ARTICLE

KEEPING THE ECB'S MONETARY AND FINANCIAL STATISTICS FIT FOR USE

Keeping monetary and financial statistics fit for use requires constant efforts in an environment of continuous financial innovation and changes in policy needs, not least following the financial crisis. This article presents major enhancements in MFI balance sheet and MFI interest rate reporting, and, in addition, new detailed balance sheet statistics for financial vehicle corporations engaged in securitisation and for insurance corporations and pension funds. The enhanced reporting and new statistics will improve monetary analysis and enable non-bank financial institutions to be carefully monitored for other purposes, such as financial stability analysis. This article gives insights into the processes of such enhancements and provides examples of the practical relevance of the new statistics.

1 INTRODUCTION

In order to support policy analysis and implementation effectively, monetary and financial statistics must be of a high quality and accurately represent the most recent monetary developments and changes in financial markets. Since its inception, the ECB has established statistics for the euro area to serve the tasks performed by the ECB and the Eurosystem NCBs and has continuously sought ways of improving the quality and provision of such statistics. A major milestone in this process has been the ECB's recent publication of improved monetary and financial statistics.

These new and enhanced statistics are based on data reported by monetary financial institutions (MFIs), financial vehicle corporations engaged in securitisation (FVCs) and insurance corporations and pension funds (ICPFs). These statistics will further contribute to enhancing monetary analysis. They will also help the ECB, the Eurosystem NCBs and the ESCB in performing further analyses as part of their other tasks, such as ensuring financial stability or financial integration in Europe. The enhancements improve statistical coverage of the euro area financial sector and of new financial instruments.

The development of the new statistics and the respective reporting frameworks are the result of an intensive process that began in 2005, involving policy-makers, analysts, data producers, international organisations and the financial industry. The new statistics thus reflect the outcome of a pro-active stance to deal with financial innovation. The close involvement of users and reporting institutions serves to ensure the appropriate balance between the need for new datasets to underpin a sound economic and financial analysis and the reporting burden on the financial industry. The collection of harmonised monetary and financial statistics is, in most cases, based on ECB regulations.

This article is organised as follows. Sections 2 and 3 describe the improvements introduced in MFI balance sheet and MFI interest rate statistics. Sections 4 and 5 explain how entirely new statistics for FVCs and ICPFs have improved the coverage of the financial sector in euro area statistics. Section 6 concludes.

2 MONETARY FINANCIAL INSTITUTIONS: STATISTICS ON BALANCE SHEET ITEMS

MFI balance sheet statistics provide the core information for the ECB's monetary analysis. MFIs represent the largest sub-sector of the financial corporations sector in the euro area, accounting for 60% of all assets held by the entire sector. MFIs have been subject to an ECB Regulation requiring the transmission of balance sheet data since 1998 (which entered into force on 1 January 1999). Since then, the Regulation has been updated twice, first in 2001 (for reporting from early 2003) and again in 2008 (for reporting from June 2010). The new Regulation[1] covers additional data relevant for monetary analysis, taking into account the impact of financial innovation on MFI balance sheets and addressing increased demands from users.

1 Regulation ECB/2008/32 (OJ L 15, 20.1.2009, p. 14).

This section introduces the newly published information belonging to the "traditional" balance sheet data, while the completely new information on securitisation and other loan transfers is discussed in Section 4, together with new data on FVCs, to which they are linked conceptually.

MONETARY POLICY USES OF BALANCE SHEET DATA

In its analysis of monetary, financial and other economic developments, the ECB gives a prominent role to the evolution of euro area monetary aggregates and counterparts. The information necessary for the compilation of these aggregates is based on the balance sheets reported by MFIs in accordance with the Regulation on MFI balance sheet statistics. These data provide a comprehensive picture of the asset and liability positions between MFIs and other economic agents, broken down by financial instrument category, counterpart sector, maturity, purpose and currency denomination. The data also play a crucial role in the general assessment of developments in the banking sector and of the euro area financial system as a whole.

NEW INSTRUMENTS AND BREAKDOWNS IN DETAIL

The new data have been collected from MFIs since June 2010 and cover a range of additional assets and liabilities items, as well as new counterparty and maturity breakdowns. Table 1 provides an overview.

Table 1 New MFI statistics covered by Regulation ECB/2008/32

Monthly items		Sector	Further breakdowns
MFI business with central counterparties (CCPs)	Within loans, reverse repurchase agreements with CCPs are identified separately	OFIs	-
	Within deposits, more specifically repurchase agreements, those with CCPs are identified separately	OFIs	By currency: euro/non-euro currencies
Revolving loans and overdrafts	Within the euro-denominated loans, revolving loans and overdrafts are identified separately	HHs NFCs	-
Credit card debt	Within the euro-denominated loans, credit card debt is identified separately	HHs NFCs	Convenience credit/extended credit
Lending to sole proprietors/ unincorporated partnerships (SP/UP)	Within the "lending for purposes other than house purchase and credit for consumption", the loans to SP/UP are identified separately	HHs	By maturity: up to 1 year, over 1 year and up to 5 years, over 5 years
MFI business with financial vehicle corporations (FVCs)	Within the holdings of securities other than shares, those issued by FVCs are identified separately	OFIs	-
	Within the deposits, those placed by FVCs are identified separately	OFIs	By maturity: total maturity and up to 2 years
Transferable deposits	Within the overnight deposits those deposits are identified separately, which can be frequently used for payment transactions	By certain counterpart sectors and for some of these by currency (euro/total currency)	
Debt securities issued with capital guarantee of less than 100%	Within the debt securities issued, maturity up to two years, those with a nominal capital guarantee of less than 100% are identified separately	-	By currency: euro/non-euro currencies
Quarterly item			
Loans broken down by remaining maturity/interest rate reset	Within the euro-denominated loans, information on residual maturity and interest rate reset periods is newly collected	HHs NFCs	By original maturity (over 1 year/over 2 years), by residual maturity (up to 1 year/ up to 2 years), by interest rate reset (next 12 months, next 24 months)

Notes: NFCs stands for "non-financial corporations"; HHs stands for "households"; OFIs stands for "other financial intermediaries".

EXAMPLES OF ENHANCEMENTS

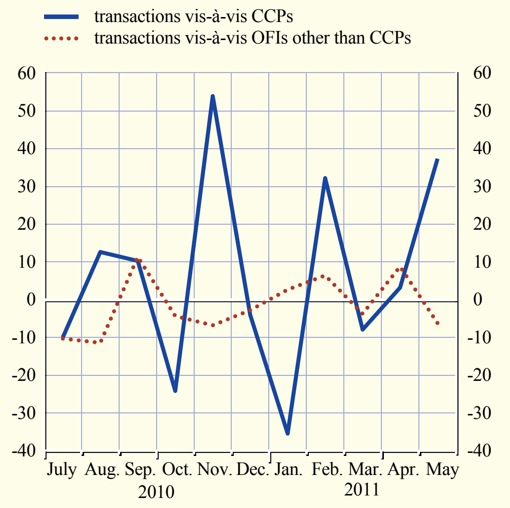
A first prominent feature of these new statistics consists of data on MFI business with central counterparties (CCPs)[2], which are classified for statistical purposes within the other financial intermediaries (OFI) sector. In recent years, business conducted via these CCPs has increasingly substituted inter-MFI business in the short-term secured money market. Secured money market trading involving a CCP offers important advantages, as it reduces counterparty risk and leads to lower prudential capital requirements. CCPs in the OFI sector are part of the euro area money holding sector and, therefore, repurchase agreements of MFIs are reflected in M3 when CCPs act as cash providers and deposit money with the MFI. Similarly, reverse repurchase agreements, under which CCPs are cash takers, are included in MFI short-term lending to other euro area resident sectors. Charts 1 and 2 show the evolution of repurchase agreements of MFIs with CCPs, compared with MFI business with OFIs other than central counterparties. They also provide evidence that repos with euro area CCPs are particularly volatile, having contributed considerably to the monthly changes of M3 in the past year.

A second prominent feature relates to information regarding revolving loans and overdrafts. Demand for these loans is assumed to be driven by different underlying motivations from other types of loans, particularly considering their very flexible nature, but also because they typically have relatively high interest rates. Revolving loans and overdrafts usually provide a "safety net", as households or non-financial corporations can draw upon them instantly in order to bridge gaps between outgoing and incoming cash flows, generally for a short period. In the first quarter of 2011, outstanding amounts of revolving loans and overdrafts represented 4% of all MFI loans to households, and 15% of all loans to non-financial corporations.

2 Regulation ECB/2008/32 defines CCPs as follows: "A central counterparty is an entity that legally interposes itself between counterparties to contracts traded in financial markets, becoming the buyer to every seller and the seller to every buyer."

Chart 1 MFI repurchase agreements vis-à-vis CCPs and vis-à-vis OFIs excluding CCPs

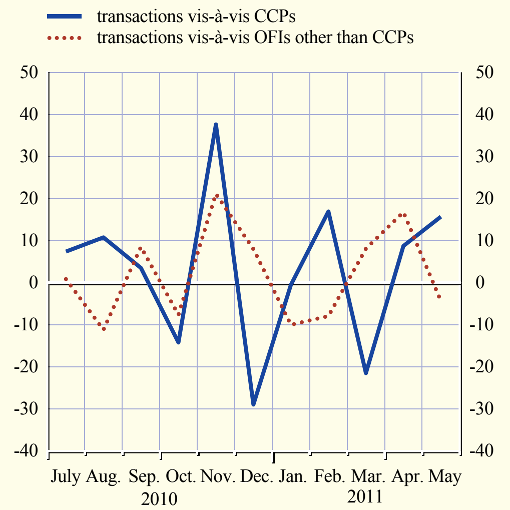
(financial transactions; EUR billions)



Source: ECB.

Chart 2 MFI loans to CCPs (reverse repos) and MFI loans to OFIs excluding CCPs

(financial transactions; EUR billions)



Source: ECB.

Third, new data are shown on the two types of credit granted by MFIs through credit cards: "convenience credit" refers to credit arising from card transactions during the period up to the end of the billing cycle when interest is charged at the rate of 0%. This period is followed by the "extended credit" period, during which high rates of interest are often charged. The new data show that, for the euro area as a whole, the volume of extended credit card debt is nearly twice that of convenience credit card debt (although the former is not common in all countries). Reflecting the recent prominence of lending via credit cards, the new statistics show that some euro area countries have comparatively high volumes of these types of loans. The outstanding amount of credit card debt in the first quarter of 2011 was 36% of all short-term loans for consumption granted by MFIs to households. The outstanding amounts of credit card debt are complemented by new data collected in connection with the statistics on MFI interest rates (see Section 3).

Fourth, the new series on MFI lending to sole proprietors cover loans to small-scale unincorporated businesses and to self-employed persons, such as architects or doctors. As the creditworthiness of these counterparties can be very different compared with other households, and may vary over the business cycle, the availability of these data enhances economic and financial analysis, and improves the classification of loans by purpose. In particular, it gives a greater insight into the access of small businesses to bank funding. In the first quarter of 2011, outstanding amounts of other lending to sole proprietors amounted to 48% of all other lending by MFIs to households. Section 3 contains more information about new interest rate data collected on sole proprietors/unincorporated partnerships.

Lastly, the newly collected statistics also make it possible to identify separately debt securities issued by MFIs without capital certainty which, when they have an original maturity of less than two years, are included in M3. These securities combine the features of short-term debt securities and embedded derivatives, thereby giving the holder a higher interest rate, in conjunction with a greater risk that the nominal amounts invested will not be recovered at maturity. However, the new data suggest that, at present, these instruments only account for a tiny fraction of the market; in the first quarter of 2011, the debt securities issued with less than 100% capital certainty amounted to just 2% of all MFI debt securities issued.

3 MFI INTEREST RATE STATISTICS

The second important dataset reported by euro area MFIs refers to interest rates effectively applied by credit institutions resident in the euro area to deposits and loans vis-à-vis households and non-financial corporations.

These statistics are collected for a number of purposes.[3] First, they provide an important input in analysing the transmission of monetary policy to the real economy. In particular, they make it possible to study the pass-through of changes in policy rates through market interest rates to rates on loans and deposit; thus, these statistics enable us to assess the impact of monetary policy on, and its transmission to, the cost of borrowing of households and non-financial corporations. Second, MFI interest rate statistics enhance the monetary analysis of euro area aggregates by providing data that complement MFI balance sheet statistics. Lastly, MFI interest rate statistics provide information on the degree of integration of European financial markets, thereby allowing consumers to compare the rates charged by MFIs across countries.

Retail interest rate statistics have been collected since 1999 via euro area NCBs on the basis of a "short-term approach" and were initially not harmonised. To be able to perform the above analyses with more reliable euro area aggregated data, which in turn enable cross-country

3 For more details, see the article entitled "Enhancements to MFI balance sheet and interest rate statistics", *Monthly Bulletin*, ECB, April 2002, and the article entitled "The use of harmonised MFI interest rate statistics", *Monthly Bulletin*, ECB, July 2005.

comparisons, a harmonised reporting framework[4] was set up. Consequently, since 2003, harmonised data have been available on interest rates and business volumes for new business agreements and outstanding amounts. Information on outstanding amounts is drawn from MFI balance sheet statistics, whereas information on new business volumes is collected together with interest rate information. Information on euro area interest rates relies on the average of national interest rate series, which are weighted by the respective volumes and aggregated to calculate euro area MFI interest rates. These statistics are subdivided by sector (i.e. households and non-financial corporations), split between deposits and loans and broken down by initial rate fixation period/original maturity.

Financial innovation and experience with the first harmonised framework for MFI interest rates for the euro area have highlighted the need for further enhancements and breakdowns in order to keep these statistics fit for use, particularly with regard to rates on new loans. For example, the existing MFI interest rate statistics were not detailed enough to provide answers to questions on the costs of funding for small and medium-sized enterprises (SMEs) or regarding the comparability of loans to households (for other purposes), in the light of the inclusion of statistics on sole proprietors (e.g. doctors, lawyers or architects) and their different relevance across countries. Consequently, in the enhanced reporting framework, the following improvements have been made:

1) refinements in the size classes of new loans to non-financial corporations;

2) refined breakdowns by period of rate fixation;

3) separate information on guarantees and collateralisation for loan rates;

4) a breakdown between the short and long-term current cost of finance for non-financial corporations;

5) the compilation of rates on overdrafts and revolving loans in an homogenous way and separately from credit card debt;

6) the separate reporting of interest rates on loans to sole proprietors within the household sector.

After weighing up the benefits for users and the costs for reporting agents, a new reporting framework[5] was adopted, which led to the production of 56 additional statistical series, with data from the reference period starting in June 2010. The enhancements are listed in Table 2. Importantly, virtually all of these relate to the data compiled on new business loans, which refer to any new loan agreement – either specified for the first time or renegotiated – between the customer and the credit institution. At the same time, all the indicators that were collected previously will continue to be collected, thus ensuring data continuity over time.

EXAMPLES OF ENHANCEMENTS

The new Regulation introduces 44 new series on new loans to non-financial corporations and 12 new series on new loans to households. Within the new series on loans to non-financial corporations, two categories are included with further details on the size of the loan. Specifically, the original instrument category including loans up to €1 million is now broken down into two sub-categories which capture loans up to[6] €0.25 million and loans over €0.25 million and up to €1 million. Indirectly, i.e. by assuming that the size of new loans for small and medium-sized corporations is, in general, below the size of loans for large corporations, these additional breakdowns enable an improved analysis of the borrowing cost of capital for SMEs. Indeed, feedback from producers and users had indicated that the previous threshold of €1 million was

4 See Regulation ECB/2001/18 (OJ L 10, 12.1.2002, p. 24).
5 See Regulation ECB/2009/7 (OJ L 94, 8.4.2009, p. 75).
6 In this article "up to" means "up to and including".

Table 2 New MFI interest rate statistics covered by Regulation ECB/2009/7

		Sector	Further breakdowns
Revolving loans and overdrafts	Interest rates on revolving loans and overdrafts are identified separately	HHs NFCs	-
Extended credit card debt	Interest rates on extended credit card debt are identified separately	HHs NFCs	-
Loans with collateral and/or guarantees	Information on interest rates on, and volumes of, loans with collateral and/or guarantees is newly collected	HHs	By initial rate fixation period: floating rate and up to 1 year, over 1 year and up to 5 years, over 5 years and up to 10 years, over 10 years
		NFCs	By initial rate fixation period: floating rate and up to 3 months, over 3 months and up to 1 year, over 1 year and up to 3 years, over 3 years and up to 5 years, over 5 years and up to 10 years, over 10 years
Loans to sole proprietors/ unincorporated partnerships (SP/UP)	Within "lending for purposes other than house purchase and consumption", interest rates on, and volumes of, loans to SP/UP are identified separately	HHs	By initial rate fixation period: floating rate and up to 1 year, over 1 year and up to 5 years, over 5 years
Loans up to an amount of €0.25 million	Interest rates on, and volumes of, smaller loans are identified separately	NFCs	By initial rate fixation period: floating rate and up to 3 months, over 3 months and up to 1 year, over 1 year and up to 3 years, over 3 years and up to 5 years, over 5 years and up to 10 years, over 10 years
Loans over an amount of €0.25 million up to €1 million	Interest rates on, and volumes of, intermediate loans are identified separately		
Loans over an amount of €1 million	Interest rates on, and volumes of, large loans are identified separately		
Loans broken down by maturity	Information on original maturity of new loans is newly collected	NFCs	By initial rate fixation period: floating rate and up to 1 year with original maturity over 1 year, with and without collateral

Notes: NFCs stands for "non-financial corporations"; HHs stands for "households".

too high.[7] As shown in Chart 3, the more detailed size classes for loans to non-financial corporations clearly enable interest rates to be distinguished according to the size of loans. Between June 2010 and April 2011 small loans consistently showed higher interest rates (on average 144 basis points higher than rates charged on loans of over €1 million) than medium-sized or large loans.

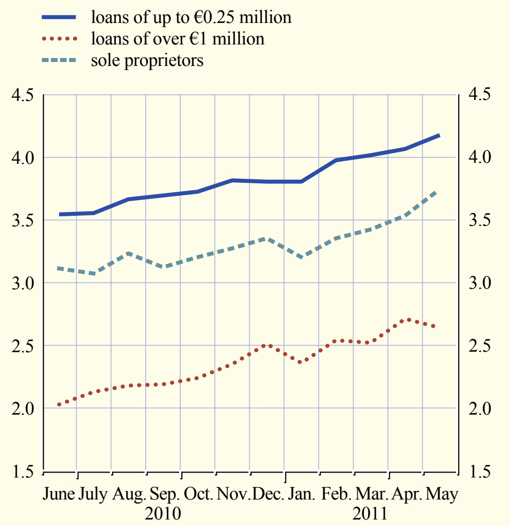
Sole proprietors and unincorporated partnerships represent an economic group previously not distinguishable within the overall household sector. Under the new Regulation, loans to small-scale unincorporated businesses and loans to self-employed persons can now be identified. The new data show that the interest rate on new loans to these micro-firms ranged between those on small and medium-sized loans in the period from June 2010 to April 2011 (see Chart 3).

Particularly when studying refinancing patterns, information on the maturity profile of new loans to non-financial corporations with short interest rate fixation periods is of interest. In this respect, the new Regulation introduces a new indicator which distinguishes business volumes within the category of new loans to non-financial corporations with an initial rate fixation period of up to one year and with an original maturity of up to one year from those with an original maturity of over one year. Chart 4 shows that,

7 It is worth noting that direct collection of loans by size of the borrowing firm was initially considered appropriate. However, this appeared to be both costly and potentially misleading due to the fact that relatively small firms belonging to multinational groups may borrow larger amounts to fund other group affiliates.

Chart 3 MFI interest rates on new loans to non-financial corporations [1)]

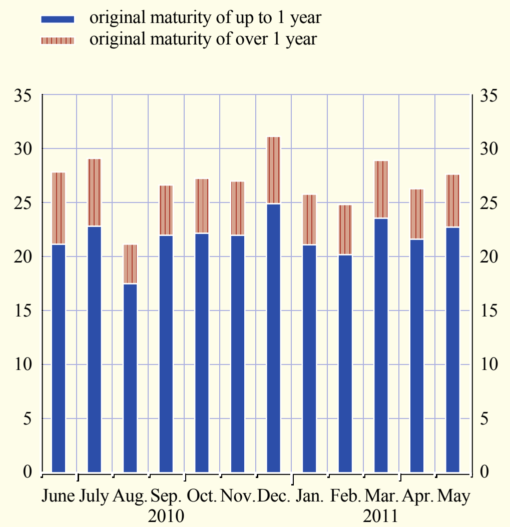
(percentages per annum excluding charges; period averages)



Source: ECB.
1) Only loans with a floating rate and up to three-month initial rate fixation, by loan size.

Chart 4 New business loans to non-financial corporations of up to €0.25 million, arranged by maturity [1)]

(EUR billions; non-seasonally adjusted)



Source: ECB.
1) Only loans with a floating rate and up to one-year initial rate fixation.

on average, between July 2010 and March 2011, 80.8% of loans to non-financial corporations (up to €0.25 million) had an original maturity of up to one year.

Finally, new series focusing on loans with collateral and/or guarantees were made available to allow the measurement of the amount and dynamics of loan collateralisation. Interest rates charged on loans with collateral result from the interaction of opposite incentives: on the one hand, loans with collateral provide banks with greater insurance, thereby leading to lower rates, all other things being equal; on the other hand, despite the added insurance provided, collateral is required, in particular, for higher-risk customers, and this selection bias leads to higher rates. Between June 2010 and April 2011 interest rates on collateralised loans to non-financial corporations often appear to be higher than those on non-collateralised loans, suggesting that the second incentive tends to dominate the rate-setting behaviour of banks in the euro area.

4 MFI SECURITISATION AND FVC STATISTICS

Securitisation is often used by lenders to transfer credit risk from their balance sheets and to transform long-term assets (e.g. mortgages) into available funding for investment in new lending or for other purposes. The use and complexity of securitisation has grown rapidly in the last two decades, and there has been a corresponding increase in the impact on the analysis of developments in lending and monetary aggregates. Limitations in the available statistics, already identified prior to the financial crisis, became particularly apparent during the crisis.

These data gaps are addressed by the recent release of enhanced data on MFI securitisations and other loan transfers, which build on the previously non-harmonised and very limited information collected on MFI securitisations. The new data are complete in terms of borrower breakdowns, are harmonised across euro area countries and will contribute significantly to the analysis of monetary and MFI lending developments. New statistics on MFI securitisations are complemented by a new dataset on euro area resident FVCs, which carry out securitisations originated by MFIs and other sectors, and will contribute to the analysis of credit risk transfer in the economy and financial stability.

4.1 STATISTICS ON SECURITISATION AND OTHER LOAN TRANSFERS BY MFIs

Various types of securitisation transactions and other loan transfers have had an impact on MFI balance sheets, and hence on credit and monetary developments. Until the start of the financial crisis in 2007, the securitisation transactions were mostly sold on the market or placed privately with investors. Since then the main transactions have been securitisations in which the issued securities are retained by the MFI for the purpose of Eurosystem refinancing operations, the transfer of assets to so-called "bad banks",[8] and the unwinding of earlier securitisation transactions. Depending on the features of the transaction and on the applicable accounting rules, the loans securitised by an MFI may either be removed (i.e. derecognised) from or remain on its balance sheet.

The recently released MFI securitisation statistics (collected under Regulation ECB/2008/32) contain information that is tailor-made for the analysis of the effects mentioned above. Net flows of MFI loans which occur due to securitisations or other transfers are identified separately for each of the different borrowing sectors[9] providing information on their funding situation. These data are further broken down according to whether the loans are derecognised from or remain on MFIs' balance sheets. For loans remaining on MFIs' balance sheets, data on outstanding amounts are also available, which makes it possible to monitor MFI securitisation transactions more broadly, and may be particularly relevant for financial stability analysis when credit risk transfer is assessed. The new monthly and quarterly statistics on MFI securitisation are published by the ECB together with the usual monthly and quarterly MFI balance sheet statistics. An overview of the newly released items on MFI securitisation and other loan transfers are presented in Table 3.

The data on net flows of derecognised loans are also used to produce series of adjusted flows and growth rates for loans in MFI balance sheet statistics. Taking these effects into account is important when analysing the underlying credit developments. As an example,

8 See the box entitled "The impact of 'bad banks' on MFI balance sheet statistics", *Monthly Bulletin*, ECB, March 2010.

9 The ECB has previously released non-harmonised data on MFI loans adjusted for securitisations for the private sector as a whole, households and non-financial corporations.

Table 3 New statistics on MFI loans that are securitised or otherwise transferred

(flows for derecognised loans, flows and outstanding amounts for not derecognised loans)

	Borrowing sector	Further breakdowns	Frequency
Euro area	Non-financial corporations	Total	M
		Up to 1 year maturity	Q
		Over 1 and up to 5 years	Q
		Over 5 years	Q
	Households	Total	M
		Consumer credit	Q
		Loans for house purchase	Q
		Other loans	Q
	General government	Total	M
	Other financial intermediaries	Total	M
	Insurance corporations and pension funds	Total	M
Rest of the world		Total	M

Table 4 MFI loan transactions and adjustments for securitisations and other transfers

(EUR billions; annual percentage changes)

	Monthly transactions [1]			Annual growth rates		
	March 2011	April 2011	May 2011	March 2011	April 2011	May 2011
Loans to households (unadjusted) [2]	31	9	14	3.4	3.4	3.4
loans derecognised from the balance sheet	*-21*	*2*	*1*			
loans adjusted for sales and securitisation	*11*	*12*	*15*	*3.0*	*3.0*	*3.0*
Loans to non-financial corporations (unadjusted)	4	1	12	0.8	0.9	0.9
loans derecognised from the balance sheet	*0*	*1*	*0*			
loans adjusted for sales and securitisation	*4*	*3*	*12*	*1.8*	*1.9*	*1.8*

Source: ECB.
1) Calculated from the monthly difference in levels adjusted for write-offs/write-downs, reclassifications, exchange rate variations and any other changes which do not arise from transactions.
2) Includes loans to non-profit institutions serving households.

in March 2011 the net flows of loans to households derecognised from the euro area MFI balance sheet were minus €21 billion, as shown in Table 4. This indicates that euro area MFIs took previously derecognised loans back on to their balance sheets during that month. On an annual basis, the unadjusted growth rate of these loans was 3.4%, compared with an adjusted rate of 3.0% in May 2011.

Furthermore, securitisation transactions may result in an increase in MFI deposits placed by FVCs. First, in transactions where the credit risk is transferred via credit derivatives or similar mechanisms (i.e. "synthetic" securitisations), the FVC may place the collateral on deposit with an MFI. Second, when the securitised loan is not derecognised from the MFI's balance sheet, there is a corresponding increase recorded in MFI deposits from FVCs.[10] In the new dataset, deposits from FVCs are identified (see Section 2), hence allowing these effects to be taken into account in monetary analysis.

4.2 STATISTICS ON FINANCIAL VEHICLE CORPORATIONS

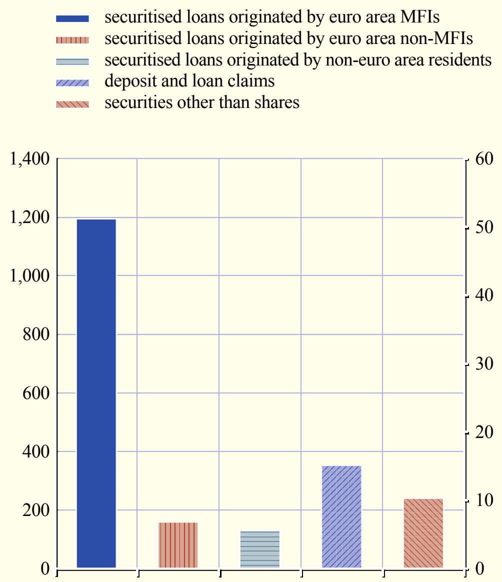
A securitisation transaction generally involves the setting-up of one or more entities (FVCs) for the specific purpose of carrying out the transaction. FVCs are important intermediaries in the financial sector, particularly on account of their role in credit risk transfer, with integral links to the MFI sector. The ECB has introduced new quarterly statistics[11] on euro area resident FVCs, which are published regularly about five weeks after the end of the quarter. The statistics enable the assets and liabilities and the transactions of the FVC sector to be analysed. The aggregated total assets of euro area FVCs stood at €2.3 trillion in the first quarter of 2011, accounting for 4% of the financial sector's total financial assets and 10% of those of non-bank financial intermediaries. Total debt securities issued stood at almost €1.9 trillion.

The FVC sector is broad as regards the scope of activities that may be carried out and the nature of assets that may be securitised. In a typical "traditional" securitisation transaction, the MFI transfers loans to an FVC, and these assets back the debt securities issued by the latter. Euro area FVC holdings of securitised loans amounted to almost €1.5 trillion in the first quarter of 2011, of which €1.2 trillion were originated by euro area MFIs (see Chart 5). For statistical purposes, the nominal amount of outstanding principal[12] is reported on the balance sheet of the FVC, irrespective of whether the loans have been

10 By convention, a deposit liability vis-à-vis FVCs with a maturity of over two years is recorded.
11 These new statistics are collected under Regulation ECB/2008/30 (OJ L 15, 20.1.2009, p. 1).
12 The nominal amounts, net of write-downs or write-offs, are reported even if the portfolio was purchased at a discount to the amount of principal outstanding, which may be the case for the purchase of distressed assets. The counterpart relating to the difference between the purchase price of distressed securitised loans and the purchase price of the portfolio is reported in "Other liabilities", and constitutes a significant proportion of this item.

Chart 5 Main assets on FVC balance sheets

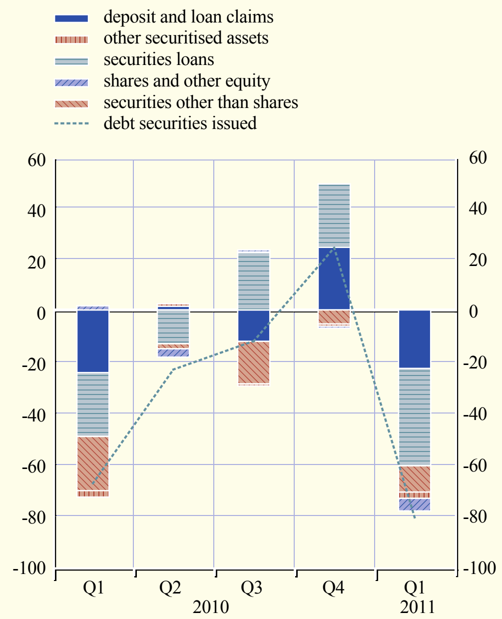
(EUR billions (left-hand scale); percentage share of total assets (right-hand scale))



Source: ECB.
Note: Data refer to the first quarter of 2011.

Chart 6 Transactions in selected FVC assets and debt securities issued by FVCs

(financial transactions; EUR billions)



Source: ECB.

derecognised from the balance sheet of the originator. Two-thirds of securitised loans originated by MFIs are to euro area households, and one-fifth of loans are to euro area non-financial corporations. Almost one-tenth of loans originated by euro area MFIs are to borrowers outside the euro area (for which no economic sector information is collected).

In synthetic securitisations, the credit risk of the underlying assets is transferred to the FVC (and ultimately the holder of the FVC securities) through credit derivatives, guarantees or similar mechanisms. The FVC generally holds the proceeds from the sale of debt securities issued as a deposit with an MFI or in high-grade debt securities. FVCs that engage in synthetic securitisations account for approximately 5% of the total assets of the FVC sector.

Securities other than shares make up over 10% of the assets of euro area FVCs. This includes the activities of FVCs that are "re-securitising" asset-backed securities issued by other euro area resident FVCs.[13] This is important from the point of view of the ultimate holders of credit risk, which in this case would be the investors in the securities issued by the re-securitising vehicle. Euro area FVC holdings of debt securities issued by euro area FVCs totalled €36 billion in the first quarter of 2011.

Although some securitisations may involve only one vehicle, many involve a number of FVCs, each carrying out different roles and possibly located in different jurisdictions. An example of this kind of multi-vehicle structure is where one

13 This would include, for example, collateralised debt obligations (CDOs) which repackage FVC debt securities issued in the euro area. Conduits and "structured investment vehicles" (SIVs) were formerly active in the maturity transformation of asset-backed securities into short-term commercial paper. These types of instruments issued by FVCs resident outside the euro area are not identified separately.

vehicle issues debt securities backed by assets held by another vehicle. In order to identify these positions, the reporting scheme includes "of which" positions vis-à-vis other euro area FVCs for loans between FVCs, and holdings of FVC shares and other equity (or securitisation fund units). Such intra-sector activity based on these multi-vehicle structures amounted to €69 billion in the first quarter of 2011.

In the period since the first collection of FVC transactions data in the first quarter of 2010, activity has been dominated by the financial crisis. There was a net redemption of debt securities issued amounting to €81 billion in the first quarter of 2011 (see Chart 6) and cumulatively since the beginning of 2010, there has been net redemption of €159 billion. Transactions in securitised loans have been large over the same period as loans have moved between the FVC and MFI sectors via transfers to "bad bank" structures in the FVC sector and the unwinding of retained securitisations.

5 STATISTICS ON INSURANCE CORPORATIONS AND PENSION FUNDS

In the context of ongoing work at the ECB towards improving the statistical coverage of the (non-bank) financial sector, there has also been substantial progress in developing new, enhanced insurance corporation and pension fund statistics.[14] Euro area insurance corporations and pension funds (ICPFs) account for close to 14% (€6.9 trillion) of the financial sector's total financial assets and represent a significant share of non-bank financial intermediaries (more than one-third when measured by total assets). The financial instruments they offer play a significant role in shaping households' portfolio decisions, a role which is bound to increase as populations age and as the relative role of social security funds declines. In addition, the interaction of ICPFs with financial markets, banks and other financial intermediaries is relevant to monetary analysis and financial stability.

For monetary analysis, ICPF balance sheet statistics are important because ICPFs directly hold monetary assets, and, more importantly, play a significant role as a counterpart to the flows into and out of MFI balance sheet positions relating to households. ICPF data are relevant for the analysis of economic activity and the monetary transmission mechanism more generally. This relevance stems from the capacity of the ICPF sector to influence the financing conditions of the non-financial private sector and the government (e.g. by purchasing securities) and from the fact that liabilities of ICPFs represent an important part of the wealth portfolio of the household sector. From a financial stability perspective,[15] and given their typically long-term investment horizons, ICPFs are often seen as a source of stability for financial markets. However, due to the size of their investment portfolios, the reallocation of funds or the unwinding of positions by these institutions have the potential to move markets.

NEW STATISTICS IN DETAIL

The ECB compiles new quarterly ICPF statistics for the euro area based on the best available (mainly supervisory) national sources. This implies that the new statistics are not fully harmonised across countries, and estimates replace or complete statistical information that is missing or not available on a sufficiently timely basis. It is expected that the initial set of ICPF statistics will improve over time, and that more complete and more detailed data will

14 Insurance corporations grant policyholders benefits in case of the occurrence of a specified event which may have a variety of causes, such as survival, illness, death, fire or natural disasters. Pension funds collect, pool and invest funds to provide for the future pension entitlements of beneficiaries.

15 As highlighted in the speech by Jean-Claude Trichet, President of the ECB, "Insurance companies, pension funds and the new EU supervisory architecture", at the CEIOPS conference 2009, Frankfurt am Main, 18 November 2009.

Table 5 New statistics on insurance corporations and pension funds

(Outstanding amounts (unless marked with "*", in which case transactions data are also released), quarterly (Q) or annual (A) frequency)

Assets		percentage of total	Liabilities		percentage of total
Total assets	Q	100	**Total liabilities**	Q	100
Currency	Q	0	**Securities other than shares**	Q	1
Deposits	Q	11	**Loans received**	Q	4
Maturities	Q		Sector breakdown	Q	
Loans	Q	8	**Shares and other equity (quoted/unquoted)**	Q	7
Sector breakdown and maturities	Q		**Net equity of households in life insurance reserves (*)**	Q	50
Securities other than shares	Q	38	Unit linked	A	10
Sector breakdown and maturities	Q		Non-unit linked	A	40
Shares and other equity (quoted/ unquoted)	Q	12	**Net equity of households in pension fund reserves (*)**	Q	23
Sector breakdown	Q		Defined contribution	A	4
Investment fund shares	Q	22	Defined benefit	A	18
MMF shares	Q	1	Hybrid schemes	A	1
Prepayments of insurance premiums and reserves for outstanding claims	Q	4	**Prepayments of insurance premiums and reserves for outstanding claims (*)**	Q	13
Non-financial assets	Q	1	Sector breakdown	Q	
Other assets (including financial derivatives)	Q	3	**Other liabilities (including financial derivatives)**	Q	3

Source: ECB.
Note: Data refer to the fourth quarter of 2010.

gradually become available. Furthermore, in the longer run, the new supervisory Solvency II requirements for insurance corporations,[16] as well as similar supervisory reporting to be developed for pension funds, are expected to deliver new information that can be used also to gradually improve the macroeconomic statistics compiled by the ECB.

Nonetheless, improved data reported by euro area NCBs have enabled quarterly estimates of euro area aggregates of outstanding amounts to be produced. In fact, the new ICPF statistics will focus, in the initial phase, on the provision of quarterly and annual balance sheets as outstanding amounts. In addition, estimated euro area transaction data are being developed, although quarterly transactions are currently only compiled for the technical reserves of insurance corporations and pension funds, i.e. the most important liability of the ICPF sector.

The new ECB statistics complement results for the ICPF sector published by the ECB as a part of the integrated euro area accounts by institutional sector and provide more detailed and more timely results.[17] Besides data for the ICPF sector as a whole, supplementary data are published separately for insurance corporations and pension funds. Data will be published by the ECB three months after the end of the reference quarter. The content of the new ICPF statistics is outlined in Table 5.

EXAMPLES OF ENHANCEMENTS

ICPFs hold around 21% of the total debt securities issued by euro area governments, 57% of the mutual fund shares issued by euro area investment funds and about 9% of the total outstanding amount of debt securities issued by euro area MFIs. In parallel with this active

16 The European Insurance and Occupational Pensions Authority (EIOPA) is in the process of developing harmonised reporting templates for supervisory purposes in the case of insurance corporations. The ECB is cooperating with EIOPA in developing the harmonised reporting templates.

17 Although the new ICPF statistics and the euro area accounts both follow the European System of Accounts (ESA 95), there may be differences between these two statistics. Reasons for this may include, for example, different sources at the national level, different data vintages, and adjusting the results for sectors to obtain consistent euro area accounts for the whole economy.

role as providers of financing, euro area ICPF liabilities are an important component of euro area households' financial wealth (accounting for around 30% of the total) and compete with deposits and other financial instruments in attracting household investment. Accordingly, the new statistics also show that the net equity of euro area households in life insurance reserves amounted to €3.3 trillion of which 19% are unit linked and 81% are non-unit linked. Furthermore, the net equity of euro area households in pension fund reserves amounted to €1.6 trillion, of which 18% were in the form of defined contribution schemes, 76% in the form of defined benefit schemes and 6% in the form of hybrid (i.e. mixed) schemes.

The ICPF sector is dominated by insurance corporations, which account for around 80% of the total financial assets of ICPFs. However, the relative importance of insurance corporations, and pension funds varies from country to country, largely reflecting institutional differences.[18] Furthermore, despite similarities in the activities of life insurers and pension funds, their investment policies differ. Insurance corporations mainly invest in securities (42% of total financial assets), followed by mutual fund shares (19% of total financial assets). However, for pension funds, mutual fund shares represent the largest investment class (42% of total financial assets) and securities other than shares the second largest (21% of total financial assets). This also reflects the fact that some pension funds have transferred their investment portfolio to specialised investment funds, keeping the corresponding fund shares/units in their portfolio instead.

6 CONCLUSIONS

Keeping statistics fit for use involves a continuous process of development in response to financial innovation and changing policy needs. A major enhancement to the ECB's monetary and financial statistics has recently been implemented covering MFI balance sheet and interest rate statistics and balance sheet information on FVCs and ICPFs. These enhancements are the outcome of a careful weighing up of the benefits identified by the users and the burden placed on the reporting agents. On the benefits side, the enhancements presented help, in particular, to improve monetary analysis. This is achieved by a considerably more detailed coverage of MFI balance sheet information regarding counterparty financial institutions that belong to the money holding sector, which have increased their importance in recent years. Furthermore, more detailed information on the money issuing sector, particularly relating to securitisation, but also to further financial innovations, allows for an enhanced analysis of monetary aggregates and counterparts. Concerning the non-financial money holding sector, more detailed data on the business volumes of and interest rates on new business broken down by sub-sector and category allow a deepening of the analysis of financing conditions. In addition, financial stability analysis also benefits from the new statistics, in particular from those relating to securitisations and ICPFs. Finally, these new statistics will also enhance the statistical framework for the compilation of the euro area accounts.

The ECB will continue to monitor financial developments and user requirements and adapt the statistical system as needed. Further enhancements are currently envisaged and relate, in particular, to more disaggregated information on securities holdings by financial and non-financial sectors, which would support both monetary and financial stability analysis. This process, like the previous ones, will involve close cooperation between the ECB, NCBs, international organisations and the industry involved.

18 The statistics cover only autonomous pension funds. Countries in which private pension schemes are mainly provided through non-autonomous pension funds (which are not separate institutional units), linked in particular to non-financial corporations and MFIs, have a smaller autonomous pension funds sub-sector. For a more detailed analysis of the sector in Europe, see *Financial integration in Europe*, ECB, May 2011, Chapter II.