

# **Economic Statistics Transformation Programme: enhanced financial accounts (UK flow of funds) - experimental financial derivatives statistics, explanatory notes: 2016**

Explanatory notes for the compilation of experimental financial derivatives statistics in the Enhanced Financial Accounts (UK flow of funds) matrices publication.

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# 1 . AF.71 – Financial derivatives

## Introduction

This note explains the sources and methods used in the compilation of the experimental from-whom-to-whom financial derivatives statistics. Table 1 shows the estimates for balance sheet assets by sector, together with the counterparty sector that holds the liability, for 2016. This data is consistent with the [UK Economic Accounts \(UKEA\)](#), on a [Blue Book 2017](#) basis, except where explicitly highlighted. The second part of this note describes the data sources for these estimates, as well as highlighting areas for review.

Office for National Statistics (ONS) will continue the programme of development and quality assurance of these newly released [Experimental Statistics](#) and any improvements identified in the wider datasets will be integrated within the national accounts at the earliest opportunity.

We welcome feedback on the data sources and methods outlined in these notes. Any feedback on the [Experimental Statistics](#) and accompanying explanatory notes can be sent to [flowoffundsdevelopment@ons.gov.uk](mailto:flowoffundsdevelopment@ons.gov.uk)

**Table 1: From-whom-to-whom balance sheet financial derivatives statistics, 2016, £ billion**

Liabilities:												
Assets:	PC	PNFC	MFI	OFI	ICPF	CG	LG	HH	NPISH	RoW	Total	Unknown
PC			0.3								0.3	
PNFC			24.0	13.1							37.0	
MFI	0.2	40.7	590.7	799.3	103.4	6.1		0.7		1802.6	3344.2	0.4
OFI			803.2	195.1	30.5	0.2		0.0		847.3	1893.0	16.6
ICPF			103.9	32.1							135.9	
CG			2.3	0.2						0.0	2.5	
LG												
HH			0.2	0.0							0.2	
NPISH											0.2	0.2
RoW			1771.0	836.3					0.0		2607.4	
Total	0.2	40.7	3295.9	1876.2	133.9	6.3	-	0.7	0.4	2649.9		
Unknown			0.2	0.0					0.4			

Source: Office for National Statistics

Notes:

1. PC = public corporations, PNFC = private non-financial corporations, MFI = monetary financial institutions, OFI = other financial institutions except MFIs and ICPFs, ICPF = insurance corporations and pension funds, CG = central government, LG = local government, HH = households, NPISH = non-profit institutions serving households, RoW = rest of the world.

## **Data sources by institutional sector**

These estimates relate to the asset and liability positions on financial derivatives, including options, forwards and credit derivatives. All derivatives must go through a monetary financial institution (MFI) or a securities dealer; all assets and liabilities will therefore be counterpart to either the MFI, other financial institution (OFI) or rest of the world (RoW) sector.

All institutional sectors are able to hold financial derivatives. Estimates for derivatives with MFIs and OFIs are sourced from the Bank of England (BoE) survey of banks and building societies and the Office for National Statistics (ONS) survey of securities dealers, both of which include the total asset and liability positions and a split by counterpart outlined in more detail in this section. Reserves data are provided by the BoE for central government derivatives with the rest of the world.

### **Derivatives with monetary financial institutions (MFIs)**

These estimates are sourced from the BoE survey of banks and building societies, which includes gross asset and liability positions for all derivatives with MFIs. The counterpart split available covers public corporations (PCs), private non-financial corporations (PNFCs), other financial institutions (OFIs), central government (CG), local government (LG), households (HH), non-profit institutions serving households (NPISH) and the rest of the world (RoW).

The split of OFIs and insurance corporations and pension funds (ICPFs) is estimated based on the proportional split evident in the deposits data for these different types of institutions. The actual split has been collected on the BoE survey from Quarter 1 (Jan to Mar) 2015; these data will be reviewed for implementation in the future. The figure for central government is a net position sourced from government accounts; this is included within central government assets and can therefore sometimes be negative if gross liabilities are greater than gross assets. Data on gross positions are available from BoE and will be reviewed for implementation in the future.

### **Derivatives with other financial institutions (OFIs)**

These estimates are sourced from the ONS survey of securities dealers, which includes gross asset and liability positions for all derivatives with securities dealers. The counterpart split available covers public corporations (PCs), private non-financial corporations (PNFCs), other financial institutions (OFIs), insurance corporations and pension funds (ICPF), central government (CG), local government (LG), households (HH), non-profit institutions serving households (NPISH) and the rest of the world (RoW). It is currently assumed that all derivatives with CG and LG will be counterpart to CG and therefore no estimate is provided for derivatives with LG. Similarly, all derivatives with PCs and PNFCs are assumed to be counterpart to PNFCs and thus no estimate is provided for OFI derivatives with PCs.

### **Derivatives with the rest of the world (RoW)**

These estimates relate to monetary financial institution (MFI) and other financial institution (OFI) derivatives with rest of the world (RoW) as outlined previously, and are sourced from the Bank of England (BoE) and ONS surveys. Derivatives held as international reserves by the central government (CG) are also included here, based on reserves data provided by the BoE. Other institutional sectors likely have derivative positions with the RoW but no estimates are currently made for these; this will be reviewed as part of the wider continuous improvement work.