GENERAL GUIDANCE NOTES FOR COMPILING RETURN Cs

Residency Criteria

All items are classified according to residence.
Residency of customers should be based on the **economic center of interest NOT** nationality, currency of denomination, or legal definitions. All institutional units[1] that have a location – dwelling, place of production, or other premises – within the economic territory from which they engage in a significant amount of economic activities, should be considered **residents**. Institutional units have a centre of economic interest in the country, if they have **already engaged in economic activities and transactions** for **one year or more, or they intend to do so**.
If individuals live and work abroad and expect to remain abroad for more than a year, they cease to be residents of the country. However, some economic entities, regardless of their centers of economic interest are always considered to be **non residents**, particularly embassies and consulates and their foreign-national employees, international organisations, foreign national expecting to stay for less than a year, and technical assistance personnel of foreign governments.

Institutional Units and Sectors

***Central Government*:** consists of departments, branches, agencies, foundations, institutes, nonmarket Non Profit Institutions (NPIs)[2], and other publicly controlled organizations engaging in nonmarket activities.

Financial Corporations (FCs): The sum of 'Depository Corporations' (DCs) and 'Other Depository Corporations' (ODCs). Banks are required to make this distinction in Return C (I), (V), (VI), and (VII).

Depository Corporations: corporations whose liabilities are made up, to a large part, of freely transferable deposits.

Central Bank: is the national monetary authority that exercises control over key aspects of the financial system and carries out such activities as issuing currency, managing international reserves, transacting with the IMF, and providing credit to ODCs. The Central Bank also regulates and supervises ODCs.

Other Depository Corporations: consists of all resident financial corporations (except the central bank) that are mainly engaged in financial intermediation[3]. Examples of the designations given to institutional units in the ODCs subsector are:

Commercial Banks,
Merchant Banks,
Offshore Banks,
Savings Banks,
Credit Unions

Other Financial Corporations: includes resident insurance corporations and pension funds. Insurance corporations consists of incorporated mutual and other entities whose principal function is to provide life, accident, health, fire, or other forms of insurance to individual institutional units or groups of units.

Non Financial Corporations (NFCs) Sector:
The NFCs sector includes corporations engaging primarily in the production of goods and nonfinancial services. The NFCs is divided into two mutually exclusive subsectors:

1. *Public Non Financial Corporations:* resident NFCs of which the Government has more than 50 percent shares.

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[1] An economic entity that is capable of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities, in its own rights.
[2] Controlled and mainly financed by the Government
[3] Defined as a productive activity in which an institutional unit raises funds by incurring liabilities on its own account, for the purpose of channeling these funds to other institutional units, by way of lending or otherwise acquiring financial assets.

2. *Private Nonfinancial Corporations:*

   Foreign- controlled NFCs: local NFCs controlled by nonresidents, e.g. branches and joint ventures deemed to be separate institutional units.

   Local-controlled NFCs: local NFCs controlled by residents.

***Non Profit Institutions (NPIs)**:* are created for the purpose of producing goods and services, whose status does not permit them to be a source of financial gain for the units that establish, control, or finance them. Under this category, there are market NPIs and non-market NPIs, which are government NPIs and Non Profit Institutions Serving households (NPISHs).

Households: consists of individuals, families, or other groups of persons sharing the same living accommodation, pool some or all their income and wealth, and consume some goods and services collectively. Households may engage in economic production.

Other Financial Institutions: constitutes all Other Financial Corporations other than Depository Corporations, and financial auxiliaries[4]. Units in the other OFIs subsector generally raise funds by accepting long-term or specialized types of deposits and by issuing securities and equity. These intermediaries often specialise in lending to particular types of borrowers and in using specialized financial arrangements such as financial leasing, securitised lending and financial derivative operations.

Examples of the designations given to units that are classified as Other Financial Institutions are as follows:

- *Finance companies*: institutional units primarily engaged in the extension of credit to Non Financial Corporations (NFCs) and households, e.g. Housing Finance Company.

- *Investment pools:* institutional units that are organised by financial arrangements, excluding pension funds, which consolidate investor funds for the purpose of acquiring financial assets. Examples are mutual funds. Shares issued by investment pools are as liquid as deposits and other liabilities issued by Depository Corporations.

- *Securities underwriters and dealers* include individuals or firms that specialise in security market transactions by (1) assisting firms in issuing new securities through the underwriting and market placement of new security issues and (2) trading in new or outstanding securities on their own account.

- *Financial Derivative Intermediaries* consist of units that engage primarily in issuing or taking positions in financial derivatives recognized as financial assets.

Financial Auxiliaries

The most common designations for Financial Corporations classified as financial auxiliaries are as follows:

- *Public exchanges and securities markets* are organised entities such as security depository companies and other companies providing exchange-related services.
- *Brokers and agents* are individuals or firms that arrange, execute, or otherwise facilitate client transactions in financial assets. Included are brokers and agents handling the purchase and sale of securities or other financial contracts for clients, and financial advisory services that provide specialized services to brokers and their customers.
- *Foreign exchange companies* comprise units that buy and sell foreign exchange in retail or wholesale markets.

Economic Sectors

Agriculture and Horticulture: agriculture, horticulture, or related production, except – processing activities of agriculture and horticulture products, e.g. food processing (which should be included in 'manufacturing'), and construction works in this sector (which should be included in 'building and construction').

[4] The financial auxiliaries subsector includes FCs that engages in activities closely related to financial intermediation but do not act as intermediaries. Activities that are auxiliary to intermediation may be performed, on a secondary basis, by traditional financial intermediaries or by separate, specialized financial auxiliaries that do not, as a main business activity, raise funds or extend credit on their own account.

Building and construction: entities primarily involved in construction (general infrastructure building, but **not** repair work), except loans for constructions of residential houses (which should be included in 'mortgage').

Fishing: fishing and related activities, except processing activities of fish products, e.g. food processing (which should be included in 'manufacturing'), and construction works in the fishing sector (which should be included in 'building and construction').

Manufacturing: all manufacturing work, including food processing, steel and aluminum works, regardless of the sector where the product is used.

Real Estate: activity directly related to purchase of land except land which is to be used for residential housing (which should be included in 'mortgage').

Tourism: tourism related corporations, e.g. hotels, guesthouses, restaurants, etc. and include renovations, repairs, purchases of equipment and similar expenditure.

Trade: relates to activities of companies in the business of import and export of goods and services.

Transportation: covers all transportation services that involve the carriage of passengers, the movement of goods (freight), and rentals (charters).

RETURNS

All data should pertain to the end of the month, except Return C (IV) which should include all data during the month.

Return C (I)

Deposits
Data should exclude any interest accrued on deposits.

Enter under their respective headings all deposits from *other* Depository Corporations (commercial banks), with the reporting DC, i.e. inter-bank deposits.

All foreign deposits with the reporting bank should be reported under their respective headings.

Deposits are divided as follows:
Transferable Deposits (Page 1)
Data should include all highly liquid deposits, specifically all deposits withdrawable by cheque and by automatic teller cards, directly usable for making payments by draft, direct debit/credit or other direct payment facility, and freely transferable, notwithstanding whether they are interest bearing, as long as no restrictions and penalty are imposed upon accessibility.

In case some restrictions are imposed, and the reporting bank is uncertain whether they are sufficiently important to warrant inclusion under another deposit category, the bank is requested to contact the Research and Statistics Division.

If automatic transfers are normally made from a certain deposit to a checkable account, such deposit should also be included in 'transferable deposits', notwithstanding its name.

NOTE: transferable deposits that are held with banks which are in the process of liquidation should continue to be classified as such, even though they cannot immediately be used for direct third party payments.

Fixed – Term Deposits (Page 2)
These are interest-bearing deposits placed for a fixed period, and for which there is a penalty for premature withdrawal. Call deposits should be included here, if they are not automatically transferable to a checkable account.

Savings Deposits (Page 3)
Data should include interest- bearing deposits which may be withdrawn on demand, without penalty, with the exception of transferable deposits which should be classified accordingly, unless specific instructions has been given by the Central Bank.

Return C (II)
Fixed –Term Deposits are disaggregated by maturity for residents and non residents, in both local and foreign currency denominations.

Return C (III)
Deposits disaggregated by interest rates, local and foreign currency denominations. Fixed – Term deposits disaggregated by maturity.

Return C (IV)
This return pertains to all inter-bank lending and borrowing that has been transacted in the course of the **reporting month only,** contrary to other returns where balances outstanding at the end of the month are reported. "Time to maturity" means the number of days before the loan has actually been repaid. Each loan should be reported separately. This return is denominated in both local and foreign currency.

Return C (V), (VI) and (VII)

Loans and Advances
All lending from the bank's own local funds should be included. On-lending on behalf of the Head Office or any other corporations for which the bank serves as an intermediary **should not be** included, **with the exception of loans for which the bank assumes the credit risk**. Only funds actually disbursed should be reported. Loans and advances reported should include the principal amount outstanding and accrued interest. However, for loans classified by the reporting bank as 'bad and doubtful debt', accrued interest should not be reported. Moreover, provisions for bad and doubtful debts should not be netted out against outstanding loans, which should be reported in full. All items should be classified according to **principal** debtor. Please note that equity and capital participation and holdings of government debt instruments are not included under this heading.

As mentioned above, the following loans **should be** included in these returns.
Lending subject to:

i. Statutory rates, e.g. loans secured by foreign assets, and
ii. Penalty rates, e.g. lending which has been subject to a penalty for non-compliance with terms of loans, such as non-authorised overdrafts or defaults on repayments.

Return C (V)
Overdrafts**:** debit balances associated with a current account of a customer with overdraft facilities. Under this caption, the reporting corporation should also include temporary overdrawn current accounts.

Return C (VI)
Term Loans*:* loans for a specific purpose for a **fixed period** with a **fixed schedule of repayment.**

Return C (VII)
Mortgage Loans: for the purchase or construction of residential houses. Please note that lending for housing construction for any other sector should be included under 'building and construction' in the relevant sector (private or public), for the relevant unit (resident or non resident), under the relevant heading ('overdraft', 'term loans', 'foreign currency loans and advances').

Foreign Currency Loans**:** all loans denominated in foreign currency.

<u>Return C (VIII)</u>
*Data recorded should be for nonresidents **ONLY**.*

LIABILITIES
Deposit: *s*ame principle as Return C (I) applies.

Balance due to Financial Corporations abroad: any borrowings from Financial Corporations abroad, including management fees due to Head Office.

Bills Payable: all payment of bills disaggregated by institutional units.

Acceptance outstanding: involves the acceptance by a Financial Corporation of a draft or bill of exchange and the unconditional promise to pay a specific amount at a specified date. It represents an unconditional claim on the part of the holder and an unconditional liability on the part of the accepting bank; the bank's counterpart asset is a claim on its customer.

Accrued Interest payable: all accrued interest payable, incorporated into the outstanding amount of the financial liability, disaggregated by financial instrument (deposits) by the reporting corporation.

Other Liabilities: any other liabilities not classified above.

ASSETS
Foreign currency holdings: all foreign bank notes held by the reporting bank and in transit.

Balances due from Financial Corporations abroad: all foreign deposits with Financial Corporations abroad.

Securities other than shares: negotiable instruments serving as evidence that units have obligations to settle by means of providing cash, a financial instrument, or some other item of economic value. Common types of securities other than shares are government treasury bills and government bonds issued by Depository Corporations. Loans that become negotiable should also be classified under this category.

<u>Shares and other equity</u>: *comprise all instruments, after the claims of all creditors have been met.*

Funds contributed by owner: include the amount from the initial and any subsequent issuance of shares, stocks, or other form of ownership of corporations (excluding the amount of Financial Corporation's holdings of its own shares). This category also includes donations and special allocations. This should be recorded at book (nominal) value.

Retained earnings: constitute all after-tax profits that have not been distributed to shareholders or appropriated as general or special reserves. This should be valued as the nominal amount of earnings retained.

General and Special reserves: are appropriations of retained earnings. This should be valued as the nominal amounts of such reserves.

Valuation adjustments: represents the net counterpart to all changes in the values of assets and liabilities. The general principle is the use of market prices or approximation of market prices (i.e. fair values) that prevailed at the time of the reporting date for valuing financial assets. Market exchange rate should be used for conversion of foreign currencies.

Bill discounted or negotiated: security (bills) issued at a price that is less than the face (or par) value of the security, and all interest and principal are paid at maturity.

Accrued Interest receivable: all accrued interest receivable, incorporated into the outstanding amount of the financial asset, disaggregated by financial instrument (loans or securities other than shares) by the reporting corporation.

Loans: same principle as Return C (V) and (VI) applies.

Other assets: data on premises, housing, furniture, fixtures and real estate, owned by the reporting bank, should be reported after deducting provision for depreciation.