and Financial Market Developments. Bank for International Settlements (BIS).

1. This scheme indicates the main information sources used to compile the Financial Accounts. Naturally, the assignment of an information source to one sector does not mean that it does not include information relating to other sectors, since the assets/liabilities of one sector correspond to the liabilities/assets of the other sectors.