

**METHODOLOGICAL NOTES
ON THE FINANCIAL ACCOUNTS
OF THE SPANISH ECONOMY
ESA-2010**

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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, using the ESA 95 methodology. In October 2014, Spain's financial accounts, like those of other European Union countries, were adapted to the new methodology laid down in Regulation (EU) No 549/2013 on the European system of national and regional accounts, known as ESA 2010, which replaced ESA 95.

The FASE are disseminated quarterly with a press release at <http://www.bde.es>, within three-and-a-half months of the reference quarter and 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: institutional aspects, 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 2010. Additionally, each annual edition of the FASE includes a "Methodological summary" which sums up certain aspects of these notes and also includes the changes introduced in the last year.

1 Introduction

This document sets out the compilation methodology for the *Financial Accounts of the Spanish Economy* (hereafter “FASE”). 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 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 1995 Q1 - 2016 Q3. The FASE are disseminated in electronic form each year, approximately mid-June, together with the Bank’s *Annual report* and, furthermore, the time series are updated quarterly at www.bde.es/bde/en/ within three-and-a-half months of the reference quarter.

The main reference framework for the FASE is Regulation (EU) 549/2013, on the European system of national and regional accounts known as ESA 2010, which replaces the previous Regulation (EC) 2223/96 (ESA 95). The ESA 2010 is a system of standardised, comprehensive, coherent, consistent, integrated and internationally comparable accounts which, in relation to financial instruments, permits financial balance sheets and financial transactions and other flows (revaluations and other changes in volume) accounts to be prepared consistently for all sectors and sub-sectors of the Spanish economy. In addition, the preparation of the FASE satisfies the reporting requirements of the European Central Bank (ECB), established in Guideline ECB/2013/24 on the statistical reporting requirements in the field of quarterly financial accounts, which replaces the previous Guideline ECB/2007/13 in force in the context of ESA 95.

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 Institutional aspects

2.1 LEGAL AND METHODOLOGICAL 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 (with annual action plans) and is approved by royal decree according to the guidelines contained in the Government Statistics Law.¹ Responsibility for compiling the FASE falls to the Banco de España.

The methodology used in compiling these accounts is that established by the European System of Accounts (ESA 2010), contained in Regulation (EU) No 549/2013 of the European Parliament and of the Council, which also governs the compilation of non-financial accounts. One of the key features of this system is that, since it was enacted

¹ The National Statistics Plan currently in force relates to the period 2017-2020 (RD 410/2016). The FASE are included in this plan as statistical operation 7471.

through a Regulation, it is binding, in all its elements, upon all European Union (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 data availability. The latter two points are included in a Eurostat data transmission programme forming part of the aforementioned Regulation.

The ESA 2010 accounting system is also harmonised with the System of National Accounts (SNA 2008), drawn up under the aegis of the Intersecretarial Working Group on National Accounts (ISWGNA), which comprises the Statistical Office of the United Nations, the World Bank, the OECD, the IMF and Eurostat, and with the IMF's *Balance of Payments Manual* (6th Edition). Of particular significance in the European context is the inclusion in the system of a specific sub-sector within the sector Financial corporations, namely the sub-sector Monetary financial institutions (MFIs), which is the grouping the European System of Central Banks (ESCB) defines as the "money creating sector", reinforcing the link between monetary and national accounts statistics.

The National Statistics Institute ("INE" by its Spanish abbreviation) is the agency responsible for compiling the Spanish National Accounts (<http://www.ine.es/en/welcome.shtml>), 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 (-) (balance of the capital account) 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, which are obtained independently, are as similar as possible.

Noteworthy are the accounts of the general government sector, which were compiled as a result of the institutional cooperation between the Banco de España and the INE in addition to 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 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. To this end, Organic Law 6/2013 creating the Independent Authority for Fiscal Responsibility, also created the Technical Committee on National Accounts to value and allocate economic operations performed by the various units of the public sector and the sector delimitation of such units.

2.2 INTERNATIONAL REQUIREMENTS

International organisations compile financial accounts data within their own sphere. In some cases, these organisations have formalised, by means of legally binding rules, the information requirements that must be met by the national institutions responsible for compiling such data or which are members of the organisation. Also, these international organisations make available to users the data compiled for different countries with a homogeneous format and with dissemination tools that make the information easier to compare and use.

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 2010 with regard to both methodology and data transmission. An active part is played in these tasks by national experts and those from international bodies.²

Regulation (EU) No 549/2013 on ESA 2010, besides being the main methodological reference in the area of financial accounts, incorporates a transmission programme of national accounts data to Eurostat. In relation to the financial accounts, this transmission programme establishes the obligation to send, within nine months, annual data, for consolidated and non-consolidated financial balance sheets and financial accounts of the institutional sectors and sub-sectors, and for the non-consolidated revaluation and other changes in volume accounts at the sector level. In September 2014 the first complete set of time series (approximately 5,000 series), from 1995, for the Spanish financial accounts, established by the ESA 2010 Transmission Programme, was sent to Eurostat. The European Sector Accounts database³ contains the financial accounts data (Tables 6 and 7 of the Transmission Programme) of the EU countries.

In addition, Regulation (EC) No 501/2004 establishes the obligation on Member States to compile quarterly financial accounts for the general government sector, which currently have to be sent within 85 calendar days of the last reference quarter. The Eurostat Government finance statistics database⁴ contains the public finances data for the EU countries.

The ECB, in its field of competence, has established obligations to report financial accounts data by means of Guideline ECB/2013/24. This Guideline obliges the euro area national central banks (NCBs) to submit quarterly financial accounts to the ECB within 100 calendar days of the last quarter included in the accounts. There are certain differences between the quarterly data that the NCBs send to the ECB (approximately 10,000 series) and the annual data that are sent to Eurostat (apart from the different periodicity), although it is expected that they are fully consistent.⁵ In general, the quarterly data sent to the ECB are somewhat less detailed than the Eurostat annual data as regards the institutional sectors/sub-sectors and the categories of financial assets for which information is presented, but 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 from those that have other countries as counterpart, which enables the ECB to compile euro area accounts, consolidating the positions of euro area countries. A significant portion of this information is disseminated in the Euro area accounts section of the ECB's Statistical Data Warehouse.⁶

Finally, it should be mentioned that the international financial crisis of the last few years has led to intensive work by international organisations to develop proposals to improve the quality and content of the statistical information on balance sheets and financial transactions. In this context, the IMF has promoted two initiatives in the area of statistics during these years, as a result of which financial accounts statistics are now disseminated more widely.

2 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 of the ECB.

3 Available at <http://ec.europa.eu/eurostat/web/sector-accounts/statistics-illustrated>.

4 Available at <http://ec.europa.eu/eurostat/web/government-finance-statistics/statistics-illustrated>.

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

6 Available at <http://www.ecb.int/stats/acc/html/index.en.html>.

In the context of the G20, the member countries and observers of this group, and other international financial organisations drew up the document known as the *Data Gaps Initiative* (DGI) in 2009. This includes 20 recommendations to improve the quality and detail of financial statistics. The recommendations comprise the quarterly compilation, within three months, of financial balance sheets and sector accounts, with counterpart details. As regards this work, the ultimate aim of which is to improve the dissemination and accessibility of the statistics of the G-20 countries and of other countries with large financial systems, the IMF has on its website a section called “Principal Global Indicators” which includes several macroeconomic statistics that are available at the main international organisations, and a sub-section on the financial accounts of the main developed economies.⁷

As part of its Data Initiatives, the IMF has approved a second set of requirements in relation to Special Data Dissemination Standards (SDDS). This second level called “SDDS Plus”, is more demanding than the current requirements approved by the IMF in 1996, which Spain adhered to that year. The new SDDS Plus contains additional requirements in nine categories. The countries adhering to this IMF initiative must comply from the outset with the requirements in at least five categories and will have until the end of 2019 to comply with the other requirements. Spain and another six countries formally adhered to this initiative at the start of 2015, making up the first wave of countries to satisfy the demanding requirements of the new system. In particular, Spain complies with eight of the nine SDDS Plus categories. The financial accounts are the basis for four of the new categories: i) sectoral financial balance sheets; ii) general government financial transactions accounts; iii) consolidated financial balance sheet of other financial intermediaries; and iv) securities portfolios of institutional sectors, all of which must be disseminated quarterly within four months of the end of the reference quarter.

3 Dissemination of Information

The Regulations relating to the ESA 2010 and the previous ESA 95 require only annual series. However, ever since the ESA 95 Regulation entered into force in 2000, the Banco de España has been releasing quarterly series, as this is the periodicity demanded by users. An intensive legislative programme has been conducted for years within the European Union, aimed at increasing the periodicity of the National Accounts and other key macroeconomic statistics, and also at reducing the lag in their availability to a minimum; the objective in the case of the financial accounts is 90 calendar days, which is somewhat shorter than the frequency at which the FASE are currently disseminated. As early as 2007, the ECB set out its quarterly reporting requirements.

The FASE are disseminated in electronic form through <http://www.bde.es/bde/en/>. The publication, which is released in June together with the Bank’s *Annual Report*, contains a “Methodological Summary” and a wide selection of tables. Furthermore, the tables in the publication are updated quarterly within three-and-a-half months (usually on the 15th of the fourth month following the last quarter included in the FASE) together with a press release which discusses certain important economic events in the new update. The specific dates of the updates of the FASE appear in a release calendar for the publication and for other statistics compiled by the Banco de España that may be consulted at <http://www.bde.es/bde/en/>. Additionally, as the FASE form part of the National Statistics Plan, the release dates are included in the plan’s annual programmes as are those for the other statistical operations.

The financial accounts themselves form Chapter 2 of the publication. Chapter 1 includes a summary of the non-financial national accounts, a macroeconomic table and non-financial

⁷ Available at <http://www.principalglobalindicators.org/pages/default.aspx>.

accounts of the institutional sectors, thus offering an overview of the Spanish National Accounts.⁸ This joint presentation of the non-financial and financial accounts, which make up the integrated accounts of the institutional sectors, enables the economic transactions to be financed to relate more easily to their financial counterparts.

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 the electronic publication and CSV⁹ 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 the information and meta-information compiled and disseminated by the Statistics Department of the Banco de España.¹⁰

Regarding the content of the FASE, these currently comprise financial transactions and financial balance sheets with a quarterly periodicity for the period 1995 Q1-2016 Q3. Also, 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 (the last eight years and the last eight quarters), specifically in Tables 2.41 to 2.48 which present the detailed 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, in relation to the various groupings, are presented in a non-consolidated version in the tables of Sections 2.B), 2.D) and 2.E). However, a consolidated version of the Accounts can be prepared from the information in Section 2.D) of the publication (Tables 2.33 to 2.40), which includes, for the different sectors, the summary by instrument and counterpart sector (“from whom to whom” basis), including the counterpart vis-à-vis the sector itself. On the basis of this information, by elimination of the asset and liability positions within the sector itself, the consolidated accounts of each sector are obtained. Obviously, in the case of the consolidated account of the Spanish economy, this is equivalent to presenting the rest of the world account from the standpoint of the resident sectors.

The experience acquired has made it possible to establish a revision policy which, while ensuring that 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. This policy is in line with the agreements reached at European level in 2012, within the framework of Eurostat’s Committee on Monetary, Financial and Balance of Payments Statistics (CMFB), on revisions in macroeconomic statistics. The aim of this framework of reference is to improve the comparability of national statistics at European level in order to make it easier to compile European aggregates and for users to use the statistics. Specifically: i) when the quarterly accounts are updated in January and July, at most, the data of the quarters of the current and previous year are revised; ii) for the quarterly updates in April and October the quarters relating to the last four years, including the current year, are revised, at most. This regular revision procedure does not rule out exceptional revisions when the circumstances warrant (conceptual changes, new base data, extension of the time series and the like).

⁸ Until 2014, the FASE publication also included a third chapter with a set of supplementary national and international statistics, the publication of which was discontinued in that year since most of this information is currently already published on the Banco de España’s website and/or is available on the websites of other international organisations.

⁹ CSV stands for comma separated values.

¹⁰ Available at http://www.bde.es/bde/en/areas/estadis/BIEST_-_Busqueda/.

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 asset, 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 balancing items and financial transactions balancing items 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.

4.1 COLLECTION OF THE BASE DATA OF EACH SECTOR

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 databases 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 45 financial instruments and 22 institutional groupings –reduced, at a later stage, to the ESA 2010 standardised instrument, sector and sub-sector categories– which are those disseminated in the electronic edition of the FASE.

4.2 SELECTION, FOR EACH TYPE OF FINANCIAL ASSET, OF THE BEST SOURCE OF INFORMATION

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 (CBSO by its Spanish abbreviation). 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 that 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.

The ranking of sources thus means that part of the information for a given sector disseminated in the 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

third counterpart sector (or sectors) for which sufficient information is generally not available or the information available is considered to be of lower quality in the heading in question, which would also reduce its reliability.

4.3 CONSISTENT COMPILATION
OF FINANCIAL BALANCE
SHEETS, FINANCIAL
TRANSACTIONS
AND OTHER FLOWS

For each of the financial instruments of the economy, identified in the matrix referred to in Section 4.1, the following accounting identity must hold:

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

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. the reclassification of institutional units 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 Section 3 of these notes, the FASE are prepared and disseminated in unconsolidated form, although there are some exceptions. This applies to trade credits and advances in the households sector which do not include, owing to lack of information, any credits and advances between units of this sector,¹¹ (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 [1] that appears in Section 4.3 of these notes 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

11 These credits are estimated to represent 0.5%-1% of the volume of trade credits in the economy, considering that: i) based on the information in the credit institutions' financial statements (used to compile the FASE), households represent around 5% of the trade bills discounted by credit institutions' customers, and ii) the value of sole proprietors' production represents approximately 10% of the overall production of non-financial private sectors.

movements, write-downs, etc., which are basically obtained 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 FASE publication (Tables 2.41 to 2.48) 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 Debt securities”, “511 Listed 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 Unlisted 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 2010 indicates two types of other flows that potentially affect financial categories. These are: a) other changes in volume not elsewhere classified (K.5), which include the effects on the value of financial assets/liabilities of unexpected events such as losses arising from robbery or loss, loan write-offs, changes of life assurance due to changes in demographic assumptions, etc. and, b) other flows due to changes in classification (K.6), 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 a result of legal/accounting rules.

5.1 ASSURANCE THAT RESOURCES EQUAL USES IN BALANCE SHEETS AND FINANCIAL TRANSACTIONS

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. listed 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.

5.2 CONSISTENCY BETWEEN NET BALANCING ITEMS FOR THE CAPITAL ACCOUNT AND THE FINANCIAL TRANSACTIONS ACCOUNT

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 the ESA 2010, 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 in Section 2.1, 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 different situations are distinguished in this process, namely:

Financial corporations, general government and the rest of the world sectors. The non-financial accounts of these sectors 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 SNA. 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.

Other non-financial private resident sectors. The non-financial and financial accounts of the non-financial corporations, households and NPISHs sectors 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 sectors in the block above, the teams compiling the financial and non-financial accounts estimate the balancing items of the capital account and the financial account for these sectors 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 financial corporations, general government and rest of the world sectors 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 net incurrence of liabilities, specifically in the category “Other accounts payable, except trade credits (F89)” of these three sectors, which 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

assigned to the other resident sectors grouping (and subsequently distributed among their components), and in the same category, “F.89 Other accounts payable, except trade credits”, on this occasion with the opposite sign.

When comparing the quality of the estimates included in the FASE, 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, while if they offset each other over successive periods, they might indicate the correctness of considering them to be receipt and payment timing differences (F.89).

6 Delimitation of institutional sectors and information sources

In the financial accounts, as in the non-financial accounts, the institutional units are classified into sectors and sub-sectors on the basis of their economic function. Specifically, the following institutional sectors are distinguished: non-financial corporations, which produce non-financial market goods and services; financial corporations, which engage in the provision of financial services; general government, whose main functions are the production of “non-market” goods and services and the performance of transactions for the redistribution of national income and wealth; households, in their two-fold function 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 the production of financial services. As such, it includes financial intermediation (financial intermediaries) and other auxiliary financial activities (financial auxiliaries), comprising entities performing these activities where most of either their financial assets or their liabilities are not transacted on open markets and 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; non-MMF investment funds, other financial intermediaries; financial auxiliaries; captive financial institutions and money lenders 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. Additionally, in the FASE the other financial intermediaries, financial auxiliaries and captive financial institutions and money lenders sub-sectors are presented together in the grouping called other non-monetary financial institutions.

S.121 Banco de España

The ESA 2010 establishes a sub-sector within the financial corporations sector in which the national central bank should be included, even when the latter forms part of the ESCB. In the FASE, this sub-sector corresponds to the Banco de España, which is also the supervisor of the Spanish banking system and, as such, forms part of the European Single Supervisory Mechanism. Its activity is regulated by the Law of Autonomy of the

Categories of ESA 2010		Main types of entities
S.11	Non-financial corporations	Comprises public limited companies, private limited companies, other non-financial corporations that are separate legal entities, public corporations and other public bodies which are market producers and head offices of non-financial corporations.
S.12	Financial corporations	
	S.121 Banco de España	The national central bank.
	S.122/3 Other monetary financial institutions	<i>Deposit-taking corporations except the central bank (S.122).</i> Comprises credit institutions (banks, savings banks, credit cooperatives and the Instituto de Crédito Oficial), specialised credit institutions and electronic money institutions. <i>Money market funds (S.123).</i> Comprises collective investment institutions of a monetary nature.
	S.124 Non-MMF investment funds	Comprises non-monetary collective investment institutions, including venture capital funds.
	S.125/6/7 Other non-monetary financial corporations	<i>Other financial intermediaries (S.125).</i> Comprises securities dealer companies, financial vehicle corporations, venture capital companies, bank asset funds, central counterparties and asset management companies. <i>Financial auxiliaries (S.126).</i> Comprises deposit guarantee funds (until 2011); securities brokers; mutual guarantee companies; appraisal companies; pension fund, investment fund and portfolio management companies; operators of organised markets; companies performing market settlement and clearing functions; and head offices of financial groups. <i>Captive financial institutions and money lenders (S.127).</i> Comprises companies which hold shares of financial and non-financial corporations held by non-residents and residents (if they have autonomy of decision), special purpose entities (SPEs), and issuers of preference and similar shares.
	S.128 Insurance corporations	Comprises life and risk insurance corporations, non-profit insurance institutions and the <i>Consortio de Compensación de Seguros</i> (Insurance Compensation Consortium).
	S.129 Pension funds	Comprises autonomous pension funds and non-profit insurance institutions with the characteristics of pension funds.
S.13	General government	
	S.1311 Central government	Comprises the State and State-controlled non-market producers, the Fund for the Acquisition of Financial Assets (FAAF), the Fund for the Orderly Restructuring of the Banking Sector (FROB), the Electricity Deficit Amortisation Fund (FADE), the Regional Government Liquidity Fund (FLA), the Fund for the Financing of Payments to Suppliers (FFPP) and, since 2012, the Deposit Guarantee Scheme (DGS).
	S.1312 Regional (autonomous) governments	Comprises management institutions of the regional (autonomous) governments and regional (autonomous) government-controlled non-market producers, including universities and transferred social security.
	S.1313 Local government	Comprises provincial governments, island authorities, municipalities, town and minor local authorities and their related groupings, and local government-controlled non-market producers.
	S.1314 Social security funds	Comprises 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.
S.14	Households	Comprises 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).
S.15	Non-profit institutions serving households	Comprises 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.

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.122/3 Other monetary financial institutions

This grouping comprises the groupings S.122 Deposit-taking corporations except the central bank and S.123 Money market funds, which are not presented separately in the FASE.

S.122 Deposit-taking corporations except the central bank

This includes all financial corporations and quasi-corporations, except the Banco de España and those classified in money market funds, which are principally engaged in financial intermediation and whose business is to receive deposits and/or close substitutes for deposits from institutional units, hence not only from MFIs, and, for their own account, to grant loans and/or to make investments in securities.

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 and statistical returns that the institutions which make up this grouping submit to the Banco de España within the framework of Banco de España Circular 4/2004.

S.122 includes deposit-taking institutions (commercial banks, savings banks and credit cooperatives), the Instituto de Crédito Oficial, specialised credit institutions and electronic money institutions.

Specialised credit institutions 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.

Electronic money institutions are regulated by Royal Decree 322/2008 on the legal regime for electronic money institutions and 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 Money market funds

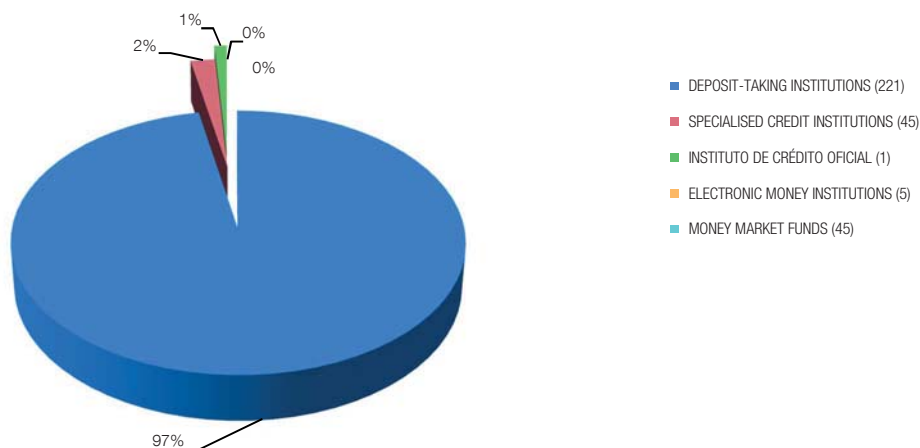
Regulation (EU) No 1071/2013 of the ECB of 24 September 2013 (ECB/2013/33) amending Regulation (EC) No 25/2009 of the ECB (ECB/2008/32) defines money market funds (MMFs) as those collective investment institutions whose liabilities are, in terms of liquidity, close substitutes for deposits and which 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 above-mentioned Regulation of the ECB.

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,

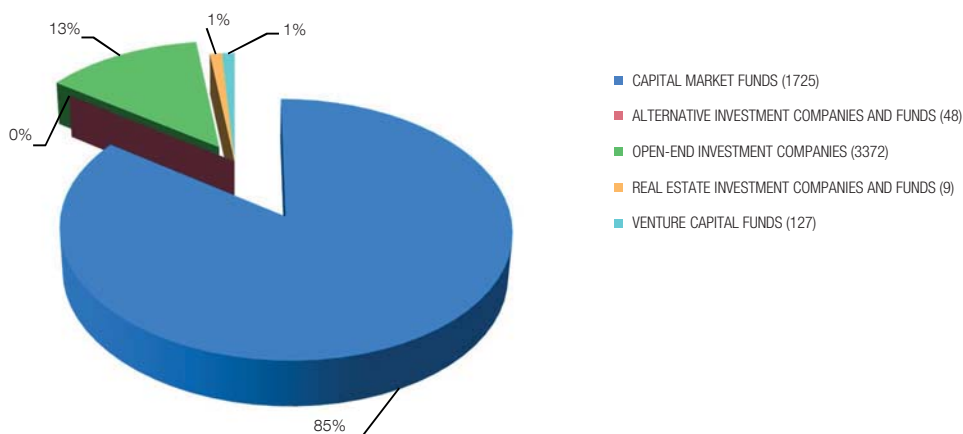
OTHER MONETARY FINANCIAL INSTITUTIONS (OMFIs)
 % of total OMFI liabilities and number of institutions (in 2015)

CHART 1



NON-MMF INVESTMENT FUNDS
 % of total liabilities of Non-MMF investment funds and number of institutions (in 2015)

CHART 2



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) are included in sub-sector S.124 Non-MMF investment funds.

S.124/S.125/S.126/S.127/
 S.128/S.129 Non-monetary
 financial corporations

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

S.124 Non-MMF
 investment funds

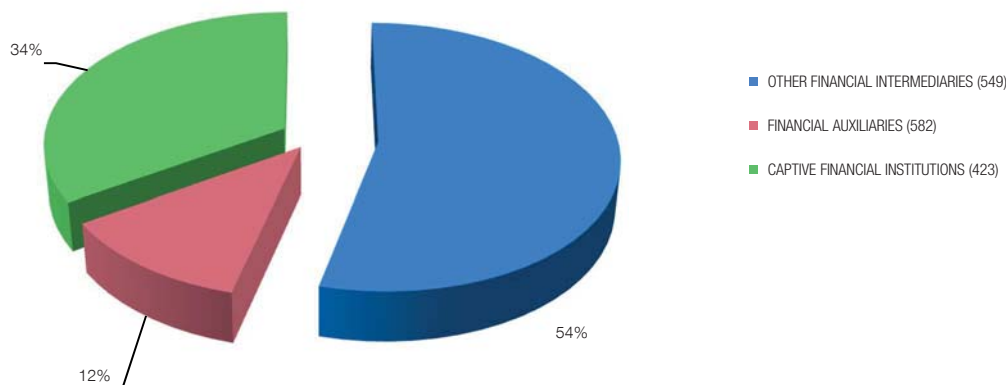
This sub-sector comprises collective investment institutions (funds and companies) except those classified as money market funds. The object of collective investment institutions (CIIs) is to receive funds, assets or rights from the public to manage them and invest them in assets, rights, securities or other instruments, whether financial or not, provided that the return to the investor is established in accordance with the collective results.

This sub-sector includes collective investment institutions of a financial nature (investment funds and open-end investment companies) and of a non-financial

OTHER NON-MONETARY FINANCIAL INSTITUTIONS, EXCLUDING INSURANCE CORPORATIONS AND PENSION FUNDS

CHART 3

% of total liabilities of other non-monetary financial institutions and number of institutions (in 2015)



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.122/3). 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 referred to in the section on money market funds.

Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on alternative investment fund managers introduces for the first time within the European Union a regulation of these managers which include managers of hedge funds, real estate investment funds and companies and venture capital undertakings. Subsequently, Regulation (EU) No 345/2013 of the European Parliament and of the Council on European venture capital funds and Regulation (EU) 346/2013 of the European Parliament and of the Council on European social entrepreneurship funds gave the final shape to European regulation on venture capital. This regulation was transposed into Spanish law by Law 22/2014, amending Law 35/2003 on Collective Investment Institutions, which regulates venture capital undertakings and other closed-end collective investment institutions. Consequently, since its entry into force at the end of 2014, venture capital funds are classified under sub-sector S.124 Non-MMF investment funds. However, according to Regulation (EU) No 549/2013 of the European Parliament and of the Council on ESA 2010, venture capital companies are still part of sub-sector S.125 Other financial intermediaries.

S.125/S.126/S.127
Other non-monetary
financial institutions

This sub-sector includes non-monetary financial institutions: other financial intermediaries, financial auxiliaries and captive financial institutions and money lenders.

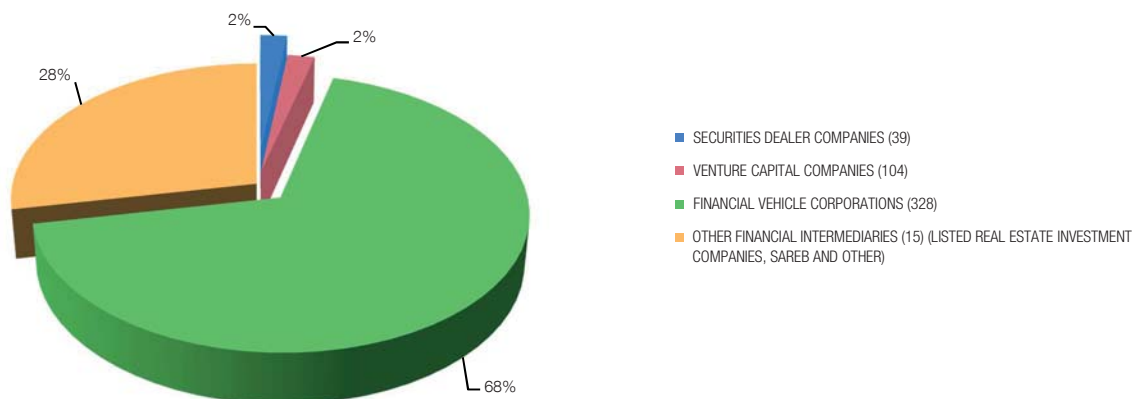
S.125 Other financial
intermediaries

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, investment fund units or liabilities associated with the insurance, pension and standardised guarantee schemes of institutional units. It includes several types of financial intermediaries, in particular those which basically undertake long-term financial intermediation activities. In most cases, this predominant maturity provides the basis for distinction from the sub-sector “Other monetary financial institutions”. The main

OTHER FINANCIAL INTERMEDIARIES

% of total liabilities of other financial intermediaries and number of institutions (in 2015)

CHART 4



information sources used to compile the financial accounts of sector S.125 are the financial statements of the entities which make up this sector and information on securities issued provided by the CNMV. It comprises specifically:

- a) *Financial vehicle corporations.* Included in this grouping 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 debt securities 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 (which was extinguished at end-2015) 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.125, but in sector S.13 General government in sub-sector S.1311 Central government.

Also included in this grouping are the bank asset funds (BAFs) as indicated in paragraph e) of this sub-sector S.125, which cover those funds that may be created by Sareb.

- b) *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”, because they can only act for third parties.

- c) *Venture capital companies.* Until 2014 Q3, venture capital funds and companies were part of sub-sector S.125 Other financial intermediaries. As from Q4, venture capital funds have been included in sub-sector S.124 Non-MMF investment funds as indicated in the references to that sub-sector.

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.

- d) *Central counterparties.* These central counterparties are legal persons which intermediate between counterparties to contracts traded in one or several financial markets, acting as buyers to sellers and sellers to buyers. They are regulated by Law 32/2011.

BME Clearing is the central counterparty (CCP) of the BME Group for the following derivatives business segments: financial derivatives traded on the Spanish financial futures and options exchange (MEFF, by its Spanish abbreviation), government debt repos, electricity derivatives and interest rate derivatives.

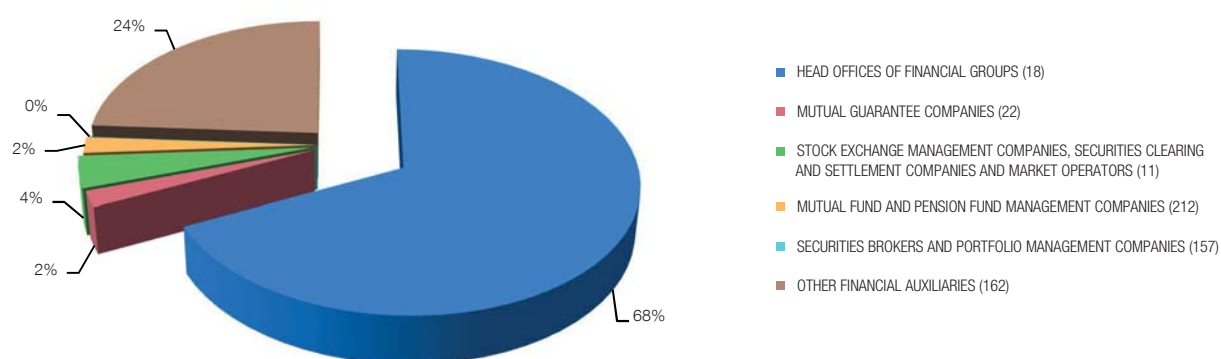
BME Clearing was created due to the changes in EU regulations laid down by Regulation EU No 648/2012 of the European Parliament and of the Council of 4 July 2012 (EMIR), whereby market trading must be separated from clearing. As a consequence of the unbundling of functions, MEFF has assumed the trading as the operator of the derivatives market and BME Clearing manages the CCP activity. Until BME Clearing was formed as a CCP in Spain, MEFF (the derivatives market operator belonging to the BME Group) had the status of official market and CCP. Since February 2016, BME Clearing has also been the CCP of the Spanish spot market.

- e) *Sareb.* As a result of the financial crisis and in order to identify and sell real estate assets which had built up on credit institutions’ balance sheets, Royal Decree-Law 18/2012 of 12 May 2012 provides for the creation of asset management companies whose sole purpose is the administration and disposal of the foreclosed assets of entities which received financial support from the FROB. Royal Decree 1559/2012 of 15 November 2012 regulates the Sareb and determines the possibility of creating separate funds managed by Sareb called “bank asset funds” (BAFs). These BAFs are also part of the sub-sector S.125 Other financial intermediaries and, specifically, their statistics are included in financial vehicle corporations.

FINANCIAL AUXILIARIES

% of total liabilities of financial auxiliaries and number of institutions (in 2015)

CHART 5



S.126 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 126 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) *Securities brokers and portfolio management companies.* Financial intermediaries that are among the 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.
- b) *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. Conversely, 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.
- c) *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.
- d) *Mutual fund and pension fund management companies.* The former are regulated by Royal Decree 1309/2005 and the latter by Royal Decree 304/2004.
- e) *Comisión Liquidadora de Entidades Aseguradoras* (until absorbed by Consorcio de Compensación de Seguros). An independent legal entity created by Royal Decree-

Law 10/1984, 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).

- f) *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.
- g) *Deposit Guarantee Funds (until 2011 Q4).* They 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 fund's assets. With Royal Decree-Law 16/2011 the three then-existing funds (commercial bank fund, savings bank fund and credit cooperative fund) were unified in a single fund, the credit institution deposit guarantee fund (FGDEC, by its Spanish abbreviation). This fund retains the functions and features of those it replaces, including particularly the twin function of guaranteeing deposits and assisting institutions in difficulty. The Royal Decree-Law broadens the range of situations in which the fund can take preventive action. In 2012, the FGDEC was included in central government.
- h) *Head offices of financial groups.* They are institutional units which exercise managerial control over their subsidiaries. Where all or most of their subsidiaries are included in the financial corporations sector, then they are considered Financial auxiliaries (S.126) in the financial corporations sector. The head offices of non-financial groups are classified under sector S.11 Non-financial corporations. Where there is a mixture of financial and non-financial subsidiaries, the predominant share-by-value-added determines the sector classification.

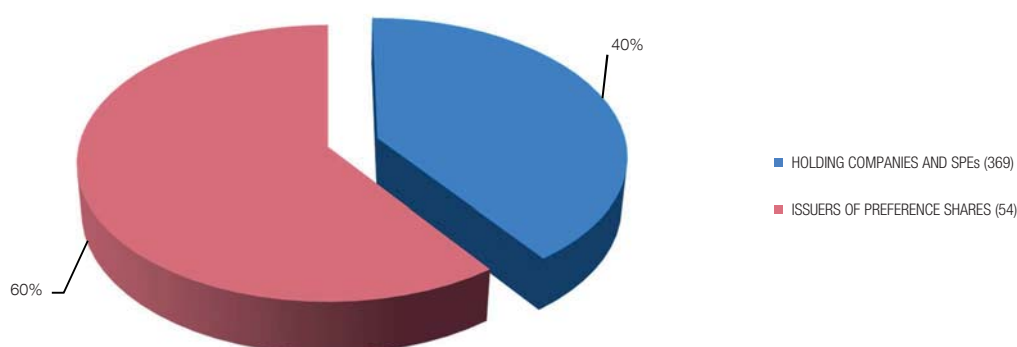
S.127 Captive financial institutions and money lenders

The following types of entity are included:

- a) *Holding companies.* These entities engage in holding assets (holding controlling-levels of equity) of a group of subsidiary corporations, whose principal activity is owning the group. This type of holding company does not provide any other service to the businesses

CAPTIVE FINANCIAL INSTITUTIONS AND MONEY LENDERS
% of total liabilities and number of institutions (in 2015)

CHART 6

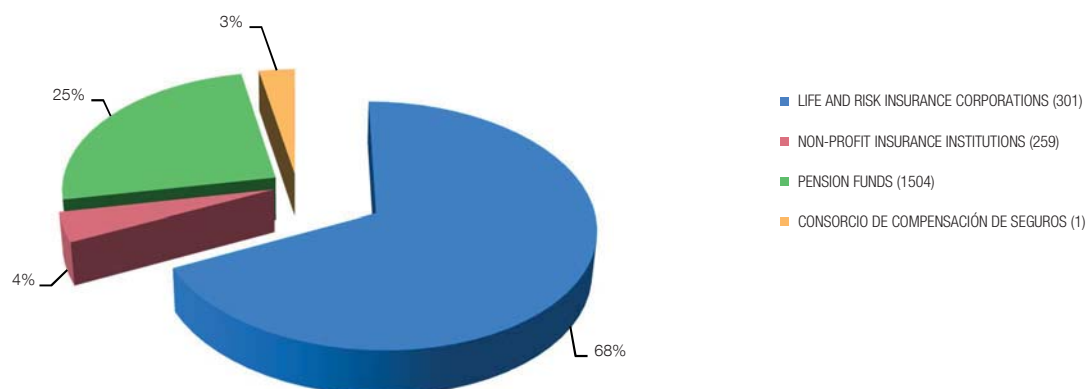


in which the equity is held, that is, they do not administer or manage other units, which differentiates them from head offices since the latter perform activities relating to the overseeing and management of the entities included in their portfolio (strategic and operational planning, operational control, etc.).

While holding companies meeting the requirements referred to below are classified under sub-sector S.127, head offices are classified under the same sector as that to which most of the companies they own or control belong, thus, in the case of financial entities, they are classified under financial corporations in the sub-sector Financial auxiliaries (S.126).

Experts from countries and international organisations under the aegis of the Secretariat of the Intersecretarial Working Group on National Accounts (ISWGNA) developed a series of practical criteria so that countries can compile a relatively uniform list of this kind of entities. These criteria were applied in the FASE by using the data of the Banco de España's Central Balance Sheet Data Office. Specifically, entities complying with the following criteria were deemed holding companies in the FASE:

- i) more than 50% of their balance sheet is in the form of equity capital in the group.
 - ii) they have fewer than three employees (if they have three employees or more, they are deemed head offices), and
 - iii) they have autonomy of decision. Entities controlled by non-residents are deemed to have autonomy of decision and only those entities controlled by residents which are financed on open markets are deemed to have autonomy of decision while the others should be consolidated with their parent company.
- b) *Special purpose entities (SPEs)*. They are vehicles created for a specific objective and are even not necessarily an institutional unit, they usually have no employees and no non-financial assets, they have little physical presence beyond a brass plate or sign confirming their place of registration; they are always related to another corporation, often as a subsidiary; they are resident in a different territory from the territory of residence of the related corporations; and, lastly they are frequently managed by employees of another corporation which may or may not be a related one. A regular business of these entities is raising funds to be used by their parent. These entities are classified under sub-sector S.127 only if they are deemed to have autonomy of decision and, therefore, are an independent institutional unit. SPEs controlled by non-residents and only those entities controlled by residents which are financed on open markets are classified in sub-sector S.127 in the FASE, while the others should be consolidated with their parent company.
- c) *Issuers of preference shares*. These are special purpose entities (SPEs), 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 those created by credit institutions, funds raised by these issues are transferred to the parent in the form of deposits. In the case of those created by non-financial corporations, they are transferred to the parent in the form of loans.



S.128 Insurance corporations

Under the ESA 2010 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. This sub-sector consists of life and risk insurance corporations, part of the non-profit insurance institutions and the Consorcio de Compensación de Seguros (Insurance Compensation Consortium). 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.* 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.

S.129 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 or provisions" vis-à-vis the employees (households) entitled to claim them, until such time as they are transferred to autonomous pension funds. Also included in this sector are non-profit insurance institutions supervised by regional government whose activity is similar to that of the pension funds.

6.2 GENERAL GOVERNMENT (S.13)

The ESA 2010 defines the general government sector as all the public institutional units engaged in non-market production (output that is mostly 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 general government sector is divided into four sub-sectors: central government, regional government, local government and social security funds.

The main statistical sources used in the compilation of the financial accounts of this sector are the following: the Ministry of Economic Affairs and Finance (mainly the National Audit Office (hereinafter IGAE by its Spanish abbreviation), and Directorate General of the Treasury and Financial Policy), Banco de España (Central Credit Register, Balance of Payments, Central Balance Sheet Data Office and financial statements sent by credit institutions) and Iberclear (for the public debt book-entry market).

S.1311 Central government

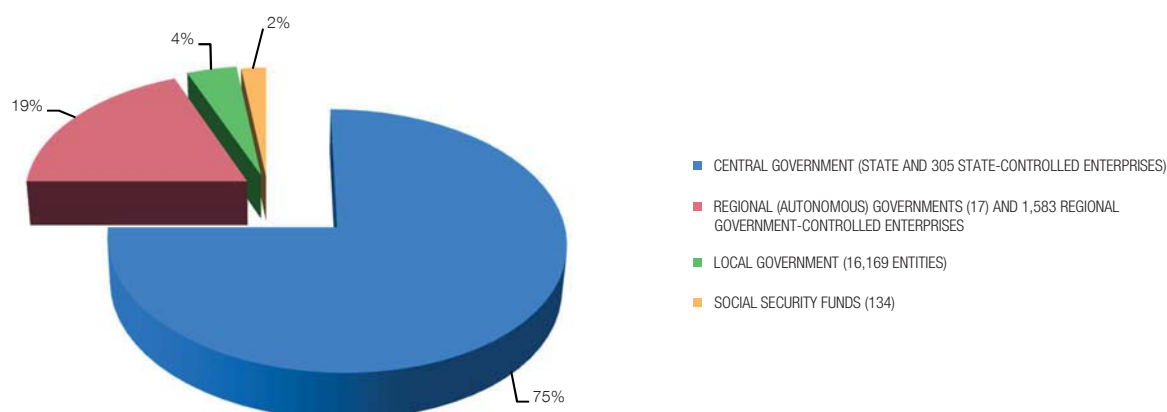
Comprises the State and all the entities and enterprises controlled by the State that do not comply with the ESA 2010 rules for consideration as market producers. State-controlled enterprises which are market producers are sectorised as financial or non-financial corporations. Also classified in this 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, since 2012, the Deposit Guarantee Scheme. 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 all the entities and enterprises controlled by regional governments which do not comply with the rules for consideration as market producers, including the universities. Also included are territorial health care services, comprising regional healthcare management entities and territorial social services, consisting of the entities which manage social welfare work in the autonomous regions. The main statistical sources are the Ministry of Finance, IGAE, securities markets and the Banco de España in respect of liabilities in the form of debt securities and loans.

GENERAL GOVERNMENT
% of total liabilities and number of institutions (in 2015)

CHART 8



S.1313 Local government

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 all the entities and enterprises controlled by local government that do not comply with the rules for consideration as market producers. The main statistical sources are the following: the Ministry of Finance, IGAE, budgets and budget outturns of the local governments, securities markets and the Banco de España in respect of liabilities in the form of debt securities 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 are central government agencies. 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
(S.11/S.14/S.15)

S.11 Non-financial corporations

According to the ESA 2010, the non-financial corporations sector consists in public and private institutional units which are independent legal entities and market producers, and whose principal activity is the production of goods and non-financial services. This sector also comprises notional resident units, namely, those institutional units created artificially which include the activity conducted for a year or more by a unit that is resident in another country. These notional resident units are considered quasi-corporations.

The institutional units forming part of the sector are as follows: i) private and public limited liability companies which are market producers principally engaged in the production of goods and non-financial services; ii) cooperatives and partnerships recognised as independent legal entities; iii) public producers which are recognised as independent legal entities; iv) non-profit institutions or associations serving non-financial corporations, which are recognised as independent legal entities; v) head offices controlling a group of corporations which are market producers, where all or most of the subsidiaries controlled are non-financial corporations; vi) private and public quasi-corporations which are market producers engaged in the production of goods and non-financial services and, finally; vii)

by convention, market regulatory bodies whose exclusive or principal activity is to purchase, store and sell agricultural and food products [e.g. in Spain, the 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 owners' associations and jointly held property (E, and H, respectively), which are classified under Households (S.14). Those enterprises controlled by general government which, despite their corporate legal nature, are not market producers (as defined by ESA 2010) are not included in this sector. Such corporations have been classified in the general government sector (S.13), as provided for in the aforementioned manual. Sole proprietorships with legal personality, for example, single shareholder public limited companies (SAU by its Spanish abbreviation) or single shareholder private limited companies (SURL by its Spanish abbreviation) are classified as non-financial corporations, while sole proprietorships without legal personality are classified in the Households sector (S.14).

The main source of information from the non-financial corporations sector itself in the FASE is the Banco de España CBSO.¹² 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 non-financial corporations sector 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 unlisted shares from the present value of the expected profit of unlisted firms; iv) estimate inter-company loans; v) estimate cash holdings; and vi) estimate certain assets/liabilities vis-à-vis the households and NPISH sector (employee stock options, entitlements to non-pension benefits, etc.).

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, following the criteria of the ESA 2010 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

12 The Banco de España CBSO collects data directly from some approximately 10,000 corporations, most of which are large, and whose gross value added at factor cost (GVA_{fc}) accounts for approximately 30% of estimated total GVA 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 2014 the number of firms whose data were considered valid for analysis purposes was 600,000. Although accounting statements were received from more than 1,000,000 corporations, almost half failed to satisfy certain consistency tests.

the accounts of the non-financial corporations sector 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 captions appearing in this publication.

S.14 Households

The ESA 2010 defines this sector as comprising individuals or groups of individuals as consumers and possibly also as entrepreneurs producing market goods and non-financial services provided that, the production of goods and services is not performed by separate entities treated as quasi-corporations, in which case the latter would be classified under sector S.11 Non-financial corporations. This sector also includes individuals or groups of individuals as producers of goods and non-financial services for exclusively own final use.

Specifically, this sector includes: 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) sole proprietorships and unlimited liability companies owned by households (sole proprietorships, owners' associations without independent legal status, etc.); iv) individuals or groups of individuals that produce goods and services for exclusively own final use; and v) NPISHs 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 households sector 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.

S.15 Non-profit institutions serving households

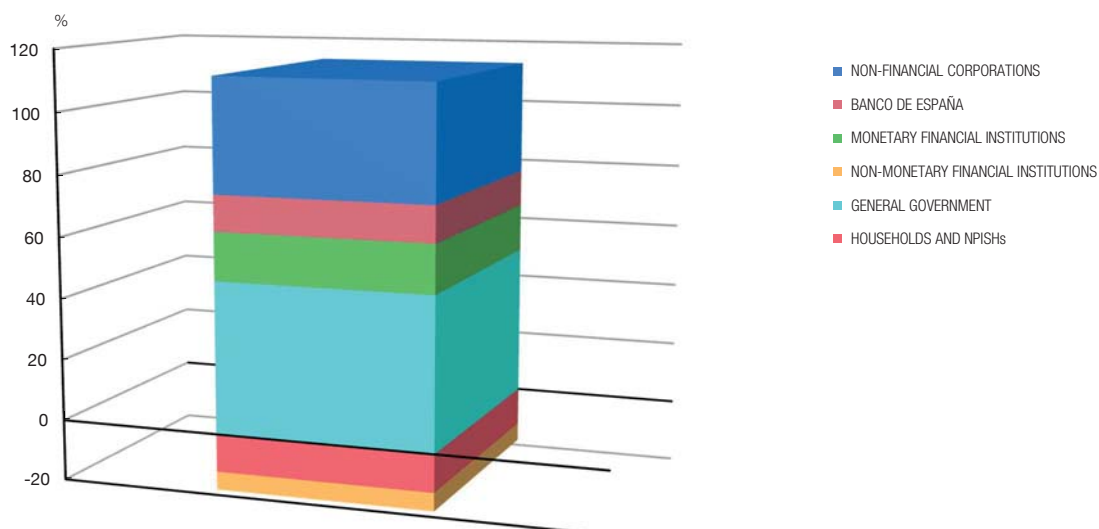
The ESA 2010 defines these as non-profit institutions which are separate legal entities, which serve households and which are private non-market producers. As mentioned in the previous section, when these institutions are not recognised as separate legal entities, they are included in the households sector because the transactions carried out by the two sectors cannot be distinguished. If they do not serve households, they must be classified as non-financial corporations or financial corporations, as appropriate. NPISHs which are non-market producers and controlled by general government are classified in this sector.

Non-profit institutions operating under market conditions that principally engage in the production of goods and non-financial or financial services will be classified in sector S.11 Non-financial corporations or S.12 Financial corporations, respectively.

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

NET LIABILITIES OF THE SPANISH ECONOMY TO THE REST OF THE WORLD
Resident sectors as % of total (in 2015)

CHART 9



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 NPISHs sector are external to the sector: information on deposits and loans comes from the accounting statements of financial corporations 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 rest of the world sector, the transactions and positions of which are only recorded in the financial accounts when the counterpart is a resident unit. In the case of Spain, the economic territory includes all the islands and non-mainland enclaves which are part of the Kingdom of Spain.

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 (see Annex 4).

7 Financial asset categories

In accordance with the ESA 2010 methodology, the financial instruments circulating in the economy are classified in financial asset categories on the basis of their legal characteristics and degree of liquidity. The application of these criteria to the Spanish economy is set out in Table 2.

ESA 2010 Categories		Main financial instruments included
1 Monetary gold and SDRs	1.1 Monetary gold	Gold of the Banco de España and 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 European Central Bank and International Monetary Fund are included.
3 Debt securities	3.1 Short-term securities	Treasury bills. Commercial paper at up to one year issued by general government, financial corporations and non-financial corporations
	3.2 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.
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 Equity and investment fund shares or units	5.1.1 Listed shares	Shares of financial corporations (except investment companies) and non-financial corporations listed on domestic and foreign markets.
	5.1.2 Unlisted shares	Unquoted shares of financial and non-financial corporations.
	5.1.9 Other equity	Capital of companies and public bodies that do not have the legal status of a 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 Investment fund shares or units	Shares or units in capital-market and real-estate investment funds or companies.
6 Insurance, pension and standardised guarantee schemes	6.1 Non-life insurance technical reserves	Non-life technical provisions of life and risk insurance corporations and non-profit insurance corporations. Including reinsurance.
	6.2 Life insurance and annuity entitlements	Technical life provisions of life and risk insurance.
	6.3 Pension fund claims	Reserves and funds set aside for the payment of pensions by non-profit insurance corporations and pension funds and under group insurance contracts. Also included are the funds set aside for the payment of benefits other than pensions and pension fund entitlements vis-à-vis pension managers.
7/8 Other assets/liabilities	7 Financial derivatives	Includes option, futures and similar instruments, and (since 2005) interest-rate swaps. Also included are employee stock options.
	8.1 Trade credits and advances	Client/supplier accounts and the like of non-financial corporations (and counterpart sectors).
	8.9 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.

Similarly, the ESA 2010 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.¹³ 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 with 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 include 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

VALUATION OF THE MAIN CATEGORIES OF THE SYSTEM

TABLE 3

	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 Debt securities	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 Equity and investment fund shares or units		
5.11 Listed shares		
5.2 Investment fund shares or units	Market value.	Value of the transactions.
5.12 Unlisted shares	Estimation of the market value based on the valuation of listed shares and accounting information on the unlisted shares	Value of the transactions.
5.13 Other equity	Book value of own funds.	Net contributions of funds.
6 Insurance, pension and standardised guarantee schemes	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 Financial derivatives	Market value.	Value of the transactions. The difference between the market value of the underlying assets and the strike price when the financial derivative is liquidated is considered the transaction value.
8 Other accounts receivable/payable	Nominal value on the balance sheet	Difference between balances.

¹³ 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 is 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.

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.

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.

Monetary gold includes the gold held by the Banco de España. It comprises both gold bullion and gold accounts. Monetary gold is the only financial asset for which there is no counterpart sector and, consequently, in principle acquisitions and sales of monetary gold are recorded as an increase/decrease of the Banco de España's financial assets and its counterpart is a decrease/increase of the rest of the world's financial assets. By convention, in order to maintain the consistency of the system, in the FASE monetary gold is considered a financial asset of the Banco de España and a negative financial asset of the rest of the world sector.

Financial transactions with monetary gold are only recorded where they are performed between monetary authorities. When monetary authorities undertake transactions in gold with counterparts other than other monetary authorities, the latter are recorded as non-financial transactions and then the non-monetary gold is reclassified as monetary gold (or vice versa) 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. This demonetisation of monetary gold is recorded in the other changes in volume account.

Special drawing rights (SDRs). They 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. SDR holdings represent unconditional rights to obtain currency or other reserve assets from other IMF member countries and, consequently, they are considered a collective liability of that group of countries.

Unlike the previous ESA 95, SDRs created through allocations and extinguished through cancellations are considered transactions and are recorded in the financial transactions account. The SDR holdings of monetary authorities arising from allocations made by the IMF and acquisitions from other countries are considered a financial asset vis-à-vis the rest of the world. Additionally, the amount of the SDRs allocated as a liability vis-à-vis the rest of the world is recorded under the liabilities of monetary authorities. The IMF sets the value of the SDRs on a daily basis and they are valued in the monetary authority's balance sheet at the market exchange rate prevailing at that time.

The SDRs held by the Banco de España increased in August and September 2009 as a result of new allocations by the IMF.

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 2010, 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. Financial transactions are calculated based on the difference between financial balance sheets at the end and beginning of the period, adjusted for the changes in exchange rates and other changes in volume; they are recorded, therefore, at the exchange rate at which the deposit is placed or closed.

Currency. It comprises the banknotes put into circulation by the national central bank, the coins issued by the State and resident sector holdings of currency issued by the monetary authorities of other countries. The amount of coins issued by the State is recorded as a liability of central government vis-à-vis the Banco de España under the heading 2.2 Other deposits and the latter, in turn, records this amount under the heading 2.1 Currency, together with 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 8.8409% at end-2015. 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 Other 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 participating interest 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 estimated net inflow of euro-denominated banknotes as a result of movements of tourists and other travellers, due to 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 in the paragraph above. The amount of the cross-border movements of banknotes is estimated from an analysis of the seasonal behaviour of currency in circulation, particularly, in relation to the euro area as a whole and of tourism-related transactions.

In short, the difference between the currency holdings of the financial and non-financial resident sectors and the currency issued and included under the Banco de España's liabilities shows the currency issued by other NCBs held by resident sectors and, therefore, a financial claim on the rest of the world. Where resident sectors' currency holdings are lower than the currency issued and recorded under the Banco de España's liabilities, that shows a portion of the currency issued by the latter is held by non-residents and, therefore, represents a liability vis-à-vis the rest of the world.

In summary, the amount of currency put into circulation by the Banco de España is recorded in the currency caption as a liability (for the amount corresponding to its share in the capital of the ECB) and in caption 2.2 Other deposits as an asset/liability (for the difference between the previous amount and the total cash 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 currency put into circulation by the Banco de España and the amount thereof corresponding to the key and, in addition, the net inflow into Spain of banknotes.

Transferable deposits. This heading includes those deposits deemed transferable, i.e. they are immediately convertible into cash or transferable by means of cheques or other means with no significant restrictions or penalties. 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.

Other deposits. Included here are deposits with financial corporations which are not considered to be transferable, namely: interbank transactions of all kinds, in euro and in other currencies, 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);¹⁴ 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); positions vis-à-vis the Eurosystem of the central reserves transferred to the ECB; the TARGET payment settlement system and euro banknotes put

¹⁴ 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.

into circulation (see heading 7.2.a Currency) and residents' deposits with non-resident credit institutions.

7.3 DEBT SECURITIES

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 short and long term debt securities.

Short-term debt securities. Securities whose original maturity is one year or less. They comprise securities issued by monetary financial institutions, other financial intermediaries (e.g. securitisation promissory notes); general government (e.g. Treasury bills issued for up to one year); and non-financial corporations (commercial paper, negotiable bills, corporate promissory notes, etc.)

Long-term debt securities. Securities whose original maturity is usually more than one year. They comprise securities issued by financial corporations under any name: asset-backed, ordinary, subordinated and mortgage bonds and notes. Included here are preference shares not entitling the holder to the liquidation value of the issuer; medium-and long-term public debt (general government issues, including medium-term notes and 18-month treasury bills); 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 debt securities. In accordance with the ESA 2010, 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). The ESA 2010 establishes precisely the accrual criterion for the recording of interest and sets out specifically the "debtor principle", whereby the interest accrual is obtained from the return on the issue of the securities, as the procedure for the allocation of interest accrued on marketable securities issued by general government. Although other procedures may be applied such as the allocation of interest using the creditor or market criterion, the debtor principle was also applied in estimating the interest accrued for other issuing sectors and in estimating the interest accrued for the portfolios of all resident and non-resident sectors.

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 2010 to the interest accrual criterion; b) it is the alternative adopted by Eurostat in its *Manual on Government Deficit and Debt. Implementation of ESA 2010 - 2014 edition*; 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.¹⁵ The SNA 2008

¹⁵ 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.

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 the alternatives and 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 2010 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 debt securities 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 unlisted 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.

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, but not commercial loans, which 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 unpaid accrued interest, which, as permitted by the ESA 2010 (p. 5242), 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, the transactions being recorded at the exchange rate at which the loan is granted or settled, and for any other changes in volume.

Short-term loans. These include loans in euro and in other currencies for up to one year granted by financial corporations 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 financial corporations to resident and non-resident sectors; 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 other public entities; 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 securities 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 7.8).

7.5 EQUITY AND INVESTMENT FUND SHARES OR UNITS

Equity and investment fund shares or units (AF.5) are defined as financial instruments that represent claims on the residual value, after other claims have been met, of the units, the corporations or quasi-corporations, funds, etc. that issued the shares or units. 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 debt securities. They are classified into two sub-categories: F.51 equity and F.52 investment fund shares or units.

F.51 Equity. Equity is a claim on the residual value of a corporation (after all other claims have been met) which is usually evidenced by shares, stocks, participations, certificates or similar documents, all of which may be considered synonymous. The equity category comprises the following sub-categories:

F.511 Listed shares. Equity in corporations in the form of negotiable securities listed on a recognised stock exchange or on other secondary markets, excluding investment company shares.

F.512 Unlisted shares. Equity in corporations in the form of negotiable securities which are not listed on a recognised stock exchange or on other secondary markets, excluding investment company shares.

F.519 Other equity. Included under this caption are: the capital of non-financial corporations which do not have the legal status of a public limited company, (the equity subscribed by unlimited partners, the equity in limited liability companies whose owners are partners and not shareholders, the capital invested in ordinary or limited partnerships recognised as independent legal entities and the capital invested in cooperative societies recognised as independent legal entities); the equity of general government in the capital of public corporations which are not public limited companies; the State's holding in the capital of the Banco de España and in that of the ICO (Official Credit Institute); State and

Banco de España investments in international and supranational organisations (with the exception of the IMF), even if these are legally constituted as corporations with share capital (e.g. the European Investment Bank); contributions to the ECB; capital invested in financial and non-financial quasi-corporations; the financial claims that non-resident units have against notional resident units and vice versa; 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.

F.52 Investment fund shares or units. Investment fund shares or units include both the units, if the funds are a trust, and shares, if the funds have a corporate structure, issued by collective investment undertakings through which investors pool funds for investment in financial and/or non-financial assets. Investment fund shares or units are subdivided into: F.521 Money market fund shares or units and F.522 Non-money market fund shares or units.

Valuation at market prices. The ESA 2010 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 7.33). To meet this requirement, the ESA 2010 sets out the following principles: a) listed shares are valued at their market prices, b) unlisted shares are valued with reference to the valuation of listed shares, taking into account the difference between these types of shares (basically their liquidity) and the net worth accumulated over the life of the corporation and its branch of business should be considered; c) as for other equity, quasi-corporations' other equity is valued according to their own funds, and d) investment fund shares or units are valued at prevailing market prices and, if they are not listed, at their redemption value.

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 for unlisted shares (AF.512) are, depending on the case at hand, specifically:

- a) the value of listed shares,
- b) the value of own funds or
- c) discounting forecast profits by applying an appropriate market price to earnings ratio to the smoothed recent earnings of the institutional unit.

Valuations applied. Listed shares are valued at the price of the same security on the stock market since this price is observable. The listed shares of non-financial corporations, banks and other financial intermediaries are included in this group.

For unlisted shares, the valuation of listed shares in the same sector has been taken as a reference (method a), provided that the corporations whose shares are listed are representative of such sector. When unlisted 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 listed shares to the own funds of unlisted 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 listed

shares has been used as a reference to estimate the market value of unlisted shares, to which an illiquidity premium has been added (method c). The discount rate has been calculated: i) using as reference the shares of non-financial corporations listed 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 unlisted non-financial corporations, the aforementioned discount rate is applied to the total public limited 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 current value of future profits. This method is considered to be better tailored to the Spanish stock market, in which a low number of securities explains a high percentage of stock market capitalisation.¹⁶ Given the particular nature of insurance corporations, their unlisted shares have been valued at the value of own funds or book value. This valuation criterion has also been followed for the unlisted shares of other financial corporations. Other equity (F.519) is also valued at the value of the issuer's own funds.

The units issued by investment funds are valued by direct application of the observed prices, at their redemption value.

Special cases. This group includes:

- a) Although at end-2015 there were only four entities with the legal form of savings banks, until the Spanish financial system was restructured these entities played an important role in financial intermediation. The own funds of these entities are not recorded as shares in the FASE (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 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 unlisted 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.
- c) Foreign direct investment in unlisted 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).¹⁷

¹⁶ In 2015 there were some 1,240,000 non-financial corporations in Spain, of which approximately 83,000 were public limited companies, of which 144 were listed. The 24 non-financial corporations included in the IBEX 35 at end-2015 accounted for 84% of the total market capitalisation of non-financial corporations. At the same date, three securities alone accounted for 43% of the total market capitalisation of non-financial corporations.

¹⁷ Unlisted 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.

- d) Foreign direct investment in unlisted 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 *financial transactions for the period (issues)* are calculated on the basis of the information on net contributions of funds from various sources. These provide full data for listed corporations and an estimate for contributions of funds for unlisted ones and other equity. 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 in investment funds shares or units are obtained by taking the difference between the change in positions (balance sheet) and the financial 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 data and, in the case of non-financial corporations and households and NPISHs, from information on securities deposited. Lastly, to separate listed from unlisted 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 listed and unlisted shares in financial corporations' balance sheets in relation to own-portfolio securities.

Finally, for portfolios of debt securities and of listed shares and investment fund shares or units, security-by-security portfolio information for certain institutional sectors - investment funds, pension funds, securities-dealer companies and non-residents - is being included in the system of financial accounts. This information is used not only for the valuation at market

¹⁸ Under Spanish law, other equity is issued by: private limited companies, which, along with limited partnerships and public limited companies, are joint-stock companies whose shareholders' liability is limited; and by cooperatives and limited partnerships without shares. As a case in point, it should be noted that the market value of instruments other than shares, i.e. equity 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 unlisted 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.

prices of balances represented by these instruments but also for the calculation of the financial transactions of each quarter. When these methodological notes went to press, work was being performed to incorporate information security-by-security on deposit-taking institutions' portfolios and it will be incorporated successively to other institutional sectors.

7.6 INSURANCE, PENSION AND STANDARDISED GUARANTEE SCHEMES

The ESA 2010 includes several sub-categories under the heading AF/F.6 Insurance, pension and standardised guarantee schemes, namely, AF/F.61 Non-life insurance technical reserves, AF/F.62 Life insurance and annuity entitlements, AF/F.63 Pension entitlements, AF/F.64 Claims of pension funds on pension managers, AF/F.65 Entitlements to non-pension benefits and AF/F.66 Provisions for calls under standardised guarantees. The main headings are described below. From the viewpoint of their issuing entities, the insurance technical reserves appearing in this heading of 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 deposit-taking institutions) and by non-financial corporations, insofar as they manage non-autonomous funds, for payments of pensions or other benefits for their retired employees, supplementing those provided by the Social Security system. 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.

Non-life insurance technical reserves. They are financial claims that non-life insurance policy holders have against non-life insurance corporations in respect of unearned premiums and claims incurred. These reserves cover risks like accidents, sickness, or fire, and also reinsurance. Premiums are usually paid at the beginning of the period covered by the policy and, on an accrual basis, are earned throughout the policy period. These reserves are assets of the policyholder sectors, i.e. of those paying the premiums and of those awaiting payment under the claims in the process of settlement.

As for prepayments of insurance premiums, in any particular period these prepayments comprise premiums written but not earned (prepayments of insurance premiums) and, as for reserves for outstanding claims, they are made up of provisions set aside by non-life 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 the claims in the process of settlement. However, except as regards reinsurance, in the FASE they have been attributed exclusively to households and non-financial corporations, according to the type of insurance from which they have arisen.²⁰

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.

²⁰ 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.

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.

Life insurance and annuity entitlements, according to the ESA 2010, include financial claims of life insurance policy holders and beneficiaries of annuities against corporations providing them and excludes the amounts which are pension fund assets from the FASE. These reserves, which are not linked to life insurance, have been recorded in the FASE as non-life insurance technical reserves of insurance corporations vis-à-vis such funds. In a particular period, the change in these claims 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, which are in the form of premium supplements, 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.

Pension entitlements. They are benefits received by beneficiaries (employees) when they retire. Pension entitlements comprise financial claims of employees against their employers, schemes designated by employers or an insurer, whereby the pension schemes make provisions or record reserves. These pension schemes usually supplement those provided by the Social security system. There are two possible types of pension fund that can be created: a) autonomous pension funds and b) non-autonomous pension funds. 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.

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 pensions and similar obligations.

In Spain, autonomous pension schemes and funds were regulated for the first time in 1987,²¹ with a view to supplementing the social benefits generated by the compulsory Social Security

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

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 1999²² 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 which²³ set it at 31 December 2006. In the FASE, the transfers of claims of non-autonomous pension funds to autonomous pension funds were recorded as financial transactions, since the counterparty financial assets of the reserves transferred are not known and, consequently, it is not possible to record these transactions as other changes in volume.

This heading in the FASE also includes amounts relating to pension claims from AF/F 64 Claims of pension funds on pension managers, which are financial assets of pension funds vis-à-vis the pension managers, should the latter be responsible for any shortfall in pension fund funding, and AF/F 65 Entitlements to non-pension benefits. These amounts are obtained from the accounting information of non-financial and financial corporations. The joint presentation of these items is in line with the compulsory requirements of international organisations.

7.7 FINANCIAL DERIVATIVES

Unlike the ESA 95, where financial derivatives were recorded under heading 3 Securities other than shares, the ESA 2010 includes these financial assets separately under heading 7 Financial derivatives and employee stock options.

Financial derivatives are financial assets linked to an underlying (financial or non-financial) instrument, an index or a commodity, whose main purpose is risk management, hedging, arbitrage between markets, speculation and compensation of employees.

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, net amounts are shown for some sectors on the assets side of the balance sheet. Employee stock options include the amount relating to other monetary financial institutions and non-financial corporations (the liabilities of these sectors vis-à-vis the sector households and NPISH) which are estimated on the basis of information from the issuing sectors.

Valuation at market prices. Both the balances of derivatives listed on organised markets and those of OTC derivatives are 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.

7.8 OTHER ACCOUNTS RECEIVABLE/PAYABLE

Under the ESA 2010, this caption includes financial claims deriving from timing differences between transactions in goods and services, distributive transactions or financial transactions and the corresponding payments. This category also includes financial claims relating to income accruing over time, with the exception of income generated by debt securities (which is recorded under the same caption as the financial asset generating such income, as if it were a reinvestment). The ESA 2010 establishes two sub-categories:

²² Royal Decree Law 1588/1999 of 15 October 1999.

²³ Royal Decree 1552/2005 of 23 December 2005.

caption 81 Trade credits and advances and caption 89 Other accounts receivable/payable, except trade credits and advances.

Trade credits and advances include financial claims deriving from the direct 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 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-taking 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 include financial claims deriving from timing differences between distributive transactions or financial transactions on the secondary market and the corresponding payments, as well as financial claims relating to income accruing over time, with the exception of income generated by debt securities. 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, namely: 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 of any institutional grouping in the system of national accounts

Annex 2 Relationship between the capital transactions account and the financial transactions account of any institutional grouping.

Annex 3 Main statistical sources.

Annex 4 Statistical sources for cross-border transactions.

Annex 5 Valuation of the securities captions of the system.

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 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 net worth (CNW) due to revaluations (RA – RL)	Changes in net worth (CNW) 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 incurrance of liabilities (nL)	Changes in opening balance sheet and in the transactions in the period due to changes in prices of liabilities (RL)	Changes in opening balance sheet and in the transactions in the period due to other changes in the volume of liabilities (OVL)	Liabilities (L) ₁

Scope of the Financial Accounts of the Spanish Economy compiled by the Banco de España.

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

a 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	Statistical Bulletin (Chapter)	Sources
S.11 Non-financial corporations	—	Register of securities issues of the National Securities Market Commission (CNMV) and information on securities issues obtained from the <i>Official Mercantile Registry Bulletin</i> 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 and, specifically, to determine the valuation of the general government portfolio of non-financial corporations, in order to value unlisted shares and other equity issued by non-financial corporations and other sector categories.
	—	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 credit institutions 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 based on Regulation 1071/2013 of 24 September 2013 and other details from the Banco de España balance sheet.
	8	The Banco de España profit and loss account.
S. 122/3 Other monetary financial institutions	4	EMU statistical requirements based on Regulation 1071/2013 of 24 September 2013, balance sheets and supplementary statements submitted by credit institutions to the Banco de España, all of which are included in Banco de España Circular 4/2004.
	8	Credit institutions' profit and loss accounts.
	9	EMU statistical requirements and the balance sheets and profit and loss accounts submitted by money market funds to the CNMV.
S.124 Non-MMF investment funds	9	Financial statements of collective investment institutions (except for the money market funds included in sub-sector S.122) both capital market and real estate funds, sent by these institutions to the CNMV. Since 2009, statistical information according to Regulation 958/2007 of the ECB of 27 July 2007.
S. 125 Other financial intermediaries	9	Financial statements and information on securities issued submitted to the CNMV by securities dealer companies, financial vehicle corporations, bank asset funds and venture capital companies. Since 2010, statistical information statements sent to the CNMV by financial vehicle corporations and bank asset funds following the entry into force of Circular 2/2009.
S. 126 Financial auxiliaries	9	The balance sheets and profit and loss accounts submitted to the CNMV by BME Clearing and statistical information on the sectors which are the counterpart of its transactions. The balance sheets and profit and loss accounts submitted by mutual guarantee companies and appraisal companies to the Banco de España. 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 operators, AIAF (association of securities dealers), Iberclear and BME, 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. The accounting statements of the annual reports filed with the Mercantile Registries by the head offices of the parent company of financial groups.
S. 127 Captive financial institutions and money lenders	9	Prospectuses for preference shares and other securities (Law 19/2003) disseminated by the CNMV, or announced in the <i>Official Mercantile Registry Bulletin</i> . Accounting statements of the annual reports filed with the Mercantile Registries of the holding companies of financial and non-financial groups. Information in the register of stocks and transactions abroad of foreign-equity holding companies.
S. 128 Insurance corporations	10	<i>Quarterly information bulletin</i> , Directorate General of Insurance and Pension Funds (DGSFP). <i>Annual statistical report. Insurance undertakings</i> , DGSFP <i>Annual report</i> , Consorcio de Compensación de Seguros (Insurance Compensation Consortium). <i>Report. Insurance sector</i> . DGSFP <i>Economic report on the insurance sector</i> . ICEA (Association for Joint Research by Insurers). <i>Report on activities</i> . National confederation of non-profit insurance institutions.

Sectors and items	Statistical Bulletin (Chapter)	Sources
S.129 Pension funds	10	<i>Quarterly information bulletin</i> . Directorate General of Insurance and Pension Funds (DGSFP). <i>Annual statistical report. Pension schemes and funds</i> . DGSFP. <i>Economic report on the insurance sector</i> . ICEA (Association for Joint Research by Insurers). <i>Report on activities</i> . National confederation of non-profit insurance institutions. Other information on non-profit insurance institutions supervised by regional (autonomous) governments.
S.13 General government	7	Information of the Control and Accounting Department of the Banco de España.
	8	Balance sheets and supplementary statements submitted by credit institutions to the Banco de España.
	21	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	National Audit Office (IGAE): — Budget outturn statistics. — General government accounts. General Secretariat of the Treasury and Financial Policy: foreign currency liabilities and monthly bulletin. — FROB, DGS, CNMV, FADE and Banco de España (FAFA). — Ministry of Financial Affairs and Public Administration. Financial and economic information. Information from the Banco de España Central Credit Register and Balance of Payments.
S.1312 Regional (autonomous) governments	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.
	21	<i>Official State Gazette</i> and information on issues supplied by the regional (autonomous) governments and the Directorate General of Community Funds and Territorial Financing.
	13	Information from the Banco de España Central Credit Register and Balance of Payments.
S.1313 Local governments	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.
	21	Register of securities issues of the CNMV and the <i>Official State Gazette</i> and information on issues supplied by local governments.
	14	Information from the Banco de España Central Credit Register and Balance of Payments.
S.1314 Social security funds	12	Ministry of Employment and Social Security: budget outturn and Social Security accounts. 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 credit institutions 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	Balance of payments of the Banco de España. International investment position, Banco de España.
	—	<i>International Banking and Financial Market Developments</i> , Bank for International Settlements (BIS).

NOTE: 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.

Cross-border transactions settled through payment services providers. In accordance with the provisions of Banco de España Circular 1/2012, payment services providers registered in the official registers of the Banco de España must report to the Banco de España: i) cross-border receipts and payments as well as transfers to and from abroad made on behalf of their customers (for more than €50,000) originating from or made to accounts held with other payment service providers in the EU or in any other country, (ii) debits and credits (for more than €50,000) in the accounts of their non-resident customers, and iii) shipments and receipts of euro banknotes and coins to/from their foreign correspondents.

Foreign transactions and financial asset and liability positions of resident sectors. Banco de España Circular 4/2012 establishes the reporting obligation of natural and (public or private) legal persons resident in Spain, other than payment service providers, which perform transactions with non-residents or from the performance thereof cross-border receipts/payments and/or transfers may arise, as well as changes in external debit or credit financial positions. They must report external transactions and positions monthly (annual amount \geq €300 million), quarterly (annual amount \geq €100 million) and annually (annual amount \geq €1 million). General government that does not report on a monthly basis will do so quarterly, irrespective of the annual amounts.

Marketable securities holdings. ECB Regulation 1011/2012 establishes the obligation to provide the national central banks with the balances and transactions relating to marketable securities carried out on their own account (direct reporting), in the case of monetary financial institutions and investment funds, and/or on account of their customers in the case of depository institutions, so that this information may be submitted to the ECB. The Banco de España Circular has included these requirements in Circular 3/2013 for resident securities depository institutions, in Circular 4/2012 for securities deposited abroad and in Circular 4/2012 for the securities holdings of credit institutions. Moreover, these requirements have been incorporated into CNMV Circular 5/2014, which amends Circular 5/2008 on statistical reporting requirements relating to assets and liabilities of collective investment institutions in the European Union.

Securities depositories. Circular 3/2013 establishes the following: i) credit institutions and branches of foreign banks registered in the Banco de España, and ii) financial institutions registered in the CNMV, which act as depositories and/or settlement agencies for securities transactions, must provide security-by-security information relating to the transactions and balances of the customers holding debt securities, listed shares and investment fund shares (only in the case of investment fund management companies registered in the CNMV). This information must include both the foreign securities holdings of residents and the Spanish and foreign securities holdings of non-residents registered in Spanish depository institutions.

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 4/2012 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, branches and other forms of beneficiary interest.

Financial transactions accounts	Financial balance sheets
3 Debt securities (a)	
31 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 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.
For the financial assets (holding sectors), the transactions have been estimated on the basis of the changes in stocks.	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.
32 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.	The valuation and estimation criteria are the same as those applied to sub-position 331 (short-term securities).
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.	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.
5 Equity and investment fund shares or units	
511 Listed shares	
The liabilities (issuing sectors) are obtained from the contribution of funds (nominal value plus share premium) of listed 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. Listings and de-listings are also part of financial transactions.	Listed shares of resident companies are valued at their market capitalisation.
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.	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.
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 corporations, the data available security by security or the details of listed 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.	
512 Unlisted shares	
The liabilities (issuing sectors) are obtained in a similar way to that indicated for listed 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.	Unlisted shares have been valued using some of the following criteria: net present value; estimation based on the market capitalisation of listed shares and own funds of listed companies; and valuation of own funds (capital and reserves).
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 listed shares. Subsequently, reinvested earnings on direct foreign investment are added on in the sectors concerned.	In the case of non-residents only portfolio investment has been valued at market prices. Direct investments have been obtained by book value (own funds), except where the shares are listed, in which case they have been obtained at market prices.
For non-financial corporations and households the information available in the statement of securities deposited with deposit institutions has been used.	The assets (holders) have been obtained from security-by-security information or from the details of the balance sheets of the financial corporations.
	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.

Financial transactions accounts	Financial balance sheets
519 Other equity	
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.
52 Investment fund shares or units	
<i>Investment funds.</i> 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. It comprises the shares or units issued by IF, VCF, SMEVCF, EuVECA and CECIF and the shares or units issued by open-end investment companies.	Realisable value of the shares or units. Information on sectors whose portfolios include shares or units issued by investment funds obtained from the statistical information statements of the investment funds themselves.
Information on sectors whose portfolios include shares or units issued by investment funds obtained from the statistical information statements of the investment funds themselves.	
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 Debt securities	
<i>Issued by other monetary financial institutions (S.122)</i>	
The valuation of issues at a discount or zero-coupon issues has been carried out on the basis of the recorded stocks deducting the prepaid interest on funds raised at a discount and adding the interest accrued during the period. Since the entry into force of Circular 4/2004, the available security-by-security information on issues has been used.	
<i>Issued by non-residents (S.2. Rest of the world)</i>	
The data relating to the portfolios have been obtained from the international investment position which provides portfolios security by security at market prices.	
5 Equity and investment fund shares or units	
511/512 Shares	
<i>Issued by monetary financial institutions</i>	
The unlisted shares of banks have been valued by applying to their own funds (capital and reserves) the relationship between the market capitalisation and own funds of the shares of banks that are listed. This valuation has been adjusted to take into account unlisted shares in respect of direct investments which are valued at book value.	
The valuation of the shares issued by other monetary financial institutions matches the value of their own funds (capital and reserves).	
<i>Issued by other financial intermediaries, financial auxiliaries and insurance corporations</i>	
Unlisted shares have been valued according to their own funds (capital and reserves).	
<i>Issued by non-financial corporations</i>	
Unlisted shares have been valued using the net present value criterion using a discount rate and risk premiums derived from listed 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 listed non-financial corporations, as the listed 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 unlisted shares, the shares included in the portfolio of non-residents (S.2. Rest of the world) have not been valued at market prices like direct investment since, as mentioned above, this portfolio is not valued at market prices in the international investment position.	
<i>Issued by non-residents (S.2. Rest of the world)</i>	
The data relating to the portfolios have been obtained from the information on the net investment position. Since 2002 Q4 the international investment position provides security-by-security and market price information for portfolio investment.	
513 Other equity	
<i>Issued by monetary financial institutions</i>	
The equity holdings in the Banco de España and in the ICO (recorded in the liabilities of the Banco de España and of the ICO and in the assets of the State) are valued according to their own funds (capital and reserves). The equity holdings in banks' foreign branches are valued according to the capital endowments transferred to such branches.	
<i>Issued by general government</i>	
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.	
<i>Issued by non-financial corporations</i>	
Valued according to their own funds (capital and reserves). The corporations for which this value is negative have been included at the amount of their net paid-up capital.	

a Information on portfolios by institutional sector and sub-sector is being included based on the SHS statistics obtained security by security.

ABBREVIATIONS

ABS	Asset-backed securities	GDP	Gross domestic product
BCBS	Basel Committee on Banking Supervision	GFCF	Gross fixed capital formation
BE	Banco de España	GNP	Gross national product
BIS	Bank for International Settlements	GOP	Gross operating profit
BLS	Bank Lending Survey	GVA	Gross value added
BOE	Official State Gazette	HICP	Harmonised Index of Consumer Prices
BRICs	Brazil, Russia, India and China	IASB	International Accounting Standards Board
CBA	Central Balance Sheet Data Office Annual Survey	ICO	Official Credit Institute
CBQ	Central Balance Sheet Data Office Quarterly Survey	IFRSs	International Financial Reporting Standards
CBSO	Central Balance Sheet Data Office	IGAE	National Audit Office
CCR	Central Credit Register	IIP	International Investment Position
CDSs	Credit default swaps	IMF	International Monetary Fund
CESR	Committee of European Securities Regulators	INE	National Statistics Institute
CNE	Spanish National Accounts	LTROs	Longer-term refinancing operations
CNMV	National Securities Market Commission	MFI	Monetary financial institutions
CPI	Consumer Price Index	MIP	Macroeconomic imbalance procedure
CSPP	Corporate sector purchase programme	MMFs	Money market funds
DGF	Deposit Guarantee Fund	MROs	Main refinancing operations
EBA	European Banking Authority	MTBDE	Banco de España quarterly macroeconomic model
ECB	European Central Bank	NAIRU	Non-accelerating inflation rate of unemployment
ECOFIN	Council of the European Communities (Economic and Financial Affairs)	NCBs	National central banks
EDP	Excessive Deficit Procedure	NFCs	Non-financial corporations
EFF	Spanish Survey of Household Finances	NPBs	National Productivity Boards
EFSA	European Financial Stability Facility	NPISHs	Non-profit institutions serving households
EMU	Economic and Monetary Union	OECD	Organisation for Economic Co-operation and Development
EONIA	Euro overnight index average	OJ L	Official Journal of the European Union (Legislation)
EPA	Official Spanish Labour Force Survey	ONP	Ordinary net profit
ESA 2010	European System of National and Regional Accounts	OPEC	Organisation of Petroleum Exporting Countries
ESCB	European System of Central Banks	PMI	Purchasing Managers' Index
ESFS	European System of Financial Supervisors	PPP	Purchasing power parity
ESM	European Stability Mechanism	QNA	Quarterly National Accounts
ESRB	European Systemic Risk Board	SDRs	Special Drawing Rights
EU	European Union	SEPA	Single Euro Payments Area
EURIBOR	Euro interbank offered rate	SGP	Stability and Growth Pact
EUROSTAT	Statistical Office of the European Communities	SMEs	Small and medium-sized enterprises
FASE	Financial Accounts of the Spanish Economy	SPEE	National Public Employment Service
FDI	Foreign direct investment	SRM	Single Resolution Mechanism
FROB	Fund for the Orderly Restructuring of the Banking Sector	SSM	Single Supervisory Mechanism
FSB	Financial Stability Board	TFP	Total factor productivity
FSF	Financial Stability Forum	TLTROs	Targeted longer-term refinancing operations
GDI	Gross disposable income	ULCs	Unit labour costs
		VAT	Value Added Tax

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	EUR (euro)
IE	Ireland	EUR (euro)
GR	Greece	EUR (euro)
ES	Spain	EUR (euro)
FR	France	EUR (euro)
IT	Italy	EUR (euro)
HR	Croatia	HRK (Croatian kuna)
CY	Cyprus	EUR (euro)
LV	Latvia	EUR (euro)
LT	Lithuania	EUR (euro)
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.

STATISTICAL NOTES PUBLISHED

- 1 STATISTICS AND CENTRAL BALANCE SHEET DEPARTMENT: Registering financial intermediation services on the national accounts as of 2005. (The Spanish original of this publication has the same number.)
- 2 STATISTICS AND CENTRAL BALANCE SHEET DEPARTMENT: 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 STATISTICS AND CENTRAL BALANCE SHEET DEPARTMENT: Registering Financial Intermediation Services on the National 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.
- 6 STATISTICS DEPARTMENT: Methodological notes on the Financial Accounts of the Spanish Economy. SEC-2010.

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