

## Implementation of new international standards in quarterly financial accounts statistics

In October 2014 the financial accounts for Q2 2014 will be published in Lithuania, as in all other European Union (EU) Member States, compiled using the new statistical standard — the European system of national and regional accounts 2010 (ESA2010), which has been prepared on the basis of the System of National Accounts 2008. The ESA2010 was approved by Regulation (EU) No 549/2013 of the European Parliament and the Council on 21 May 2013. This Regulation is mandatory for application in all of the EU Member States, which assures compilation and dissemination of internationally comparable statistics. Before 2014, in compiling Lithuania's financial accounts statistics, the European system of national and regional accounts 1995 (ESA1995) had been followed. The substance of the latter standard did not meet the changes in the world economy and the occurrence of new financial instruments; therefore, having taken these changes into account, a new statistical standard was approved in 2013.

### Institutional units' sectorisation according to ESA2010

The key change in financial accounts statistics is related to the sectorisation of institutional units. Major changes concern the non-financial corporations and financial corporations sectors.

The key novelty in the sectorisation of non-financial corporations is a new treatment of holding companies. According to ESA2010, all holding companies that hold the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principle activity is owning the group without providing any other service to the businesses in which the equity is held (they do not administer or manage other units), shall be included in financial sub-sector S.127 — **Captive financial institutions and money lenders**. All head offices that lead or administer corporations owned shall be included in sector S.11 — **Non-financial corporations**.

In implementing the aforementioned ESA2010 requirements, about 10 holding companies, whose financial assets, according to preliminary estimates, amount to LTL 4 billion, will be transferred from sector S.11 to sub-sector S.127.

### Changes in institutional units' sectorisation

ESA1995	ESA2010
S.121 Central bank	S.121 Central bank
S.122 Other monetary financial institutions	S.122 Deposit-taking corporations S.123 Money market funds (MMF)
S.123 Other financial intermediaries	S.124 Non-MMF investment funds S.125 Other financial intermediaries, except for insurance corporations and pension funds
S.124 Financial auxiliary corporations	S.126 Financial auxiliaries
	S.127 <b>Captive financial institutions and money lenders</b>
S.125 Insurance corporations and pension funds	S.128 Insurance corporations S.129 Pension funds
S.11 Non-financial corporations	S.11 Non-financial corporations

Based on ESA2010 requirements, financial corporations have been sectorised into nine sub-sectors (under ESA1995 there were five of them).

Sub-sector **Central bank** (S.121) covers the Bank of Lithuania.

Sub-sector **Deposit-taking corporations, except the central bank**, (S.122) includes commercial banks, foreign bank branches, the central credit union, and credit unions.

Sub-sector **Money market funds (MMF)** (S.123) consists of collective investment undertakings (CIU) that invest in money market instruments and whose shares (units) issued are often regarded as close substitutes for deposits.

Sub-sector **Non-MMF investment funds** (S.124) consists of CIUs that mostly invest in long-term and non-financial assets, while their shares (units) issued are not regarded as close substitutes for deposits.

Sub-sector **Other financial intermediaries, except insurance corporations and pension funds**, (S.125) includes security and derivative dealers, financial leasing companies, companies engaged in factoring, and venture and development capital companies.

Sub-sector **Financial auxiliaries** (S.126) consists of insurance brokers and agents, corporations whose principle function is to provide guarantees, securities brokers, managers of pension funds and CIU, NASDAQ OMX Vilnius Stock Exchange, Central Securities Depository, non-profit institutions serving financial corporations.

Sub-sector **Captive financial institutions and money lenders** (S.127) includes money lenders, pawn shops, holding companies that hold the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principle activity is owning the group without providing any other services to the businesses in which the equity is held (they do not administer or manage other units).

Sub-sector **Insurance corporations** (S.128) consists of licensed life assurance companies and non-life insurance companies.

Sub-sector **Pension funds** (S.129) includes autonomous pension funds.

### New categories of financial assets and liabilities

Major changes in classification of financial assets and liabilities are related to the pension funds category.

### New categories of financial assets and liabilities

ESA1995	ESA2010
F.612 Net equity of households in pension fund reserves	F.63 Pension entitlements
	F.64 Claims of pension funds on pension managers
	F.65 Entitlements to non-pension benefits
	F.66 Provisions for calls under standardised guarantees
F.34 Financial derivatives	F.71 Financial derivatives
	F.72 Employee stock options

*Net equity of households in pension funds* (F.612) splits into three categories of assets (liabilities):

- *Pension entitlements* (F.63), i.e. household assets accumulated in pension funds;
- *Claims of pension funds on pension managers* (F.64);
- *Entitlements to non-pension benefits* (F.65).

The last two categories (F.64 and F.65) are related to defined benefit pension schemes and are of no relevance to Lithuania's quarterly financial accounts as only defined contributions pension schemes exist in Lithuania so far.

A new category of financial assets (liabilities) has occurred — *Provisions for calls under standardised guarantees* (F.66).

Standardised guarantees are guarantees that are issued in large numbers and along identical lines. The providers of such guarantees must form provisions in order to meet the call on the guarantee.

In Lithuania, standardised guarantees are provided by general government for loans to students and by the Lithuanian Agricultural Credit Guarantee Fund — for loans to farmers. According to preliminary estimates, these provisions for guaranteeing the above-named loans would amount to about LTL 120 million.

According to ESA2010, *Employee stock options* (F.72) have been singled out from financial derivatives. It is a financial derivative under which an employee has the right to acquire a certain amount of shares of the corporation he/she is employed with for a fixed price and at a fixed time. Financial derivatives of this type are not popular in Lithuania; therefore this instrument is of no relevance to the country's financial accounts.

The recording of *Special drawing rights* (SDRs) (F.12) in financial accounts has been changed. SDRs are international reserve assets created by the International Monetary Fund (IMF), which are allocated to its members to supplement existing reserve assets. According to ESA2010, this instrument is an asset of the central bank and liabilities of IMF member states (according to ESA1995, the said instrument used to be included only in the central bank assets without a counterpart liability).