

OPINION OF THE EUROPEAN CENTRAL BANK

of 17 July 1998

at the request of the Banque de France under Article 109f (6) of the Treaty establishing the European Community (the “Treaty”) and Article 5.3 of the Statute of the EMI on a draft Decision No. 98-01 of the Monetary Policy Council relating to the collection of statistical information from UCITS

CON/98/30

1. On 22 May 1998 the European Monetary Institute (hereinafter referred to as the “EMI”) received a request from the Banque de France for an opinion on a draft Decision No. 98-01 of the Monetary Policy Council relating to the collection of statistical information from UCITS (hereinafter referred to as the “draft Decision”).
2. In accordance with Article 109l (2) of the Treaty, the European Central Bank (hereinafter referred to as the “ECB”) has taken over the advisory functions of the EMI, which has gone into liquidation upon the establishment of the ECB on 1 June 1998. The ECB’s competence to deliver an opinion is based on Article 1.1, third indent, of the Council Decision (93/717/EC) of 22 November 1993 on the consultation of the EMI by the authorities of the Member States on draft legislative provisions.
3. The main aim of the draft Decision is to allow the collection of the statistical information necessary for the production of the monetary statistics, as well as of the financial statistics and the balance of payments statistics, described in the EMI report entitled “Statistical Requirements for Stage Three of Monetary Union - Implementation Package” (July 1996) (hereinafter referred to as the “Implementation Package”).
4. The ECB welcomes the draft Decision, since it should enable the reporting requirements set out in the Implementation Package to be fulfilled. However, while the Implementation Package provides that monthly data will be available as from reference period June 1998 and quarterly data as from reference period December 1998, the draft Decision provides for compliance on the part of reporting agents only as from March 1999. While it is understood that good estimates can be provided on a temporary basis, the ECB recommends that every effort should be made to bring forward the implementation of the draft Decision to the reference period ending December

1998 for all frequencies involved. Otherwise, the following Sections put forward by area of statistics a number of important technical points to take into account.

Money and Banking Statistics

5. Article 2 of the draft Decision sets the timeliness of monthly reporting by reporting institutions at a maximum of ten working days. The ECB approves this deadline on the understanding that it will allow the Banque de France to comply with the ECB's deadline of fifteen working days for receipt of the aggregated statistical information covering the Money Market Funds (hereinafter referred to as "MMFs").
6. With regard to Article 6, the threshold for reporting adopted in the Implementation Package is not an absolute amount but is expressed as a percentage (95%) of the total national Monetary Financial Institutions (hereinafter referred to as "MFIs") balance sheet. It is understood that the threshold set out in Article 6 and Annex 4 of the draft Decision is consistent with the Implementation Package and represents the result of the above-mentioned percentage.
7. Concerning Annex 1 "Accounting Situation", Part 1 "Common Provisions", 1.1 "Nature of Information", the accounting principles set out in the Money and Banking Statistics Compilation Guide, as published by the EMI in April 1998 (hereinafter referred to as the 'Compilation Guide'), foresee as the preferred method for the valuation of securities the "current market values", while allowing for a degree of flexibility. The ECB notes that this is appropriately reflected in the draft Decision. With respect to 1.3 "Notion of counterparty", the ECB is pleased to note that the coverage of the required information on counterparties allows for fulfilment of its reporting requirements. Part 2.2.2 "Characteristics of purchase transactions and temporary transfers, and of transfers on transferable securities" sets out guidelines to be followed by UCITS in the treatment of repurchase agreements and similar operations (securities lending operations, buy-back and sell-back agreements). While these proposals are not consistent with the recommendations in the Compilation Guide, the ECB notes that the draft Decision would nevertheless provide sufficient information to ensure that the Banque de France is in a position to prepare (output) statistics that fully comply with the Compilation Guide.
8. Regarding Annex 7, Nomenclature of attributes, the ECB is pleased to note the following points: Nomenclature No.1, Classification of UCITS, allows for a separate identification of MMFs ("Monétaires euro" and "Monétaires à vocation internationale") and is in line with the ECB reporting requirements. In Nomenclature No.4, Original Maturity, the maturity breakdown

foreseen is in line with the ECB reporting requirements. In Nomenclature No. 13, Countries and Currencies codes, Undetermined countries, the reference to Intra-EU and Extra-EU is used in the draft Decision for the euro area; for the sake of clarity it may be preferable to use the acronyms Intra-MU and Extra-MU. In Nomenclature No.14, Institutional sectors, the sectoral breakdown envisaged is in line with the ECB reporting requirements, in particular as it allows the separate identification of positions vis-à-vis NCBs, credit institutions and MMFs.

9. Regarding Annex 8, Detailed Nomenclature of Institutional Sectors, section N Credit Institutions: the draft Decision foresees the classification of the Treasury and the Post Office within section N (Credit Institutions). It is understood that these will be classified as part of the Central Government sector and that the statistical information on their deposit and close substitutes for deposit liabilities will be reported to the ECB in the context of the supplementary data to the consolidated balance sheet of the MFI Sector.

Balance of Payments Statistics

10. The Banque de France's draft Decision for reporting by UCITS will include a detailed geographical breakdown for monthly, quarterly and annual data. The ECB approves these provisions, it being understood, however, that such geographical breakdown exceeds the requirements of the Implementation Package in relation to the compilation of the monthly key items for which no geographical breakdown is required by the ECB.
11. On a quarterly basis, the sectoral breakdown required by the Implementation Package within Portfolio Investment and Other Investment requires the inclusion of the flows relating to MMFs in those of the MFIs, whereas the other UCITS are recorded within the "other sectors". By contrast, on a monthly basis, the sectoral breakdown is only required in Other Investment, with a maturity split for the MFIs (including MMFs). For Portfolio Investment the draft decision would enable a distinction between assets held by MMFs (included in the MFIs) and those held by other UCITS, beyond the requirements of the Implementation Package.
12. The ECB is pleased to note that the required breakdowns by instrument in Portfolio Investment (equity securities, debt securities, bonds and notes etc.) and the required breakdowns for Other Investment (loans/currency and deposits, other assets) can be met. In addition, the split between Monetary Union Member States issuers and non-Monetary Union Member States issuers can be delivered.

13. The ECB notes that similar breakdowns to those mentioned above for flows can be provided for the International Investment Position.
14. As regards the different categories of securities, the draft Decision (see Annex 7 “Nomenclature No.6”) classifies euro-medium term notes amongst certificats de dépôt or BISF when issued by MFIs. The agreed treatment of these items in the EMU BOP is that they should be considered as “bonds and notes”. Moreover, the text mentioned above does not explicitly state that EMTN issued by other sectors should be considered as equivalents of BMTN.
15. According to the draft Decision, UCITS’ reported assets should be valued according to the accounting method used for each item. In this respect the ECB notes that the accounting methods comply with the IMF Balance of Payments Manual (5th edition) as far as for financial assets the accounting rule is valuation at current market prices, whereas for deposits and loans the method is the book value.

Financial Accounts Statistics

16. To the extent that the information collected from UCITS should enable full compliance at the statistical level with the Compilation Guide mentioned above, the draft Decision also complies to a high degree with other statistical requirements set out in the Implementation Package and based on the harmonised accounting rules laid down in European System of Accounts 1995 (hereinafter referred to as “ESA 95”), such as Financial Accounts Statistics.
17. The ECB appreciates that all classification requirements are included in the various Annexes of the draft Decision which are necessary for the successful integration of the statistical information from UCITS into Financial Accounts Statistics. The sectoral breakdown described in Annex 8 is fully in line with ESA 95; the whom-to-whom classification of securities (held and issued) gives extensive flexibility to compilers of financial accounts. Sufficient breakdowns by maturity, currency and country are also incorporated. Furthermore, data on financial derivatives and accrued interest are available with the appropriate instrument and sector splits. However, if possible, it is recommended to show for each individual security the amount outstanding and accrued interest.
18. The ECB is pleased to note that the “mark to market valuation” of assets and liabilities facilitates the derivation of a full set of Financial Accounts Statistics as proposed in the ESA 95, i.e. the

accounts for financial transactions, other flows, such as revaluations and other changes in volume, and the financial balance sheets. It also provides additional information of high quality which could be used as reference data for various (non-financial) counterpart sectors.

For the President of the ECB

[signed]

Christian Noyer
Vice-President