Purposes of the Monetary and Financial Statistics Manual

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ABSTRACT

The Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG) is a comprehensive framework provided by the International Monetary Fund (IMF) to guide the compilation and dissemination of monetary and financial statistics. This abstract examines the purposes and significance of the MFSMCG in supporting the production of high-quality and internationally comparable monetary and financial data. It outlines the key objectives of the manual and guide, including fostering transparency, promoting sound financial analysis, supporting policy formulation, and facilitating international cooperation. Additionally, it highlights the essential principles and concepts outlined in the MFSMCG that aid in the compilation and interpretation of monetary and financial statistics. The MFSMCG serves as a standard reference for central banks, statistical agencies, and other relevant institutions involved in the compilation of monetary and financial statistics. It aims to promote consistency and comparability of data across countries, facilitating international analysis, and the formulation of sound policies. By providing clear guidelines and definitions, the MFSMCG ensures that monetary and financial statistics are compiled and presented in a transparent and coherent manner.

KEYWORDS

Balance Sheet, Central Bank, Compilation, Data Sources, Financial Institutions, International Standards.

I.   INTRODUCTION

With compilers and consumers of such information as its primary target audience, the Monetary and Financial Information Manual and Compilation Guide's primary goal is to provide rules for the compilation and presentation of monetary statistics. Additionally, the Manual gives a general overview of the foundation for financial statistics. In order to comprehend the connections between the different macroeconomic datasets, the Manual is also helpful to users and compilers of other macroeconomic statistics [1], [2].

The concepts, definitions, and suggestions of the 2008 Monetary and Financial Statistics Compilation Guide and the 2000 Monetary and Financial Statistics Manual have been combined and updated in one manual. A collection of instruments is provided in the Manual for locating, categorizing, and documenting stocks and flows of financial assets and liabilities. It also provides practical recommendations for the sectoring, valuation, and categorization of financial assets and liabilities for monetary statistics purposes, with a focus on borderline circumstances, to aid compilers who are in charge of gathering monetary data. Thus, the Manual encourages cross-country comparison and idea harmonization across various macroeconomic datasets.

This Manual establishes a conceptual framework for the analytical presentation of monetary information, which serves as a vital input for the creation and oversight of monetary policy. The evaluation of the stability of the financial system is also supported by the information presented in this manual.

Historical Overview

The MFSM, the first book of its sort in the subject of monetary and financial statistics, was released by the International Monetary Fund in 2000. The 1993 System of National Accounts and other statistical documents, including the fifth edition of the Balance of Payments Manual, were used to harmonize the MFSM. The MFSM was not designed to be a compilation guide and does not address practical concerns about sources or techniques for gathering data due to its concept-focused approach.

The MFS Guide, which was published in 2008, fills the need for practical advice by assisting monetary statistics compilers in implementing the methodology and statistical framework included in the MFSM. With a specific emphasis on the accounting rules that apply to the source data for MFS, the MFS Guide concentrated on the cross-country harmonization of source data and methodology [3], [4].

The IMF adopted the standardized report forms in 2004 for member nations to use for submitting monetary statistics to the IMF in the interim period between the release of the MFSM and the MFS Guide. According to the instrument, the currency of denomination, and the counterpart sector, the SRFs provide the sectoral balance sheets of the central bank, other depository companies, and other financial corporations in a balance-sheet-like form. In September 2006, Inter-national Financial Statistics issued the first set of financial statistics generated using the SRFs. The majority of members use SRFs to provide their data to the IMF. A lot of these nations also use the SRFs as a platform to produce the financial data that is published in their national periodicals. With the introduction of the System of National Accounts 2008 in 2009, the methodological foundation for national accounts was amended in light of these occurrences. The sixth version of the Balance of Payments and International Investment Position Manual was released almost simultaneously. In 2014, an updated version of the Government Finance Statistics Manual was made accessible to the public.

Another milestone was the 2014 release of the Handbook on Financial Production, Flows and Stocks in the System of National Accounts by the European Central Bank and the United Nations. This manual complements the ideas and technique presented in this manual by providing further detail on the financial output and revenue from a SNA viewpoint. A revision of the 2000 MFSM and the 2008 MFS Guide was necessary in light of these significant advances in order to reconcile the methodology of monetary and financial statistics with the new framework. Due to the requirement for modification, there was also a chance to solve real-world compilation concerns in light of the lessons learned from implementing the SRFs and to take into account more current alterations in the financial industry and financial markets. To cut down on overlaps and make things easier for those who generate and utilize financial information, it was decided to consolidate the handbook and compilation guide into a single volume [5]–[7].

Main Changes from the MFSM and the MFS Guide

In terms of institutional sectors, the 2008 SNA expanded from the five of the 1993 SNA to nine the number of subsectors of the financial company's sector. With the division of insurance companies and pension funds, the identification of money market funds and non-MMF investment funds, and the creation of a category for captive financial institutions and money lenders, there is a stronger emphasis on the OFCs. As can be seen in 3, there are only three subsectors that are used for monetary data to categorize the institutional units of the FCs sector: the central bank, ODCs (which includes all deposit-taking companies other than the central bank 1 and MMFs), and OFCs (which includes all other FCs). The treatment of a few unique examples of institutional units, including special purpose companies, sovereign wealth funds, and central clearing counterparties, is further expanded upon in the Manual.

The Manual uses the new language and categorization of the 2008 SNA for financial instruments, even if most of the time the adjustments don't signify a shift in conceptual understanding. The new classification expands the asset boundary to include Provisions for calls under standardized guarantee schemes and Claims of pension funds on pension managers. Employee stock options are added to financial derivatives. Investment fund shares/units are added to equity. Insurance technical reserves is replaced by Insurance, pension, and standardized guarantee schemes. Additional talks on boundary instances in the categorization of financial assets and liabilities are included in this manual [8]–[10].

Reclassifying the Special Drawing Rights allotments to the Fund's member countries from equity to long-term foreign liabilities is a significant adjustment to financial instruments. Countries' compilations of financial data underwent a shift in August 2009, and previous statistics were updated to reflect this change. Prior to now, SDR allocations were counted as equity in monetary statistics. Due to a necessity to repay the allocation in certain situations and also because interest accrues on the allocation, the 2008 SNA and the BPM6 revised this treatment, regarding the SDR allocations as long-term foreign liabilities of the nation's receiving the allocation. If SDR allocations are kept on the central bank's balance sheet, they are regarded as

The coverage of institutions that accept deposits, excluding the central bank, may vary between national accounts and monetary statistics since these latter data do not include institutions that accept deposits that are not considered part of broad money. To underscore the distinction with the subsector of the same name in the 2008 SNA, "deposit-taking corporations except the central bank" is notated in this Manual by "MS" when referring to monetary data. For OFCs, a similar approach is used. The coverage of FCs in this Manual is identical to that in the

The categorization of financial instruments with principal and interest linked to a foreign currency has undergone another modification. The currency of settlement of the instrument was the fundamental determinant in determining whether a financial asset or obligation was categorized as being denominated in domestic or foreign currency in the 2000 MFSM and the 2008 MFS Guide. Instruments that were completely linked to a foreign currency yet were denominated in local currency were thus categorized as such. This was the case, for instance, with the IMF No. 1 Account, IMF No. 2 Account, and IMF Securities Account, which were classified as being in local currency while being linked to SDRs. The BPM6 suggests, however, that financial instruments having principal and interest indexed to a foreign currency be treated as if they were pegged to that currency. This Manual follows this method.

With an emphasis on the qualities of the financial instruments that should be included as part of broad money liquidity and store of nominal value this Manual provides a more thorough discussion on money aggregates. The national definitions of money, the monetary base, credit, and debt were left to the national authorities' discretion and were not prescriptive in the MFSM or the MFS Guide. The tools that should be used to calculate these aggregates, which should be customized to the unique features of each country, are outlined in this Manual with clarity. The Manual covers the ideas of money issuing, money holding, and money neutral sectors in order to define money aggregates. Additionally, the Manual offers a more thorough explanation of credit and liquidity aggregates.

The sectoral balance sheets/SRFs were appropriately updated to reflect the methodological adjustments made while generating monetary data. The primary modifications concern the addition of a separate line for SDR allocations on the liability side of the sectoral balance sheet of the central bank, the conversion of the IMF No. 1 Account, IMF No. 2 Account, and IMF Securities Account from domestic currency deposits to foreign currency deposits, the introduction of separate lines for MMF and non-MMF investment funds shares/units on the asset side of the sectoral balance sheets, and the reclassification of the IMF No. 1 Account, IMF No. 2

Arrangement of the Manual

The eight s of this manual—including annexes to individual s and three appendices—describe the range and applications of monetary and financial statistics. It offers a schematic explanation of the procedure for compiling financial data. The procedure combines the source data required to create the sectoral balance sheets for the many institutional entities that make up the FC sector. Additionally, it displays the many analytical surveys that are produced from the sectoral balance sheets. Next, the fundamental ideas and concepts are discussed, with an emphasis on how they relate to the 2008 SNA as the overall framework for all macroeconomic datasets, including monetary and financial statistics, and an explanation of how this Manual varies from the 2008 SNA in those areas. The remaining text discusses the connections between the methodological standards for monetary and financial statistics and the accounting records of FCs, which serve as the source data for such statistics. In order to provide information that can be used by a wide range of users in making investment and other economic decisions, accounting records are produced in accordance with either international financial reporting standards or national accounting standards.

The information from accounting records must therefore be expanded to provide more details and tailored to conform to the sectoring of institutional units and the classification of financial instruments advised in this Manual when compiling monetary and financial statistics. relates to the division of institutional units into institutional sectors. the uses the ideas and terminology from the 2008 SNA and other statistical manuals to distinguish between resident and nonresident units and divide resident institutional units into sectors. This describes institutional units in more detail and gives instances of situations that are on the borderline between being classified as resident or nonresident institutional units. The link between the FCs sector and other resident sectors as well as the rest of the world is the main topic of this manual. Therefore, just three subsectors of the FC sector—the central bank, ODCs, which includes all deposit-taking organizations other than the central bank and MMFs, and OFCs, which includes the remaining subsectors of the FCs sector—are merged here from the various sub-sectors of the FC sector as reported in the 2008 SNA. Furthermore, unlike the 2008 SNA, which classified resident NFCs into three distinct subsectors: PNFCs, national private NFCs, and foreign controlled NFCs, the resident nonfinancial companies sector is only divided into two subsectors: public nonfinancial corporations and other NFCs. State and local governments, as well as the sectors of households and nonprofit organizations that serve households, are integrated into one subsector in financial and monetary data.

It gives a thorough explanation of the characteristics of several classes of financial assets and liabilities. At the most fundamental level, the 2008 SNA and this Manual's categorization of financial assets and liabilities are completely compatible. The provides instructions on how to classify various assets, including monetary gold and SDRs, cash and deposits, debt securities, loans, equity and investment fund shares, IPSGS, financial derivatives and ESOs, and other accounts receivable and payable. Currency and deposits are divided into several divisions for currency,

transferable deposits, and other deposits on a secondary level. Deposits and debt securities are broken down into different subcategories for MMF shares, non-MMF investment fund shares, and equity for the purposes of monetary statistics on the liability side.

II. DISCUSSION

IPSGS is broken down into nonlife insurance technical reserves, life insurance and annuity entitlements, pension entitlements, claims of pension funds against pension managers, entitlements to no pension benefits, and provisions for calls under standardized guarantees in accordance with the 2008 SNA. Similar divisions are made between trade credit and advances and other accounts receivable/payable in Other accounts receivable/payable. Financial assets and liabilities are divided into those denominated in local currency and those denominated in foreign currency as appropriate. Three annexes are included in this document: "Examples of Debt Securities Issued through Securitization,"

Although reporting on a net basis could be necessary in certain situations owing to the unavailability of data on a gross basis, the basic premise in this Manual and the 2008 SNA is that data should be reported on a gross basis. The underlying information for economic and financial statistics should be presented on an aggregated level, including stock and flow information for all institutional entities within a sector or subsector, or for all assets or liabilities under a certain instrument category. Data should be distributed in a consistent manner, removing stock positions and movements that take place across institutional units that are grouped together, and should be displayed as if they made up a single unit. Positions with nonresidents and the federal government are reported on a net basis for analytical reasons.

There are four annexes that are attached to 5, each explaining a different topic. They cover the estimation of transactions and valuation changes resulting from exchange rate changes, the valuation, recording, and numerical examples for particular types of debt securities, the valuation, recording, and numerical example of financial derivatives, and settlement date and transaction date accounting. The topics of money, liquidity, credit, and debt are covered in Chapter 6. It includes a wide range of topics related to the gathering and reporting of information for constructing broad money, the monetary base, and other money aggregates. Money has a significant impact on an economy and is a crucial part of the system that links monetary policy to inflation and economic activity. The term "broad money" is defined in this manual. By taking into consideration the structure and other characteristics of the financial system in their local countries and comparing them to the guidelines outlined in this Manual, the definition is meant to assist those who produce monetary data in determining the extent of wide money.

The underlying aspects of the aggregates of money, liquidity, credit, and debt are the financial instruments that make up each aggregate, the issuing sectors, and the holding sectors. This introduces the difference between money issuers, money holders, and money neutral sectors. This provides the underlying structure for collecting liquidity aggregates with information on their counterpart sources, as well as measures of credit and debt, furthering the debate on money aggregates. addresses the structure, practical challenges, and essential source material for the generation and presentation of monetary statistics using the approach described in this Manual. The first of the document provides an overview of the monetary statistics framework, followed by sectoral balance sheets that serve as a framework for the collection of monetary statistics. The second presents the primary products of monetary statistics, namely the analytical surveys for the FC sector and its subsectors, and describes how these surveys are used to formulate monetary policy. For instance, the Depository Businesses Survey provides aggregated data for all depository businesses, revealing their claims on non-residents and other economic sectors, which serve as the equivalent sources of wide money. The financial corporations survey offers the most comprehensive coverage of domestic credit provided by FCs and incorporates aggregated data for all institutional FC sector units.

Later in the article, it is discussed how to systematically identify the data reporting requirements, make data changes and estimates, and validate the provided data. Finally, the discusses the transmission of financial information for national reporting to the IMF. The three annexes "Other Changes in the Volume of Assets," "Consolidation Adjustments," and "Supplementary Data," which describe the framework for financial statistics' compilation, presentation, and data sources, are appended to 7 and are primarily in the form of forms. Definitions and scope for flow and stock accounts are provided, and then more complex frameworks with varying degrees of financial data information are introduced:

financial data that are two dimensional and three dimensional and are based on a from-whom-to-whom premise. The article also discusses the primary data sources for financial statistics and statistical inconsistencies, which occur when two or more datasets provide inconsistent conclusions for the same category of data. A summary of the 2008 SNA is provided in the lone annex that is connected to this. The Manual has three appendices in addition to annexes for certain s. The link between financial and monetary data and government finance statistics and external

sector statistics is seen in Appendix I. Sectoral balance sheets/SRF examples and instructions are provided in Appendix II. The FCSs and monetary authorities accounts are shown in Appendix III.

This is a general review of the monetary and financial statistics framework, emphasizing its breadth, applications, and key ideas. It also shows how monetary and financial data relate to other statistical guides, the System of National Accounts 2008, and the International Financial Reporting Standards. The introduces the other chapters in this manual and gives the reader background information. The first covers the range and applications of economic and financial statistics. A synopsis of the fundamental ideas and principles used in the creation of financial and monetary data within the parameters set out by the 2008 SNA follows this discussion. In the conclusion, the source data from IFRSs is compared to the requirements of financial and monetary statistics, emphasizing the similarities and contrasts between the two. The requirements for financial statistics and monetary statistics sometimes deviate in this manual. Similar to when the advice only relates to financial data, it is made clear in the language when it only pertains to monetary s. In all other circumstances, the advice is applicable to both financial and monetary data.

II. Monetary and financial statistics' range and applications

A. Scope

Financial and nonfinancial assets and liabilities of all institutional sectors of an economy are included in the monetary and financial statistics detailed in this Manual, with a special emphasis on the financial corporation's sector. Assets are repositories of value that have enforceable ownership rights and from which their owners may profit financially by holding them for an extended length of time. Financial instruments with a contingent nature, such as guarantees and commitments, are outside the assets boundary and are not counted in the monetary and financial statistics. Financial assets are a subset of economic assets that are financial instruments and unconditional creditor claims on the economic resources of other institutional units.

The 2008 SNA and other statistical manuals are congruent with the principles and ideas used to quantify stocks and flows in monetary and financial statistics. In specifically, flows include the aggregate of transactions, revaluations, and other changes in the amount of assets. These categories are used to account for period-to-period variations in outstanding quantities of assets and liabilities when putting up monetary and financial data. The suggestions made in this Manual regarding the valuation of financial assets and liabilities must be put into practice, therefore data on market interest rates as well as market pricing for financial assets and liabilities, including market exchange rates, are required. However, as stated in the next two subs, monetary and financial data do not include the compilation and display of interest rates, prices for debt and equity securities, or exchange rates.

B. Financial Statistics

The stocks and movements of the assets and liabilities of the resident FCs sector are captured by monetary statistics. The exception is gold bullion, which does not have a parallel obligation and is, by convention, a financial asset, and is retained by monetary authorities as a reserve asset. with relation to nonresidents and all other institutional sectors that are residents. Monetary statistics, which are based on the ideas of the 2008 SNA, provide a framework for examining the connections between the FCs sector and other institutional sectors via broad money, credit aggregates, and liquidity metrics. The stock and flow data that make up monetary statistics are arranged in two hierarchical frameworks, known as sectoral balance sheets and analytical surveys. The asset and liability positions are presented in a balance-sheet-like format by type of financial instrument, currency, and counterpart institutional sector in the sectoral balance sheets created for the three FCs subsectors central bank, other depository corporations, and other financial corporations.

The sectoral balance sheets are used as the source for the analytical surveys, which are created by rearranging the data into an analytical format. The liabilities are given by type of financial instrument in the order of their liquidity, whilst the assets are shown as FCs' claims on other resident institutional sectors and nonresidents. On a net basis, claims against and obligations to the federal government and nonresidents are shown.

The following are included in the analytical surveys:

a. The central bank survey, the other deposit- taking companies survey, and the other financial corporations survey are the three surveys that cover the FCs subsectors.

b. The survey of depository companies supports the ODCS and the CBS.

c. The Financial Corporations Survey combines the data from the DCS and the OFCS and covers the whole FCs industry.

A nation's macroeconomic statistical system includes monetary information prominently and in a unique way. Most nations produce and release monetary information more often and more promptly than other forms of macroeconomic statistics including national accounts, external sector statistics, and government finance statistics. Laws and regulations, the demands of decision-makers and market players, as well as the widespread accessibility to thorough and regular source data all contribute to this. The DCS is typically compiled on a monthly basis and released one to two months following the conclusion of the reference period in the majority of nations.

The aggregated statistics for the depository companies' subsector, as shown in the CBS, ODCS, and DCS, are the main emphasis for monetary policy objectives. The central bank obligations that enable the growth of broad money and credit are included in the monetary base, which is represented by all of the data in the CBS. All DCs liabilities that are included in broad money are covered by data in the DCS. The wide money supply and DCs' claims on nonresidents and on resident economic sectors are directly connected by the balance sheet identity in the DCS. These statistics are used to create macroeconomic policy and, more generally, monetary policy. The FCS, which is the most comprehensive collection of monetary data in terms of institutional coverage, and the OFCs subsector are also receiving more attention for the sake of larger macroeconomic policy. For the whole FCs industry, consolidated data is available in the FCS. The statistics in the FCS are especially helpful for analyzing the claims made by the FCs sector against nonresidents and other economic sectors, as well as for providing the liquidity aggregates issued by FCs.

III. CONCLUSION

In conclusion, the Monetary and Financial Information Manual and Compilation Guide (MFSMCG) supports the compilation and distribution of monetary and financial information by serving a variety of functions. It encourages openness, advances solid financial analysis, aids in the formation of policy, and promotes cross-border collaboration. The MFSMCG improves the quality, comparability, and reliability of monetary and financial statistics by offering clear norms, definitions, and principles. This leads to more informed decision-making and a more s global financial system. For the whole FCs industry, consolidated data is available in the FCS. The statistics in the FCS are especially helpful for analyzing the claims made by the FCs sector against nonresidents and other economic sectors, as well as for providing the liquidity aggregates issued.

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