

Economic Statistics Transformation Programme: enhanced financial accounts (UK flow of funds) – financial derivatives statistics, explanatory notes: 2018

Explanatory notes for the compilation of financial derivatives statistics in the enhanced financial accounts (UK flow of funds) matrices publication.

Contact:
Annabel Jones
flowoffundsdevelopment@ons.
gov.uk
+44 (0)1633 456492

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Table of contents

1. [AE.71 – Financial derivatives](#)

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 2017. These data are consistent with the [UK Economic Accounts \(UKEA\)](#), on a [Blue Book 2018](#) 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 from-whom-to-whom 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 statistics and accompanying explanatory notes can be sent to flowoffundsdevelopment@ons.gov.uk.

Table 1: From-whom-to-whom balance sheet financial derivatives (AF.71) statistics, 2017, £ billion

Liabilities:													
Assets:	PC	PNFC	MFI	OFI	NMMF ²	ICPF	CG	LG	HH	NPISH	RoW	Unk	Total
PC	-	-	-	-	-	-	-	-	-	-	-	-	-
PNFC	-	-1.5	24.1	28.7	-	-	1.5	-	-	-	-	-1.1	51.7
MFI	-	38.0	444.1	605.4	-	75.1	-	-	0.9	-	1,342.8	-	2,506.4
OFI	-	28.0	608.9	95.8	-	29.9	0.2	-	0.0	-	685.0	-	1,447.9
NMMF ²	-	-	-	-	-	-	-	-	-	-	-	12.4	12.4
ICPF	-	-	75.5	30.6	-	-	-	-	-	-	-	-	106.1
CG	-	-	-3.8	0.1	-	-	-	-	-	-	0.0	1.1	-2.6
LG	-	-	-	-	-	-	-	-	-	-	-	-	-
HH	-	-	1.0	0.0	-	-	-	-	-	-	-	-0.3	0.7
NPISH	-	-	-	-	-	-	-	-	-	-	-	0.3	0.3
RoW	-	-	1,307.2	674.5	-	-	-	-	-	-	-	-	1,981.7
Unk	-	-	-	-	20.3	-	-	-	-0.4	0.4	-	-	0.0
Total	-	64.5	2,457.1	1,435.1	20.3	105.0	1.7	-	0.6	0.4	2,027.8	0.0	

Source: Office for National Statistics

Notes:

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

2. Non-money market funds (NMMF) are presented as a subset of other financial institutions (OFI).

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 can 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, private non-financial corporations, other financial institutions, central government, local government, households, non-profit institutions serving households and the rest of the world.

Other financial institutions, and insurance corporations and pension funds is estimated based on the proportional split evident in the deposits data for these institutions. The actual split has been collected by BoE from Quarter 1 (Jan to Mar) 2015 and will be reviewed for implementation in the future.

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, private non-financial corporations, other financial institutions, insurance corporations and pension funds, central government, local government, households, non-profit institutions serving households and the rest of the world.

All derivatives with public corporations and private non-financial corporations are assumed to be counterpart to private non-financial corporations, and therefore no estimate is provided for derivatives with public corporations.

All derivatives with central government and local government will be counterpart to central government, and therefore no estimate is provided for derivatives with local government.

Derivatives with the rest of the world (RoW)

Estimates relating to monetary financial institution and other financial institution derivatives with rest of the world, as outlined previously, are sourced from BoE and ONS surveys.

Derivatives held as international reserves by the central government are 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.