METHODOLOGICAL NOTES ON THE FINANCIAL ACCOUNTS OF THE SPANISH ECONOMY

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Statistics Department

Notas Estadísticas
N.º 5

BANCO DE **ESPAÑA**
Eurosistema

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Summary

The Financial Accounts of the Spanish Economy (FASE) set out the economic flows of a financial nature and the resulting financial positions and form part of the Spanish system of National Accounts. They are disseminated in a publication of the same name which includes a summary of the non-financial transactions of the National Accounts. The Banco de España has compiled and disseminated this statistic with annual data since the early 1980s and with quarterly data since 2000. This document describes the methodology used to compile the FASE, which takes as a reference that of the European System of Accounts (ESA 95) contained in Regulation (EC) No 2223/96 and binding on all European Union countries. The FASE are disseminated quarterly at www.bde.es, with a 16-week lag with respect to the reference quarter; an annual edition is disseminated together with the Bank's Annual Report. The document is structured in seven sections relating to the main methodological features: legal and institutional framework, dissemination of information, compilation and structuring of accounting information, consistency of information from different standpoints, delimitation of institutional sectors and main sectoral information sources and, finally, classification of financial instruments and some salient aspects of their valuation. Fuller details of the conceptual features of this statistic can be found in ESA 95.

1 Introduction

This document sets out the compilation methodology for the *Financial Accounts of the Spanish Economy*. This statistic records the financial flows and related financial positions between the various sectors of the Spanish economy and between these and the rest of the world and constitutes the statistical basis for the financial analyses of the economy, including that made by the Banco de España in its *Annual Report*. The reference methodology used by the FASE is the European System of Accounts. The Banco de España has been disseminating this statistic with annual data since the beginning of the 1980s and with quarterly data since 2000. At present there are time series with quarterly periodicity for the period 1980-2010 and with annual periodicity for the period 1980-1990. The *Financial* Accounts of the Spanish Economy ("FASE") are disseminated annually towards the middle of June in a print edition together with the Bank's *Annual Report* and, in addition, the time series are updated quarterly at www.bde.es with a lag of 16 weeks with respect to the reference quarter.

These Methodological Notes consist of seven sections. Following this introduction is a description of the legal and institutional framework of the financial accounts; Section 3 addresses diverse matters relating to the dissemination of this statistic; Section 4 describes the process of compilation and how the accounting information of the system is structured; Section 5 analyses the consistency of information from different standpoints; Section 6 deals with the delimitation of institutional sectors and the main information sources of each of them; and, finally, Section 7 is devoted to the classification of financial instruments and some salient aspects of their valuation.

2 Legal and institutional framework

The FASE form part of the Spanish system of National Accounts and, like other statistics of national interest, are included in the **National Statistics Plan**, which has a four-year periodicity and is approved by Royal Decree according to the guidelines contained in the Government Statistics Law.[1] Responsibility for compiling the Financial Accounts has always fallen to the Banco de España.

The FASE **methodology** follows the European System of Accounts (ESA 95) contained in Council Regulation (EC) No 2223/96 of 25 June 1996, which also governs the compilation of non-financial accounts. As this System was enacted through a Regulation, all parts of it are binding upon all EU Member States, thereby ensuring: (i) the *same methodology* is used in all countries; (ii) a *common minimum national data availability*; and (iii) a *harmonised schedule for sending information* to Eurostat. The latter two points are included in a Transmission Programme forming part of the aforementioned Regulation.[2]

The National Statistics Institute ("INE" by its Spanish abbreviation) is the agency responsible for compiling the Spanish National Accounts (www.ine.es), 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, which, as indicated above, is compiled by the Banco de España. Maintaining the reconciliation between the *net lending (+)/borrowing (–)* and the *net financial transactions* of the various institutional groupings of the System is not an easy task. This is because the two institutions which calculate them use different underlying information and, often, different compilation timetables. Therefore, these two institutions have been working in close cooperation for many years so that the two balances are as similar as possible.

As regards the general government sector, to the **institutional cooperation** between the Banco de España and the INE may be added that of these two agencies with the National Audit Office ("IGAE" by its Spanish abbreviation). An important part of this cooperation is the sectorisation of certain institutional units controlled by general government, the assignment of which to this sector or to the financial institutions or non-financial corporations sectors may require careful assessment, given the effect on the measurement of government deficit and debt under the Protocol on the excessive deficit procedure.

In the European Union, **Eurostat** is the EU body charged with compiling national statistics of EU interest, making them available to users and verifying compliance with the requirements of ESA 95 with regard to both methodology and data transmission. An active part is played in these tasks by national experts and international bodies.[3] In relation to the financial accounts, the Transmission Programme, which, as mentioned above, forms part of

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1. The National Statistics Plan currently in force relates to the period 2009-2012 (RDL 1663/2008). The Financial Accounts of the Spanish Economy are included in this Plan under Statistical Operation 5858.

2. The ESA 95 is harmonised with the System of National Accounts (SNA 93), drawn up 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). In 2008, new versions of the SNA 93 (SNA 98) and of the IMF Balance of Payments Manual (6th edition) were approved. The new version of the ESA, now approved and in the course of adoption as law) will be consistent with the new versions of these manuals and will foreseeably come into force in 2014.

3. This participation is through standing committees and permanent working groups, including most notably: the Committee on Monetary, Financial and Balance of Payments Statistics, in which National Statistics Institutes and Central Banks participate; the Committee of Macroeconomics Statistics Directors; and the Financial Accounts Working Group the ESA 95 Regulation, establishes the obligation to send annual data for *consolidated and non-consolidated financial balance sheets and financial accounts of the institutional sectors*, with a lag of nine months. However, Spain, like other countries, has been sending data with a significantly shorter lag, of six months. In the case of Spain this shorter lag does not give rise to excessive difficulties since the Spanish financial accounts are disseminated with a lag of less than four months. The European Sector Accounts database[4] contains the financial accounts data (Tables 6 and 7 of the Transmission Programme) of the 27 EU countries.

In addition, Regulation (EC) No 501/2004 establishes the obligation on Member States to compile *quarterly non-financial and financial accounts for the general government sector*, with a lag of 90 calendar days with respect to the last quarter of reference. The *Government finance statistics* database[5] contains the public finances data for the 27 EU countries.

Meanwhile, the Banco de España, as a member of the European System of Central Banks (ESCB), is subject to the rules issued by the **European Central Bank (ECB)**. In the area of financial accounts, ECB Guideline ECB/2007/13 sets reporting requirements for the National Central Banks (NCBs) of the Member States which have adopted the euro. As in the case of Eurostat, the ECB and NCBs cooperate closely through diverse committees and working groups[6] which discuss and agree on practical aspects of the ESA 95 recommendations which pose most difficulty, in order to ensure the consistency of aggregate euro area statistics.

Under ECB rules, NCBs must submit *quarterly financial accounts* to the ECB with a lag of 110 calendar days with respect to the last quarter included in the accounts. There are certain differences between the quarterly data that the NCBs send to the ECB and the annual data that are sent to Eurostat (apart from the different periodicity), although they should be fully consistent.[7] In general, although the quarterly data sent to the ECB are somewhat less detailed than the Eurostat data as regards the institutional sectors and sub-sectors and the categories of financial assets for which information is presented, they incorporate the details of the counterpart sectors for the main categories of financial assets, and distinguish, within the positions vis-à-vis the rest of the world, between those that have euro area countries and those that have other countries as counterpart, which enables the ECB to compile euro area accounts, consolidating the internal euro area positions. A significant portion of this information is disseminated in the *Euro area accounts* section of the ECB's *Statistical data warehouse*.

Finally, it should be mentioned that the international financial crisis of the last few years has given rise to intense work by international organisations to develop proposals to improve the quality and content of the statistical information on balance sheets and financial transactions. In the context of the G20, the member countries and observers of this group and the international organisations of a financial nature, led by the **IMF**, have identified a set of financial statistics that need to be developed in order to achieve the quality standards and greater detail, including *balance sheets and sector accounts, with counterpart details*.

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4. Available at http://epp.eurostat.ec.europa.eu/portal/page/portal/sector_accounts/data/database

5. Available at http://epp.eurostat.ec.europa.eu/portal/page/portal/government_finance_statistics/data/database

6. Notable among these because of their direct responsibility for compiling the euro area financial accounts are the Statistics Committee and, among the bodies reporting to it, the Working Group on Euro Area Accounts.

7. Although this is true in the case of Spain, as there is only one procedure for compiling quarterly and annual accounts, in some countries that have two compilation procedures, one annual and the other quarterly, the consistency is not complete.

3 Dissemination of information

Although the ESA 95 Regulation requires only annual series, the Banco de España decided that, from the Regulation's entry into force in 2000, it would adopt a quarterly periodicity in the Spanish financial accounts, both in the available time series and in their dissemination, to meet user demand. This decision was in line with the intense legislative work in the EU in those years, aimed at achieving a higher periodicity of the National Accounts statistics and other key macroeconomic statistics.

The *Financial Accounts of the Spanish Economy* are disseminated in **two editions**, one in printed form and the other in electronic form, available at www.bde.es. The print edition, which comes out in June along with the Bank's *Annual Report*, contains a methodological summary and a wide selection of tables. The electronic edition is updated quarterly with a lag of approximately 110 calendar days (usually on the 20th of the fourth month after the latest quarter included in the Accounts), is preceded by a brief note describing the changes introduced and contains all the available tables. The specific dates of the updates of the Accounts appear in a release calendar for the publication, which, along with other Banco de España statistics, is available at www.bde.es.

The financial accounts themselves form Chapter 2 of the publication. Chapter 1 is a summary of the non-financial accounts, included so that the transactions to be financed can be related to their financial counterparts. Chapter 3 contains statistics of a national and international nature.

The FASE are available in the form of annual and quarterly **time series**. The format of the series is PDF files for the last eight quarters and the last eight years included in both the print and electronic publication, and CSV[8] files for all the time series available. In addition, the complete period available may be accessed using the system called Time Series Search Engine ("BIEST" by its Spanish abbreviation). This system allows access to all information and metainformation compiled and disseminated by the Statistics Department of the Banco de España.[9]

Regarding the **content** of the Accounts, these comprise financial transactions and financial balance sheets with a quarterly periodicity for the period 1990-2010 and with an annual periodicity for the period 1980-1989. The revaluation accounts and accounts of other changes in volume are disseminated for the years and quarters included in the annual publication and in each quarterly update, specifically in Tables 2.37 to 2.44 which present the complete link between the financial balance sheets at the start and close of each period. The same methodology is used to prepare both the annual and quarterly time series.

The FASE are presented in **unconsolidated form**, except as stated at the end of the following section. However, a consolidated version of the Accounts can be prepared from the information contained in them. Specifically, in Section d) of the publication, Tables 2.29 to 2.36 show, for each institutional sector, financial balance sheets and financial transactions accounts with information on counterpart sectors ("from whom to whom" basis), including the counterpart vis-à-vis the sector itself; accordingly, by elimination of the asset and liability

8 CSV stands for "comma separate values".
9 BIEST may be consulted at http://app.bde.es/tsi_www/paginaBienvenida.do

positions within each sector itself, the consolidated accounts of each sector may be obtained. Obviously, the rest of the world account is the consolidated account of all the resident sectors of the Spanish economy from the standpoint of Spain.

The experience acquired since these Accounts were first published on the basis of the ESA 95 in 2000 has made it possible to establish a **revision** policy which, while ensuring that the modifications that occur and that generally affect the most recent quarters to a greater extent are incorporated, gives the published series a degree of stability. Thus, when the accounts for each quarter are updated, at most the accounts of the eight preceding quarters and their corresponding years are revised.

In addition to the quarterly updates and revisions, in June of each year, before the annual print edition is published, the quarterly update made in April is revised (also with application 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 the circumstances warrant (conceptual changes, new source information, extension of the time series and the like).

4 Compilation and structuring of accounting information

The FASE are compiled in **various stages**: (i) collection of the base data of each sector, (ii) selection, for each type of financial transaction, of the best source of information, (iii) consistent compilation of financial balance sheets, financial transactions and other flows, (iv) assurance that resources equal uses in balance sheets and financial transactions, and (v) analysis to ensure consistency between the capital account balances and financial transactions balances of institutional sectors and sub-sectors. Once these stages have been completed, the accounts of the various sectors are subjected to a number of consistency tests and are checked against the accounting information available for these sectors.

The FASE are compiled using the information stored in the Banco de España **databases** and, more specifically, that available in a time-series database (FAME) that has over 300,000 series for this purpose. The management of these data is fully integrated with the primary information sources, which include the financial statements of non-financial and financial corporations, government budgetary information, securities market registers and external transactions and positions.

These base data are gathered by the Banco de España as part of its functions and largely made available to users in its website publications. From this basic information, the financial instruments that circulate in the Spanish economy, including those arising from relations with the rest of the world, are identified and classified in a matrix whose rows and columns correspond to approximately 40 financial instruments and 20 institutional groupings –reduced, at a later stage, to the ESA 95 standardised instrument, sector and sub-sector categories– which are those disseminated in the print edition of the FASE.

For each of the financial instruments recorded in the financial accounts, the groupings that issue and that hold them are identified, for which purpose it is often necessary to decide between various information sources (data from the issuer, from the holder and even from the markets). 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 the deposits from the accounting statements of the banks concerned and from the accounting information sent by non-financial corporations to the Banco de España’s 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, Iberclear records 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 sent to the Banco de España by deposit-taking institutions in application of accounting circulars report both total deposits and the breakdown of the various sectors of the economy to which they belong. This information on deposits is included both in the liabilities of deposit-taking institutions’ accounts and in the assets of the sectors holding those deposits. This ranking of sources thus means that part of the information for a given sector disseminated in the in financial accounts may come from sources not belonging to that sector. An alternative way of treating the differences often encountered in a given transaction or position between two different sectors would be to respect the information from each sector and enter an adjustment reflecting the divergence. In the FASE this option has been ruled out because it would involve having to assign the discrepancy to a counterpart sector or sectors for which sufficient information is generally not available.

Additionally, for each of the financial instruments of the economy, identified in the above-mentioned matrix, the following accounting identity must hold:

$$[1]\ S_t = S_{t-1} + OF_t + R_t + OV_t$$

where S_{t-1} and S_t are the outstanding stocks at the start and end of the period, OF_t the financial transactions of the period, R_t the revaluations and OV_t the changes recorded in the stocks owing to other changes in volume (e.g. institutional units changing from one sector to another or unilateral bad-loan write-offs). Annex 1 schematically shows how these accounts are integrated.

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 it is a stock, a transaction, a revaluation or a change in volume. This coding facilitates the formal consistency of the whole system.

In the system of national accounts, the financial balance sheets and the financial transactions account can be prepared in consolidated or unconsolidated form. The preparation of consolidated accounts means that the flows or positions vis-à-vis entities forming part of the sector in question have to be eliminated from each financial asset and liability caption. Naturally, to be able to perform this consolidation, the system of accounts must provide the required information. As noted in the previous section, the FASE are prepared and disseminated in unconsolidated form except for trade credits and advances in the households sector which do not include any credits and advances between units of this sector (credits between sole proprietors and those granted by sole proprietors to households for consumer purposes). Nevertheless, the information in the system can be used to prepare consolidated accounts of the institutional sectors because, as indicated above, the account preparation procedure allows the **counterpart sectors** of each caption to be identified. In the case of the financial balance sheets, the breakdown of the counterpart sectors allows us to identify the debtor/credit positions of a sector vis-à-vis the other sectors of the economy at the end of the reference period, while in the case of the financial transactions account, the breakdown of the counterpart sectors identifies the net financial flows between the various sectors in the period.

5 Consistency of information

The accounting identity that appears in the previous section [1] ensures the **consistency over time of** the balance sheets, transactions and *other flows* (revaluations and other changes in volume) in the financial accounts.

For most sectors, the amounts that appear as transactions in the Financial Accounts are obtained as the differences between the stocks of financial assets (or, as the case may be, liabilities) in two consecutive quarters. Changes in stocks that do not correspond to actual transactions, i.e. *other flows* (capital gains and losses, changes due to exchange rate movements, write-downs, etc., which are basically inferred from the income statements of the units in question), are deducted from the amount of these differences. However, certain transactions are calculated directly on the basis of the base information, e.g. securities issues, and even some financial asset and liability items are determined by means of accumulation of flows. Section e) of Chapter 2 of the publication FASE (Tables 2.37 to 2.44) shows the link between the balance sheets at the beginning and at the end of the period, financial transactions and other flows due to (i) revaluations and (ii) other changes in volume, for the various institutional sectors.

In the process of compilation of the Financial Accounts two types of *revaluation of financial assets and liabilities* are identified: a) those deriving from the change in market prices of listed financial assets/liabilities (the case of categories 3 Securities other than shares, 511 Quoted shares and 52 Mutual funds shares), or that can be estimated on the basis of the conditions prevailing on the markets (the case of category 512 Unquoted shares), and b) those that affect the financial assets and liabilities denominated in currencies other than the euro, as a consequence of changes in the euro exchange rate.

In relation to *other changes in volume,* the ESA 95 indicates two types of other flows that potentially affect financial categories. These are: a) the other changes in volume of financial assets and liabilities (K.10), which correspond, for example, to SDR allocations and cancellations, changes in insurance technical reserves due to changes in technical actuarial criteria and the age structure of the population, loan write-downs or other statistical discrepancies, among others, and b) other flows due to changes in classification and structure (K.12), which are reflected in the financial categories, as a result, for example, of reclassifications of institutional units from one sub-sector to another (in this case it would affect the entire balance sheet of the units involved) or reclassifications of certain financial instruments.

As in the non-financial accounts, the identity uses = resources holds for each of the categories of the system. In the case of the financial accounts this translates into the identity financial assets = liabilities for each of the financial instruments. This identity is also known as **horizontal consistency of the data**.

Normally when different data sources are used for the issuing and holding sectors of a particular category of financial assets (e.g. quoted shares) inconsistencies arise. These need to be resolved, either by estimating some of the holding sectors residually, or by distributing the discrepancies between several of them (normally, the main holding sectors) subsequently. In the case of the Spanish financial accounts this horizontal consistency of the data is assured by the fact that in the initial process of identification of the financial instruments and selection of the data sources the counterpart sectors of each are identified and this information is incorporated into the accounts of both the holding sector and the issuing sector.

In addition to this horizontal consistency, it is desirable for the non-financial accounts and the financial accounts to be consistent with each other. As indicated above, the INE is the agency responsible for compiling the non-financial accounts of the various institutional groupings. The balancing item of the last of them, the capital account, links up with the financial transactions account. In Chapter 8 of ESA 95, on the structure of the accounts and balancing items of the System, the balancing item (resources less uses) of the capital account is called "net lending (+)/net borrowing(-)". This is the same name as the one the System gives to the balancing item of the financial account, which highlights the conceptual identity of these two items. For practical reasons, the balancing item of the financial account (obtained by deducting from the net acquisitions of financial assets of each institutional grouping the net liabilities it has assumed) is called "net financial transactions" in the FASE. *Annex 2* includes in schematic form the structure of the non-financial and financial accounts.

To establish the **vertical consistency of the system** by reconciling the "net lending (+)/net borrowing" with "net financial transactions" of the various institutional groupings is a difficult task, since, as already mentioned, they are calculated by different institutions, in most cases on the basis of different underlying information and frequently at different times. To overcome these difficulties, the teams responsible for this work at the INE and the Banco de España, with the collaboration of the IGAE in relation to the general government sector, coordinate their compilation processes as far as possible. Two blocks of information are distinguished in this process, namely:

Block 1. Made up of the sectors financial corporations, general government and the rest of the world, whose non-financial accounts are compiled on the basis of underlying information available at the Banco de España or at the IGAE, which the INE, as part of the tasks for which it is responsible, includes in the Spanish National Accounts. This allows the compilers of financial accounts to be aware of 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, the balancing items obtained for their capital accounts. The identity of these two balancing items has been achieved by introducing a statistical adjustment in the category other accounts receivable/payable, once the low level of their amount and/or the offsetting of these timing differences over time has been substantiated. In the case of general government, this reconciliation is only performed on the annual data.

Block 2. Made up of the sectors that compose 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 by the Banco de España, in two different processes and on the basis of different underlying information, so that it is complicated to unify the two balancing items. Neither the INE nor the Banco de España can stop using their statistical sources for these sectors without calling into question the ultimate foundations of the systems in which they operate and in which they determine aggregates such as, on one hand, gross disposable income, saving and gross capital formation and, on the other, the funding and financial investment of the various sectors and, indirectly, the monetary aggregates and their counterparts. For these reasons, and in contrast to the case of the accounts of the block 1 sectors, the teams compiling the financial and non-financial accounts estimate the balancing items of the capital account and the financial account for block 2 independently, on the basis of their own sources, and therefore their estimates do not coincide. However, information checks and exchanges are usually made to reduce the discrepancies.

The adoption of common balancing items for the capital and financial accounts of the sectors rest of the world, financial corporations and general government has implications for non-financial corporations and households and NPISHs. As mentioned above, this is done by introducing a *statistical adjustment* in the transactions recorded among the net liabilities assumed, specifically in the category other accounts payable, except trade credits (F79), of these three sectors that makes the balancing item of the financial account equal to that of the capital account. Naturally, the introduction of these statistical adjustments is dependent on an analysis of their amount, which will be discussed again below. At the same time, following the logic of the system, the introduction of these statistical adjustments in the three sectors mentioned requires that their counterpart sectors be determined. In the present system, these counterpart adjustments have been entered in the grouping other resident sectors (and subsequently distributed among their components), in the same category, F79 other accounts payable, except trade credits, on this occasion with the opposite sign.

When comparing the quality of the estimates included in the Accounts, the amounts of the discrepancies and statistical adjustments mentioned (whatever their sign) are analysed, since, if they are large and/or behave very differently, they might be highlighting the need to revise the estimates on which they are based and, if they offset each other over successive periods, they might indicate the correctness of considering them to be receipt and payment timing differences (F79).

6 Delimitation of institutional sectors and information sources

In the financial accounts, as in the non-financial accounts, institutional units are classified into sectors and sub-sectors according to the economic function they perform. Specifically, the following institutional sectors are distinguished: non-financial corporations, which produce non-financial market goods and services; financial corporations, which engage in financial intermediation; general government, whose main functions are the production of "non-market" goods and services and the performance of operations to redistribute national income and wealth; households, in their dual role as consumers and producers (sole proprietors); and, finally, non-profit institutions serving households, which produce "non-market" goods and services and make them available to households. In addition, the system of national accounts sub-divides these sectors into sub-sectors.

Table 1 shows how the various types of legal entities existing in Spain are assigned to the different institutional sectors/sub-sectors. The following sections specify the main legal and institutional characteristics of the groups of entities included in each sector/sub-sector and the information sources available from the sector itself. In addition, *Annex 3* offers more detailed information on the information sources used and *Annex 4* describes the main information sources for the balance of payments and the international investment position, which are, in turn, the main sources for compiling the financial account of the rest of the world.

6.1 Financial corporations (S.12)

This sector comprises resident institutions principally engaged in financial intermediation (financial intermediaries) and/or in auxiliary financial activities (financial auxiliaries). It includes non-profit institutions, recognised as independent legal entities, serving financial corporations. The sector is divided up into: the Banco de España; other monetary financial institutions; other financial intermediaries, except insurance corporations and pension funds; financial auxiliaries; and insurance corporations and pension funds. In the FASE the first two sub-sectors make up the aggregate monetary financial institutions and the other sub-sectors the aggregate non-monetary financial institutions.

TABLE 1. DELIMITATION OF THE INSTITUTIONAL SECTORS

S11 Non-financial corporations		Public limited companies, private limited companies, other non-financial corporations that are separate legal entities and other market-producer public bodies
S.12 Financial corporations	S121 Banco de España	The national central bank
	S122 Other monetary financial institutions	Deposit-taking institutions (commercial banks, savings banks and credit cooperatives), the Instituto de Crédito Oficial, specialised credit institutions, money market funds (MMFs) and electronic money institutions
	S123 Other financial intermediaries, except insurance corporations and pension funds	Collective investment institutions (other than MMFs), securities-dealer companies, financial vehicle corporations, venture capital funds and companies, financial holding companies and issuers of preference shares
	S124 Financial auxiliaries	Deposit guarantee funds, securities brokers, mutual guarantee companies, appraisal companies, management companies (of pension funds, mutual funds and investment companies), operators of organised markets and companies performing settlement and market clearing functions
	S125 Insurance corporations and pension funds	Life and risk insurance corporations, non-profit insurance institutions, the *Consorcio de Compensación de Seguros* and autonomous pension funds
S13 General government	S1311 Central government	The State and its autonomous agencies, public corporations that are non-market producers, the Fund for the Acquisition of Financial Assets (FAAF), the Fund for the Orderly Restructuring of the Banking Sector (FROB) and the Electricity Deficit Amortisation Fund (FADE)
	S1312 Regional (autonomous) governments	Management institutions of the regional (autonomous) governments and their autonomous agencies, including universities, transferred social security and public corporations that are non-market producers
	S1313 Local governments	Provincial, island, municipal, town and minor local authorities and their groupings, autonomous agencies and public corporations that are non-market producers
	S1314 Social security funds	The General Treasury and other management entities (including mutual insurance companies covering workplace accidents and occupational diseases), the National Public Employment Service and the Wage Guarantee Fund
S14 Households		Individuals and groups of individuals (families and other groups) as consumers and as sole proprietors (firms that are not legal entities separate from their owners)
S15 Non-profit institutions serving households		Non-profit institutions that provide services to households and that are "non-market" producers, such as non-government organisations, foundations, associations, religious entities, political parties, trade unions, etc.

S.121) BANCO DE ESPAÑA

The ESA 95 establishes a sub-sector within the sector financial corporations in which the national central bank should be included, even when the latter forms part of the European System of Central Banks (ESCB). In the FASE, this sub-sector corresponds to the Banco de España, which is also the supervisor of the Spanish banking system. Its activity is regulated by the Law of Autonomy of the Banco de España (Law 1/1994 of 1 June 1994). The information source to compile the accounts of this agent is the information provided by the Banco de España itself, i.e. its balance sheet and income statement..

S.122) OTHER MONETARY FINANCIAL INSTITUTIONS

This grouping comprises resident monetary financial institutions other than the Banco de España. As they are resident institutions, the activity of the Spanish branches of foreign institutions is included in the FASE and the activity of the foreign branches of Spanish institutions is not included. The main sources for this sector are the accounting statements that the credit institutions submit to the Banco de España and that money market funds (MMFs) submit to the CNMV.

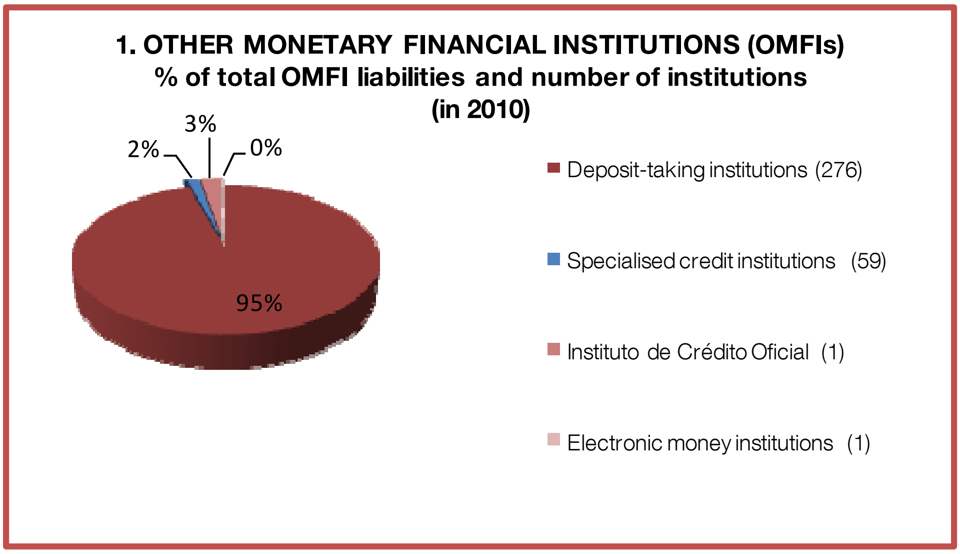
a) Credit institutions

This grouping comprises deposit-taking institutions (commercial banks, savings banks and credit cooperatives), the Instituto de Crédito Oficial and specialised credit institutions. The latter have existed as such since 1997 and were created by Royal Decree 692/1996. Until then, those known as specialised lending institutions were included here.

b) Money market funds

Regulation (EC) no 25/2009 of the ECB of 19 December 2008 (ECB/2008/32) defines money market funds (MMFs) as those collective investment institutions whose liabilities are, in terms of liquidity, close substitutes for deposits and which primarily invest in money market instruments, in securities with a residual maturity of up to and including one year and in bank deposits, or which pursue a rate of return that approaches that on money market instruments.

In application of Law 35/2003 of 4 November 2003, the National Securities Market Commission (CNMV) has established categories of collective investment institution based on investment policy. These categories are currently set out in CNMV Circular 1/2009 of 4 February 2009, which includes the money-market investment policy or strategy that determines which mutual funds, or sub-funds, will be subject, insofar as they are monetary financial institutions, to the obligations of the ECB's Regulation



The ECB established for the first time that MMFs were monetary financial institutions (MFIs) in January 1999. From that date until the entry into force of CNMV Circular 1/2009, the consideration of different Spanish collective investment institutions as MFIs was based on certain statistical criteria of duration and volatility. The Spanish population of MMFs obtained as a result of applying such criteria included exclusively money market mutual funds (FIAMMs), but not all FIAMMs. The rest of the collective investment institutions (including some FIAMMs) were included in the sub-sector other financial intermediaries, except insurance corporations and pension funds (S.123).

c) *Electronic money institutions*

Regulated by Royal Decree 322/2008 on the legal regime for electronic money institutions, their main activity consists in issuing means of payment in the form of electronic money. The latter is considered to be the money value, stored on an electronic device that is accepted as a means of payment by firms other than the issuer, which may be claimed against the issuer.

S.123/S.124/S.125) NON-MONETARY FINANCIAL INSTITUTIONS

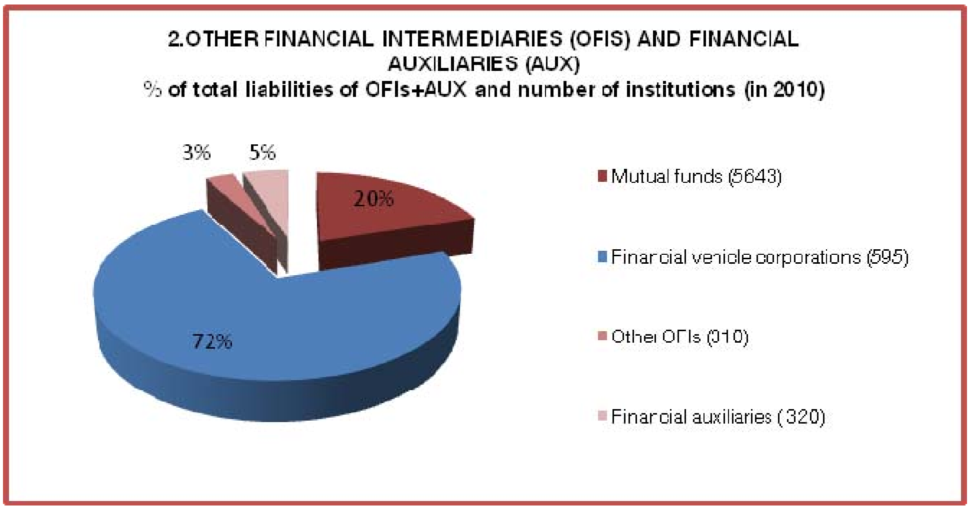
Resident financial corporations that are principally engaged in financial intermediation and that are not monetary financial institutions.

S.123) OTHER FINANCIAL INTERMEDIARIES, EXCEPT INSURANCE CORPORATIONS AND PENSION FUNDS

This sub-sector is made up of all those financial corporations and quasi-corporations that principally engage in financial intermediation, incurring liabilities other than cash, deposits and/or close substitutes for deposits, originating in institutional units that are not monetary financial institutions, and other than insurance technical reserves. It includes various types of financial intermediaries, especially those that engage, basically, in long-term financial intermediation activities. The predominance of this type of maturity is, in most cases, the basis for distinguishing this sub-sector from “other monetary financial institutions”, while it can be distinguished from the sub-sector “insurance corporations and pension funds” on the basis of the inexistence of liabilities in the form of insurance technical reserves. The main information sources used in the compilation of the financial accounts of the sector S.123 are the financial statements of the institutions that make up the sector and information on issued securities provided by the CNMV.

a) *Collective investment institutions, other than MMFs*

The object of collective investment institutions (CIIs) is to receive funds, assets or rights from the public to manage them and invest them in assets, rights, securities or other instruments, whether financial or not, provided that the return to the investor is established in accordance with the collective results. They may take the form of investment funds or investment companies.



This sub-sector includes collective investment institutions of a financial nature: investment funds and open-end investment companies; and of a non-financial nature: real-estate investment funds, real-estate investment companies and other non-financial collective investment institutions regulated by Law 35/2003, which do not have a money-market investment policy in accordance with the provisions of CNMV Circular 1/2009, in which case they form part of the sub-sector "other monetary financial institutions" (S.122). Also included until December 1998 were those money market funds (FIAMMs) that until then were not considered money market funds, in accordance with the statistical criteria to which reference has been made in the section on money market funds.

b) Financial vehicle corporations

Included in this sub-sector are special purpose vehicles that are or are not independent legal entities established in order to participate in securitisation processes, i.e. processes that enable a set of assets that are normally illiquid to be transformed into a series of liquid negotiable instruments with specified payment flows. In securitisation processes, financial vehicle corporations acquire the assets that they securitise and issue securities other than shares which are normally placed in the market. They include FVCs created to hold securitised mortgage assets regulated by Law 19/1992, the nuclear moratorium FVC set up under Law 40/1994 and FVCs created to hold securitised assets regulated by Royal Decree 926/1998. The FVC for the electricity system deficit is not included among the FVCs in sub-sector S.123, but in sector S.13 general government and specifically in sub-sector S.1311 central government..

c) Securities-dealer companies

Financial intermediaries that are among the investment firms regulated by Royal Decree 217/2008. The main activity of investment firms consists in providing professional investment services to third parties on financial instruments. Securities-dealer companies are investment firms that may carry on business for own account and for third parties on a professional basis. Notable among the activities they may perform are the receipt, processing and execution of orders, investment portfolio management, financial instrument placement, the underwriting of issues or financial instrument placements, the provision of investment advice, the management of multilateral trading facilities, safekeeping and administration of financial instruments, etc. The other investment firms (securities brokers and portfolio management companies) are included under "financial auxiliaries" and are not considered "other financial intermediaries, except insurance corporations and pension funds" because they may only act for third parties.

d) Venture capital entities

Venture capital entities are financial corporations whose main object is to take temporary holdings in the capital of non-financial corporations of a non-real estate nature which, at the time the holding is taken, are not listed on the first stock exchange or any other equivalent regulated market of the EU or of the other member countries of the Organisation for Economic Cooperation and Development (OECD). Venture capital entities may provide equity loans, and other forms of financing and carry out advisory activities for firms that are the main object of investment of the venture capital entities. These entities may take the form of venture capital companies or funds. In the case of venture capital companies, they may be managed by themselves or, where applicable, by their management companies, insofar as venture capital funds must be managed by management companies.

e) Financial holding companies

Holding companies that solely control and direct a group of subsidiaries engaged principally in financial intermediation and/or auxiliary financial intermediation activities are included in this group. However, holding companies that are financial corporations themselves are classified for sectoral purposes in accordance with the main type of financial activity they perform. The holding companies included in the FASE are those for which financial or accounting information is available owing to the fact that they obtain financing on official securities markets.

f) Issuers of preference shares

Special purpose vehicles, created by credit institutions or non-financial corporations, that issue equity units that entitle their holders to repayment of their face value, along with the accrued return (in the event that the company earns a profit), but not the liquidation value of the issuing company in the event of its winding up and that, as regards the seniority of claims, 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. In the case of credit institutions, funds raised by these issues are transferred to the parent in the form of deposits..

S.124) FINANCIAL AUXILIARIES

This sub-sector consists of all financial corporations and quasi-corporations which are principally engaged in auxiliary financial activities, that is to say activities closely related to financial intermediation but which are not financial intermediation themselves. The main information sources used in the compilation of the financial accounts of sub-sector S.124 are the financial statements of the constituent institutions, provided by them to the CNMV, the Directorate General of Insurance and Pension Funds and the Banco de España. The entities included in this sub-sector in the FASE are as follows:

a) Deposit guarantee funds

These funds are independent legal entities, with full capacity to pursue their purposes, under private law, without being subject to the rules regulating autonomous State agencies and State-owned companies. Their object is to guarantee deposits, and to carry out all such activities as they deem necessary to strengthen the solvency and functioning of deposit-taking institutions, in defence of the interests of depositors and the Fund itself. Annual contributions from deposit-taking institutions are added to the funds' assets.

b) Securities brokers and portfolio management companies

Financial intermediaries that are considered to be investment firms regulated by Royal Decree 217/2008. Securities brokers and portfolio management companies are investment firms that only carry on business for third parties, on a professional basis.

c) Mutual guarantee companies

Regulated by Law 1/1994, which classifies them as financial corporations, mutual guarantee companies are formed as companies with a variable capital, whose shareholders are not personally responsible for the company's debts. They are a special type of company which, as regards share capital and the liability of shareholders for the company's debts, is exactly like a public limited company. However, as regards shareholders' rights, the mutual nature of these companies predominates. Their main activity consists in granting guarantees that enable small and medium-sized companies to gain access to bank finance and to facilitate the access of the guaranteed companies to privileged financing facilities and to obtain better terms and conditions for their loans than they would obtain by themselves on the market.

d) Appraisal companies

Regulated by Royal Decree 775/1997, appraisal companies are formed as public limited companies whose corporate objects are the valuation of all types of goods, firms or assets, in order that such valuations are valid for the purposes of mortgages, the technical provisions of insurance undertakings, the total assets of real-estate collective investment institutions and the net asset value of pension funds..

e) Mutual fund and pension fund management companies.

The former are regulated by Royal Decree 1309/2005 and the latter by Royal Decree 304/2004.

f) Comisión Liquidadora de Entidades Aseguradoras (Insurance Undertaking Winding up Committee) (until its incorporation into the Consorcio de Compensación de Seguros)

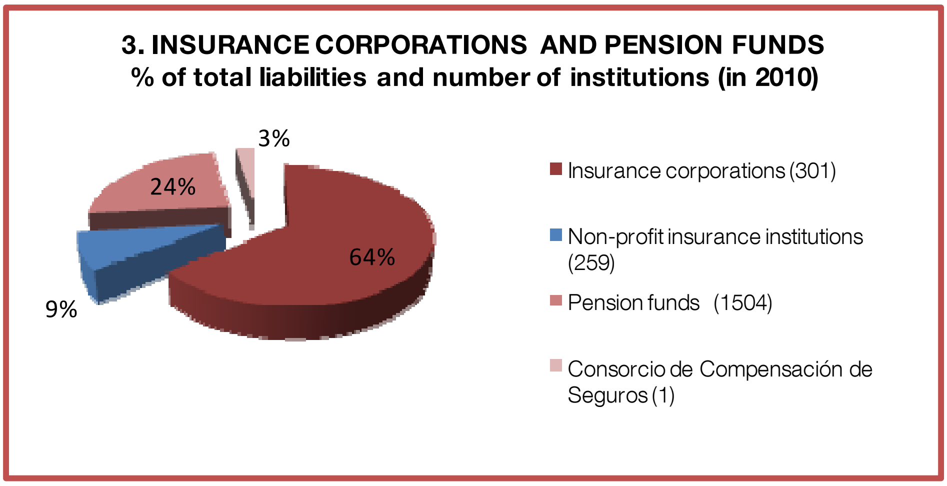
An independent legal entity created by Royal Decree-Law 10/84, whose objects were to act as the liquidator of insurance undertakings taken under State control. From the entry into force of Law 44/2002 of 22 November 2002 on Financial System Reform Measures, these functions were assumed by the Consorcio de Compensación de Seguros (Insurance Compensation Consortium).

g) *Operators of organised markets and the clearing and settlement companies regulated by Royal Decree 363/2007*

These are responsible for admission to, and supervision and administration of, securities markets.

S.125) INSURANCE CORPORATIONS AND PENSION FUNDS

Under the FASE 95 this sub-sector consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation as the consequence of the pooling of risks. The main liabilities of these institutions are insurance technical reserves,the counterparts of which are the investments by the 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. The main sources of information on this sector are the quarterly information bulletins and annual statistical reports disseminated by the Directorate General of Insurance and Pension Funds (DGSFP) and the reports of the Association of Collective Investment Institutions and Pension Funds (Asociación de Instituciones de Inversión Colectiva y Fondos de Pensiones – INVERCO) and of the Association for Joint Research by Insurers (Asociación de Investigación Cooperativa entre Entidades Aseguradoras – ICEA).



a) *Life and risk insurance corporations*

These include Spanish corporations, foreign branches and Spanish mutualidades (mutual companies), whose operations are similar to those of corporations and which should not be confused with the entities of 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.

b) *Non-profit insurance institutions*

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.

c) Consorcio de Compensación de Seguros (Insurance Compensation Consortium)

The Consorcio de Compensación de Seguros is a public law entity whose object is to cover the extraordinary 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..

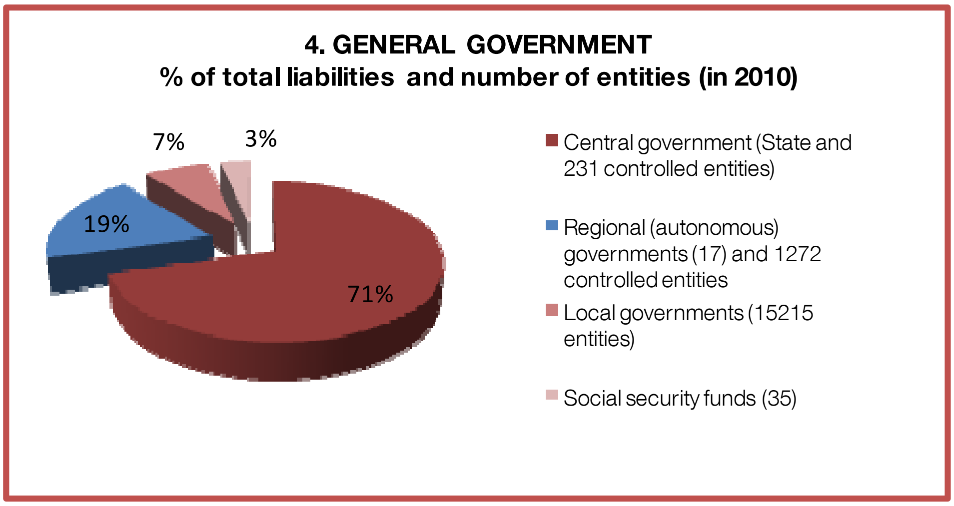
d) Pension funds

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, until such time as they are transferred to autonomous pension funds.

6.2 General government (S.13)

The ESA 95 defines the sector general government as all the institutional units engaged in non-market production (output that is provided free, or at prices that are not economically significant) whose output is intended for individual and collective consumption, and mainly financed by compulsory paymecnts made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth. The sector general government is divided into four sub-sectors: central government, regional government, local government and social security funds.

The ESA 95 defines the sector general government as all the institutional units engaged in non-market production (output that is provided free, or at prices that are not economically significant) whose output is intended for individual and collective consumption, and mainly financed by compulsory payments made by units belonging to other sectors, and/or all institutional units principally engaged in the redistribution of national income and wealth. The sector general government is divided into four sub-sectors: central government, regional government, local government and social security funds.



S.1311) CENTRAL GOVERNMENT

Comprises 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. Also classified in this sub-sector are the Fund for the Acquisition of Financial Assets, which was created in 2008; the FROB (Fund for the Orderly Restructuring of the Banking Sector), set up in 2009; the Electricity Deficit Amortisation Fund (FADE), set up in 2010; and the Hellenic Republic Support Fund, also created in 2010. The statistical sources used specifically in this sub-sector are: IGAE, Directorate General of the Treasury and Financial Policy, CNMV and FROB.

S.1312) REGIONAL (AUTONOMOUS) GOVERNMENTS

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 (except those that do not comply with the rules of ESA 95 for sectorisation as non-financial corporations, which are included here). Also included are territorial health care services, comprising regional heath care management entities and territorial social services, consisting of the entities which manage social welfare work in the autonomous regions. The main statistical sources are: IGAE, Directorate General of Community Funds and Territorial Financing, securities markets and Banco de España in respect of liabilities in the form of securities other than shares and loans

S.1313) LOCAL GOVERNMENTS

These comprise ordinary-regime provincial governments, the specific-status provincial governments of Álava, Guipúzcoa and Vizcaya, island authorities, municipalities, town and minor local authorities and the groupings to which these units belong, as well as Ceuta and Melilla. Also included here are the administrative and similar autonomous agencies which report to them, but not the 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). The main statistical sources are: IGAE (general government accounts), Directorate General of Community Funds and Territorial Financing (budgets of the local governments and budget outturns of the local governments), securities markets and Banco de España in respect of its liabilities in the form of securities other than shares and loans

S.1314) SOCIAL SECURITY FUNDS

These comprise 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 National Public Employment Service and the Wage Guarantee Fund, even though the last two have the legal status of autonomous agencies of central government. They do not include territorial health care services, which, as indicated above, are classified in regional (autonomous) government. The main statistical sources are IGAE, Directorate General of Planning of the Social Security System, Social Security Audit Department, Social Security System General Treasury and National Public Employment Service.

6.3 Other resident sectors (S11/S14/S15)

S11) NON-FINANCIAL CORPORATIONS

According to the ESA 95, the sector non-financial corporations comprises both private and public 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.

The institutional units forming part of the sector are as follows: i) limited liability companies whose capital is divided into shares (quoted or unquoted) or into participaciones (equity units), (ii) cooperatives and partnerships recognised as independent legal entities, (iii) NPIs or associations serving non-financial corporations recognised as independent legal entities, (iv) holding companies, and v) quasi-corporations, which are entities that, despite not having independent legal status, have an economic and financial behaviour that is different from that of their owners and similar to that of corporations, i.e. they keep a complete set of accounts and have autonomy of decision and are thus considered as distinct institutional units. Therefore, non-financial sole proprietorships without independent legal status are classified in the sector households (S.14), except for very large ones (quasi-corporations) which are classified in sector S.11. By convention, this sector includes market regulatory bodies whose exclusive or principal activity is to purchase, store and sell agricultural and food products [e.g. in Spain, the FEGA (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 met by all non-financial corporations that use in their relations with credit institutions and the tax authorities a tax identification number beginning with a letter [A: sociedades anónimas (public limited companies), B: sociedades de responsabilidad limitada (private limited companies), etc.], except associations, jointly held property and owners' associations, and sociedades civiles –partnerships governed by the Civil Code– (E, G and J, 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 sector general government (S.13), in compliance with the ESA 95 sectorisation rules. Also excluded are non-financial sole proprietorships without independent legal status, which are classified in the sector households (S.14).

The main source of information from the non-financial corporations sector itself in the Spanish financial accounts is the Banco de España CBSO.[10] The information in two databases, namely the CBA (annual survey data) and the CBB (Mercantile Register data), which together cover nearly 50% of the GVA of the sector non-financial corporations of the national economy, is grossed up in order to estimate the aggregate balance sheets of all non-financial corporations. To do this, the corporations are assigned to different strata according to work force, economic sector and legal form, and adjustments are made to take into account the creation and destruction of corporations.

In relation to the financial accounts compilation, the information in the CBSO database is used basically to: i) estimate the value of government holdings of the capital of non-financial corporations; ii) compile the aggregate balance sheets for total non-financial corporations, which allows the structural ratios (between trade credit granted and received and bank credit) to be calculated and used to estimate and sectorise the volume of trade credit; iii) estimate the market price of unquoted shares from the present value of the expected profit of unquoted firms; and iv) estimate inter-company loans.

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 CBSO, on the basis of the ESA 95 rules and using direct sources, i.e. data provided by the non-financial corporations themselves. This is explained by the fact that in the process of integrating the accounts of the sector non-financial corporations in the overall framework of the system, preference is 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, it should be borne in mind that the financial accounts of this sector compiled by the CBSO are used as a final check of the structure, levels and trends of all the categories appearing in this publication.

S14) HOUSEHOLDS

The ESA 95 defines this sector as 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, as stated in the previous section, 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.

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10 The Banco de España CBSO collects data directly from some 9,300 corporations, most of which are large, and whose gross value added at factor cost (GVAfc) accounts for approximately 34% of the estimated GVAfc for all non-financial corporations. Also, the CBSO has set up a supplementary database of corporations, most of which are small and medium-sized, on the basis of the accounting statements which these have to file with the Mercantile Registries. This means the number of firms on which data are available varies from year to year. In 2008 the number of firms whose data were considered valid for analysis purposes was 471,000. Although accounting statements were received from more than 880,000 corporations, almost half failed to satisfy certain consistency tests. This low level of compliance was largely due to the first-time application of the new chart of accounts in 2008. In the next few years the proportion of valid corporations will foreseeably return to its historical level of around two-thirds of the total examined.

Specifically, this sector includes: i) individuals or groups of individuals whose principal function is consumption; ii) collective households, i.e. persons living permanently in institutions (retirement homes, prisons, religious orders, etc.); iii) unincorporated businesses owned by households (sole proprietorships, owners' associations without independent legal status, etc.); iv) individuals that produce goods and services for exclusively own final use; and v) non-profit institutions serving households which do not have independent legal status.

In Spain, the practical application of this definition in the FASE involves including in this group individuals and groups of individuals which in their relations with credit institutions and the tax authorities use as their tax identification 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).

The accounts of the sector households are based on information from the other sectors in which households are the counterpart sector and on financial market information, so there is no information source which can be considered to emanate from the sector itself in this connection.

S15) NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS

The ESA 95 defines these as non-profit institutions which are separate legal entities, which serve households and which are private other non-market producers. When these institutions are not recognised as separate legal entities, they are included in the sector households because the transactions carried out by the two sectors cannot be distinguished. NPISHs which are non-market producers and controlled by general government are classified in this sector. Non-profit institutions operating under market conditions or not serving households must be sectorised as non-financial corporations or financial institutions, as appropriate.

The sector NPISHs comprises trade unions, professional, scientific, religious, recreational and cultural associations, social, recreational and sports clubs, etc, and charities and relief or aid associations.

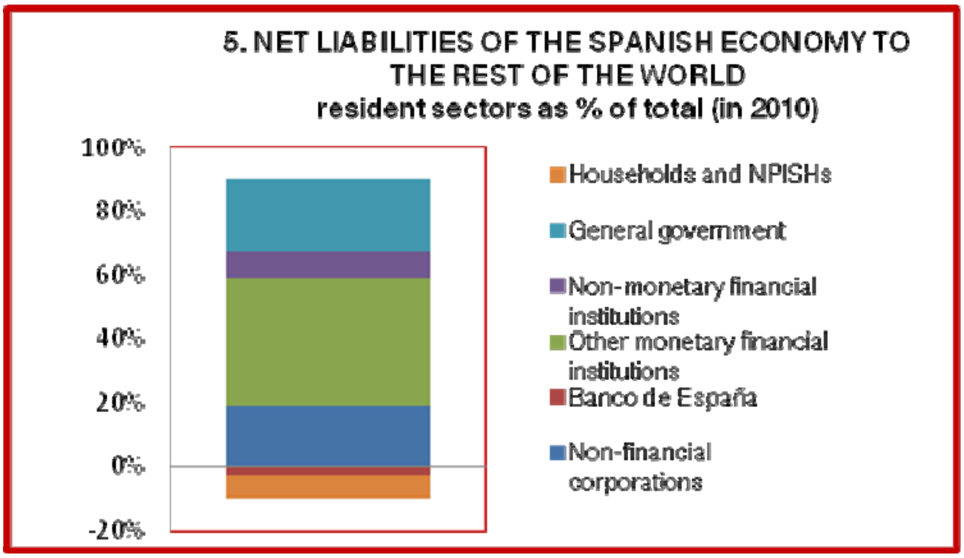
The main resources of this sector, apart from those derived from occasional sales, are derived from voluntary contributions in cash or in kind by households, from payments made by general government (provided that they are not controlled and mainly financed by general government as, if they are, they will be included in this latter sector), and from property income. If occasional sales cover more than 50% of their costs of production, the NPISHs in question must be sectorised as non-financial or financial corporations, as the case may be.

The main information sources used to compile the accounts of the sector NPISHs are external to the sector: information on deposits and loans comes from the accounting statements of financial institutions and the composition of their securities holdings is determined from securities market information.

6.4 Rest of the world (S.2)

This sector covers the transactions and positions between resident and non-resident units. An institutional unit is considered to be resident if its centre of economic interest is located in the economic territory of Spain, i.e. the geographical territory administered by the government of Spain in which people, goods and capital circulate freely, including the islands which are subject to the same central, fiscal and monetary authorities as the continental territory, its territorial enclaves (embassies, consulates, etc.), free zones, national air-space and territorial waters). An institutional unit has its centre of economic interest in Spain if there exists some location within the economic territory (dwelling, production plant or other establishment) where the unit engages in economic activities and transactions on a significant scale, either indefinitely or over period of more than one year. Any institutional unit not meeting these requirements would be included in the sector rest of the world, the transactions and positions of which are only recorded in the financial accounts when the counterpart is a resident unit.

The main sources of information originating from this sector are the international investment position and the financial account of the balance of payments. Therefore, the sources of these two statistics are also sources of the FASE. Annex 4 at the end of these Methodological Notes briefly describes these sources, and a more detailed explanation of them may be found in the annual publication “The Spanish Balance of Payments and International Investment Position”.



7 Financial asset categories

In accordance with ESA 95 methodology, the financial instruments circulating in the economy are classified in **financial asset categories** on the basis of their legal characteristics and arranged in order of liquidity. The application of these principles to the Spanish economy is set out in *Table 2*.

Furthermore, the ESA 95 establishes homogeneous valuation methods for the financial assets in financial balance sheets and in transactions accounts, which are applicable in all institutional sectors and to financial instruments both when they are financial assets and when they are liabilities.[11] As a result of this homogeneity the system of accounts has a high degree of internal consistency, leaving aside particular compilation problems that may exist. As a general principle financial assets are valued in the financial balance sheets at current prices, which is either their nominal value or, in the case of instruments traded on markets, their market value. At the same time, as a general rule, transactions in financial assets are recorded at their transaction value, i.e. the value at which the specific transactions have been carried out.

In addition to the balances of financial assets and the corresponding transactions, the FASE reflect other financial flows among the residents of the Spanish economy and between the latter and residents of the rest of the world. These other flows are changes in the value of the financial assets and liabilities that appear in the balance sheets of the various agents that do not arise from transactions, such as changes in asset prices (revaluations), accounting reclassifications, changes in the sector in which institutional units are classified, etc.

Table 3 sets out the **general criteria by which the main captions of the system** are valued following the criteria stated above. Annex 5 at the end of these notes describes in detail the application of these criteria in the case of securities captions. Finally, it should be noted that the basic accounting information or administrative registers are not always strictly compiled in accordance with the method mentioned, so that sometimes adjustments have to be made to maintain the system's consistency.

11 All financial assets are liabilities from the standpoint of the issuer/debtor. Moreover, all liabilities are, by definition, financial, while there are non-financial assets (the capital stock of the various sectors that are not reflected in the financial accounts). The net financial assets (also called net financial wealth) of each institutional grouping represent the difference between financial assets and liabilities.

TABLE 2. CLASSIFICATION OF FINANCIAL INSTRUMENTS

ESA 95 CATEGORIES		MAIN FINANCIAL INSTRUMENTS INCLUDED
1 Monetary gold and SDRs	1.1 Monetary gold	Gold of the Banco de España and of the Treasury
	1.2 Special drawing rights (SDRs)	SDRs allocated and acquired from other central banks
2 Currency and deposits	2.1 Currency	Banknotes and coins. Including residents' holdings of euro issued by Eurosystem NCBs other than the Banco de España
	2.2 Transferable deposits	Overnight deposits and savings deposits (in the latter case, since 2005)
	2.9 Other deposits	Interbank deposits and funding received in securitisation transactions, savings deposits (until 2005), time accounts, structured deposits, MFIs' repos, special covered bonds and accounts held abroad. In addition, the counterpart of the assets transferred and the positions vis-à-vis the ECB and IMF are included
3 Securities other than shares	3.3.1 Short-term securities	Treasury bills. Commercial paper at up to one year issued by general government, financial corporations and non-financial corporations
	3.3.2 Long-term securities	Medium and long-term public debt. Commercial paper at more than one year and bonds issued by financial corporations and non-financial corporations and securities issued by non-residents that are held by residents
	3.4 Financial derivatives	Options, futures and similar instruments and (since 2005) swaps.
4 Loans	4.1 Short-term loans	Loans from resident credit institutions to resident and non-resident sectors, loans from non-residents to resident sectors and loans between non-financial sectors and from the latter to non-resident sectors. Non-MFIs' repos and purchases of assets by financial corporations from non-financial corporations under repos. Non-interbank transfers of private assets, general government loans to public corporations, Development Fund loans, issues of non-marketable securities and liabilities to the IMF
	4.2 Long-term loans	
5 Shares and other equity	5.1.1 Quoted shares	Shares of financial corporations (except investment companies) and non-financial corporations quoted on domestic and foreign markets
	5.1.2 Unquoted shares	Unquoted shares of financial and non-financial corporations
	5.1.3 Other equity (excluding that of investment funds)	Capital of companies and public bodies that do not have the legal status of a *sociedad anónima* (public limited company), capital contributions to branches (of non-residents in Spain and of residents in Spain abroad), non-residents' real-estate investments, investments in the capital of international organisations and contributions from deposit guarantee funds to the FROB
	5.2.1 Investment fund units	Units in capital-market and real-estate funds
	5.2.2 Investment company shares	Shares in capital-market and real-estate investment companies
6 Insurance technical reserves	6.1.1 Life insurance reserves	Technical life provisions of life and risk insurance
	6.1.2 Pension funds reserves	Reserves and funds set aside for the payment of pensions by non-profit insurance corporations and pension funds
	6.2 Prepayments of insurance premiums and reserves for outstanding claims	Non-life technical provisions of life and risk insurance corporations and non-profit insurance corporations. Including reinsurance
7 Other accounts receivable/ payable	7.1 Trade credits and advances	Client/supplier accounts and the like of non-financial corporations (and counterpart sectors)
	7.9 Other accounts receivable/payable, excluding trade credits and advances	Diverse accounts receivable/payable, interest accrued on deposits/loans and pending receipt/payment, outstanding transactions between financial corporations and between general government bodies, outstanding taxes and contributions

7.1 Gold and special drawing rights

This caption includes monetary gold, which is that held by the Banco de España (and, in the past, also the Treasury) as international reserve assets, and SDRs, which are international reserve assets created by the IMF and assigned to its members to enable them to raise their international holdings of cash and cash equivalents. In the ESA 95, monetary gold and SDRs are the only financial assets that have no liability counterpart. In consequence, all acquisitions of monetary gold and SDRs made by monetary authorities are recorded as an increase in the financial assets of this sector and their counterpart is a decrease in the financial assets of the rest of the world.[12]

Since monetary gold is defined as that held by national monetary authorities (generally central banks), transactions in monetary gold only take place between these institutions. Hence, when monetary authorities undertake transactions in gold with counterparts other than other monetary authorities, a monetisation or demonetisation of gold has to be recorded. Gold is monetised when purchased gold that was not part of any country's reserves is included in official reserves by the monetary authorities, thus increasing total reserves through the addition of what was previously non-monetary gold. Demonetisation occurs when monetary gold is taken from reserves to be used for non-monetary purposes. These transactions have to be recorded in the other changes in volume account.

The FASE show that the Banco de España sold monetary gold to holders other than other monetary authorities in 2005, 2006 and 2007. In turn, the SDRs held by the Banco de España increased in August and September 2009 as a result of new allocations by the IMF. As specified in the ESA 95, this was recorded in the other changes in volume account.

12 In the ongoing revision of the ESA 95 this treatment will change. SDRs will be considered both an asset and a liability vis-à-vis the rest of the world.

3. VALUATION OF THE MAIN CAPTIONS OF THE SYSTEM		
	Financial balance sheet	**Financial transactions account**
1 Monetary gold and SDRs	Market value	Amount of the transactions
2 Currency and deposits	Face value (currency) or nominal value (deposits)	Difference between balances, excluding revaluations and changes in volume
3 Securities other than shares	Market value (including interest accrued during the period)	Value of the transactions. The interest accrued less the interest paid is treated as if it were re-invested in the financial instrument
4 Loans	Principal of the debt	Difference between balances, excluding revaluations and changes in volume
5 Shares and other equity		
511 Quoted shares, and **52 Mutual funds shares**	Market value	Value of the transactions
512 Unquoted shares	Estimation of the market value based on the valuation of quoted shares and accounting information on the unquoted shares	Value of the transactions
513 Other equity	Book value of own funds	Net contributions of funds
6 Insurance technical reserves	Current value of future payment commitments in accordance with the technical provisions and funds set aside	Premiums and net contributions including the investment income
7 Other accounts receivable/payable	Nominal value on the balance sheet	Difference between balances
Reference currency: The figures are presented in millions of euro and no explicit indication is given for any sub-caption of the financial transactions or balance sheets whose original series are expressed in foreign currencies, although naturally these are available from the base information. This base information has been translated into euro as follows: 1. The original series in pesetas, up to 1 January 1999, are expressed in euro at the irrevocable conversion rate. 2. The original series in other currencies forming part of the euro, up to 1 January 1999, have been translated to pesetas at the exchange rate prevailing at the transaction date (transactions) or at the end of the period (balances) and then translated to euro as in 1) above. Thereafter they are expressed directly in euro according to the same criteria.		

7.2 Currency and deposits

This caption is broken down into currency, transferable deposits and other deposits. It is valued in the financial balance sheets at the nominal amount, i.e. not including accrued interest, which is recorded, as permitted by the ESA 95, as "Other accounts receivable/payable". Deposits denominated in foreign currency are recorded in euro at the exchange rate prevailing at the end of the period. As regards transactions, the differences between financial balance sheets are adjusted for the changes in exchange rates and the transactions are recorded at the exchange rate at which the deposit is placed or closed.

a) Currency.

This caption comprises the banknotes put into circulation by the National Central Bank, the coins issued by the State and resident sector holdings of banknotes. Until the FASE for 2002, it was considered that the cash put into circulation by the Banco de España and the State coincided, after deduction of the holdings of financial corporations, with 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, neither the holdings of pesetas of the rest of the world nor the holdings of foreign banknotes and coins of non-financial resident sectors were considered significant. Hence the amount of banknotes and coins recorded in the Banco de España's liabilities agreed with the banknotes and coins in the hands of resident non-financial sectors.

Since the euro cash changeover at the beginning of 2002, the currency included in the liabilities of the Banco de España is the proportional part of the total issued by the Eurosystem, assigned to it according to its share in the capital of the ECB, which was 8.304% at end-2010. The difference between this amount and that actually put into circulation by the Banco de España is recorded as an asset/liability arising from transactions with the Eurosystem (the counterpart is the rest of the world), in caption 2.2 Transferable deposits. This amount represents transactions involving cash which the Banco de España puts into or withdraws from circulation on behalf of other euro area NCBs. Therefore, when this amount results in "excess" currency put into circulation by the Banco de España with respect to that corresponding to its participating interest in the ECB, it means that part of the currency held by Spanish residents has actually been issued by other NCBs. For this reason a claim of non-financial resident sectors (the holders of the currency) on the rest of the world is recorded in this caption. This claim on the rest of the world is the counterpart of the related liability of the Banco de España mentioned above. The reasoning naturally runs in the opposite direction when the currency put into circulation by the Banco de España is less than in proportion to its share in the ECB, and the opposite entries would be made in the accounts. As regards the non-financial sectors' holdings of banknotes and coins, since 2002 the amount in euro area countries is estimated on a harmonised basis by all Eurosystem members under ECB coordination. The procedure consists of dividing up, by country, the total amount of euro issued by all the Eurosystem central banks, 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. This procedure allows account to be taken of the available national evidence that may be provided by each NCB.

In the case of Spain, the holdings of the non-financial resident sectors consist of the part relating to the currency put into circulation by the Banco de España recorded in its balance sheet plus the part relating to the net amount of the banknotes issued/withdrawn from circulation by the Banco de España on behalf of other NCBs (the asset or liability reflected in intra-Eurosystem accounts) plus the estimated net inflow of euro-denominated banknotes as a result of movements of tourists and other travellers, cross-border purchases and also inward and outward foreign investment, mainly in deposits. These movements of banknotes also give rise to a claim on other NCBs additional to that mentioned above. The amount of these movements of banknotes is estimated from an analysis of the seasonal behaviour of currency in circulation and tourism-related transactions. The amount of euro "imported" by resident sectors from the rest of the world estimated as a result of these exercises is included in the net liabilities incurred by the rest of the world shown in Table 2.23.a, published in the electronic version of the Accounts.

In short, the amount of banknotes put into circulation by the Banco de España is recorded in the caption currency as a liability (for the amount corresponding to its share of the total euro banknotes issued by the Eurosystem) and in the caption transferable deposits as an asset/liability (for the difference between the previous amount and the total banknotes put into circulation by the Banco de España). The banknotes held by the non-financial sectors are in any event recorded in the caption currency as a financial asset. The difference between the caption currency in the liabilities of the Banco de España and that in the assets of the non-financial resident sectors is calculated as a net asset/liability of the rest of the world in caption 2.2 Transferable deposits. This net asset/liability of the rest of the world includes the difference between the banknotes put into circulation by the Banco de España and the amount thereof corresponding to it and, in addition, the net inflow into Spain of banknotes held by travellers.

b) Transferable deposits.

The deposits captions comprise transferable deposits, which are deposits immediately convertible into cash or transferable by means of cheques or other means with no significant restrictions or penalties, and other, non-transferable, deposits. Specifically, they include overnight deposits in euro and in other currencies held by resident sectors, except credit institutions, with resident and non-resident credit institutions and those held by non-residents with resident credit institutions. The term "transferable", applied to deposits, refers to the fact that they are drawable without notice, and not to their possible negotiability. Since June 2005 transferable deposits include savings deposits.

c) Other deposits.

The caption other deposits comprises deposits with financial corporations which are not considered to be transferable, namely: interbank transactions of all kinds, in euro and in othercurrencies, except those included as transferable deposits; Banco de España certificates (Ministerial Order of 21.2.1990); monetary financial institutions' repos; time, reciprocal and other accounts; transferable interbank deposits (TIDs); [13] residents' deposits with resident credit institutions; savings deposits (until May 2005) and time deposits (including asset participation certificates); structured deposits; general government revenue-collection accounts; and special registered covered bonds and other deposits arising from financing received in asset securitisation transactions recorded on the balance sheet. Also included are miscellaneous deposits among resident sectors; other financial claims on the IMF; the 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; and residents' deposits with non-resident credit institutions.

7.3 Securities other than shares

This category comprises bearer financial instruments, usually traded on secondary markets or able to be settled on the market, and that confer to the holders no rights over the issuing institutional unit. A *distinction* is made between securities other than shares excluding financial derivatives (short and long term) and financial derivatives.

a) Securities other than shares, excluding financial derivatives

Short-term securities: Those whose original maturity is one year or less and, in exceptional cases, up to a maximum of two years. They comprise securities issued by monetary financial institutions, *other* financial intermediaries (e.g. securitisation promissory notes and promissory notes issued by issuers of preference shares); general government (e.g. Treasury bills); and

13 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.

non-financial corporations (commercial paper, negotiable bills, corporate promissory notes, etc.)

Long-term securities: Those whose original maturity is usually more than one year and, in exceptional cases, more than two years at a minimum. They comprise securities issued by financial *corporationsunder* 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; and bonds issued by non-residents and held by residents, including the external assets of the Banco de España in the form of securities.

Time period allocation and criteria for calculation of interest on financial transactions in securities other than shares. 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 payable must also be included in the financial transactions. This recording of interest in the financial account is, in the case of securities captions, done in the instrument generating the interest itself. Accordingly, accrued interest is treated as if it were re-invested in the same instrument from which it stems, the amount of such accrued interest being recorded as an issuance of securities, with 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). Nevertheless, 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 contemplated in the System. The three following procedures have been considered for recording the interest accrued on marketable securities:

- The debtor principle, whereby the interest accrual is obtained from the return on the issue of the securities. In a fixed-rate issue, the issuer can value the future interest charge in its accounts.
- The creditor or market principle, which sets the implicit return at the market price at each moment in time, for calculation of the interest generated by the security in question. The recording of interest changes throughout the life of the issue as and when the prices of the securities change.
- The acquisition principle, which obtains the interest accrual on the basis of the prices, and 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 adopted by Eurostat in its *ESA 95, Manual on Government Deficit and Debt. Implementation of ESA95*, the latest edition of which dates from 2010; and c) it is consistent with the recording of interest on the general government deficit in the notifications of the Protocol applicable in the excessive deficit procedure.[14] The SNA 2008 also adopts the debtor principle as the procedure for recording accruals. Also, the 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 United Nations and the World Bank participate), endorses the adoption of the debtor principle over

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

the alternatives and which was approved by the UN Statistical Commission in January 2003. Regarding financial balance sheets, the outstanding stock of securities is recorded at market prices, with accrued interest outstanding being precisely one of the components of market price.

Valuation at market prices. ESA 95 methodology establishes the general criterion that financial balance sheets or stocks of financial assets and liabilities be valued at market prices. The valuation methods used for *the* main instruments included under the caption securities other than shares are discussed below. Obviously, 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 issues and portfolios, the FASE compilation process calls for the adoption of certain portfolio adjustment criteria such that the total portfolios of the sectors as a whole are consistent with the total securities issued.

Outstanding stocks of instruments with a high degree of liquidity (e.g. State issues) have been valued at market prices using market quotations. In the case of monetary financial institutions, their zero-coupon issues have been valued by adding the amount of accrued interest payable to the actual issue value. For securities issued by non-financial corporations with illiquid markets and other *agents* issuing unquoted securities other than shares, market value has been calculated using the data on issues of similar characteristics to those of securities traded on liquid markets. These estimates have been calculated both for zero-coupon bonds and for 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) *Financial derivatives.*

This caption comprises financial derivatives, which are financial assets based on or derived from a different underlying instrument, and interest rate and principal swaps. The underlying instrument is usually another financial asset, but may also be a commodity or index.

Included are options and similar instruments (warrants, etc.), and futures and similar instruments. 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.

Valuation at market prices. The balances of derivatives quoted on organised markets and of OTC derivatives are both valued at market prices. Financial transactions are valued at the cash amount of the transaction and include any daily settlements when they take place. The transactions of non-residents are obtained from the transactions recorded in the balance of payments.

7.4 Loans

The loans captions cover the financial assets created when creditors lend funds to debtors, whether directly or through an agent and whether or not backed by a non-negotiable document. The highest amounts correspond to loans granted by financial corporations, primarily monetary financial institutions, whether resident or non-resident, to the other sectors of the Spanish economy and, where appropriate, to the rest of the world. This caption also includes inter-company loans between non-financial corporations, or between these corporations and the rest of the world, not including the commercial loans that are normally recorded in corporations' accounting balance sheets under customers, suppliers and similar and which, in the System of National Accounts, are classified under the caption trade credits and advances.

This caption is valued in the financial balance sheets at the nominal amount, i.e. not including accrued interest, which, as permitted by the ESA 95, is recorded in other accounts receivable/payable. Loans denominated in foreign currency are recorded in euro at the exchange rate prevailing at the end of the period. As regards transactions, the differences between the financial balance sheets are adjusted for the changes in exchange rates and the transactions are recorded at the exchange rate at which the loan is granted or settled.

Short-term loans. These include loans in euro and in other currencies for up to one year granted by credit institutions to resident and non-resident sectors, by non-residents to resident sectors and by *non*-financial resident sectors to non-residents. Also included under this caption are non-interbank transfers of private short-term assets and non-monetary financial institutions' repos.

Long-term loans. These include: loans in euro and in other currencies for more than one year granted by credit institutions to resident and non-resident sectors; State allowances and loans to official credit institutions; long-term loans by non-residents to resident sectors and by resident sectors to non-residents; loans 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; the loan by the State to the Hellenic Republic via the Hellenic Republic Support Fund; financing between (resident and non-resident) related enterprises; liabilities of the country to the IMF (use of loans granted by the IMF); non-negotiable debt (July 1984 Rumasa debt repaid in 1996, 1991 special debt issue repaid in 1997); issues of the Deposit Guarantee Fund (repaid in 1997) which were only negotiable between credit institutions and the Banco de España; non-interbank transfers of private assets in which credit institutions transfer them, with all their risks and rights, to other sectors; and inter-company loans (interest-bearing loans between non-financial corporations). Trade credits are not included because they have their own specific caption (see Section 7.7).

7.5 Shares and other equity

Shares and other equity (AF.5) are defined as financial instruments that represent property rights on corporations or quasi-corporations. They generally entitle the holders to a share in the profits of the issuer, and to a share in their net assets in the event of liquidation. Also included here are certain hybrid financial instruments such as the cuotas participativas (non-voting equity units) issued by the Spanish savings banks, but not preference bonds, which are classified under the caption securities other than shares. Five instruments are identified within this caption in response to the need to distinguish ownership interests in collective investment institutions from those in other entities and, within the latter, the degree of liquidity of these instruments. This results in the following classification of shares and other equity:

a) *Quoted shares* (excluding investment company shares): beneficial interests in *the* capital of corporations in the form of negotiable securities quoted on a recognised stock exchange or on other secondary markets, excluding investment company shares.

b) *Unquoted shares*: beneficial interests in the capital of corporations in the form of *negotiable* securities not quoted on a recognised stock exchange or on other secondary markets, excluding investment company shares.

c) *Other equity* (excluding investment fund units). Included under this caption are: the capital of non-financial corporations which do not have the legal status of a *sociedad anónima* (public limited company); State and Banco de España investments in international organisations; endowments provided by non-resident entities to their branches in Spain and by resident banks and non-financial corporations to their branches 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); and real-estate investments of non-residents (insofar as these are acquired by a notional resident unit and financed by the issuance of equity vis-à-vis non-residents); and, similarly, the real-estate investments abroad of residents.

d) *Investment fund units*: aliquot portions of the equity of a financial corporation *whose* sole function is to invest the funds entrusted to it by unitholders in the money market, the capital market and/or in real estate.

e) *Investment company shares*: shares in the capital of a financial corporation, whose sole function is to invest the funds entrusted to it by shareholders in the money market, the capital market and/or in real estate.

Valuation at market prices. The ESA 95 establishes generally that a particular caption in the balance sheet should be valued as if it were being acquired on the date to which the balance sheet relates (paragraph 7.25). To meet this requirement, the ESA 95 sets out the following valuation principles for shares and other equity: a) the general principle of valuation at current prices, which may be approximated by calculating the current, or discounted, value of future returns (paragraph 7.27); b) quoted shares are valued at the prevailing 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 (investment fund units and investment company shares) are valued at the prevailing market prices, i.e. at their redemption value (paragraph 7.57); and lastly, e) other equity is valued either at the value of own funds or at nominal value (paragraph 7.56).

In view of the characteristics of the stock markets and of the entities making up the institutional sectors and sub-sectors of the Spanish economy, the most appropriate valuation methods in the FASE are, depending on the case at hand, as follows:

a) Market valuation in the strict sense, i.e. information drawn from the markets.

b) Estimate of the market price valuation using inferences based on the market value of similar instruments.

c) Cases in which, for various reasons, it is considered that own funds (capital plus reserves) are a good approximation of market value.

Valuations applied. Quoted shares are valued at the price of the relevant security on the stock market (method a) if *this* price is observable. Included in this group are the quoted shares of the sectors non-financial corporations, banks and other financial intermediaries.

For unquoted shares, the valuation of quoted shares in the same sector has been taken as a reference (method b), provided that the corporations whose shares are quoted are representative of such sector. When unquoted shares are significantly representative (e.g. in the case of banks), their market value has been estimated by applying the capitalisation/own funds ratio of quoted shares to the own funds of unquoted shares. When they are not significantly representative (which is the most frequent case with non-financial corporations), in that, as indicated below, it is estimated that the value of this group of companies depends less on own funds and more on the elements implicit in the discount factor applicable to 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 for all 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, so as to correct the large-firm bias. In the case of unquoted non-financial corporations, the aforementioned discount rate is applied to the total limited liability companies available in the Banco de España's Central Balance Sheet Data Office databases. The accounting information on their historical profits is the proxy used to estimate the rate at which their future profits are discounted. The significant feature of this method is that, in contrast to the technique expressly recommended by the FASE 95, it is better tailored to the Spanish stock market, in which a low number of securities explains a high percentage of stock market capitalisation.[15] 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 corporations.

The units issued by investment funds and the shares issued by investment companies are valued by direct application of the prevailing market prices (method a), specifically at their redemption value. Lastly, other equity (excluding investment fund units) is valued at the value of own funds (method c).

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 specific institutional grouping). Nor are they included under any other liability caption, meaning that they appear in the net worth of the savings banks themselves, in the form of non-financial assets and net financial assets (this is also the case, within the grouping financial auxiliaries, of the Deposit Guarantee Funds and, until it was included in the *Consorcio de Compensación de Seguros* (Insurance Compensation Consortium), of the *Comisión Liquidadora de Entidades Aseguradoras* (Insurance Undertakings Settlement Commission));

b) the unquoted shares of loss-making non-financial corporations that post a discounted value of their expected profits below their paid-up registered capital, which are recorded at the value of their paid-up capital;

15 In 2009 there were some 1,236,000 non-financial corporations in Spain, of which approximately 102,000 were sociedades anónimas (public limited companies), of which 143 were quoted. Te 27 non-financial corporations included in the IBEX 35 at end-2009 accounted for 73% of the total market capitalisation of non-financial corporations. At the same date, three securities alone accounted for 42% of the total market capitalisation of non-financial corporations.

c) foreign direct investment in unquoted Spanish non-financial corporations, estimated at book value following the methodological criteria laid down in the Balance of Payments Manual and in the OECD Benchmark Definition of Foreign Direct Investment (valued until 2004 by the procedure of cumulative balance of payments flows, including reinvested earnings;[16] [17]

d) foreign direct investment in unquoted Spanish banks, which has also been estimated by book value;

e) other equity issued by any institutional grouping whose own funds are lower than the paid-up registered capital, which is recorded at the value of the paid-up capital.[18]

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

Outstanding assets (portfolios) and net asset acquisitions. From the viewpoint of holders (financial assets), the estimates of the market-price-valued portfolio stocks of the different sectors, sub-sectors and agents have been made for the most recent period using the information available in the portfolios valued on this basis for most financial corporations (credit institutions, collective investment institutions, insurance corporations and pension funds) and for the portfolio investment of the rest of the world, and in cases in which the valuation on this basis is not available, using estimates made on the basis of the book or nominal values, as appropriate, that appear in the portfolios or in the statements of securities deposited with credit institutions.[19] In the latter case, taking into account that, in the financial statements of credit institutions, part of their portfolio is already valued at market prices or fair value.

The estimates of *net acquisitions* (financial transactions) have been obtained from financial corporations' book values and profit and loss accounts, from balance of payments

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16 Unquoted shares issued by non-financial corporations are estimated from Central Balance Sheet Data Office data by a valuation method based on the discounting of ordinary net profit, except the portion relating to foreign direct investment (FDI), which is valued at the value of own funds.

17 Coinciding with the publication of the September 2008 *Boletín Estadístico* and for September 2004 and subsequent data, the calculation of the stock of ownership interests in the capital non-financial corporations recorded under the caption direct investment in the International Investment Position (IIP) was changed. Subsequently, upon the publication of the June 2009 *Boletín Estadístico*, the time series was revised from 1992 (see note describing changes in June 2009 *Boletín Estadístico*).

18 Under Spanish law, other equity is issued 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 b) by *cooperativas* (cooperatives), *colectivas* and *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 autonomous agencies (classified in the sector non-financial corporations for national accounts purposes), has been deducted from book value.

19 Foreign direct investment in unquoted corporations has been an exception to this general portfolio valuation rule. Until 2008, this investment was valued using the procedure of cumulative balance of payments flows, including reinvested earnings. Since 2008 it has been recorded at book value. Accordingly, as this investment is not valued at market prices, the application of the foregoing method alone would give rise 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 of Spanish corporations.

data and, in the case of non-financial corporations and households and NPISHs, from information on securities deposited. Lastly, to separate quoted from unquoted shares, both in portfolios and financial transactions, the information available on securities deposited by third parties in financial corporations has been used, along with security-by-security portfolio breakdowns and breakdowns of quoted and unquoted shares in financial corporations' balance sheets in relation to own-portfolio securities.

7.6 Insurance technical reserves

From the viewpoint of their issuing entities, the insurance technical reserves appearing in the FASE comprise: a) those set aside by insurance corporations that 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 corporations (basically banks and savings banks) and by non-financial corporations, insofar as they manage non-autonomous funds, for pension payments for their employees, supplementing 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 fund 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 Accounts of the conversion of non-autonomous pension funds into autonomous pension funds, a process that is usually referred to as "externalisation" of non-autonomous pension funds.

Life insurance reserves. In the framework of the ESA 95, these reserves are an asset of households. Indeed, the *System* refers to this caption 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 corresponding 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 of Accounts applicable to insurance in Spain calls life insurance provisions) insofar as the latter include, in addition to life insurance reserves strictly speaking, 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.

Pension fund reserves. As indicated above, these reserves are generated both by autonomous and non-*autonomous* pension funds. As in the case of life insurance reserves, they 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) autonomous pension fund reserves; and b) non-autonomous pension fund reserves. Autonomous pension fund reserves for any specific period are obtained by adding to the actual contributions to 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 investment of such contributions, and deducting the service charges for managing the funds during the period and the amounts payable to beneficiaries.

Autonomous funds 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 under this caption 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 Spanish non-autonomous funds may have such features, the decision to classify all of them without exception under this caption was based, additionally, on the existence of a legal process to convert non-autonomous funds set up by non-financial corporations into autonomous funds. That process concluded on 31 December 2006.

Included here are the reserves set aside to cover future pension payments by life and risk insurance corporations, by non-profit insurance corporations 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, in the past, non-financial corporations. In the accounts of autonomous pension funds, the technical reserves appear as liabilities under the heading pension scheme position account, while non-autonomous pension fund reserves appear as liabilities of the financial or non-financial corporations that have created them, under the heading non-autonomous pension funds.

In Spain, autonomous pension schemes and funds were regulated for the first time in 1987,[20] with a view to supplementing the social benefits generated by the compulsory Social Security system. Until then, most entities met their commitments to pay supplementary pensions to their workers by setting up non-autonomous funds and, in some cases, by simply charging pensions to the profit and loss account at the time they were paid. Subsequent legislation passed in 1999[21] required that, by 31 December 2001, these commitments be instrumented in the form of autonomous pension funds or insurance contracts. Credit institutions, insurance corporations and securities-dealer companies and securities brokers were exempt from this obligation. The deadline was gradually extended, in various items of legislation, the last of which[22] set it at 31 December 2006.

According to the ESA 95, the transfer of non-autonomous funds to autonomous funds (a process referred to as "externalisation of non-autonomous pension funds") should not be classed as a transaction, because there has been no transaction, but rather as a change of sector and, therefore, as a change in the volume of assets arising from changes in sector classification and structure in the two sectors concerned. However, in the FASE these transfers have had to be recorded as if they were actual financial transactions since the counterpart financial assets of the reserves transferred are not known, meaning that it is not possible to distinguish in the period in which the transfer has occurred which part of the total change in assets of the institutions involved corresponds to the transfer of funds arising from externalised pension commitments.

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20 Law 8/1987 of 8 June 1987. The related Regulation was approved by Royal Decree 1307/1988 of 8 September 1988.

21 Royal Decree Law 1588/1999 of 15 October 1999.

22 Royal Decree 1552/2005 of 23 December 2005.

Prepayments of insurance premiums and reserves for outstanding claims. 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.

In the FASE this sub-category includes the technical provisions created by insurance corporations that are not included in previous sub-categories. In any particular period these reserves comprise premiums written but not earned (prepayments of insurance premiums) and 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 pending 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.[23]

Furthermore, this sub-category includes the reserves that are generated when an insurance corporation (the ceding corporation) transfers some or all of the risk assumed to another insurance corporation (the accepting corporation) but does not transfer its obligations to the policyholder, instead generating in its assets a technical provision for reinsurance ceded. For its part, the accepting corporation generates a technical provision for reinsurance accepted in its liabilities. In addition, where the ceding insurance corporation requires a deposit from the accepting corporation to secure the operation, such deposits are recorded under the caption 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 similar transaction arises. However, insurance corporations do not class these transactions as accepted reinsurance, but as direct life insurance, meaning that the balance sheets of these corporations must be adjusted accordingly.

Resident insurance corporations enter into reinsurance transactions both with resident and non-resident insurance corporations. No direct information is available as to what portion of reinsurance reserves relates to resident insurance corporations' reinsurance transactions with non-resident insurance corporations, so this is estimated on the basis of the premiums paid to/received from the rest of the world relating to reinsurance transactions.

7.7 Other accounts receivable/payable

Under the ESA 95, caption 7 must include financial claims deriving from timing differences between transactions in goods and services, distributive transactions or financial transactions and the corresponding payments. This category must also include financial claims relating to income accruing over time, with the exception of income generated by securities other than shares. The ESA 95 establishes two sub-categories: 71 trade credits and advances and 79 other accounts receivable/payable, except trade credits and advances.

Trade credits and advances include financial claims deriving from the extension of credit between suppliers and *customers* for transactions in goods and services and advance payments for work that is in progress or to be undertaken. It also includes credit extended to

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23 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, these provisions are ascribed to each of the two sectors mentioned.

households by non-financial corporations (retailers, department stores, etc.) for financing of sales of goods and services, e.g. certain consumer durables, but it does not include consumer credit extended to households by financial corporations to finance purchases of consumer durables or credit card debt. These types of financing are recorded under caption 4 loans.

Trade credits of this nature from non-financial corporations granted to general government, those granted to/received by the rest of the world, and client/supplier relations between non-financial corporations and households are 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 (CBSO) and the structural ratios observed in that information between trade credits granted, trade credits received and bank credit. In addition, the information on the trade bills that non-financial corporations and households discount at deposit institutions is used to estimate the distribution of the trade credits received by non-financial corporations between these sectors. Only in the case of credits granted to general government is general government budget outturn information used. Trade credit between households is consolidated and does not appear in the accounts.

Other accounts receivable/payable, excluding trade credits. These include financial claims deriving from timing differences between distributive transactions or financial transactions and the corresponding payments, as well as financial claims relating to income accruing over time, with the exception of income generated by securities other than shares. The main captions included *in* the FASE derive from financial corporations' accounting data and from general government budget data and are assigned to their specific counterpart sectors: in *financial corporations*, sundry debit and credit accounts, interest on deposits and loans accrued but pending collection and payment, transactions in progress between these institutions relating to clearing house activity, transactions pending settlement, etc. and margin calls in futures transactions; and in *general government*, inter-general government transactions in progress deriving from outstanding receivables and payables and from current and capital transactions, and taxes and social contributions outstanding.

ANNEXES

Annex 1. Integration of the balance sheets and accumulation accounts

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 (nIL)	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)

Annex 2. Relationship between the capital transactions account and the financial transactions account

	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 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 and public-debt book-entry market information (IBERCLEAR).
	—	Information from the statistical sources of the other sectors insofar as it relates to this sector.
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). From 2009, statistical data of Regulation (EC) No. 958/2007 of the ECB of 27 July 2007.
	9	The balance sheets and profit and loss accounts submitted to the CNMV by securities dealer companies, FVCs and venture capital funds and companies.
		Accounting statements of the holding companies of financial corporations, obtained from the Mercantile Registry.
		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.
		Since 2010, statistical information statements sent to the CNMV by financial vehicle corporations following the entry into force of Circular 2/2009
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.
S.125 Insurance corporations and pension 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.
	10	Annual report of the Consorcio de Compensación de Seguros (Insurance Compensation Consortium).
	10	Report. Insurance sector. DGSFP.

SECTORS AND ITEMS	Boletín estadístico (chapter)	SOURCE
	10 10 10 10	Report of the Association of collective investment institutions and pension funds (INVERCO) on the net asset value and portfolios of pension funds. Economic report on the insurance sector. ICEA. 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 Credit Register, Balance of Payments and 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. — FROB, CNMV (FADE) and Banco de España (FAFA).
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 and Balance of Payments.
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 and Balance of Payments.
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	— — —	Details of securities deposited at banks, savings banks and credit co-operative banks sent to the Banco de España and public-debt book-entry market information (IBERCLEAR). 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. Information from the statistical sources of the other sectors insofar as it relates to this sector.
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.

Annex 4. Statistical sources for cross-border transactions

Cross-border transactions settled through resident institutions. Under Circular 15/1992, deposit-taking institutions and other financial corporations registered in the official registers of the Banco de España or the CNMV must inform the Banco de España of transactions carried out by them with non-residents, both for their own account and for account of their customers.

Cross-border transactions settled through non-resident institutions. Under Banco de España Circular 3/2006, all residents who hold accounts abroad must inform the Banco de España of the opening and closing of those accounts and of the transactions settled through them.

Cross-border transactions settled by set-off, without any receipt or payment. Banco de España Circular 6/2000 establishes the requirement to report set-off transactions carried out by residents other than registered institutions with non-residents. If credit institutions or other financial corporations registered with the Banco de España or the CNMV are involved, these set-off transactions are reported under Circular 15/1992 together with the transactions described in the first paragraph above.

External loans. Under Circular 6/2000, information reported by residents other than banks and other financial corporations registered with the Banco de España is available on financial loans and credits or reimbursable advances from non-residents, whatever their form. This circular also covers transactions whereby financing is provided to residents through the acquisition, by non-residents, of securities issued by residents (promissory notes, bonds, etc.) not traded on official secondary securities markets or in unofficial systems or organised markets and through the issuance or placement in foreign markets of marketable debt securities.

Marketable securities. Under Circular 2/2011, securities depositories must report security-by-security information on their stocks of and transactions in tradable securities with non-residents, for their own account or for account of their customers. For securities deposited abroad, resident investors have to report directly their holdings of both securities issued by residents and those issued by non-residents. Furthermore, in order to collect data on residents' issues abroad, the information from Circular 2/2001 is supplemented with data on the total for these issues obtained from official registers and gazettes and accounting statements submitted to supervisory bodies.

External assets and liabilities of credit institutions. Use is made of financial statement information furnished by credit institutions to the Banco de España under Circular 4/2004 and of capital structure information reported by banks and credit cooperatives to the Banco de España under Circular 6/1995.

Foreign Investment Register of the Ministry of Industry, Tourism and Trade. In accordance with Royal Decree 664/1999 and the implementing Ministerial Order and Resolution, resident investors and investee companies report to the Foreign Investment Register the transactions and balances related to holdings in listed or unlisted corporations, to branches and to other forms of beneficiary interest

Annex 5. Valuation of the securities captions of the system

FINANCIAL TRANSACTIONS ACCOUNTS	FINANCIAL BALANCE SHEETS
3 SECURITIES OTHER THAN SHARES 331 Short-term securities	
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. For the financial assets (holding sectors), the transactions have been estimated on the basis of the changes in stocks.	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. 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.
332 Long-term securities	
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. 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 from estimates of price and exchange rate revaluations) to which has been added the interest accrued less interest paid estimated for the holding sectors.	The valuation and estimation criteria are the same as those applied to sub-position 331 (short-term securities). 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.
34 Financial derivatives	
The transactions have been obtained from the changes in stocks (for options) and from estimates of price and exchange rate revaluations (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.	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.
5 SHARES AND OTHER EQUITY 511 Quoted shares	
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. The assets (holding sectors) are obtained from the differences between stocks and estimates of price and exchange rate revaluations 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.	Quoted shares of resident companies are valued at their market capitalisation. 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.

FINANCIAL TRANSACTIONS ACCOUNTS	FINANCIAL BALANCE SHEETS
512 Unquoted shares	
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. For the assets (holders) of resident sectors the data on transactions are obtained from stocks and estimates of price and exchange rate revaluations 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. For non-financial corporations and households the information available in the statement of securities deposited with deposit institutions has been used. 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.	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). In the case of non-residents only portfolio investments have been valued at market prices. Direct investments have been obtained by book value (own funds), except where the shares are quoted, in which case they have been obtained at market prices. The assets (holders) have been obtained from security-by-security information or from the details of the balance sheets of the financial institutions. For non-financial corporations and households the information of the statement of securities deposited with deposit institutions has been used. The data for non-residents have been obtained from the information of the international investment position.
513 Other equity (excl. that of investment funds)	
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.	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.
521 Investment fund units	
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.	Realisable value of the shares
522 Investment company shares	
Actual amount of capital increases less that of reductions in capital.	Net asset value of the companies.

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

Issued by other monetary financial institutions (S.122)

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.

Issued by non-residents (S.2. Rest of the world)

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.

FINANCIAL TRANSACTIONS ACCOUNTS	FINANCIAL BALANCE SHEETS

5 SHARES AND OTHER EQUITY
511/512 Shares

Issued by monetary financial institutions

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 valuation has been adjusted to take into account unquoted shares in respect of direct investments which are valued at book value. 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).

Issued by other financial intermediaries, financial auxiliaries and insurance corporations

Unquoted shares have been valued according to their own funds (capital and reserves).

Issued by non-financial corporations

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.

Issued by non-residents (S.2. Rest of the world)

The data relating to the portfolios of the sub-sectors S.123. Other financial intermediaries, S.124 Financial auxiliaries and S.125 Insurance corporations and pension funds have been obtained directly from their balance sheets, and those of other resident sectors have been obtained from the information on the international investment position. 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. that of investment funds)

Issued by monetary financial institutions

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.

Issued by general government

Contributions from the Deposit Guarantee Funds to the FROB (Fund for the Orderly Restructuring of Banks) have been valued at the effective value of the contribution.

Issued by non-financial corporations

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.

Annex 6. Abbreviations

AIAF	Association of Securities Dealers
BCBS	Basel Committee on Banking Supervision
BE	Banco de España
BIS	Bank for International Settlements
CBSO	Central Balance Sheet Data Office
CCR	Central Credit Register
CEMLA	Center for Latin American Monetary Studies
CEPR	Centre for Economic Policy Research
CNE	Spanish National Accounts
CNMV	National Securities Market Commission
CPI	Consumer Price Index
DGS	Directorate General of Insurance and Pension Funds
ECB	European Central Bank
ECCO	ECB External Communications Committee
ECOFIN	Council of the European Communities (Economic and Financial Affairs)
EDP	Excessive Deficit Procedure
EMU	Economic and Monetary Union
EONIA	Euro overnight index average
EPA	Official Spanish Labour Force Survey
ESA 79	European System of Integrated Economic Accounts
ESA 95	European System of National and Regional Accounts
ESCB	European System of Central Banks
EU	European Union
EU-15	Countries making up the European Union as at 31/04/04
EU-25	Countries making up the European Union as from 1/05/04
EU-27	Countries making up the European Union as from 1/01/07
EUROSTAT	Statistical Office of the European Communities
FADE	Electricity Deficit Amortisation Fund
FAFA	Fund for the Acquisition of Financial Assets
FASE	Financial Accounts of the Spanish Economy
FDI	Foreign direct investment
FIAMM	Money market funds
FIM	Securities funds
FISIM	Financial intermediation services indirectly measured
FROB	Fund for the Orderly Restructuring of Banks
GDI	Gross disposable income
GDP	Gross domestic product
GFCF	Gross fixed capital formation
GNP	Gross national product
GVA	Gross value added
HICP	Harmonised Index of Consumer Prices
IADB	Inter-American Development Bank
ICT	Information and communications technology
IGAE	National Audit Office
IMF	International Monetary Fund
INE	National Statistics Institute
INEM	National Public Employment Service
INVERCO	Association of Collective Investment Institutions and Pension Funds
LIFFE	London International Financial Futures Exchange
MEFF	Financial Futures and Options Market
MFIs	Monetary financial institutions
MiFID	Markets in Financial Instruments Directive
MMFs	Money market funds
MROs	Main refinancing operations
MTBE	Banco de España quarterly macroeconomic model
NAIRU	Non-accelerating-inflation rate of unemployment
NCBs	National central banks
NPISHs	Non-profit institutions serving households
OECD	Organisation for Economic Co-operation and Development
OPEC	Organisation of Petroleum Exporting Countries
PFs	Pension funds
PPP	Purchasing power parity
QNA	Quarterly National Accounts
RoW	Rest of the World
SCLV	Securities Clearing and Settlement Service
SDRs	Special Drawing Rights
SICAV	Open-end Investment Companies
SMEs	Small and medium-sized enterprises
SPEE	National Public Employment Service
TARGET	Trans-European Automated Real-time Gross settlement Express Transfer system
TFP	Total factor productivity
ULCs	Unit labour costs
VAT	Value Added Tax
WTO	World Trade Organisation
XBRL	Extensible Business Reporting Language

COUNTRIES AND CURRENCIES

In accordance with Community practice, the EU countries are listed using the alphabetical order of the country names in the national languages.

BE	Belgium	EUR (euro)
BG	Bulgaria	BGN (Bulgarian lev)
CZ	Czech Republic	CZK (Czech koruna)
DK	Denmark	DKK (Danish krone)
DE	Germany	EUR (euro)
EE	Estonia	EEK (Estonian kroon)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IT	Italy	EUR (euro)
CY	Cyprus	EUR (euro)
LV	Latvia	LVL (Latvian lats)
LT	Lithuania	LTL (Lithuanian litas)
LU	Luxembourg	EUR (euro)
HU	Hungary	HUF (Hungarian forint)
MT	Malta	EUR (euro)
NL	Netherlands	EUR (euro)
AT	Austria	EUR (euro)
PL	Poland	PLN (Polish zloty)
PT	Portugal	EUR (euro)
RO	Romania	RON (New Romanian leu)
SI	Slovenia	EUR (euro)
SK	Slovakia	EUR (euro)
FI	Finland	EUR (euro)
SE	Sweden	SEK (Swedish krona)
UK	United Kingdom	GBP (Pound sterling)
JP	Japan	JPY (Japanese yen)
US	United States	USD (US dollar)

CONVENTIONS USED

M1	Notes and coins held by the public + sight deposits.
M2	M1 + deposits redeemable at notice of up to three months + deposits with an agreed maturity of up to two years.
M3	M2 + repos + shares in money market funds and money market instruments + debt securities issued with an agreed maturity of up to two years.
Q1, Q4	Calendar quarters.
H1, H2	Calendar half-years.
bn	Billions (10^9).
m	Millions.
bp	Basis points.
pp	Percentage points.
...	Not available.
—	Nil, non-existence of the event considered or insignificance of changes when expressed as rates of growth.
0.0	Less than half the final digit shown in the series.

BANCO DE ESPAÑA PUBLICATIONS

STATISTICAL NOTES

1 DEPARTAMENTO DE ESTADÍSTICA Y CENTRAL DE BALANCES: Registering financial interemediation services on the nacional accounts as of 2005. (The Spanish original of this publication has the same number.)

2 DEPARTAMENTO DE ESTADÍSTICA Y CENTRAL DE BALANCES: Valuation of shares and other equity in the Financial Accounts of the Spanish Economy. (The Spanish original of this publication has the same number.)

3 DEPARTAMENTO DE ESTADÍSTICA Y CENTRAL DE BALANCES: Registering financial interemediation services on the nacional accounts as of 2005. Addendum. (The Spanish original of this publication has the same number.)

4 LUIS GORDO MORA AND JOÃO NOGUEIRA MARTINS: How reliable are the statistics for the Stability and Growth Pact?

5 STATISTICS DEPARTMENT: Methodological notes on the Financial Accounts of the Spanish Economy.

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