

Methodological notes on the financial accounts and the financial balance sheets of the system of national accounts of the Russian Federation

The financial accounts and the financial balance sheets are a part of the system of national accounts (SNA) and are compiled in compliance with the System of National Accounts 2008 (the European Commission, the IMF, the OECD, the UN, the World Bank)¹.

The system of national accounts is a set of interrelated macroeconomic indicators based on the internationally agreed recommendations and accounting rules in accordance with the principles of economic theory. The SNA is a conceptual framework for many areas of macroeconomic statistics developed for a detailed analysis of the activities of various economic agents, for example, government finance statistics, monetary statistics, balance of payments and international investment position.

Sectoral accounts represent the sequence of accounts that describes the activities of institutional units grouped into institutional sectors in accordance with their basic functions, behaviour and goals. The SNA sectoral accounts have been developed in order to present statistical information in a format that is convenient for analysing the economic cycle of institutional units, namely, goods and services production, income generation, income distribution and redistribution and assets and liabilities use and accumulation.

The financial accounts and the financial balance sheets provide an important information framework for a detailed flow-of-funds analysis as part of macroeconomic data study. This analysis helps both assess the structure of economic agents' financial assets and liabilities and timely identify emerging risks and the accumulation of financial imbalances in various sectors of the economy, which serves the goals of maintaining financial stability and macro-prudential regulation. The financial accounts and the

¹ <http://unstats.un.org/unsd/nationalaccount/sna2008.asp>

financial balance sheets are also a source of data for analysing the activities of institutional sectors for which detailed information is missing, for example, the non-financial sector and the household sector.

Each SNA account reflects the resources of institutional units and the use of these resources. The account is finally balanced with the help of a balancing item, which is carried forward as the first item in the following account.

Accounts can be divided into three categories: current accounts, accumulation accounts and balance sheets.

Current accounts record the production of goods and services, the generation of incomes, their distribution and redistribution among institutional units and the use and saving of these incomes.

The *production account* records the production of goods and services, with the balancing item 'gross value added' as a measure of contribution of an individual producer or industry to GDP generation.

The accounts that follow the production account show income generation in the course of production (*the generation of income account*); the allocation of the value added among institutional units (*the allocation of primary income account*); the redistribution of incomes among institutional units, basically, through general government units, by means of social benefits and taxes (*the secondary distribution of income account, the redistribution of income in kind account*); the household sector's and the general government sector's spending and the expenditures of the sector of non-profit institutions serving households (NPISH) on final consumption or savings (*the use of income accounts*). As the balancing item, saving is carried forward into the capital account as the first account in the sequence of accumulation accounts.

Accumulation accounts record changes in the assets and liabilities of institutional units. The accumulation accounts are the capital account, the financial account, the revaluation account and other changes in the volume of assets account. The accumulation accounts show all changes that occur between two balance sheets (sectoral balance sheets) over a specific period of time.

The *capital account* records acquisitions and disposals of non-financial assets, resulting from transactions with other institutional units.

Net lending/net borrowing is the balancing item of the capital account. This item is especially important for economic analysis as it shows a surplus or a shortfall in the sources of financing compared with expenditures on the acquisition of non-financial assets, i.e. it shows the amount of the resources provided for lending (net lending as the balancing item with a positive sign) or were borrowed (net borrowing as the balancing item with a negative sign). Even if funds are not explicitly lent by one sector to other sectors but are retained, for example, in a bank deposit, the counterparty unit (the borrower) actually borrows from the unit holding these financial assets (the creditor).

The net lending/net borrowing balancing item provides the link between the financial and other accounts of the SNA.

The financial account is the final account in the full sequence of the SNA accounts that records transactions between institutional units: therefore, it does not have a balancing item that is carried forward to another account. This account shows how net lending or net borrowing is affected by means of changes in holdings of financial assets and liabilities. The sum of these changes is conceptually equal to the balancing item of the capital account. The identity between the balancing items of the capital account and the financial account is an important feature of the sequence of the accounts as a whole. The conceptual identity between these balancing items enables to check the numerical consistency of the set of accounts as a whole, although the two balancing items are likely to diverge in practice because of measurement errors (the Handbook on the System of National Accounts, 2008 (hereinafter - 2008 SNA): 10.29).

The financial account records transactions that involve financial assets and liabilities and that take place between resident institutional units and between resident institutional units and the rest of the world. (2008 SNA: 11.2). A financial transaction involves simultaneously created or liquidated financial assets and the corresponding counterparty unit's obligation, or change of ownership of the financial asset.

The financial account helps to link the financial results of institutional units' activities with the results of activity related to production, income generation, income distribution and redistribution among institutional units, income use and saving.

The left-hand side of the account (table 11.1) records acquisitions of financial assets less disposals, while the right-hand side records incurrence of liabilities less their repayment.

The financial account is symmetric as the same classification of financial instruments is used for both assets and liabilities. Moreover, the same classification is used in all accumulation accounts for financial transactions and in the sectoral balance sheets of financial assets and liabilities.

The *other changes in the volume of assets account* records the changes in the value of assets and liabilities of institutional units or sectors that occurred due to exceptional events like natural disasters or catastrophes, and also as a result of the reclassification of institutional units or financial assets.

The *revaluation account* records the changes in the values of assets and liabilities that result from changes in their prices.

The *balance sheets* (the sectoral balance sheets) show the values of the stocks of assets and liabilities held by institutional units or sectors at the beginning and end of an reporting period. The value of the assets and liabilities for a certain moment in time changes with transactions, price changes or other changes in the volume of assets or liabilities. Therefore, the entire difference between the value of assets and liabilities in the opening and closing balance sheets can be fully decomposed into the following components: transactions and revaluation or other changes in the volume of assets (Table 1).

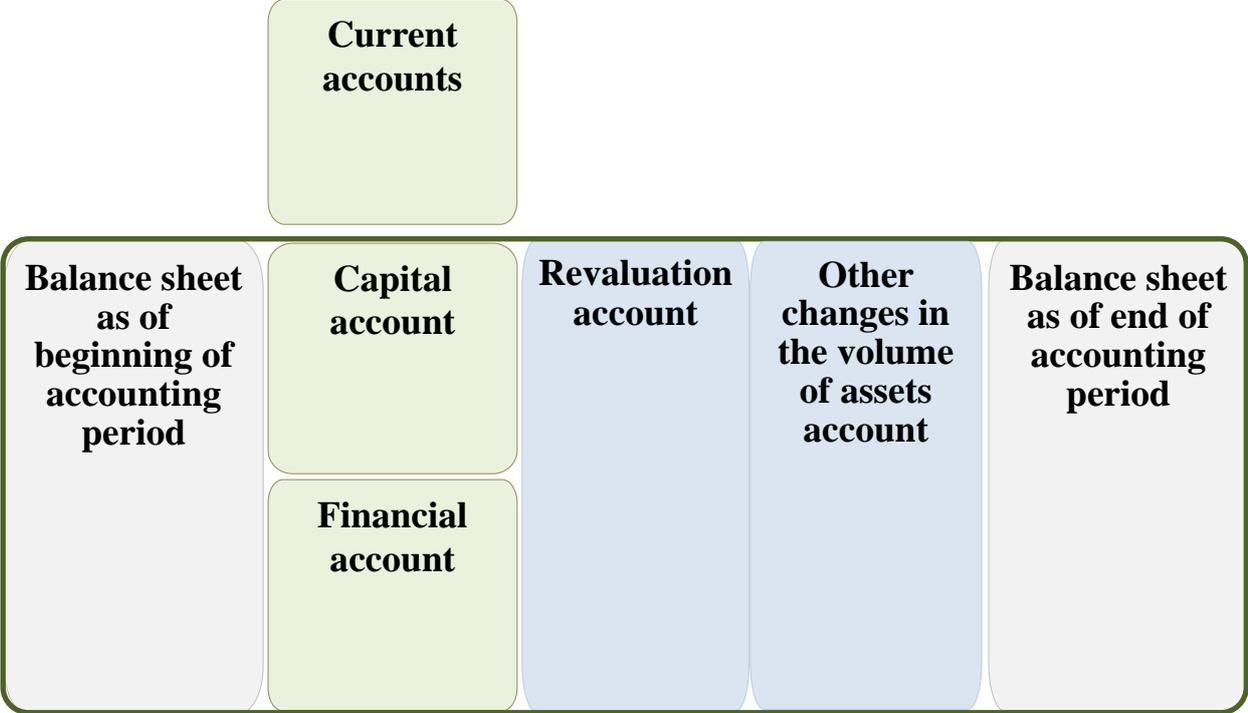
Financial balance sheets, as a part of balance sheets, show data on the stocks of financial assets and liabilities at a particular point in time (i.e. they exclude data on the stocks of non-financial assets).

Sectoral accounts can be considered as two sequences of accounts: the vertical sequence of transaction accounts (Table 1, the accounts are highlighted in green) and the

horizontal sequences of accumulation accounts and balance sheets (Table 1, the accounts are highlighted with the frame).

Table 1

Interconnection between flows and stocks of assets and liabilities



Methodology for Compilation of the Financial Accounts and the Financial Balance Sheets Indicators of the System of National Accounts of the Russian Federation

The financial accounts and the financial balance sheets of the SNA of the Russian Federation are compiled using monetary statistics data, external sector statistics, government finance statistics, annual financial statements of organisations, data from the federal statistical forms across various economic activities and the securities database.

The financial accounts and the financial balance sheets of the SNA of the Russian Federation are compiled on the basis of ‘From-Whom-to-Whom’ tables which contain detailed information on relationships between the creditor and the borrower broken down by financial instruments. This approach helps to ensure correspondence between assets and liabilities for each financial instrument. Moreover, revaluation and other changes in the volume of assets accounts are built when indicators of financial accounts and financial balance sheets of the SNA are compiled.

The financial accounts and the financial balance sheets of the SNA of the Russian Federation are compiled on an unconsolidated basis, which implies that transactions in assets and the corresponding transactions in liabilities are not eliminated within one institutional sector.

The financial accounts and the financial balance sheets of the SNA of the Russian Federation are compiled and published on an annual basis. Quarterly financial accounts of the SNA are planned to be published in 2016, starting with the data for the first quarter of 2014.

Published data may be revised to ensure accuracy of the financial accounts and the financial balance sheets indicators of the SNA and to minimise discrepancies in the net lending/net borrowing. The financial accounts and the financial balance sheets indicators may be adjusted due to data correction process, acquisition of additional data sources, changes in methodology or in estimation procedures as a part of the ongoing effort to harmonise the current accounts, the capital account and the financial account of the SNA and government finance statistics as well.

Classification of Institutional Sectors of the Economy

Each institutional resident unit belongs to one of the following five institutional sectors: *non-financial corporations*, *financial corporations*, *general government*, *households* and *non-profit institutions serving households (NPISH)*. Institutional non-resident units are classified as *the rest of the world* sector (Table 2). The institutional sectors boundaries coincide in the current accounts, the capital account, the financial account and the financial balance sheets.

Table 2

Classification of Institutional Sectors of the Economy

Code	Sector (Subsector)
S1	Total economy
S11	Non-financial corporations
S12	Financial corporations
S121	Bank of Russia
S122	Other depository corporations
S124	Investment funds
S125	Other financial corporations (intermediaries), except insurance companies and pension funds, and financial auxiliaries (Other financial intermediaries)
S128	Insurance companies
S129	Pension funds
S13	General government
S14	Households
S15	Non-profit institutions serving households (NPISH)
S2	Rest of the world

The non-financial corporations sector (S.11; 2008 SNA: 4.94) covers corporations whose principal activity is market goods production and non-financial services. This sector also includes branches of non-resident corporations engaged in non-financial

production in the Russian Federation and non-profit institutions that are market producers².

The financial corporations sector (S.12; 2008 SNA: 4.98) covers corporations that are principally engaged in financial services, including insurance and pension funding. The financial corporations sector is comprised of the following subsectors: central bank - the Bank of Russia (*S.121; 2008 SNA: 4.104*), other depository corporations (*S.122; 2008 SNA: 4.105*), investment funds (*S.124; 2008 SNA: 4.107, 4.108*), other financial corporations (intermediaries) except insurance companies and pension funds, and financial auxiliaries (hereinafter, other financial intermediaries) (*S.125; 2008 SNA: 4.109, 4.111, 4.113*), insurance companies (*S.128; 2008 SNA: 4.115*) and pension funds (*S.129; 2008 SNA: 4.116*).

In the financial accounts and the financial balance sheets of the SNA of the Russian Federation data on *the Bank of Russia* and *the credit institutions* subsectors are included into the *Central bank and other depository corporations subsector*.

The investment funds subsector includes all joint-stock and unit investment funds operating as open-end, interval, closed-end and exchange-traded funds.

The other financial intermediaries subsector comprises financial institutions which are outside the other subsectors of the financial corporations sector: e.g., brokers, dealers, depositaries and other professional securities market participants, microfinance institutions, pawnshops, consumer credit cooperative societies, leasing companies and other organisations.

The insurance companies subsector covers all insurance corporations and mutual insurance unions. This subsector does not include insurance brokers and insurance agents. Insurance brokers and insurance agents (which are legal entities) are included into the other financial institutions subsector, while insurance brokers and agents who are private individuals belong to the households sector.

² *Market producers* comprise institutional units selling their goods and services at economically significant prices, i.e. at prices that exert influence on the supply and demand of goods and services. *Non-market producers* are classified as the general government sector or the sector of non-profit institutions serving households.

The pension funds subsector comprises institutions licensed to engage in pension services management and pension funding.

The list of financial sector institutions is published on a quarterly basis on the website of the Central Bank of the Russian Federation (<http://cbr.ru/statistics/?PrtId=org>) since July 2014.

The general government sector (S.13; 2008 SNA: 4.117) comprises all federal authorities in the Russian Federation, state authorities in the constituent entities of the Russian Federation, local self-governance bodies, extra-budgetary funds and non-market non-profit institutions controlled by state authorities and financed from the federal budget, the budgets of the constituent entities of the Russian Federation, the budget of local self-governance bodies and extra-budgetary funds. The sector also includes the state corporation Rusnano, the Housing and Public Utilities Reformation Assistance Fund state corporation and the Russian Highways state company. Other government-owned corporations are not included in this sector, even if the government stake is 100%. The extra-budgetary funds comprise the Pension Fund of the Russian Federation, the Social Insurance Fund of the Russian Federation and the Compulsory Medical Insurance Fund.

The households sector (S.14; 2008 SNA: 4.149) comprises institutional units consisting of an individual or a group of individuals, including individual entrepreneurs.

The non-profit institutions serving households sector (NPISH; S.15; 2008 SNA: 4.166) is composed of institutional units which are non-market producers established for social services to households. They include political parties, trade unions, public movements, religious organisations, charities, communities of indigenous small peoples, housing owner partnerships and other entities. At present, this sector is consolidated with the households sector in the financial account and the financial balance sheets of the SNA of the Russian Federation.

The rest of the world sector (S.2; 2008 SNA: 4.172) consists of non-resident institutional units that enter into transactions with resident units of the Russian Federation or have other economic links with resident units. This sector includes international organisations. *The rest of the world sector's* accounts or the balance sheets record only

relationships between residents and non-residents, while transactions between non-residents are not taken into account.

Classification of Financial Instruments

The classification of financial instruments (Table 3) used for compiling the financial accounts and the financial balance sheets of the SNA of the Russian Federation is consistent with the list of instruments represented in the 2008 SNA and the draft All-Russian Classification of Financial Assets, which is being developed jointly by Rosstat, the Bank of Russia, the Ministry of Economic Development of the Russian Federation, the Ministry of Finance of the Russian Federation and the Federal Treasury, in line with the Action Plan to Implement OECD Recommendations On the Development of the National System of Accounts, which was developed under the Instruction by First Deputy Prime Minister of Russia Igor Shuvalov, No. ISh-P13-7806 of October 30, 2013, and approved by the joint Order of the Federal State Statistics Service, the Ministry of Economic Development of the Russian Federation and the Ministry of Finance of the Russian Federation, No. 602/634/112n of October 3, 2014.

Table 3

Classification of Financial Instruments

Code	Instrument
F1	Monetary gold and Special Drawing Rights
F11	Monetary gold
F12	Special Drawing Rights (SDRs)
F2	Currency and deposits
F21	Currency
F22+F29	Deposits
F3	Debt securities
F4	Loans
F5	Equity and investment fund shares

F6	Insurance, pension and standardized guarantee schemes
F8	Other accounts receivable/payable

Monetary gold (F.11, 2008 SNA: 11.45) and Special Drawing Rights (SDRs, F.12, 2008 SNA: 11.47) are exclusively the assets of the monetary authorities (the central bank).

Monetary gold is a reserve asset of the central bank. Monetary gold is the only financial asset with no corresponding liability of another institutional unit.

SDRs are also the central bank's reserve asset. Each member state of the International Monetary Fund (IMF) is assigned a quota expressed in SDRs. SDRs confirm the unconditional right of an IMF member state to exchange SDRs for freely usable currencies. The value of the SDRs is based on four key international currencies. SDRs can be purchased by states to honour their obligations to the IMF and can be sold to adjust the structure of international reserves.

Currency and deposits (F.2, 2008 SNA: 11.50) consist of currency (F.21, 2008 SNA: 11.52), monetary funds except currency in cash (F.22, 2008 SNA: 11.54) and fixed-term deposits, other depository corporations' obligatory reserves held at the Bank of Russia and the reserve position in the IMF (F.29, 2008 SNA: 11.59).

Currency consists of all notes and coins issued by the central banks. Currency can be a liability for only two sectors: the central bank subsector (the currency of the Russian Federation) and the rest of the world sector (foreign currency). Currency in cash can be an asset of institutional units in any sector.

The deposits instrument comprises bank accounts, demand deposits, cheques, letters of credit, other payment documents and other monetary funds, and also fixed-term deposits, credit institutions' obligatory reserves held at the Bank of Russia and the reserve position in the IMF. Transactions between credit institutions (including non-resident banks) that involve both deposits and loans are classified as deposits in accordance with the 2008 SNA (*Interbank positions, F.221; 2008 SNA: 11.56*). Deposits can be a liability only for units within *the Bank of Russia* and *the other depository corporations* subsectors and *the rest of the world sector*.

Debt securities (F.3, 2008 SNA: 11.64) include bonds, bills, savings certificates, certificates of deposit, mortgage-backed securities, housing certificates, depository receipts for bonds and other debt securities. Debt securities give their holders the right to receive contractual payments on a specified date. Transactions in debt securities include their issuance, and also their redemption, purchase and sale. In the financial accounts and the financial balance sheets of the SNA of the Russian Federation the face value of debt securities is used as a measure of their value.

Loans (F.4, 2008 SNA: 11.72) include long-term and short-term loans, repo agreements, financial leasing contracts, and also claims on or liabilities to the International Monetary Fund (IMF) in the form of credits and loans and other operations. Loans between two units of other depository corporations subsector are classified as deposits in accordance with the 2008 SNA and are excluded from the category of loans.

Equity and investment fund shares (F.5, 2008 SNA: 11.81) consist of shares, including investment funds' equity, depository receipts for shares, investment units of unit investment funds and other equity. Shares and other equity represent the owner's funds in the institutional unit.

The financial accounts and the financial balance sheets indicators for the general government sector are compiled on a consolidated basis. Therefore, there are no liabilities of the units of the general government sector for shares and other equity.

The shares circulating on organised markets are valued at their market price (exchange-traded value). The shares that are not traded on organised markets and the entities that are not joint-stock companies are valued on the basis of the entity's own funds in correspondence with its balance sheets. The value of investment shares of investment funds is calculated using net asset value.

Insurance, pension and standardized guarantee schemes (F.6; 2008 SNA: 11.103) comprise life insurance reserves, non-life insurance reserves, pension and non-pension benefits. Insurance and pension reserves are the liabilities of institutions in the insurance companies and pension funds subsectors and the rest of the world sector and the assets of participants in insurance and pension provision schemes.

Other accounts receivable/payable (F.8, 2008 SNA: 11.126) comprise trade credit and other receivables/payables. This category also includes the data on financial derivatives.