Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Resident Offices Return (RS2)

Revaluation Adjustment Return (RV2)

Reclassification Adjustment Return (RC2)

Notes on Compilation

Version 1.8

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Version	Date	Comment
V1.1	30 Jun 2014	• Original document
V1.2	17 Oct 2014	• Minor drafting changes • Update on treatment of EIB, ESM • Clarification on sole proprietors, items in transit
V1.3	13 Apr 2015	• RWS format clarification • QSA format clarification
V1.4	05 Jul 2016	• Additions to FAQ and Appendix 2 (Reporting treatment of provisions) • Inclusion of Appendix 3
V1.5	30 Sep 2016	• Change to deduction coefficient percentage • REQ format clarification • Non-EU MFI clarification.
V1.6	24 Mar 2017	• Treatment of cashback on mortgages • Cash collateral in PSPP securities lending facilities • Treatment of negative interest
V1.7	06 Feb 2018	• Clarification on MSC net flows • Capital and reserves guidance amended • LAM format clarification • MWR format clarification
V1.8	11 July 2018	• Addition of Consumer and other credit breakdown for car finance • REQ format clarification • NCP format addition • SRB positions added to QCO format • Addition to equity and debt securities asset categories • Clarification on MSC net flows

Contents

Introduction

These notes on compilation are designed to help reporting agents complete the updated Resident Offices Return, the Revaluations Adjustment Return and the Reclassifications Adjustment Return which will become effective from December 2014. It provides definitions of the asset/liability and sector categories included on the returns, details of reporting deadlines and valuation methods etc. Whilst the requirements and rules underpinning the document are fixed, the document can be updated and refined as required, including taking on board views of reporting agents. Comments on the document are welcomed, and can be forwarded to creditinst@centralbank.ie .

The notes are structured as follows: Section 1 gives general guidance on the rules and treatment of various issues (i.e. accrued interest or provisioning) on the returns. Sections 2 and 3 provide definitions of the asset/liability and sector categories requested in the returns. Section 4 details the Resident Offices Return and gives a brief overview of each reporting format. Finally, Section 5 is devoted to Flow statistics and the associated Revaluation and Reclassification Adjustment Returns. An index is included at the back of the notes for your convenience.

Section 1: General Guidance

These notes on compilation set out the statistical reporting requirements for credit institutions resident in Ireland in relation to the Resident Offices Return (RS2), Revaluation Adjustment Return (RV2), and the Reclassification Adjustment Return (RC2). The primary aim of the returns is to inform national and euro area policy-making. The returns also satisfy credit institutions' reporting requirements as laid down in Regulation (EC) No 1071/2013 of the ECB of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (Recast) (ECB/2013/33)[1].

(i) Reporting population

The reporting population is all credit institutions resident in Ireland. These are:

- institutions incorporated and located in the Republic of Ireland, including subsidiaries of parent companies located outside the Republic of Ireland;
  and
- branches of institutions that have their head office outside the Republic of Ireland

Reporting institutions report the return in respect of its resident offices only. A resident office means an office or branch of the reporting institution which is located in 'the State' (the Republic of Ireland).

(ii) Reporting frequency

The following must be reported on a **monthly basis**:

- **Resident Offices Return (RS2)**
  - Balance Sheet Overview (BSO)
  - Balance Sheet - Irish Resident, Euro Currency Details (IES)
  - Balance Sheet - Irish Resident, Non-euro Currency Details (INS)
  - Balance Sheet - Other Monetary Union Member State Resident, Euro Currency Details (OES)
  - Balance Sheet - Other Monetary Union Member State Resident, Non-euro Currency Details (ONS)
  - Balance Sheet - Rest of World Resident Details, All Currency (RWS)
  - Reserve Requirement Calculation (REQ)
  - Amortisation of Loans to Irish Residents (LAM)
  - Formal Write-Downs/Write-Offs (MWR)
  - Off-Balance Sheet Items (OBS)
  - Securitisation Activities (MSC)
  - Notional Cash Pooling (NCP)

- **Revaluation Adjustment Return (RV2)**
  - Revaluation Adjustment (REV)

[1] http://www.ecb.europa.eu/ecb/legal/pdf/02013r1071-20131127-en.pdf

- Revaluation Adjustment for securitised loans (SCL)

- **Reclassification Adjustment Return (RC2)**
  - Balance Sheet Reclassifications - Irish Resident, Euro (IEC)
  - Balance Sheet Reclassifications - Irish Resident, Non-euro (INC)
  - Balance Sheet Reclassifications - Other Monetary Union Member State Resident, Euro (OEC)
  - Balance Sheet Reclassifications - Other Monetary Union Member State
  - Resident, Non-euro (ONC)
  - Balance Sheet - Rest of World Resident Details, All Currency (RWC)
  - Reclassification - Securitisation Activities (SCC)
  - Off-Balance-Sheet Reclassifications (OBC)

In addition the following must be reported on a **quarterly basis**:

- **Resident Offices Return (RS2)**
  - Securitisation Activities – Country Breakdown (QSC)
  - Sector Analysis of Selected Liabilities and Assets (QSA)
  - Country Breakdown (QCO)
  - Currency Breakdown (QCU)
  - Interest Rate Reset (IRR)

- **Revaluation Adjustment Return (RV2)**
  - Revaluation Adjustment for Government Credit (REG)
  - Securitisation – Write-Downs at Time of Transfer (SER)

- **Reclassification Adjustment Return (RC2)**
  - Reclassification - Analysis of Selected Liabilities and Assets (IPC)
  - Reclassifications - Interest Rate Reset (IRC)

(iii) Reporting deadline

The reporting deadline for all returns (monthly and quarterly) is the 10th working day after the last working day of the reference period (T+10). Working days exclude weekends and Irish public holidays. A schedule of reporting deadlines for returns is available on the website of the Central Bank of Ireland.

(iv) Method of reporting

The returns must be submitted via the Central Bank of Ireland's Online Reporting System. Credit institutions may supply the data by inputting the data into customised excel reporting templates and uploading these respective excel reporting templates onto the Online Reporting System, or by uploading the data onto the system in an XML format. Details on transmitting the return via the Online Reporting System, and specifications for uploading data onto the system, may be found in separate documents which will be available on the Central Bank's website http://www.centralbank.ie/.

Minimum standards

The required statistical information shall be reported in accordance with the minimum standards for transmission, accuracy, conceptual compliance and revisions as set out in Annex IV of Regulation (EC) No 1071/2013 of the ECB of 24 September 2013 concerning the balance sheet of the monetary financial institutions sector (Recast) (ECB/2013/33).

(v) Counterpart residency

The distinction between residents (i.e., residents of the Republic of Ireland) and non-residents (i.e., residents of other monetary union member states and the rest of the world) should be based on the residency of the customer and not on the location of the branch in which the account is maintained. Residents of the State comprise the government, individuals, private non-profit-making bodies and enterprises.

- A person is considered to be an Irish resident if he/she is currently living in the Republic of Ireland ("the State") and has been so for at least one year. A person who is newly arrived in the State is considered to be an Irish resident if he/she intends to live here for an indefinite period, or for a period of not less than one year.
- Any business operating in the State is regarded as an Irish resident irrespective of whether it is owned or controlled by Irish residents or by non-residents.
- A person is considered to be an 'other monetary union member state' resident, if he/she is currently living in a member state of the euro area, other than Ireland and has been so living for at least one year. A list of the member states of the Economic and Monetary Union can be viewed at http://www.ecb.int/euro/intro/html/map.en.html.
- Any business operation in another monetary union member state is considered as an 'other monetary union member state' resident irrespective of whether or not it is owned or controlled by other monetary union member state residents.
- The rest of world resident as referred to in the reporting forms is any country other than a member state of the Economic and Monetary Union.

The residency classification is based on international statistical standards and does not correspond to tax residency.

(vi) Valuation

Unless otherwise specified, all liabilities and assets, including off-balance sheet items, should be recorded at the value standing in the reporting institution's books (i.e., book value) on the reference date. In some cases book value may reflect revaluations and internal transfers.

Deposit liabilities and loans should be reported at their principal amount outstanding on the reporting date. This should include any interest arrears which have been recapitalised, but exclude accrued interest payable.

All foreign-currency assets and liabilities should be valued at the exchange rates published by the Central Bank of Ireland on the reporting date and entered on the return as the euro equivalent of the amount outstanding on that day. The Central Bank provides a range of exchange rates for use in statistical returns and these are posted on the Central Bank website. If an exchange rate is not provided for a particular currency, institutions should use the same rate as that used in their own internal accounts.

Exclusion of accrued interest

The valuation of liabilities and assets should not include accrued interest payable or receivable on relevant accounts, nor should it include unearned interest or charges. **Accrued interest payable/receivable should be included in 'Remaining Liabilities/Assets'.** However, where a liability or asset is valued at market price which indistinguishably includes interest, such accrued interest may form part of the valuation, or where interest is paid by means of discount (for example, Exchequer Notes), such interest may be included in the book value of the asset if it is the accounting practice of the reporting institution to do so.

Mark-to-market prices

Mark-to-market values are usually obtained by attaching current market prices to nominal positions held, taking into account accrued interest and other realisation costs such as commissions and the bid/offer spread. The fair value is the amount at which an instrument could be exchanged on a current transaction between willing parties and should take account of future costs including the cost of credit and other risks. An adjustment should be made to the price in circumstances where it is considered that the indicative market price may not be achievable. This would include instances of market illiquidity or where trades would be of sufficient size to cause a change in the market price.

(vii) Currency

All monetary values should be reported in thousands of euro with the exception of the REQ format on the Resident Offices Return which should be reported to the nearest euro. The QCU format of the Resident Offices Return requires reporting of liabilities and assets denominated in non-euro currencies. All other currencies, including currencies of EU member states which have <u>not</u> adopted the single currency, are treated as non-euro.

(viii) Provisions for bad and doubtful debts

'Loans' should be measured <u>gross</u> of provisions for bad and doubtful debts, i.e. the nominal amount outstanding on the loan.

The bad debt provisions in the balance sheet comprise:

1. Specific Provision;
2. Collective Provision; and
3. Suspended Interest (if this is not already included within the Specific Provision).

Provisions should be separately identified in the memorandum item on the Balance Sheet Overview (BSO) format for loans, securities and 'other' items.

The allocation of provisions on a residency basis:

It is necessary for a proper residency breakdown to be provided for specific and collective provisions and for interest suspense accounts on the BSO format. Specific and collective provisions and interest suspense accounts should be allocated on the basis of the residency of the borrower of the particular loans to which they refer. However, where collective provisions are not available on a residency basis, they should be allocated in proportion to the residency of the lending to which such provisions apply.

Provisions for bad and doubtful debts will mainly apply in relation to loans and securities, however, should provisions arise for any other item apart from the above, it should to be reported under 'Other'.

(ix) Netting

No netting is permitted in respect of funds deposited with or borrowed from monetary financial institutions or credit institutions.

Other loans and deposits which fulfil all of the eight conditions set out below may be reported on a net basis by the reporting institution for statistical purposes. Such netting may be applied to both principal and interest and may exist between:

- Current accounts and overdrafts;
- Deposit accounts and overdrafts; and
- Deposit accounts and other loans.

The eight conditions which qualify loans and deposits to be reported on a net basis for statistical purposes are:

1. The related loan and deposit are not of a normal deposit/loan nature in that the institution (at the instigation of an outside party) is merely acting as a 'clearing house' for that party's transactions;

2. The institution has established that it is not, in consequence of the deposit that is to be netted against the loan, exposed to any risk in respect of the loan;

3. The loan is conditional upon the deposit;

4. Both the loan and the deposit are in the same currency (or are otherwise protected from the effect of currency fluctuations);

5. Both the loan and the deposit have identical maturities;

6. The loan and the deposit relate to the same group of companies or individuals;

7. A legal right of 'offset' is embodied in the deposit/loan agreement; and

8. Both the loan and the deposit must be located in the customer's country of residence.

Short positions in securities

A short position should be recorded as a negative asset. Short positions in Securities should, therefore, be netted against the relevant assets on the Resident Offices Return.

(x) Affiliates

An affiliate is a parent, directly or indirectly controlled associate or subsidiary undertaking of the reporting institution. Entities with the same parent or ultimate parent company are also considered affiliates and non-resident branches of the reporting institution should be treated as non-resident affiliates.

(xi) Memorandum Items

Throughout the forms, memorandum items are requested. These are aimed at collecting an additional breakdown of items already reported in the main part of the format. All memorandum items are ‘of which’ positions.

An example of this is row item ‘16.6 loans to international financial services companies’ on the IES format of the RS2. These loan balances are also included but, not separately identified in the row item ‘2. Loans’, Column 4. ‘Other sectors’.

(xii) Sole Proprietors

Waiver on Reporting Information on sole proprietors. The Central Bank will waive the reporting requirements on the items relating to sole proprietors. Therefore, Irish credit institutions are not required to separately report any information related to sole proprietors in the RS2, RV2 and RC2. This waiver applies to 2011 and must be recalculated each year. However given the margin, the requirement is not expected to be necessary within the next number of years. In the RS2, RC2 and RV2 returns, the cells relating to sole proprietors have been deleted but any sole proprietor columns on the return have been retained to allow for any future inclusion.

Section 2: Definitions of asset and liability instrument categories

Section 2.1: Definitions of asset instrument categories

ASSET CATEGORIES

1. Cash

Holdings of cash at branches and at the head office of the reporting institution. Cash in transit between branches and head office should be included. Cash held in ATMs should also be included. Holdings of euro currency should be reported in the Irish resident counterparty and holdings of non-euro currencies should be recorded as rest of world counterparty.

Only holdings of physical cash should be reported here. Some deposits accounts are commonly referred to as 'cash accounts' and these should be included in the deposits category and not in the cash category.

2. Loans

Loans are defined as funds lent by the reporting institution to borrowers, which are not evidenced by documents or are represented by a single document (even if it has become negotiable).

All of the following should be reported here, and in certain cases, are also required to be separately reported:

- Loans to households and non-profit institutions serving households, broken down by:
  - *Loans for consumption purposes* - this includes loans granted for the purpose of personal use in the consumption of goods and services. Credit for consumption granted to sole proprietors/unincorporated partnerships is included in this category, if the reporting agent knows that the loan is predominantly used for personal consumption purposes and not for lending for house purchases (credit extended for the purpose of investing in housing, including building and home improvements);
  - *Loans for house purchase* - this includes loans secured on residential property that are used for the purpose of house purchase and, where identifiable, other loans for house purchase made on a personal basis or secured against other forms of assets. Housing loans granted to sole proprietors/unincorporated partnerships are included in this category unless the reporting agent knows that the loan is predominantly used for business related purposes, in which case it is reported as loans

for other purposes and also separately identifies in the ‘of which sole proprietors’ column. Loans for house purchase should include bridging loans.

  - *Loans for other purposes* - this includes other loans such as business loans, debt consolidation, education, etc; this category may include loans for consumption purposes to sole proprietors/unincorporated partnerships if these are not reported under the category ‘loans for consumption’. Unless the conditions for reduced reporting apply, an ‘of which’ position is to be reported, separately identifying within this category the loans granted to sole proprietors.

- Loans for car purchase

  Loans for consumption and loans for other purposes are broken down into car-finance lending. Car-related loans are split into ‘car finance, other than hire-purchases agreements’, and ‘hire purchase agreements’. Further breakdowns within ‘hire purchase agreements’ are also required for Personal Contract Plans (PCPs) and follow-on PCPs. Positions are collected on the basis of outstanding stock amounts, new loan amounts drawn down during the month, and the related number of contracts. The respective positions should be reported in a separate return to creditinst@centralbank.ie on a monthly basis (by t+10).

  Please email creditinst@centralbank.ie should your institution require this separate Car Finance Survey return template for the reporting of loans for the purpose of car purchase. Explanatory notes on completing this return are contained within the template.

- Credit card debt

  This category comprises credit granted to households or non-financial corporations either via delayed debit cards (i.e. cards providing convenience credit) or via credit cards (i.e. cards providing convenience credit and extended credit). Credit card debt is recorded on dedicated card accounts and is therefore not evident on current overdraft accounts.

  - *Convenience credit is defined as the credit granted at an interest rate of 0 per cent in the* period between payment transaction(s) undertaken with the card during one billing cycle and the date at which debit balances from the specific billing cycle becomes due.

  - *Extended credit is defined as the credit granted after the due date(s) of the* previous billing cycle(s) has/have passed, i.e. debit amounts on the card accounts that have not been settled when this was first possible, for which an interest rate or tiered interest rates usually greater than 0 per cent are charged. Often minimum instalments per month have to be made to at least partially repay extended credit.

- Revolving loans and overdrafts

  Revolving loans are loans that have all the following features:

- The borrower may use or withdraw funds to a pre-approved credit limit without giving prior notice

- The amount of available credit can increase and decrease as funds are borrowed and repaid

- Credit may be used repeatedly

- There is no obligation of regular repayment of funds

Revolving loans include the amounts obtained through a line of credit and not yet repaid (outstanding amount). A line of credit is an agreement between a lender and borrower that allows a borrower to take advances, during a defined period and up to a certain limit, and repay the advances, at his/her discretion before a defined date. Amounts available through a line of credit that have not been withdrawn or already been repaid are not to be included in any balance sheet item (this should be reported on the Off-Balance Sheet format (OBS)). Overdrafts are debit balances on current accounts. Both revolving loans and overdrafts exclude loans provided through credit cards. The total amount owed by the borrower is to be reported, irrespective, of whether it is within or beyond any limit agreed beforehand between the lender and the borrower with regards to size and/or maximum period of the loan.

- Syndicated loans

  Single loan agreements, in which several institutions participate as lenders. Syndicated loans only cover cases where the borrower knows, from the loan contract, that the loan is made by several lenders. For statistical purposes, only amounts actually disbursed by lenders (rather than total credit lines) are regarded as syndicated loans. The syndicated loan is usually arranged and coordinated by one institution (often called 'lead manager') and is actually made by various participants in the syndicate. Participants, including the lead manager, all report their share of the loans vis-a-vis the borrower (i.e. not vis-a-vis the lead manager).

- Deposits placed with other monetary financial institutions (MFIs)

- Financial leases granted to third parties

  Financial leases are contracts whereby the legal owner of a durable good (lessor) lends these assets to a third party (lessee) for most if not all of the economic lifetime of the assets, in exchange for instalments covering the cost of the good plus an imputed interest charge. The lessee is in fact assumed to receive all of the benefits derived from the use of the good and to incur the costs and risks associated with ownership. For statistical purposes, financial leases are treated as loans from the lessor to the lessee (enabling the lessee to purchase the durable goods). Financial leases granted by the reporting institution (acting as the lessor) should be reported on the balance sheet and should be reported under loans. The assets (durable goods) which have been lent to the lessee should not be reported on the reporting institution's balance sheet.

- Bad debt loans that have not yet been repaid or written off

Bad debt loans are defined as loans in respect of which repayment is overdue or otherwise identified as being impaired.

- Holdings of non-negotiable securities

  Holdings of debt securities which are not negotiable and cannot be traded on secondary markets, see also the definition of traded loans below.

- Traded loans

  Loans that have de facto become negotiable are reported here, provided they continue to be evidenced by a single document and are, as a general rule, only traded occasionally.

- Subordinated debt in the form of deposits or loans

  Subordinated debt instruments provide a subsidiary claim on the issuing institution that can only be exercised after all claims with a higher status, e.g. deposits/loans, have been satisfied, giving them some of the characteristics of Investment fund shares/units and equity. For statistical purposes, subordinated debt is treated according to the nature of the financial instrument, i.e., classified as either loans or debt securities held according to the nature of the instrument. Where all forms of subordinated debt held by the reporting institution are identified only as a single figure, this figure should be reported as debt securities held, on the grounds that subordinated debt is predominately constituted in the form of securities, rather than as loans.

- Claims under reverse repos

  The counterpart of cash paid out in exchange for securities purchased by the reporting institution; see also the definition of repos in liability categories.

  The following item is **not** treated as a loan

  - Loans granted on a trust basis which are defined as trust loans or fiduciary loans or loans made in the name of one party (the trustee) on behalf of a third party (the beneficiary). For statistical purposes, trust loans should not be reported on the trustee's balance sheet where the risks and rewards of ownership of the funds remain with the beneficiary. The risks and rewards of ownership remain with the beneficiary where: (i) the beneficiary assumes the credit risk of the loan, i.e., the trustee is responsible only for the administrative management of the loan; or (ii) the beneficiary's investment is guaranteed against loss, should the trustee go into liquidation, i.e., the trust loan is not part of the assets of the trustee that can be distributed in the event of bankruptcy.

  The following maturity breakdowns are requested

  - *Loans up to 1 year*
    Loans with an original maturity of up to <u>and including one year</u> should be recorded here.

- *Loans over 1 and up to 5 years*
  Loans with an original maturity of over one year and up to and including five years should be recorded here.

- *Loans over 5 years*
  Loans with an original maturity of over five years should be recorded here.

- Real estate collateralisation

  Certain loan categories must have a breakdown by real estate collateralisation

  For the purpose of this reporting scheme, the breakdown of loans according to real estate collateral includes the total amount of outstanding loans which are collateralised in accordance with Article 199(2)-(4) of Regulation (EU) No 575/2013 [2], with an outstanding loan to collateral ratio of 1 or below 1. If these rules are not applied by the reporting agent, the determination of the loans to be included in this breakdown is based on the approach chosen to comply with capital requirements.

  This loan to collateral ratio is only required at the initiation of the loan contract and not on an on-going basis.

3. Balances with the central banks

This comprises the total amount of funds placed with the European System of Central Banks (ESCB), including the Central Bank of Ireland and the other National Central Banks (NCBs) of the monetary union area and with other official monetary authorities.

- Deposit protection account balance

  Any deposit which the reporting institution must maintain with the Central Bank of Ireland or the other National Central Banks (NCBs) of the monetary union as part of a deposit protection scheme.

- Reserve requirement

  Funds placed by the reporting institution in its reserve requirement deposit account with the Central Bank of Ireland or with the other National Central Banks (NCBs) of the monetary union area.

- Discretionary term deposits

  This comprises funds placed with the Central Bank of Ireland by the reporting institution which are in excess of those required in Deposit Protection Account Balance and reserve requirement and which have a fixed term of overnight or longer, or other funds as agreed with the Central Bank of Ireland.

[2] http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:176:0001:0337:EN:PDF

- ECB debt certificates

  Certificates which constitute a debt obligation of the ECB vis-à-vis the holder of the certificate and which are issued with the aim of adjusting the structural position of the Euro system vis-à-vis the financial sector.

- Other balances

  This comprises the reporting institution's overnight and current/settlement account balances with the Central Bank of Ireland and all balances with other central banks.

- Supplementary deposits

  Any special supplementary deposits which the reporting institution has been requested to place with the Central Bank of Ireland.

4. Debt securities held

Holdings of debt securities other than 'investment fund shares/units' and 'equity', which are negotiable and usually traded on secondary markets, or can be offset on the market, and which do not grant the holder any ownership rights over the issuing institution.

This item includes:

- Holdings of securities, whether or not evidenced by documents, which give the holder the unconditional right to a fixed or contractually determined income in the form of coupon and/or a stated fixed sum at a specific date or dates or starting from a date defined at the time of issue;
- Loans that have become negotiable on an organised market, i.e. traded loans, provided that there is evidence of secondary market trading, including the existence of market makers, and frequent quotation of the financial asset, such as provided by bid-offer spreads. Where this is not the case they should be classified under the asset item 'loans' (see also traded loans above);
- Subordinated debt in the form of debt securities.

Securities lent out under securities lending operations or sold under a repurchase agreement remain on the original owner's balance sheet and are not to be recorded on the temporary acquirer's balance sheet where there is a firm commitment to reverse the operation and not simply an option to do so. Where the temporary acquirer sells the securities received, this sale must be recorded as an outright transaction in securities and entered in the temporary acquirer's balance sheet as a negative position in the securities portfolio.

A maturity breakdown is required for holdings of debt securities. This means maturity at issue, i.e. original maturity and refers to the fixed period of life of a financial instrument before which it may not be redeemed.

The following maturity breakdowns are requested:

- *Debt securities held up to 1 year*

  Securities with an original maturity of up to and including one year should be recorded here.

- *Debt securities held over 1 and up to 2 years*

  Securities with an original maturity of over one year and up to and including two years should be recorded here.

- *Debt securities held over 2 years*

  Securities with an original maturity of over two years should be recorded here.

'Holdings of own debt securities' are required to be reported separately on the BSO. This comprises debt securities that were purchased by another investor at issue and then re-purchased by the reporting institution, as well as securities effectively issued and retained by the holder at issuance.

5. Investment fund shares/units

Shares or units held by the reporting institution, which are issued by investment funds, which are collective investment undertakings that invest in financial and/or non-financial assets, to the extent that the objective is investing capital raised from the public.

- This item includes: *Money market funds (MMF) shares/units*

  Mutual fund shares/units issued by *money market funds (MMFs)* – as set out in the *List of MFIs* (available on the ECB's website www.ecb.int).

  MMFs are defined in Article 2 of *Regulation ECB/2013/33.* They are collective investment undertakings, the shares/units of which are, in terms of liquidity, close substitutes for deposits, and which primarily invest in money market instruments and/or in MMF shares/units and/or in other transferable debt instruments with a residual maturity of up to and including one year, and/or in bank deposits, and pursue the investment objective of maintaining a fund's principal and providing a return in line with the interest rates of money market instruments

- *Non-MMF investment fund shares/units*

Shares/units issued by investment funds (IFs), other than MMFs, as defined in Article 1(1) of *Regulation ECB/2013/38*[3]. Non-MMF investment funds include undertakings whose units or shares are, at the request of the holders, repurchased or redeemed directly or indirectly out

[3] http://www.ecb.europa.eu/ecb/legal/pdf/en_02013r1073-20131127-en.pdf.

of the undertaking's assets; and undertakings which have a fixed number of issued shares and whose shareholders have to buy or sell existing shares when entering or leaving the fund.

6. Equity

Equity represents property rights on corporations or quasi-corporations; it is a claim on residual value after the claims of all creditors have been met.

This item includes listed and unlisted shares and other equity. See ESA 2010, paragraphs 5.146. 5.147, 5.153-5.154.

Non-MMF investment funds should not normally issue equity, therefore the RS2 equity position vis-à-vis non-MMF investment funds should be nil.

On the BSO a separate 'of which equity investments holdings greater than 10%' is required. This should correspond to the foreign direct investment part of the quarterly CRS2 form. Investments of the credit institutions of 10% or more in companies and branches abroad are to be included under this heading.

'Holdings of own equity' is required to be reported separately on the BSO. This comprises equity that was purchased by another investor at issue and then re-purchased by the reporting institution, as well as securities effectively issued and retained by the holder at issuance.

7. Non-financial assets (including fixed assets)

Tangible or intangible assets other than financial assets. This item includes dwellings, other buildings and structures, machinery and equipment, fixtures and fittings, company cars, valuables, and intellectual property products such as computer software and databases. These assets should be recorded net of accumulated depreciation.

8. Remaining assets

This comprises all other assets of the reporting institution not previously included on the return. These include sundry debit items such as: prepayments or debit balances on operating accounts of the reporting institution such as salaries, wages, rent, rates, stationery, heating and lighting, insurance, stamp duty, PAYE, VAT, etc.; any net claim on non-resident offices; and any net debit valuation adjustment. A breakdown of remaining assets is required:

- *Derivative contracts*

  Financial derivative positions that are subject to on-balance sheet reporting and have gross positive market values should be recorded here.

  The following are not to be regarded as derivatives:

- Contingencies such as guarantees and letters of credit. These are not considered to be financial derivatives as their purpose is not to facilitate the trading of financial risk but rather to make payments under specified conditions.
- Embedded derivative-like features of standard financial instruments that are an inseparable part of the underlying instrument are not considered to be financial derivatives for statistical purposes because the risk element cannot be traded separately.
- A fixed price contract is not a financial derivative if the main purpose is to deliver an underlying item in exchange for cash (or some other asset). For example, a commercial contract to deliver a commodity is not a derivative unless, like commodity futures, it is traded as a standardised contract on an exchange in a way that financial risk can be traded.

- *Interest accrued on lending*

  Interest receivable on loans should be recorded on-balance sheet as it accrues rather than when it is actually received. Accrued interest on loans is classifieds on a gross basis. Accrued interest is excluded from the loan to which it relates. The accrued interest on loans should relate to assets classified in the 'Loans' category above.

- *Other interest receivable*

  All accrued interest not included in 'interest accrued on lending'. This includes accrued interest on the category 'debt securities held', which should also be recorded separately under remaining assets on a quarterly basis.

- *Transit items*

  Transit items represent funds, usually belonging to customers, which are in the course of being transmitted between MFIs. Items include cheques and other forms of payment that have been sent for collection to other MFIs.

- *Suspense items*

  Suspense items are asset balances held in the MFI balance sheet which are not booked in the name of customers but which nevertheless relate to customers' funds, e.g. funds that are awaiting investment, transfer or settlement.

- *Other asset items*

  This includes assets not classified elsewhere on the monthly formats of the RS2.

- *Prepayment of insurance premiums and reserves for outstanding claims*

  The part of gross premiums paid by the reporting agent which is to be allocated to the following accounting period, plus claims by the reporting agent that are not yet settled.

- *Revaluation accounts*

  This account includes balances which affect the total amount of assets recorded on MFI balance sheets, such as revaluations and changes in the valuation of instruments and have not been reported in the relevant category elsewhere on the RS2 (typically under capital and reserves). Revaluation accounts are to be reported on a net basis.

- *Asset adjustment accounts*

  This relates to the asset discrepancy when the statistical balance sheet is derived from the accounting one.

Requested items 'claims/capital injections into non-resident branches/offices' and 'credit balance on inc/exp accounts - own shares - securities lending business' are only required where not reported elsewhere on the RS2.

An explanation is required for balances reported for these items and should be forwarded to creditinst@centralbank.ie.

Section 2.2: Definitions of liability instrument categories

LIABILITY CATEGORIES

1. Deposits

Funds received inclusive of all active and dormant current accounts adjusted for net debit items in transit. Deposits are defined as amounts owed to creditors by the reporting institution, other than those arising from the issue of negotiable securities. For the purpose of this reporting scheme, deposits are broken down into overnight deposits, deposits with agreed maturity, deposits redeemable at notice and repurchase agreements

The following are to be included in the deposit category:

- Loan liabilities

  Deposits also cover loans as liabilities of credit institutions. In conceptual terms, loans represent amounts received by credit institutions that are not structured in the form of deposits. Within the reporting scheme, loans are not recognised as a separate category on the liabilities side of the balance sheet. Instead balances that are considered loans are to be classified indistinguishably under the item 'deposits'. Loans to credit institutions are to be broken down in accordance with the requirements of the reporting scheme. Syndicated loans received by credit institutions fall under this category.

- Non-negotiable debt instruments

  Non-negotiable debt instruments issued by reporting agents are generally to be classified as deposit liabilities. Instruments may be referred to as being 'non- negotiable' in the sense that there are restrictions on the transfer of legal ownership of the instrument which means that they cannot be marketed or cannot be traded owing to the absence of an organised market. Non-negotiable instruments issued by the reporting agents that subsequently become negotiable and that can be traded on a secondary market should be reclassified as 'debt securities issued'.

- Margin deposits

  Margin deposits made under derivative contracts should be classified as deposit liabilities where they represent cash collateral deposited with the reporting agent and where they remain in the ownership of the depositor and are repayable to the depositor when the contract is closed.

- Certain shares issued by MFIs

  This primarily relates to credit union shares. Shares issued by the reporting agents are classified as deposits instead of capital and reserves if:

I. There is a debtor/creditor economic relationship between the issuing reporting agent and the holder

and

II. The shares can be converted into currency or redeemed without significant restrictions or penalties. A notice period is not considered to be a significant restriction.

In addition, such shares must comply with the following conditions

- The relevant national regulatory provisions provide no unconditional right to the issuing MFI to refuse redemption of its shares;
- The shares are value certain (i.e. under normal circumstances they will be paid out at their nominal value in the event of redemption);
- In the event of the MFI's insolvency, the holders of its shares are legally subject neither to the obligation to cover outstanding liabilities in addition to the nominal value of shares nor to any other onerous supplementary obligations. The subordination of shares to any other instrument issued by the MFI does not qualify as an onerous supplementary obligation.

The notice periods for the conversion of such shares into currency are used in order to classify these shares according to the breakdown by notice period within the deposit category. These notice periods apply when calculating the reserve ratio. Any earmarked shares relating to loans made by the reporting agent should be classified by the maturity of the underlying loan.

- Securitisation liabilities

Counterpart of loans and/or other assets disposed of in a securitisation but still recognised on the statistical balance sheet.

This item is also separately reported as 'counterpart liability to non-derecognised loans' on the IES, INS, OES, ONS and RWS. (Also see Section 4.1)).

- Overnight deposits

Deposits which are convertible into currency and/or which are transferable on demand by cheque, banker's order, debit entry or similar means, without significant delay, restriction or penalty.

Overnight deposits must be broken down as follows:

- *Current accounts*

Current accounts (adjusted for net debit items in transit) placed with the reporting institution. Current accounts are defined as deposits which are convertible into currency and/or which are transferable on demand by cheque, banker's order, debit entry or similar means, without significant delay, restriction or penalty. Balances (interest bearing or not) representing prepaid amounts in the context of hardware-based or software based e- money (e.g. prepaid cards);

- Hardware-based e-money includes e-money products that provide customers with a portable electronic device, typically an integrated circuit card containing a microprocessor chip (e.g. prepaid cards).

- Software-based e-money refers to e-money products that use specialised software on a personal computer and can typically be used to transfer the electronic value via telecommunication networks such as the Internet.

- *Demand Deposits*

  Balances (interest bearing or not) which are immediately convertible into currency on demand or by close of business on the day following that on which the demand is made, without significant penalty or restriction. Loans liabilities of the reporting agent to be repaid by close of business on the day following that on which the loan was granted.

  This item excludes deposits which are technically withdrawable on demand but which are subject to significant penalties, which should be reported as 'deposits redeemable at notice'.

- *Transferable deposits*

  Transferable deposits are those deposits within the category 'overnight deposits' which are directly transferable on demand to make payments to other economic agents by commonly used means of payment, such as credit transfer and direct debit, possibly also by credit or debit card, e-money transactions, cheques or similar means, without significant delay, restriction or penalty.

  Deposits that can only be used for cash withdrawal and/or deposits from which funds can only be withdrawn or transferred through another account of the same owner are not to be included as transferable deposits.

- Deposits with agreed maturity

Deposits with agreed maturity are defined as non-transferable deposits which cannot be converted into currency before an agreed fixed term or that can only be converted into currency before that agreed term, provided the holder is charged some kind of penalty. This item also includes administratively regulated savings deposits where the maturity related criterion is not relevant (classified in the maturity band over two years).

Financial products with roll-over provisions must be classified according to the earliest maturity. Although deposits with agreed maturity may feature the possibility of earlier redemption after prior notification, or may be redeemable at demand subject to certain penalties, these features are not considered to be relevant for classification purposes.

All of the following should be reported here:

- Margin payments made under derivative contracts, representing cash collateral placed to protect against credit risk but remaining in the ownership of the depositor and being repayable to the depositor when the contract is closed out;
- Loans liabilities of the reporting agent evidenced by a single document;
- Non-negotiable debt securities issued by the reporting agent (evidenced or not by documents);
- Subordinated debt issued by MFIs in the form of deposits or loans;
- Securitisation liabilities - counterpart of loans and/or other assets disposed of in a securitisation but still recognised on the statistical balance sheet. These liabilities are classified in the maturity breakdown ‘over two years’ agreed maturity.

Deposits with agreed maturity are broken down into the following maturity bands:

- with agreed maturity up to and including one year;
- with agreed maturity of over 1 year and up to and including two years;
- with agreed maturity over two years.

- Deposits redeemable at notice

Deposits redeemable at notice are defined as non-transferable deposits without any agreed maturity, which cannot be converted into currency without a period of prior notice, before the term of which the conversion into cash is not possible or possible only with a penalty. They include deposits, which, although perhaps legally withdrawable on demand, would be subject to penalties and restrictions and investment accounts without period of notice or agreed maturity, but which contain restrictive drawing provisions.

All of the following should be reported here:

- Balances placed without a fixed maturity that can be withdrawn only subject to notice or a pre-announcement;
- Balances placed where, if redemption occurs prior to a notice period (or even on demand), it involves the payment of a penalty;
- Non-transferable sight savings deposits and other types of retail deposits which, although legally redeemable on demand, are subject to significant penalties;
- Balances placed with a fixed term to maturity that are non-transferable but that have been subject to a notification for an earlier redemption; and
- Investment accounts without a period of notice or agreed maturity, but which contain restrictive drawing provisions.

Deposits redeemable at notice are broken down into the following notice periods:

- Redeemable at notice up to and including three months:
  Non-transferable sight savings deposits and other types of retail deposits which, although legally redeemable on demand, are subject to significant penalties; **and;**

- Redeemable at notice of over three months:
  Investment accounts without a period of notice or agreed maturity but, which contain restrictive drawing provisions

- Repos (Funds received under repurchase agreements)

Counterpart of cash received in exchange for securities sold by reporting agents at a given price under a firm commitment to repurchase the same (or similar) securities at a fixed price on a specified future date. Funds received under sale/buy-back transactions should also be reported here.

Amounts received by the reporting institution in exchange for securities transferred to a third party (temporary acquirer) should be classified under repurchase agreements where there is a firm commitment to reverse the operation and not merely an option to do so. This implies that the reporting institution retains effective (economic) ownership of the underlying securities during the operation. In this respect, the transfer of legal ownership is not the relevant feature for determining the treatment of repo-like operations.

The following variants of repo-type operations should be reported here:

- Amounts received in exchange for securities temporarily transferred to a third party in the form of a repurchase agreement;
- Amounts received in exchange for securities temporarily transferred to a third party in the form of bond lending (against cash collateral);
- Amounts received in exchange for securities temporarily transferred to a third party in the form of a sale/buy-back agreement.

The securities underlying repo type operations are recorded as per ‘debt securities’ on the assets side of the balance sheet. Operations involving temporary transfer of gold against cash collateral are also to be included here.

2. Borrowing from Central Banks

All borrowing from the European Central Bank (ECB), the Central Bank of Ireland or the other national central banks (NCBs) of the monetary union area and from other official monetary authorities and any funds placed by the ECB, the Central Bank of Ireland, the other NCBs of the monetary union area and other official monetary authorities with the reporting institution.

- Marginal lending facility

Short-term borrowing from the ECB, the Central Bank of Ireland or the other NCBs of the monetary union area on an overnight basis under their marginal lending facility.

- Sale/repurchase agreements

Borrowing from the ECB, the Central Bank of Ireland or the other NCBs of the monetary union area by the reporting institution by way of sale and repurchase agreements, regardless of duration. This includes the main refinancing operations and longer term refinancing operations.

Only sale and repurchase agreements with central banks should be reported here.

- Other secured advances

Borrowing from the ECB, the Central Bank of Ireland or the other NCBs of the monetary union area by the reporting institution against the deposit by the reporting institution of security acceptable to the ESCB other than that which has already been reported in marginal lending facility or sale/repurchase agreements.

- Other

Any funds received or borrowed other than on a marginal lending facility, sale/repurchase or other secured advances basis by the reporting institution from the ECB, the Central Bank of Ireland or any other NCBs of the monetary union area, or any borrowing or other funds received from other official monetary authorities by the reporting institution.

3. Debt securities issued

Securities other than equity issued by the reporting institution, which are usually negotiable and traded on secondary markets or which can be offset on the market and which do not grant the holder any ownership rights over the issuing institution. This item includes:

Securities that give the holder the unconditional right to a fixed or contractually determined income in the form of coupon payments and/or a stated fixed sum at a specific date (or dates) or starting from a date defined at the time of issue;

- Non-negotiable instruments issued by reporting institutions that subsequently become negotiable should be reclassified as debt securities;

- Subordinated debt issued by MFIs is to be treated in the same way as other debt incurred by MFIs for the purposes of money and banking statistics. Hence, subordinated debt issued in the form of securities is to be classified as debt securities issued whereas subordinated debt issued by MFIs in the form of deposits or loans is to be classified as deposit liabilities. Where all forms of subordinated debt held by the reporting institution are identified only as a single figure, this figure is to be classified under the item 'debt securities held', on the grounds that subordinated debt is predominately constituted in the form of securities, rather than as loans. Subordinated debt should not be classified under the liability item capital and reserves;

- All commercial paper, certificates of deposit, notes and bonds, which have been issued by the reporting institution should be shown here;

- Hybrid instruments - negotiable instruments with a combination of debt and derivative components, including:

  - Negotiable debt instruments containing embedded derivatives;
  - Negotiable instruments whose redemption value and/or coupon is linked to the development of an underlying reference asset, asset price or other reference indicator over the maturity of the instrument.

Debt securities issued is broken down into the following maturity bands:

- with agreed maturity up to and including one year;
- with agreed maturity of over one year and up to and including two years;
- with agreed maturity over two years.

Debt securities up to two years and nominal capital guarantee below 100%

A breakdown is required as a memorandum item required for 'debt securities up to two years and nominal capital guarantee below 100%. These are hybrid instruments, as discussed above, issued by the reporting agent of original maturity up to two years and which at maturity have a contractual redemption value in the issuing currency lower than the amount originally invested due to their combination of debt and derivative components.

4. Capital and reserves

For the purposes of this reporting scheme, this category comprises the amounts arising from the issue of equity capital by reporting agents to shareholders or other proprietors, representing for the holder property rights in the credit institution and generally an entitlement to a share in its profits and to a share in its own funds in the event of liquidation. Funds arising from non-distributed benefits or funds set aside by reporting agents in anticipation of likely future payments and obligations are also included. It includes:

- Equity capital raised, including the share premium;
- Profit (or loss) as recorded in the statement of profit and loss;
- Income and expenses recognised directly in equity;
- Non-distributed benefits or funds;

- Charges for specific and collective provisions against loans, securities and other types of assets. e.g. allowances for impairments and loan losses.

All institutions other than those which are publicly quoted Irish companies should allocate capital and reserves on the basis of the residency of the shareholders (unless otherwise agreed with the Central Bank of Ireland). For example, if 25 per cent of a reporting institutions shares are held by Irish residents and 75 per cent by other monetary union residents, the reporting agent should allocate 25 per cent of its share capital and 25 per cent of all its reserves to Irish residents with the remainder of these items shown as attributable to other monetary union residents.

Entities which are publicly quoted Irish companies should allocate all capital and reserves to Irish residents, with the exception of preference share capital which should be allocated on the basis of the residency of the shareholders. If the shares of the public company are not quoted, capital and reserves should be allocated in proportion to the residency of the shareholders.

Subordinated loan capital including floating rate notes should be allocated on the basis of the residency of the holders of the subordinated loan capital and not on the basis of the currency in which such capital is denominated.

A credit institution operating in Ireland on a branch basis should allocate capital (if any) and reserves, including current year profit/loss, in proportion to the residency of its shareholders. Therefore, if all its shareholders are non-resident, the branch will allocate all of its current year profit/loss and accumulated revenue reserves to non-residents.

Capital and Reserves is broken down as follows:

- Ordinary share capital

  All paid-up ordinary share capital of the reporting institution. In the case of building societies, share accounts are classified under 'deposits'.

  Instruments which confer property rights, but where the relationship between the MFI and holder is essentially that of debtor and creditor, and where the 'shares' can be converted to currency without significant restrictions or penalties, should be classified as deposits, and therefore not included as share capital. Please note also that a notice period is not necessarily deemed to be a significant restriction. Building societies, as discussed above, would be the exception to this rule.

- Share premium

  Balances on share premium or stock premium accounts relating to ordinary share capital raised. Any premium (discount) which occurs when the amount raised is greater than (less than) the face value should be included in the share premium section.

- Capital contribution

A capital contribution represents a payment into the reserves of the reporting institution by its parent, for no consideration, which is not repayable except at the option of the reporting institution.

- Capital reserves

  This comprises the excess over the book value of tangible and financial assets arising from the periodic revaluation of those assets at current market value. This item should contain any changes in the value of liabilities and assets which are not reported in the income statement. This should be considered a cumulative item, with revaluations from current and previous periods being included.

- Revenue reserves

  This includes all undistributed profits and gains or losses except those included under 'capital reserves' and profits or losses relating to the current financial year appearing under 'Profit/(loss) year-to-date'. However, any amount written off or retained by way of providing for depreciation, renewals or diminution in value of assets, or retained by way of providing for any known risk, should not be included. It should also include 'other capital reserves'. These are any income or gains which, because of statutory or other provisions, are not available for distribution at the 'return date'.

- Profit/(loss) year-to-date

  Any accumulated retained profits, net of year-to-date taxation provision, of the reporting institution for its current financial year which are recorded in its accounts at the 'return date'. This would include:

  - Interim declared profits, net of foreseeable charge or dividend, where amounts have been verified for external audit purposes and with the approval of the Central Bank of Ireland;
    and;
  - Current year profits, other than those above. Any accumulated losses of the current financial year should be recorded here as a negative figure.

  In the case of a building society, its surplus/deficit should be recorded under this heading. Profit/loss should be allocated to residents and non-residents in proportion to the residency of the shareholders of the reporting institution. If the reporting institution is a publicly quoted Irish company, dividends proposed should be allocated to residents. However where preference shares are held by non-residents, dividends proposed on those shares should be allocated to non-residents.

  Realised and unrealised gains and losses which are allocated to the P&L statements should also be allocated here.

- Preference Shares

  Participating preference shares, provided that the distribution of dividends is discretionary, are to be recorded as preference shares.
  Preference shares, partly paid shares, redeemable shares, and non-voting shares which fit the following criteria should also be included in preference shares:

  - They must give the holder a right on the company's residual value
  - They must not confer an obligation on the issuer to deliver cash or another financial asset under unfavourable conditions to the issuer

  Participating shares where the dividend is non-discretionary, and other redeemable preference shares that do not fit the criteria for inclusion here should be considered as debt securities, and therefore not reported within capital and reserves.

- Subordinated loan capital

  This includes all instruments which consist of a claim on the instrument issuer which can only be exercised after all claims of a higher status have been satisfied. The sum of perpetual subordinated loan capital and subordinated term loan capital.

- Transactions

  Actions which have an effect on the capital and reserves are classified as transactions if they affect the reporting institution's cashflows or the share of these flows for the investors. The below table shows the account segments which have transactions, and the transactions themselves.

Ordinary Share Capital & Share Premium	New contribution of funds and withdrawal of equity Share buy-back Conversion of bonds from debt to equity
Profit/(loss) year-to-date	Income and expenses arising from business transactions (eg. Accrual of interest, income generated by fees)
Revenue reserves	Dividend distribution

5. Remaining liabilities

This comprises all other liabilities of the reporting institution not already included on the return. These include sundry credit items such as: accrued expenses or net credit balances on accounts relating to the operating costs of the reporting institution such as salaries, wages, rent, rates, stationery, heating and lighting, insurance, stamp duty, PAYE, VAT, etc.; any gross credit balances on impersonal accounts not relating to customers' funds; any leasing rentals paid in advance by customers; any commissions; and any net liability to non-resident offices.

Any valuation adjustment in respect of foreign-currency swaps or technical imbalances arising from the fact that the notes on compilation may require balance sheet items to be valued in a manner which differs from that followed in the reporting institution's own books, should be entered here or remaining assets, as appropriate. A breakdown of remaining liabilities is required as follows:

- *Derivative contracts*

  Financial derivative positions that are subject to on-balance sheet reporting and have gross negative market values should be recorded here.

  The following are <u>not</u> to be regarded as derivatives:

  - Contingencies such as guarantees and letters of credit. These are not considered to be financial derivatives as their purpose is not to facilitate the trading of financial risk but rather to make payments under specified conditions;
  - Embedded derivative-like features of standard financial instruments that are an inseparable part of the underlying instrument are not considered to be financial derivatives for statistical purposes because the risk element cannot be traded separately;
  - A fixed price contract is not a financial derivative if the main purpose is to deliver an underlying item in exchange for cash (or some other asset). For example, a commercial contract to deliver a commodity is not a derivative unless, like commodity futures, it is traded as a standardised contract on an exchange in a way that financial risk can be traded.

- *Interest payable on deposits*

  Interest payable on deposits should be recorded on-balance sheet as it accrues rather than when it is actually paid. Accrued interest on deposits is classified on a gross basis. Accrued interest is excluded from the deposit to which it relates. The accrued interest on deposits should relate to liabilities classified in the ‘deposit’ category above.

- *Other interest payable*

  All accrued interest not included in ‘accrued interest on ’deposits’. This includes accrued interest on the category ‘debt securities issued, which should also be recorded separately under remaining liabilities on a quarterly basis.

- *Suspense items*

  Suspense items are balances held in the MFI balance sheet which are not booked in the name of customers but which nevertheless relate to customers’ funds, e.g. funds that are awaiting investment, transfer or settlement;

- *Transit items*

  Transit items represent funds, usually belonging to customers, which are in the process of being transmitted between MFIs. Items include credit transfers that have been debited from customers' accounts and other items for which the corresponding payment has not yet been made by the reporting agent;

- *Other liability items*

  Liabilities not classified elsewhere on the monthly formats of the RS2 are included here.

- *Net equity of households in pension funds reserves*

  Liabilities of MFIs with households in the form of technical provisions established to provide pensions for employees. This typically refers to employee pension funds that have not been externalised to an independent institution.

- *Revaluation accounts*

  This account includes balances which affect the total amount of liabilities recorded on MFI balance sheets, such as revaluations and changes in the valuation of instruments that have not been reported in the relevant category elsewhere on the RS2 (typically under capital and reserves). Revaluation accounts are to be reported on a net basis.

- *Liability adjustment accounts*

  This relates to the liability discrepancy when the statistical balance sheet is derived from the accounting one.

Requested items 'liability to non-resident branches/offices' and 'debit balance on inc/exp accounts - current/previous year profit/losses - securities lending business - short positions in securities - depreciation' are only required where not reported elsewhere on the RS2.

An explanation is required for balances reported for these items and should be forwarded to creditinst@centralbank.ie.

Section 3: Definitions of sectors

Counterparties are identified according to their sector or institutional classification in accordance with the *List of Monetary Financial Institutions (MFIs)* (available on the ECB's website www.ecb.int) and the guidance provided in the *ECB's Monetary Financial Institutions and Market Statistics Sector Manual*: *Guidance for the Statistical Classification of Customers* (available at the ECB's website[4]). Sector classification follows principles that are consistent with the European System on Accounts (ESA 2010). It is recommended that reporting institutions consult with the ECB manual where a specific chapter addresses each EU country including Ireland.

Counterparties located in the territory of the participating Monetary Union Member States are identified according to their sector as published in the list of FVCs, investment funds (IFs) and MFIs for statistical purposes.

Institutional sector classification:

1. Monetary financial institutions (MFIs)

'Monetary financial institutions' (MFIs) are resident national central banks and resident deposit taking corporations, which include credit institutions, as defined in Community Law, and other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs, and, for their own account (at least in economic terms), to grant credits and/or to make investments in securities. Money market funds are also classified as MFIs.

A list of monetary financial institutions is available from the Central Bank of Ireland, the European Central Bank and any other national central bank of the monetary union area.

1.1 Credit Institutions

Article 4(1)(1) of Regulation (EU) No 575/2013 (one of the two EU legal instruments that make up the Capital Requirements Directive (CRD IV)) defines a 'credit institution' as an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account.

Credit institutions authorised in Ireland comprise banks licensed under Section 9 of the Central Bank Act, 1971, building societies authorised under the Building Societies Act, 1989 and Banks licensed pursuant to Section 9 of the Central Bank Act, 1971, and registered as designated credit institutions under Section 14 of the Asset Covered Securities Act, 2001.

Counterparties in non-EU member states should only be recorded under credit institutions if they hold a full or restricted banking licence.

[4] A copy of this manual is available at http://www.ecb.int/pub/pdf/other/mfimarketstatisticssectormanual200703en.pdf

Credit institutions include **Credit Unions** as regulated by the Registrar of Credit Unions. Credit unions must be separately identified as a memorandum item in the IES and INS formats on the RS2 return. Separate identification of credit unions is not required on OES and ONS formats.

Certain international financial organisations are considered “Rest of the World – Banks” in the ECB MFI Sector Manual (e.g. the Bank for International Settlements) and should be classified as credit institutions on the RWS format of the RS2.

In accordance with the ECB MFI Sector Manual, the Rest of World Banks sector comprises:

- MFIs located in EU Member States not participating in Monetary Union, including subsidiaries and branches, the parent institution of which is an MFI located in the euro area;
- Banks located outside the EU, including those subsidiaries and branches, the parent institution of which is an MFI located in the euro area.

In line with the above:

- MMFs resident in the non-euro area EU Member States should be included with the Rest of World Banks/MFIs on the RWS, QCO and QCU formats;
- MMFs resident **outside the EU** should be included with the Rest of World Non-Banks/Non-MFs on the RWS, QCO and QCU formats.

1.2 Other deposit-taking corporations

Deposit-taking corporations other than credit institutions are defined as:

(a) other financial institutions which are principally engaged in financial intermediation and whose business is to receive deposits and/or close substitutes for deposits from institutional units, not only from MFIs and for their own account, at least in economic terms, to grant loans and/or make investments in securities, or

(b) electronic money institutions, as defined in Article 2 of Directive 2009/110/EC, that are principally engaged in financial intermediation in the form of issuing electronic money.

2. General government

Resident units which are principally engaged in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth.

2.1 Central government

All administrative departments and other central agencies, foundations, institutes and similar state bodies, whose competence extends normally over the whole economic territory (with the exception of the administration of social security funds - see below).

2.2 Other general government

State/regional government: Institutional units exercising some of the functions of government at a level below that of central government and above that of local government (with the exception of the administration of social security funds - see below); this level of government does not exist in Ireland.

Local government: Those types of administrative departments, agencies, etc. of the state, the competence of which covers only a local part of the economic territory of a country (excluding the local agencies for social security funds see below).

Social security funds: Schemes managed by central, state/regional or local government, the principal objective of which is to provide social benefits to the population of the country. Certain population groups are obliged to pay contributions to these schemes. Social security funds are not classified separately in Ireland.

Definitions of the government sector, with illustrative lists of units, in each member state of the monetary union can be found in the *ECB's Monetary Financial Institutions and Market Statistics Sector Manual*: *Guidance for the Statistical Classification of Customers*.

Statistical Classification of International Organisations

Supranational and international organisations (except the ECB) are recorded in the "General government" sector in the "Rest of the world" even when physically located in Ireland or any other euro area country. Examples of such institutions are EU Institutions and Bodies such as the European Commission all United Nations agencies and intergovernmental organisations such as NATO, the OECD, etc.

For the purpose of compiling money and banking statistics the ECB will be treated as a euro area resident Central Bank.

The European Stability Mechanism (ESM) should be treated as an international organisation resident in the euro area but not in any individual euro area Member State, therefore constituting an economic territory on its own. The ESM should be classified as "Other Monetary Union Member" (OMUM) as part of the Other Financial Intermediaries (OFI) sector.

The European Investment Bank (EIB) should be classified as "Other sector", "Other Financial Intermediaries" (OFI) "Rest of World" for the purpose of compiling money and banking statistics. However, reporting agents which have deposits from the EIB should not include these deposits as part of their reserve base calculation on the REQ format, as the EIB is itself subject to Eurosystem minimum reserves following its inclusion as an eligible counterparty for Eurosystem operations.

Note to reporting institutions with EIB balances: until further notice, please do not populate the EIB Column on the QCO format on the RS2 return, as this forms part of the OMUM/EU total on the QCO format. Continue to report EIB balances as ROW (Other Sector). Furthermore, please email creditinst@centralbank.ie on a quarterly basis (by t+10) with the respective EUR'000 amounts for the items listed in the below table. Please do not send blank/nil tables.

	Position with EIB (EUR '000)
Deposits	
Loans	
Debt Securities Held	
Equity	

See Section 6: FAQs.

3. Other sectors

Throughout the RS2, RV2 and RC2 returns, reference is made to the 'other sectors'. This is generally meant as the non-government private sector (i.e. non-MFI and non-government). It is comprised of non-MMF investment funds, other financial intermediaries and financial auxiliaries, insurance corporations, pension funds, non-financial corporations and households, all of which are detailed below.

Certain international organisations such as regional development banks are considered "Rest of the World – Non-Banks" in the ECB MFI Sector Manual (e.g. the European Bank for Reconstruction and Development) and should be classified as 'Other Sectors' on the RWS format of the RS2. Currently, the European Investment Bank (EIB) is included in this category for MFI statistics purposes.

4. Non-Money Market Fund (Non-MMF) investment funds

Investment Funds consists of all collective investment undertakings, except MMFs, which invest in financial and/or non-financial assets, to the extent that the objective is investing capital raised from the public. This sub-sector is defined in Article 1 of Regulation ECB/2013/38[5].

5. Other financial intermediaries, financial auxiliaries and captive financial institutions and money lenders (OFIs)

Financial corporations and quasi-corporations (except non-MMF investment funds, insurance corporations and pension funds) principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits, investment fund shares/units, or in relation to insurance, pension and standardised guarantee schemes from institutional units other than MFIs.

This sector includes financial auxiliaries. These consist of all financial corporations and quasi-corporations that are principally engaged in auxiliary financial activities which are closely related

[5] http://www.ecb.europa.eu/ecb/legal/pdf/en_02013r1073-20131127-en.pdf.

to financial intermediation but which are not financial intermediaries. This sub-sector includes head offices whose subsidiaries are all or mostly financial corporations.

Also included are captive financial institutions and money lenders. These are all financial corporations and quasi-corporations that are neither engaged in financial intermediation nor in providing financial auxiliary services. This includes holding companies that hold controlling levels of equity of a group of subsidiary corporations and whose principal activity is owning the group without providing any other service to the business.

This sector includes treasury companies, hire purchase companies, securities and derivative dealers and FVCs.

5.1 Financial vehicle corporations

Financial vehicle corporations (FVCs) are securitisation vehicles. An FVC is defined in Article 1 of Regulation ECB/2013/40[6]. An excerpt of this states that an FVC, means an undertaking:

a) whose main function is to carry out one or more securitisation transactions, the structure of which insulates the FVC from the credit risk of the originator, or the insurance or reinsurance undertaking; and

b) which issues securities that are offered for sale to the public or sold on the basis of private placements

5.2 Central counterparties

A central counterparty (CCP) is an entity that legally interposes itself between counterparties to contracts traded in financial markets, becoming the buyer to every seller and the seller to every buyer. The non-exhaustive list of CCPs resident in the EU is provided in Table 1 for reference. CESR maintain a register of CCPs and this full and up-to-date list can be accessed at the following link:
https://www.esma.europa.eu/sites/default/files/library/ccps_authorised_under_emir.pdf

Table 1. List of Central Counterparties

Euro area:

CCP	Country of residence
Hellenic Exchanges Holdings S.A.	Greece
CC&G	Italy
EUREX Clearing AG	Germany

[6] http://www.ecb.europa.eu/ecb/legal/pdf/en_02013r1075-20131127-en.pdf

EUROPEAN COMMODITY CLEARING AG	Germany
LCH. Clearnet SA	France
BME CLEARING (MEFF)	Spain
OMICLEAR - SGCCCC SA	Portugal
EUROPEAN MULTILATERAL CLEARING FACILITY	Netherlands
CCP Austria+	Austria

Other EU Member States:

CCP	Country of residence
LCH.Clearnet Ltd.	United Kingdom
EUROCCP	United Kingdom
ICE CLEAR EUROPE	United Kingdom
LIFFE ADMINISTRATION AND MANAGEMENT	United Kingdom
KELER Rt.	Hungary
OMX	Sweden
CENTRAL DEPOSITORY AND CLEARING COMPANY INC	Croatia
BUCHAREST CLEARING HOUSE S.A.	Romania
ROMANIAN CLEARING HOUSE S.A.	Romania

5.3 International financial services companies

These are companies whose primary role is in supplying financial services to non-residents.

Reporting agents are requested to separately identify International Financial Services Companies as a memorandum item on the IES and INS formats on the Resident Offices Return. Separate identification of International Financial Services Companies is not required on OES and ONS formats.

6. Insurance corporations (ICs)

Financial corporations and quasi-corporations, which are principally engaged in financial intermediation as a consequence of the pooling of risks mainly in the form of direct insurance or reinsurance. This includes life and non-life insurance activity.

7. Pension funds (PFs)

Financial corporations and quasi-corporations which are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Only pension schemes with autonomy of decision-making and with a complete set of accounts are included here. Other pension funds, which remain part of the entity which set them up, e.g., company pension funds, should not be reported here.

8. Non-financial corporations (NFCs)

All private and public institutional units which are independent legal entities and are not classified as financial corporations but rather in the production of goods and non-financial services with the object of generating profit. This sector also includes non-financial quasi-corporations and head offices whose subsidiaries are all or mostly non-financial corporations.

9. Households and non-profit institutions serving households

Individuals or groups of individuals acting as (i) consumers; (ii) producers of goods and non-financial services exclusively intended for their own final consumption and (iii) small-scale market producers (such as sole proprietorships and partnerships without independent legal status, usually drawing on their own labour and financial resources).

Non-profit institutions serving households (NPISHs) are defined as separate legal institutional units which are principally engaged in serving particular groups of households and the main resources of which derive from occasional sales, voluntary contributions, occasional financing by general government and property income.

9.1 Sole proprietors

Sole proprietors and unincorporated partnerships without independent legal status - other than those created as quasi-corporations - which are market producers. This includes unincorporated business, (partnerships of) self-employed lawyers, doctors etc. In the case of sole proprietors the business entity is inseparably linked to the natural person(s) who is/are the owner(s), combining all rights and obligations arising from the business and the private sphere.

Refer to Section 1 for information on the waiver on reporting information on sole proprietors.

Section 4. Resident Offices Return (RS2)

The Central Bank collects a monthly and quarterly balance sheet from each credit institution resident in Ireland. The Resident Offices Return is the return used to collect this information. There are eleven monthly formats and five quarterly formats.

4.1 Monthly Formats

(i) Balance Sheet Overview (BSO)

The Balance Sheet Overview (BSO) sheet aims to collect a high level balance sheet with a breakdown by main asset and liability categories, counterpart residency (Irish/OMUM/ROW) and currency (euro/non-euro). Detailed breakdown of 'Capital and reserves' and asset and liability positions vis-a-vis central banks are also required.

Memorandum items are required identifying the breakdown of provisions for bad and doubtful debts and for overnight deposit positions which are classified as electronic money. In addition, for the monitoring of foreign direct investment, an asset memorandum item identifying the breakdown of shares and other equity holdings greater than 10 per cent of the total share and other equity issued by the company is required.

Definitions of all asset/liability categories and counterpart sectors are provided in Section 2 and Section 3, respectively.

(ii) Balance Sheet - Irish Resident Euro (IES)

All euro-denominated positions vis-a-vis Irish Residents should be reported here. Additional maturity, asset/liability category and sector breakdowns are requested to that of the BSO format.

In addition, assets memorandum items are required for loans to affiliates, credit unions and international financial services companies. Syndicated loans, credit card loans and repos must also be reported for certain sectors.

On the liabilities side memorandum items for syndicated loans received, transferable deposits, deposits from affiliated companies and the counterpart liability to non-derecognised loans must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% and a breakdown of provisions for bad and doubtful debts should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Section 2 and Section 3, respectively.

(iii) Balance Sheet - Irish Resident Non-Euro (INS)

All positions vis-a-vis Irish Residents that are denominated in any currency other than euro should be reported here. Additional maturity, asset/liability category and sector breakdowns are requested from that of the BSO format.

In addition, asset memorandum items are required for loans to affiliates, credit unions and international financial services companies. Syndicated loans, credit card loans and repos must also be reported for certain sectors.

On the liabilities side memorandum items for syndicated loans received, transferable deposits, deposits from affiliated companies and the counterpart liability to non-derecognised loans must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% and a breakdown of provisions for bad and doubtful debts should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Section 2 and Section 3, respectively.

(iv) Balance Sheet - Other Monetary Union Member State Resident Euro (OES)

All euro-denominated positions vis-a-vis residents of monetary union member states should be reported here. Additional maturity, asset/liability category and sector breakdowns are requested from that of the BSO format.

In addition, asset memorandum items are required for loans to affiliates. Syndicated loans, credit card loans and repos must also be reported for certain sectors.

On the liabilities side memorandum items for syndicated loans received, transferable deposits, deposits from affiliated companies and the counterpart liability to non-derecognised loans must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% and a breakdown of provisions for bad and doubtful debts should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Section 2 and Section 3, respectively.

(v) Balance Sheet - Other Monetary Union Member State Resident Non-Euro (ONS)

All positions vis-a-vis residents of other monetary union member states that are denominated in any currency other than euro should be reported here. Additional maturity, asset/liability category and sector breakdowns are requested from that of the BSO format.

In addition, asset memorandum items are required for loans to affiliates. Syndicated loans, credit card loans and repos must also be reported for certain sectors.

On the liabilities side memorandum items for syndicated loans received, transferable deposits, deposits from affiliated companies and the counterpart liability to non-derecognised loans must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% and a breakdown of provisions for bad and doubtful debts should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Section 2 and Section 3, respectively.

(vi) Balance Sheet - Rest of World Residents (RWS)

All positions vis-a-vis rest of world residents should be recorded here. Both euro and non-euro position should be recorded separately. Additional maturity, asset/liability category and sector breakdowns are requested from that of the BSO format.

In addition, asset memorandum items are required for loans to affiliates and syndicated loans.

On the liabilities side memorandum items for syndicated loans received, transferable deposits, deposits from affiliated companies and the counterpart liability to non-derecognised loans must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% and a breakdown of provisions for bad and doubtful debts should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Section 2 and Section 3, respectively.

(vii) Reserve Requirement Calculations (REQ)

Unlike all other reporting sheets, the REQ should be recorded to the nearest euro.

The liabilities included in the reserve base calculation are as follows:

- overnight accounts;
- deposits with agreed maturity up to 2 years;
- deposits redeemable at notice; and
- debt securities issued by the reporting institution with maturity up to 2 years.

Debt securities issued by the reporting institution and held by credit institutions subject to the ESCB's minimum reserve system are excluded from the reserve base *provided the issuer is able to prove the amount of such holdings*. In the absence of such proof, the reporting institution may apply a standardised deduction of a fixed percentage, currently set at 15 per cent (effective from reporting date 28 October 2016)[7], to each of these balance sheet items.

[7] For reporting dates prior to October 2016, the deduction coefficient was set at 30 per cent.

The liabilities included in the reserve base to which a reserve ratio of 0 per cent is currently applied are as follows:

- deposits with agreed maturity over 2 years;
- funds received from repurchase agreements; and
- debt securities issued by the reporting institution with agreed maturity over 2 years.

Liabilities excluded from the reserve base are as follows:

- liabilities vis-à-vis other institutions subject to the Eurosystem's minimum reserve system, including the EIB (the List of Monetary Financial Institutions and institutions subject to minimum reserves is published on the Bank's website *www.centralbank.ie*); and
- liabilities vis-à-vis the Central Bank of Ireland, other national central banks of the euro area and the ECB.

Given that MFIs subject to the Eurosystem's minimum reserve system are excluded, the REQ sheet only requests balances with MFIs not subject to reserve requirements, that are not the ECB and that are not national central banks of the euro area. Balances from institutions subject to reserve requirements, the ECB, and national central banks of the euro area should be excluded from the REQ.

This format should be completed on an 'all currency' basis, i.e., no distinction should be made between euro and non-euro liabilities.

Please note that that a negative amount must not be reported for '*Required amount to be deposited in next maintenance period*' on the REQ format.

(viii) Amortisation of Loans to Irish residents (LAM)

All capital repayments on loans granted to Irish households and non-financial corporations should be recorded here. This includes regular capital repayments and any lump sum repayments of loans. Therefore, repayments of capital which occur earlier than the fixed repayment structure should also be included here. Net flows of loans securitised or otherwise transferred are not to be included here. Any decrease in the loan due to write-offs/write-downs at time of securitisation should not be recorded here, but on the Revaluation Adjustment Return (RV2). The interest element of any repayments should also be excluded. Any reduction in the value of loans due to debt forgiveness (i.e. where the credit institution has formally informed the borrower that there is no longer an obligation to repay all or part of the capital amount outstanding) should also not be included. Loan categories which do not have a fixed capital repayment structure, i.e. overdrafts and revolving facilities, are not to be included in the LAM format. Any decreases in outstanding loan amounts which occur due to a restructuring of the loan, for example a loan which is restructured from a fixed capital repayment structure to a revolving facility, should be excluded from LAM, as these reductions are not true capital repayments.

Household repayments should be detailed by purpose of the loan: loans for house purchase, for consumption or for other purposes.

(ix) Formal Write-Downs/Write-Offs (MWR)

Any reduction in the value of loans due to formal debt forgiveness during the reference month should be recorded here (as a positive number). Formal debt forgiveness is where the credit institution has formally informed the borrower that there is no longer an obligation to repay all or part of the capital amount outstanding.

The MWR should only be completed if the nominal amount of the loan was reduced due to formal debt forgiveness – i.e. only in a situation where a customer was informed that there is no longer an obligation to repay all or part of the capital amount outstanding. This format should never be completed to account for any type of provision or internal write-off against the loan. Any decrease in the loan due to write-offs/write-downs at time of securitisation should not be recorded here, but on the Revaluation Adjustment Return (RV2).

Formal write-downs/write-offs vis-a-vis Irish residents, other monetary union members (OMUM) and rest of world residents should be recorded here. Both euro and non-euro positions should be recorded separately. A further breakdown by purpose of the loan is required for households.

(x) Off-Balance Sheet (OBS)

The off-balance sheet format collects information on a selection of off-balance sheet exposures of the reporting institution. This is based on Regulation (EU) No 575/2013.

1. Full Risk

1.1 Guarantees having the character of credit substitutes

A written undertaking, guarantee or bond issued by a reporting institution, which guarantees a beneficiary against specified losses thereby creating a contingent liability.

1.2 Credit derivatives

The amount to be reported here is the nominal amount of the relevant reference credit.

1.3 Acceptances

The contingent liabilities of the reporting institution arising from involvement in documentary credits. The trade 'bill' is converted into a bank bill, and the drawee, i.e., the reporting institution, signals its intention to honour the bill. Acceptances already reported on-balance-sheet should not be included. Bills which have been discounted and subsequently sold should also be reported here.

1.4 Transactions with recourse

This item includes:

- Asset sales with recourse (Other than first charge residential mortgages)

  Outstanding contingent liabilities, where the reporting institution has sold assets to a holder who is in a position to force the reporting institution to repurchase, or make good payment on or for the asset.

- Securitised assets with recourse – first charge residential mortgages

  An arrangement requiring the approval of the Central Bank of Ireland whereby a reporting institution sells securitised first charge residential mortgages but retains an obligation to assume the credit risk if the mortgage defaults or the value of the asset otherwise deteriorates.

1.5 Irrevocable standby letters of credit having the character of credit substitutes

A written undertaking or instrument issued by the reporting institution, to a designated beneficiary, guaranteeing, and giving the backing of the reporting institution, to financial obligations undertaken by its customers (such as the redemption of commercial paper).

1.6 Asset sale and repurchase arrangements where credit risk remains with reporting entity

An arrangement whereby the reporting institution sells a loan, security or fixed asset to a third party with a commitment to repurchase the asset after a certain time, or in the event of a certain contingency. Include sale and repurchase agreements (i.e., when the reporting institution is the seller of the asset) where the asset sold is not reported on the balance sheet. If the asset sold is kept on-balance-sheet it should not be reported. Therefore transactions entered into with the Central Bank of Ireland as sale and repurchase agreements should not be recorded under this heading.

When the asset does not appear on the balance sheet the weighting category is to be determined by the counterparty with whom the transaction has been entered into.

1.7 Other items also carrying full risk

All other items carrying full risk and not previously classified.

2. Medium Risk

2.1 Documentary credits issued and confirmed but not collateralised by the underlying shipment (see also Medium/Low Risk)

A letter of credit guaranteeing payment by the reporting institution in favour of a beneficiary against presentation of shipping and other documents, which is not collateralised by the underlying shipment. This is facilitated by means of making payment to or accepting drafts drawn by the beneficiary, or by arranging this with another bank.

2.2 *Undrawn credit facilities (agreements to lend, purchase securities, provide guarantees or acceptance facilities) with an original maturity of more than one year*

Facilities which meet the requirements under this heading.

2.3 *Other items also carrying medium risk*

All other items carrying medium risk and not previously classified.

3. Medium/Low Risk

3.1 *Undrawn credit facilities with an original maturity of up to and including one year or which may not be cancelled unconditionally at any time without notice or that do not effectively provide the automatic cancellation due to deterioration in a borrower's creditworthiness*

3.2 *Other items also carrying medium/low risk*

All other items carrying medium/low risk not previously classified.

4. Low Risk

This is the sum of the items classified under:

4.1 *Undrawn credit facilities with an original maturity of up to and including one year or which may be cancelled unconditionally at any time without notice or that do effectively provide the automatic cancellation due to deterioration in a borrower's creditworthiness. Retail credit lines may be considered as unconditionally cancellable if the terms permit the credit institution to cancel them to the full extent allowable under consumer protection and related legislation*

4.2 *Other items also carrying low risk*

All other items carrying low risk not previously classified.

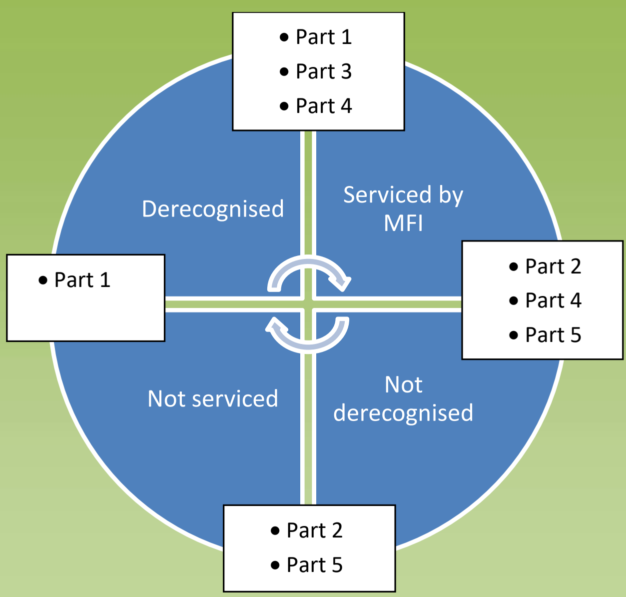
Statistical Reporting Requirements for Securitisation and Other Loan Transfers

Formats:

Securitisation Monthly (MSC) & *Serviced Securitised Loans: by location of FVC (QSC)*

Credit institutions are required to report the following information:

1. Net Flow of loan securitisations and other loan transfers carried out during the reporting period (Format: MSC; Item 1. and Item 2.)
2. The end-month amount outstanding in respect of all loans for which the credit institution remains as servicer in a securitisation (Format MSC: Item 3., Item 4. and Item 5.)
3. When a credit institution continues to service loans securitised using an FVC, the credit institution should report these loans by the location of the FVC (Format QSC)



See Appendix 2 for a flowchart guide on reporting securitisations/transfers.

xi. Securitisation activities monthly (MSC)

Credit institutions report any securitisation or other loan transfer activities in the MSC format. The format is broken down into two parts as detailed below: Net Flows and Outstanding Amounts.

Loans disposed of during a warehousing phase in a securitisation (when the securitisation is not yet completed because securities or other similar instruments have not yet been issued to investors) are treated as if they were already securitised.

Part 1. Net flows

Net flows are defined as: loans securitised or otherwise disposed of during the reference month minus loans acquired[8] during the reference month. Net flows of loans transferred from the balance sheet should be reported as a negative, whereas loans transferred or acquired onto the balance sheet should be reported as positive net flows. This includes situations where loans have been securitised/transferred in the same month as they have been issued. Loans transferred to, or acquired from, another domestic MFI and loans whose transfer occurs as a result of a merger, takeover or division of the reporting agent, are not included in this calculation (but should be reported in a separate return to the Statistics Division – see Appendix 2 and 3). *Loans transferred to or acquired from non-domestic MFIs are included here.* Values reported on the MSC net flows should reflect the purchase or sale price of the loans.

Net Flows of loans securitised or otherwise transferred must be reported according to the following rules:

- If the loans transferred were removed from the balance sheet (derecognised), as reported on the RS2, then the flow of loans should be recorded in part 1 of the MSC format.

  or
- If the loans transferred were not removed (continue to be recognised) from the balance sheet, as reported in the RS2, then the flow of loans should be recorded in part 2 of the MSC format.

1. *Net flows of loans securitised or otherwise transferred: transactions with impact on reported loan stocks.*

   The net flow of loans securitised or otherwise transferred and removed (derecognised) from the balance sheet, as reported on the RS2, should be recorded here. They should be reported according to whom the loans were transferred as follows:

   1.1 Transferred to a Financial Vehicle Corporation (FVC)

   1.1.1: of which securitised and still serviced by MFI

   1.1.2: of which transferred to a euro area resident FVC

   1.2 Transferred to any other entity

   1.2.1: of which transferred to a non-domestic euro area MFI

   An FVC is a securitisation vehicle. A full definition is available in Section 3.

   A sectoral breakdown of the net flow of loans is required by loan counterparty for both domestic and OMUM. No breakdown by sector is required for loans granted to rest of world

[8] Acquired loans are loans purchased by the reporting agent. It does not include loans granted in the normal course of business.

residents. Further breakdown by original maturity is required for loans to non-financial corporations.

Example: During the reporting reference month, Bank A securitises and derecognises €100 million of mortgages to Irish households using a euro area FVC (i.e. SPV). The bank should report this flow in row items '1.1 Transfer to FVC' and row item '1.1.2 transfer to euro area FVC'. The appropriate column is under Irish residents 'x.x households' and 'x.x.2 lending for house purchase'.

2. *Net flows of loans securitised or otherwise transferred: transactions without impact on reported loan stocks.*

   Part 2 is being requested to satisfy the Regulation ECB/2013/33. As a general rule Irish credit institutions should remove securitised loans from the Residents Office Return and thus any securitisations during the month should be recorded under Part 1 above. However, if securitised loans are recognised on the Resident office return (not removed), the net flow should be recorded here.

   Credit institutions applying the IAS 39 or similar reporting rules report net flow of loans securitised or otherwise transferred that were <u>not removed</u> from the balance sheet, as reported in the RS2.

   A sectoral breakdown of the net flow of loans is required by loan counterparty for both domestic and OMUM residents. No breakdown by sector is required for loans granted to rest of world residents.

Part 2. Outstanding amounts

Credit institutions are required to report details on the outstanding amounts of securitised loans according to the following rules:

- Loans that were removed from the balance sheet (derecognised), as reported on the Resident Offices Return, as part of securitisation but, which your credit institution continues to service should be reported in part 3 of the MSC;
- Loans that continue to be serviced in a securitisation, irrespective of whether the serviced loans have been derecognised from the balance sheet should be reported in part 4 of the MSC;

  <u>or</u>
- Loans securitised but not derecognised from the balance sheet, as reported on the Resident Offices return, should be recorded in part 5 of the MSC;

  <u>or</u>
- If none of the requirements above are met then, no information on the outstanding amounts is required. This would include loans transferred in a transaction other than a securitisation.

Where data on outstanding amounts of loans securitised are required, a sectoral breakdown is required by the loan counterparty for both Irish and OMUMS residents. No breakdown by sector is required for loans granted to rest of worlds residents. Further breakdown by original maturity is required for loans to non-financial corporations.

3. *Outstanding amounts of loans serviced in a securitisation and derecognised*

The outstanding amount of loans that have been derecognised from the balance sheet, as reported on the Resident Offices Return, as part of securitisation but which your credit institution continues to service should be reported here.

Where data on outstanding amounts of loans securitised are required, a sectoral breakdown by the loan counterparty for both Irish residents and Other Monetary Union Members should be provided. No breakdown by sector is required for loans granted to rest of world residents.

Example: The outstanding amount of all loans securitised by Bank A is €7 billion. All of the securitised loans are mortgages to Irish households and securitised using euro area FVCs (i.e. SPVs) and Bank A continues to service these loans. The bank should report the outstanding amounts in row items '*3.1 loans serviced: Financial Vehicle Corporations'* and row item '*3.1.1 of which Loans serviced: euro area Financial Vehicle Corporations'*. The appropriate columns are under Irish residents '2.4 Households' and '2.4.2 Lending for house purchase'.

4. *Outstanding amounts of loans serviced in a securitisation (derecognised plus not derecognised)*

Part 4. is being requested to satisfy the ECB Regulation ECB/2013/33. As a general rule securitised loans should be removed from the RS2 and thus the outstanding amount of securitised loans should be recorded in Part 3 above and Part 4 (if serviced). However, if serviced securitised loans continue to be recognised on the RS2, they should be recorded under Part 4 and Part 5.

The outstanding amount of loans in a securitisation which your credit institution continues to service, irrespective of whether the serviced loans are recognised or derecognised from the balance sheet, should be reported here.

Where data on outstanding amounts of loans securitised are required, a sectoral breakdown by the loan counterparty for both Irish residents and Other Monetary Union Members should be provided. No breakdown by sector is required for loans granted to rest of world residents.

5. *Outstanding amounts of securitised loans not derecognised*

Part 5. is being requested to satisfy the ECB Regulation ECB/2013/33. As a general rule securitised loans should be removed from the RS2 and thus the outstanding amount of securitised loans should be recorded in Part 3 and Part 4 above (if serviced). However, if securitised loans continue to be recognised on the RS2, irrespective of the loans servicing rights, they should be recorded under Part 5.

The outstanding amount of loans that remain on the balance sheet (recognised), as reported on the Resident Offices Return, as part of securitisation and irrespective of servicing arrangements, should be reported here.

Credit institutions applying the IAS 39 or similar rules report end-of-month outstanding amounts of loans securitised that have not been subject to derecognition in the Resident Offices Return.

Where data on outstanding amounts of loans securitised are required, a sectoral breakdown by the loan counterparty for both Irish resident and Other Monetary Union Members should be provided. No breakdown by sector is required for loans granted to rest of world residents.

xii. Notional Cash Pooling (NCP)
Credit institutions should report any notional cash pool positions in the NCP format. Any notional cash pool overnight deposit liabilities and loan assets should be reported.

For the purposes of statistical reporting notional cash pool positions must be reported on a gross basis and not netted.

4.2 Quarterly Formats

(i) Serviced Securitised Loans: by location of FVC (QSC)

When a credit institution continues to service loans securitised using an FVC resident in the Euro Area, the credit institution should report the outstanding amount of loans by the location of the FVC in Format QSC. This format is required irrespective of whether the serviced loans have been derecognised from the balance sheet.
<u>Example:</u>

Bank A securitises €100 million of loans to Irish Resident non-financial corporations using an FVC located in the Netherlands. The maturity of the securitised loans is as follows: €20 million have an original maturity of up to 1 year, €50 million have an original maturity between 1 year and 5 years and €30 million have an original maturity over 5 years. These loans should be recorded in the QSC as follows:

- €100 million in Row Item 12. Netherlands, column 4.5 Non-financial corporations
- €20 million in Row Item 31. Netherlands, column 4.5 Non-financial corporations
- €50 million in Row Item 50. Netherlands, column 4.5 Non-financial corporations
- €30 million in Row Item 69. Netherlands, column 4.5 Non-financial corporations

(ii) Sector Analysis of Selected Liabilities and Assets (QSA)

In order to satisfy ECB statistical reporting requirements, all reporting institutions should complete the Quarterly Return: Sector Analysis of Selected Liabilities (QSA). The data reported should be in respect of resident offices only. It should be reported within 10 working days of the reference reporting date.

The aim of the QSA format is to collect more detailed information on deposits and lending to the general government sector in Ireland and the euro area. In addition, remaining liabilities, equity and remaining assets items are required *vis-à-vis all counterparties* for monetary union financial accounts compilation purposes.

Definitions of all asset/liability categories and counterpart sectors are provided in Section 2 and Section 3, respectively.

Balances are analysed:

- by residency of counterpart - as defined in Section 1 - both domestic and other monetary union member states (OMUMS). Information vis-à-vis Rest of World residents is only required for debt securities and equity positions;
- by sector:
    - deposit, lending and debt security positions vis-à-vis general government counterparties only;
    - equity positions vis-à-vis all sector counterparties;
    - remaining assets and liabilities total positions only;
- on an all currencies basis, i.e., no distinction is made between euro and foreign currency balances.

The general government sector is comprised of central government and other general government. The other general government sector comprises state government, local government and social security funds. In Ireland all other government is local government so no request is made for state government and social security funds.

(iii) Country Breakdown (QCO)

In order to satisfy ECB statistical reporting requirements, all reporting institutions should complete the Quarterly Return: Country Breakdown (QCO). The data reported should be in respect of resident offices only. It should be reported within 10 working days of the reference reporting date.

A country breakdown of the counterpart of selected liabilities and assets is required for all other EU member states. Non-EU member states should be aggregated together in the rest of world column. Please note that for the QCO ‘Rest of World’ means non-EU member states unlike other formats where ‘Rest of World’ refers to non-Monetary Union Member states. Balances vis-a-vis the European Stability Mechanism (ESM) and the European Investment Bank (EIB) are separately identified.

Balances are analysed:

- by country of residence of the counterparty;
- by sector: MFI/non-MFI sector. Further breakdown by counterparty is required for the non-MFI sector;
- on an all currencies basis, i.e., no distinction is made between euro and foreign currency balances.

The QCO also requires reporting of any deposit or loan positions held against the Single Resolution Board (SRB). In relation to the use of Irrevocable Payment Commitments (IPCs) to fulfil the contribution to the Single Resolution Fund (SRF), the collateral used to guarantee these IPC payments should be recorded as a loan held against the SRB. These IPCs should also be recorded on-balance sheet, and included under remaining liabilities. Positions with the SRB are to be recorded as Rest of World (within EU) – Central Government sector.

(iv) Currency Breakdown (QCU)

In order to satisfy ECB statistical reporting requirements, all reporting institutions should complete the Quarterly Return: Currency Breakdown (QCU). The data reported should be in respect of resident offices only. It should be reported within 10 working days of the reference reporting date.

A currency breakdown of the counterpart of selected liabilities and assets is required for EU member state currencies and a selection of non-EU member state currencies.

Balances are analysed by:

- currency of denomination of the instrument;
- residency of counterpart: domestic, other monetary union member state (OMUMS) or Rest of World resident;
- sector:
  - o for domestic and OMUMS residents a sector breakdown by MFI, general government and other sectors is required;
  - o For rest of world residents a sector breakdown by bank and non-bank is required;
- Maturity: a maturity breakdown is required for deposits and loans from rest of world residents.

(v) Interest Rate Reset (IRR)

All reporting institutions should complete the Interest Rate Reset (IRR) in respect of resident offices only, within 10 working days of the reference reporting date.

The aim of the IRR format is to allow for a better monitoring of the monetary policy transmission mechanism. To do this, policy makers must have an understanding of the portion of loans that are due for interest rate reset or maturity within a given time period (i.e. what portion of loans may be affected by a change in official interest rates). This information is only required for euro-denominated loans to euro area resident non-financial corporations and households.

Loans with an original maturity up to one year will either be repaid or renewed within the short term so no information beyond that already supplied in the monthly IES and/or OES is required.

Loans with an original maturity over one year must be broken down as follows:

- Loans with a remaining maturity of less than or equal to one year;
- Loans with a remaining maturity over 1 year and with an interest rate reset within the next 12 months.

Loans with an original maturity over two years must be broken down as follows:

- Loans with a remaining maturity of less than or equal to two years;
- Loans with a remaining maturity over two years and with an interest rate reset within the next 24 months.

An interest rate reset period is defined as a change in the interest rate of a loan which is foreseen in the current loan contract. Loans subject to reset include loans with interest rates which are periodically revised in accordance with evolution of an index (e.g. Euribor), loans with interest rates which are revised on a continuous basis (floating rates); and loans which are revisable at the MFIs' discretion. They include:

- Variable rate loans
- Tracker rate loans
- Loans with a fixation period that is coming to an end within the requested period are to be considered due for reset. For example, a loan with a three-year fixed-interest rate, where the fixation period is due to finish in six months, is considered to have an interest rate reset within the next 12 months.

Section 5. Flow Statistics

Flow statistics allow a distinction to be made between true ***transactions***, which are underlying business developments, (actual increases or decreases in business) and changes that arise due to developments that are not the result of transactions, i.e. ***other influences***.
Transactions are defined as the difference between stock positions at end-of-month reporting dates, from which the effect of changes due to *other influences* is removed. *Other influences* (non-transactions) relate to two main categories, *revaluation adjustments* and *reclassifications and other adjustments.* These are captured on the RV2 and RC2 returns.

For the purposes of compiling flow data, the following are types of *other influences*:

- *Revaluation adjustments* (RV2)
    - write-offs/write-downs of loans and write-offs/write-downs at time of loan transfer;
    - revaluations and changes in the valuation of negotiable instruments, e.g., securities, fixed assets and remaining assets and liabilities caused by a change in their price;

- *Reclassifications and other adjustments* (RC2)
    - changes in the composition of the statistical reporting population, changes in the sector classification of counterparties, e.g., on privatisation, corrections of reporting errors in the absence of revisions.

The Central Bank will compile and calculate the exchange rate influences from the date supplied by the credit institution in the quarterly QCU format on the Resident Offices Return. This refers to changes in the value of assets and liabilities denominated in a foreign currency due to a change in the exchange rate of the euro vis-à-vis foreign currencies.

5.1 Revaluation Adjustment Return (RV2)

All reporting institutions should complete the *Revaluation Adjustment Return (RV2)* in respect of resident offices only – as defined in the General Guidance Section. It should be completed within ten working days of the reporting date.

Explanatory notes/information on the reasons for the adjustments may be required.

Exchange rate adjustments should not be included in this return.

The RV2 is comprised of: two monthly formats; REV – revaluation adjustment and SCL – revaluation adjustment for securitised loans; and two quarterly formats: REG which refers to quarterly revaluation adjustments and the SER which refers to write-down at time of securitisation or other loan transfer.

Monthly formats:

(i) Revaluation adjustments (REV)

Revaluations vis-a-vis Irish residents, other monetary union members (OMUMS) and rest of world residents in respect of items on the IES, INS, OES, ONS and RWS formats of the RS2 should be reported here

The purpose of this return is to collect data on revaluation adjustments, including:

- loan write- offs/write-downs at time of securitisation or other transfer;
- price revaluations of securities, shares etc.

Balances are analysed by:

- residency of counterpart: domestic, other monetary union member state (OMUMS) or Rest of World resident;
- sector:
  - for domestic and OMUMS residents a sector breakdown by total, MFI, general government and a detailed breakdown by other sectors is required;
  - Further breakdown by the purpose of the loan is required for domestic and OMUMS households (i.e., consumer credit, lending for house purchase; and other (residual));
  - For rest of world residents a sector breakdown by total, MFI, general government and total other sectors is required;
- maturity: a maturity breakdown is required for loan and securities revaluations.

Definitions of all asset/liability categories and counterpart sectors are in Section 2 and Section 3, respectively.

Treatment of specific revaluation adjustments

- *Loan Write-offs/Write Downs at Time of Securitisation or Other Transfer*

  Data on write-offs/write-downs are reported on the REV in order to remove the impact of changes in the value of loans recorded in the Resident Offices Return balance sheet that are caused by the write-offs/write downs of loans when they are securitised or transferred.
  Losses recognised at the time the loans are sold or transferred to a third party are also included, where identifiable.
  Write-offs/write-downs should be reported only when they occur on the RS2, which implies that zeros would be reported for every period in which no loan write-offs/write downs are recorded.
  In terms of changes in loan-loss provisions, loans are reported on a nominal basis (i.e. gross of impairment provisions) from December 2010 so there should be no changes in the RS2

value of loans due to changes in impairments, and consequently this detail is not needed on the revaluation adjustment.

Write-downs/write-offs of loans that are a result of debt forgiveness (i.e. where the credit institution has formally informed the borrower that there is no longer an obligation to repay all or part of the capital amount outstanding) should not be included on the REV.

- *Price Revaluation adjustments*

  Data on price revaluations are reported in order to remove the impact of changes in the valuation of negotiable instruments due to changes in their price (excluding the effect of exchange rate changes).

  The method used for the calculation of the revaluations adjustment includes the changes that occur over time in the value of end-period balance sheet stocks arising from holding gains/losses. It may also contain valuation changes that arise from transactions in securities, i.e., realised gains/losses.

  The following should be excluded in the calculation of price revaluations:
    - Revaluations on items that were bought within the month
    - Revaluations on items that sold within the month
    - Revaluations on items that were bought and sold within the same month

- *Other Issues*

  It is assumed that the revaluation adjustment refers primarily to asset categories 'debt securities', 'investment fund shares/units' and 'equity'. Therefore, while there is a reporting requirement set out for the liability side of the balance sheet, it is assumed that the cells referring to debt securities are normally 'nil' and that the cells referring to capital and reserves and other liabilities are only for balancing purposes, i.e., since total assets and total liabilities must be equal, reporting institutions should include a balancing entry in capital and reserves and/or other liabilities, according to the reporting institution's accounting practice.

  Revaluations may also impact on the item fixed assets. Depreciation of fixed assets should be reported along with any price revaluations.

A number of examples for the reporting of both loan write-offs/write-downs and price revaluations are included in Appendix 1.

The RV2 must balance: The Revaluation Adjustment Return records changes in the value of balance sheet items. Any write-off/write down must also be accompanied by an adjustment elsewhere on the balance sheet. In practice this usually means adjusting the capital and reserves position on the liabilities side of the balance sheet.

(ii) Revaluation adjustments for securitised loans (SCL)

Revaluations vis-a-vis Irish residents, other monetary union members (OMUMS) and rest of world residents in respect of items on the MSC format of the RS2 should be reported here.

Definitions in Part 2 of Section 4.1 (x) also apply to the SCL format.

The purpose of this return is to collect data on revaluation adjustments in relation to:

- write- offs/write-downs on *securitised* loans;
- write- offs/write-downs on *serviced* loans.

Balances are analysed by:

- residency of counterpart: domestic, other monetary union member state (OMUMS) or Rest of World resident;
- sector:
  - for domestic and OMUMS residents a sector breakdown by MFI, general government and a detailed breakdown by other sectors is required;
  - Further breakdown by the purpose of the loan is required for domestic and OMUMS households (i.e., consumer credit, lending for house purchase; and other (residual));
  - For rest of world residents no sector breakdown is required;
- maturity: a maturity breakdown is required for domestic and OMUMS non-financial corporations.

Definitions of all asset/liability categories and counterpart sectors are in Section 2 and Section 3, respectively.

Quarterly formats:

(iii) Revaluation adjustment for Government Credit (REG)

Revaluations vis-a-vis Irish residents, other monetary union members (OMUMS) and rest of world residents in respect of items on the QSA format of the RS2 should be reported here

Definitions in Section 4.2 (ii) also apply to the REG format.

The purpose of this return is to collect data on revaluation adjustments, including:

- write- offs/write-downs of general government loans at time of securitisation or other transfer;
- price revaluations of holdings of securities and shares vis-à-vis all counterparties.

Balances are analysed by:

- residency of counterpart: domestic, other monetary union member states (OMUMS) and rest of world residents;

- sector:
    - lending and debt security positions vis-à-vis general government counterparties only;
    - detailed equity positions vis-à-vis all sector counterparties;
    - remaining assets and liabilities total positions only;
- maturity: a maturity breakdown is required for loan and securities revaluations

Definitions of all asset/liability categories and counterpart sectors are in Section 2 and Section 3, respectively.

The RV2 must balance: The Revaluation Adjustment Return records changes in the value of balance sheet items. Any write-off/write down must also be accompanied by an adjustment elsewhere on the balance sheet. In practice this usually means adjusting the capital and reserves position on the liabilities side of the balance sheet.

(iv) Securitisation – write downs at time of loan transfer (SER)

Revaluations vis-a-vis Irish residents, other monetary union members (OMUMS) and rest of world residents should be reported here

The purpose of this return is to collect quarterly data on revaluation adjustments on write-offs/write-downs of loans at time of securitisation and transfer. This format should match the sum of the loan revaluations reported for the three months in a quarter on the REV format.

Balances are analysed by:

- residency of counterpart: domestic, other monetary union member state (OMUMS) or Rest of World resident;
- sector:
    - for domestic and OMUMS residents a sector breakdown by general government and a detailed breakdown by other sectors is required;
    - For rest of world residents only total is required;
- maturity: a maturity breakdown is required for domestic and OMUMS non-financial corporations.

Treatment of specific revaluation adjustments

- *SER - Securitised loans, write-downs practiced at the time of the loan transfer*

Write-downs that occur at the time the loan is transferred should be recorded on the SER format. This is reported on a quarterly basis and includes all write-downs that occurred at the time the loan was transferred over the previous quarter. If no write- downs occurred at the time of any securitisations or other transfers in the quarter then the SER should be reported blank. Since December 2010, this format should match the sum of the loans revaluations reported for the three months in a quarter on the REV format.

Example: Bank A has €100 million mortgages recorded on its balance sheet. In April these loans are securitised and at the time of sale, the loans are written down by €20 million to a value of €80 million. In the quarterly June reporting of the SER format, Bank A should report revaluation adjustment of minus €20 million in the appropriate cell on the SER format [minus €20 million would also have been reported on the monthly REV format in April].

5.2 Reclassification Adjustment Return (RC2)

The purpose of this return is to collect data on reclassifications and other adjustments which are not reported on Revaluation Adjustment Return (RV2).

Reclassifications data covers the reclassification of assets and liabilities by maturity, sector or instrument category, e.g., the change in the sector classification of a counterpart on privatisation or following a merger or acquisition.

In the case of corrections of reporting errors, reclassifications **may** be reported in place of revisions. **Such a reclassification should only occur following the prior agreement of the Bank.**

When entering a reclassification, the incorrectly reported portion of **the <u>previous month's</u> stock position should be entered,** so we can observe (when we subtract the reclassification from the change in stock) correct transactions for that month.

Reclassifications and other adjustments: these shall comprise all changes in the balance sheet stocks that arise due to:

- an alteration in statistical coverage of the MFI population;
- the reclassification of assets or liabilities; or
- reporting errors that have been corrected in the stocks only over a limited time range and effects of changes in structure.

Changes in the composition of the reporting sector:

This may give rise to the transfer of business across economic sector boundaries. Such transfers do not represent transactions and are therefore treated as an adjustment in 'reclassifications and other adjustments'

- An institution that joins the reporting sector may transfer business into the sector, whereas an institution leaving the reporting sector may transfer business out of the sector. However, to the extent that the joining institution starts its business *after* having joined the reporting sector, this represents a transaction flow that is *not* included in the reclassifications.

- An institution joining the reporting sector reports its first data after a suitable interval, usually at the end of the month in which it joins or at the next end-quarter. Similarly, the data of an institution leaving the reporting sector is removed at the time of its departure, to coincide with the last reported data. To the extent that the first/last assets and liabilities reported are transferred into/out of the reporting sector, an adjustment may be made in the reporting period in which this transfer occurs. Where institutions join or leave as reporters in the reporting 'tail', the impact on the asset and liability items depends on the grossing-up procedure that is used.

- If an MFI surrenders its authorisation but continues to operate as an OFI funded through the interbank market, then there is an artificial rise in MFI lending to OFIs, which requires an adjustment (covered by 'changes in the classification of counterparty sector').

Changes in classification:

These occur for a number of reasons. A change in the sectoral classification of counterparties may occur because a public sector body is transferred to the private sector or because mergers/demergers alter the principal activity of corporations. Securitisations almost always involve financial transactions, however, where they involve only an accounting change, they would be included here.

Where none of the above has occurred, the reporting institution reports a blank return.

All reporting institutions should complete the *Reclassification Adjustment Return (RC2)* in respect of resident offices only – as defined in the General Guidance section. It should be completed within ten working days of the reporting date.

The following example may be useful in understanding the RC2.

> *Example:* On examination of its loan book, a bank identifies a loan for €100 million that was incorrectly recorded in Loans to Irish residents when it should have been recorded in Loans to Other Monetary Union Member state residents. This has an effect on the Resident Offices Return, as the stock of loans to Irish residents and OMUMS residents is affected. The flow of loans during the month may be misleading to policy makers. To correct for such a transaction, the reporting institution must report this 'reclassification' of the loan (using the previous month's balance) on the RC2 Reclassification Adjustment Return, by recording a negative number in the cells where the loan was removed – in this case Loans to Irish Residents – and a positive number in the cells where the loan was added – Loans to OMUMS.

The RC2 return is laid out similar to the Resident Offices Return (RS2) as it aims to capture reclassification on the RS2. Each sheet of the RC2 corresponds to a sheet on the RS2. There are seven sheets to be reported monthly and two to be reported quarterly. Each corresponding format on the RS2 and RC2 returns are detailed in the table below.

Format on RC2	Corresponding format on RS2
IEC: Irish resident euro	IES
INC: Irish resident non-euro	INS
OEC: OMUMS resident euro	OES
ONC: OMUMS resident non-euro	ONS
RWC: ROW resident all currencies	RWS
SCC: Securitisation activities	MSC
OBC: Off-Balance-Sheet Reclassifications	OBS
IPC: Analysis of selected liabilities and assets	QSA
IRC: Interest rate reset	IRR

Section 6: Frequently Asked Questions (FAQs)

1. What is the difference between a credit institution and a deposit-taking corporation and can a counterparty belong to both sectors?

Monetary financial institutions (MFIs) are defined as resident undertakings that belong to the following sectors:

- *resident national central banks;*
- *resident deposit-taking corporations which incorporate:*
    - credit institutions, as defined by Article 4(1)(1) of Regulation (EU) No. 575/2013. See Notes on Compilation Section 3 (1.1) for more detail.
    - other deposit-taking corporations (i.e. other than credit institutions):
        - these are defined as other financial institutions which are principally engaged in financial intermediation and whose business is to receive deposits and/or close substitutes for deposits from institutional units, not only from MFIs (the degree of substitutability between the instruments issued by other MFIs and the deposits placed with credit institutions shall determine their classification as MFIs); and for their own account, at least in economic terms, to grant loans and/or make investments in securities;
        - Electronic money institutions that are principally engaged in financial intermediation in the form of issuing electronic money.
- *Money market funds (MMFs).*

Therefore a credit institution is a deposit-taking corporation. Any institution that comes under the definition of a deposit-taking corporation but does not meet the credit institution definition should be reported as '*2.2 of which other deposit-taking institution*'. This would include positions vis-a-vis electronic money institutions and other financial institutions as per the above.

2. What is the difference between 'hardware-based electronic money' and 'software-based electronic money'?

Electronic money (e-money) is an *'of which'* item under *17. Deposits* on the BSO format of the RS2. It is classified as an *overnight deposit*, which includes balances (interest bearing or not) representing prepaid amounts in the context of hardware-based or software based e-money issued by MFIs.

Electronic money is a digital equivalent of cash, stored on an electronic device or remotely at a server. One common type of e-money is the 'electronic purse', where users store relatively small amounts of money on their payment card or other smart card, to use for making small payments. But e-money can also be stored on (and used via) mobile phones or in a payment account on the internet.

E-money does not include:

- the use of credit and debit cards (which do not qualify as e-money);
- traditional bank deposits (e.g. online only savings account).

The ECB defines *hardware-based e-money* as products where the purchasing power resides in a personal physical device, such as a chip card, with hardware-based security features. Monetary values are typically transferred by means of device readers that do not need real-time network connectivity to a remote server, e.g. prepaid cards.

Software-based e-money is defined as products that employ specialised software that functions on common personal devices such as personal computers or tablets. To enable the transfer of monetary values account (excluding traditional bank deposits), the personal device typically needs to establish an online connection with a remote server that controls the use of the purchasing power. The value held by a customer is stored centrally on a server under the control of the issuer and customers access their purses remotely, e.g. digital cash.

Directive 2009/110/EC forms the legal requirement underpinning electronic money reporting. Please refer to points (5)-(7).

3. What is meant by 'counterpart liability to non-derecognised loans'?

Counterpart liability to non-derecognised loans is an *'of which'* item under *18. Deposits* on the IES, INS, OES, ONS and RWS formats of the RS2. This deposit item represents the counterpart liability to loans securitised, but not derecognised, from the MFI balance sheet.

4. How are positions with the European Investment Bank (EIB) treated?

All positions with European Investment Bank (EIB) are to be classified, as per the current treatment, as Rest of World - Other Sector - Other Financial Intermediary (OFI).

Due to this treatment, the EIB Column on the QCO format should be left blank and positions reported as ROW (Other Sector, OFI). In addition, if a reporting institution has balances with the EIB, please email all positions (by t+10) on a quarterly basis to creditinst@centralbank.ie, using the template on page 36. This EIB supplementary return is only required for banks with balances in this regard, nil returns are not required to be reported.

The decision on the long-term classification of the EIB currently lies with the ECB and final guidance will be issued by the Central Bank of Ireland at the earliest possible opportunity.

5. What constitutes a *formal write-down/write-off* on the MWR format?

Any reduction in the value of loans due to formal debt forgiveness agreed during the reference month should be recorded on the MWR format (as a positive number). Formal debt forgiveness is where the credit institution has formally informed the borrower that there is no longer an obligation to repay all or part of the capital amount outstanding.

Note that any decrease in the loan due to write-offs/write-downs at time of securitisation should not be recorded on the MWR (as the customer is usually not informed at this point), but instead should be recorded on the Revaluation Adjustment Return (RV2).

6. What does the asset/liability adjustment account cover?

When technical discrepancies arise between derivations of the statistical balance sheet from the accounting balance sheet, any discrepancy should be recorded under the *asset/liability adjustment account* item on the QSA format of the RS2.

However, it would not envisage this item being regularly reported. Explanations for discrepancies should be forwarded to creditinst@centralbank.ie.

7. Classification of equity and investment fund shares/units

The updated reporting scheme includes the items *5. Investment fund shares/units* and *6. Equity* on the assets side of the balance sheet.

Investment fund shares/units is further broken down into *Money market fund (MMF) shares/units* and *non-MMF investment fund shares/units*.

By definition, shares/units issued by MMFs, which fall within the MFI sector, are classified as *Money market fund shares/units*, whereas shares/units issued by non-MMF investment funds are classified as *non-MMF investment fund shares/units*. Shares/units issued by investment funds should never be classified as equity.

Further detail related to *Equity* is required on the QSA format of the RS2:

- *Listed shares*: equity securities listed on an exchange. Such an exchange may be a recognised stock exchange or any other form of secondary market. Listed shares are also referred to as quoted shares. The existence of quoted prices of shares listed on an exchange means that current market prices are usually readily available (see ESA 2010, paragraph 5.146);
- *Unlisted shares*: equity securities not listed on an exchange (see ESA 2010, paragraph 5.147);
- *Other equity*: all forms of equity that are not listed or unlisted shares (see ESA 2010, paragraphs 5.153-5.154).

8. When a loan is extended, how should the maturity be captured on the RS2?

If there is active engagement with the customer, where a new agreement is made regarding the terms of the loan, this is regarded as a new transaction, and the 'new' loan should be captured according to the latest agreed maturity of the loan.

9. In which maturity bracket should revolving loans and overdrafts be captured on the RS2?

While the Regulation does not explicitly state in which instrument or maturity category revolving loans and overdrafts should be reported, the ECB has acknowledged that from its correspondence with other euro area Central Banks, revolving loans and overdrafts are most frequently reported in the in the maturity category 'up to one year'. In relation to the maturity of revolving loans to households or NFCs, it is expected that the reporting agent knows the maturity of any revolving facilities granted, and we would ask that these are reported accordingly. Revolving loans should be reported according to the expected maturity, based on the agreement with the customer. Please note also, that revolving loans should also appear in the memo item, Revolving Loans and Overdrafts.

10. How should financial products with roll-over provisions be treated once rolled over?

Financial products with roll-over provisions must be classified according to the earliest maturity. Term-extension should not be recorded where we have roll-over type products.

Example: A customer has a one-year deposit/security and on day 365 can choose to either redeem the product or the account will roll-over for another year – this product will remain classified as 'up to one year' and not move to a longer maturity. However, if the customer *changed* the product/deposit account to, say a two-year maturity; this is a transaction and will move maturity. In effect the old account was redeemed and a new one was opened.

11. Does a change in counterparty residency require a reclassification on the RC2?

Where a counterparty changes residency, then a reclassification is required. If the loan is re-structured at the same time as the change in residency, then a reclassification would be not required.

12. How should cash-back incentives be treated on the RS2?

Example: if a mortgage of 300k is extended & 3k is given as a cashback incentive. We should see the 300k mortgage recorded as a loan. Any fees/costs owed by the bank should be recorded as a remaining liability if not yet paid out (3k), and not on balance sheet if paid when loan agreed.

13. How should cash collateral received in the Public Sector Purchase Programme securities lending operations be classified on the RS2?

As of 8 December 2016, Eurosystem central banks have the possibility to accept cash as collateral in their Public Sector Purchase Programme (PSPP) securities lending facilities. From a statistical perspective, securities lending against cash collateral is equivalent to a repurchase agreement and should be recorded as such. In particular, the securities lent out remain on the balance sheet of the lender and cash collateral is treated as a repo liability. On the RS2, the repo shall be included in the relevant aggregate depending on the sector and residency area of the counterparty.

14. How should negative interest be treated on the RS2?

- Negative interest accruals on deposits and loans should be recorded on a gross basis (i.e. should be captured on the assets/liabilities side of the balance sheet to which they refer)
- Negative interest accruals are recorded with a negative sign on the respective side of the balance sheet where the underlying business is recorded (i.e., negative accrued interest on deposits should be recorded as a negative in **Interest Payable on Deposits** on the liabilities side of the balance sheet).
- There should be no netting between asset and liability sides of the balance sheet

APPENDIX 1

Example 1

Assume there are loans in the MFI portfolio below. Two of them are already partially provisioned (A and B). One of them will be recovered later (B), while another loan will be completely written-off (C). No transaction occurs.

	January	February
Loans Outstanding		
Loan A	100	100
Loan B	100	100
Loan C	100	0
	January	February
Provisions		
Loan A	0	30
Loan B	20	0
Loan C	40	0
Write-offs		
Loan A	0	0
Loan B	0	0
Loan C	0	100

The following table indicates outstanding amounts, flows and adjustments, loan-by-loan and total amounts.

	Stock end-January	True Flow	Adjustment	Stock end-February
Loan A	100	0	0	100
Loan B	100	0	0	100
Loan C	100	0	-100	0
Total amounts	300	0	-100	200

The Central Bank of Ireland does not require reporting agents to report loans net of provisions. Accordingly in this example, an adjustment is reported only when an actual write-off/write-down is realised, i.e. -100 for loan C.

Other Issues

For accounting purposes loans write-downs/write-offs may be recorded quarterly or semi-annually, depending on a management decision or due to the credit institutions' internal policy. Write-downs/write-offs should be reported only when they occur and zeros should be reported for every period in which no loan write-downs/write-offs are recorded.

Example 2

Assume a portfolio composed of four euro-denominated securities with the same features (A, B, C and D). They were acquired and disposed at the date and price as described in the table below. The market value at the beginning and end of the last period is also shown:

	15 January	**31 January**	10 February	20 February	**28 February**
Market price	100	**99**	101	102	**103**
Operations	Buy A Buy B	------ ------	------ ------ Buy C Buy D	------ Sale B Sale C ------	------ ------

Note: Only *unrealised/holding* gains/losses and their corresponding flows are considered in these examples for the calculation of adjustments according to the 'balance sheet' method (these figures are marked in **bold** in the tables).

(Realised revaluations would only be considered in the revaluation adjustment according to the 'transaction method', together with revaluations related to transactions at market price. The balance sheet method, however, ignores the price that securities were sold for when calculating the revaluation adjustment.)

- Market value

Using the information above, the following table indicates outstanding amounts, flows and adjustments, security-by-security and total amounts.

	Stock end-January		Stock end-February	Revaluation Adjustment
Security A	99		103	+**4**
Security B	99	Sell for 102		
Security C		Buy/sell within Jan.		
Security D		Buy for 101	103	
Total	198		206	**+4**

The amount to be directly reported as an adjustment by the MFI is +4 according to the 'balance sheet method'.

- Lower of market/purchase

This table indicates outstanding amounts, flows and adjustments, security-by-security and total amounts.

	Stock end-January		Stock end-February	Revaluation Adjustment
Security A	99[9]		100[10]	**+1**
Security B	99	Sell for 102		
Security C		Buy/sell within Jan.		
Security D		Buy for 101	101[11]	
Total	198		201	**+1**

The amount to be directly reported as an adjustment by the MFI is +1 according to the 'balance sheet method'.

- Purchase price (cost value)

This table indicates outstanding amounts, flows and adjustments, security-by-security and total amounts.

	Stock end-January		Stock end-February	Revaluation Adjustment
Security A	100		100	
Security B	100	Sell for 102		
Security C		Buy/sell within Jan.		
Security D		Buy for 101	101	
Total	200		201	**0**

The amount to be directly reported as an adjustment by the MFI is zero according to the 'balance sheet method'.

- Book value

[9] Since market price (99) < cost price (100), record at market price.
[10] Since market price (103) > cost price (101), record at cost price.
[11] Since market price (103) > cost price (101), record at cost price.

This is a special case, where information on book value is not related to market price but to different criteria. In the example below it is supposed that the book value is 100 in January and 101 in February. The following table indicates outstanding amounts, flows and adjustments, security-by-security and total amounts.

	Stock end-January		Stock end-February	Revaluation Adjustment
Security A	100		101	+**1**
Security B	100	Sell for 102		
Security C		Buy/sell within Jan.		
Security D		Buy for 101	101	
Total	200		202	+**1**

The amount to be directly reported as an adjustment by the MFI is +1 according to the 'balance sheet method'.

- <u>Other Issues</u>

a.) The exchange rate adjustment is calculated by the ECB, while the price revaluation adjustment is reported by reporting institutions. However, the price revaluation adjustment also applies to **securities denominated in non-euro currency**. As a result, there is a possibility that overlapping of both adjustments could arise in respect of these securities.

Therefore, how should the revaluation adjustment be calculated in respect of the debt securities denominated in foreign currencies?

The revaluation should be calculated in the same way for euro denominated securities except that the price effect has to be calculated in the foreign currency, and then expressed in euro by using the average exchange rate of the period.

The procedure is as follows:

- begin with the balance sheet expressed in foreign currency;
- calculate the adjustment in terms of foreign currency as the difference in price (in foreign currency terms) multiplied by the number of securities; and
- convert the resulting adjustment into euro.

b.) The exchange rate adjustment is not currently calculated in respect of the items 'investment fund shares/units' and 'equity' since Regulation (EC) No 1071/2013 does not require reporting institutions to supply a currency breakdown of 'investment fund shares/units' and ‘equity’, either as euro/non-euro in the monthly balance sheet (Table 1) nor a detailed currency breakdown for the USD, CHF, JPY as provided in Table 4.

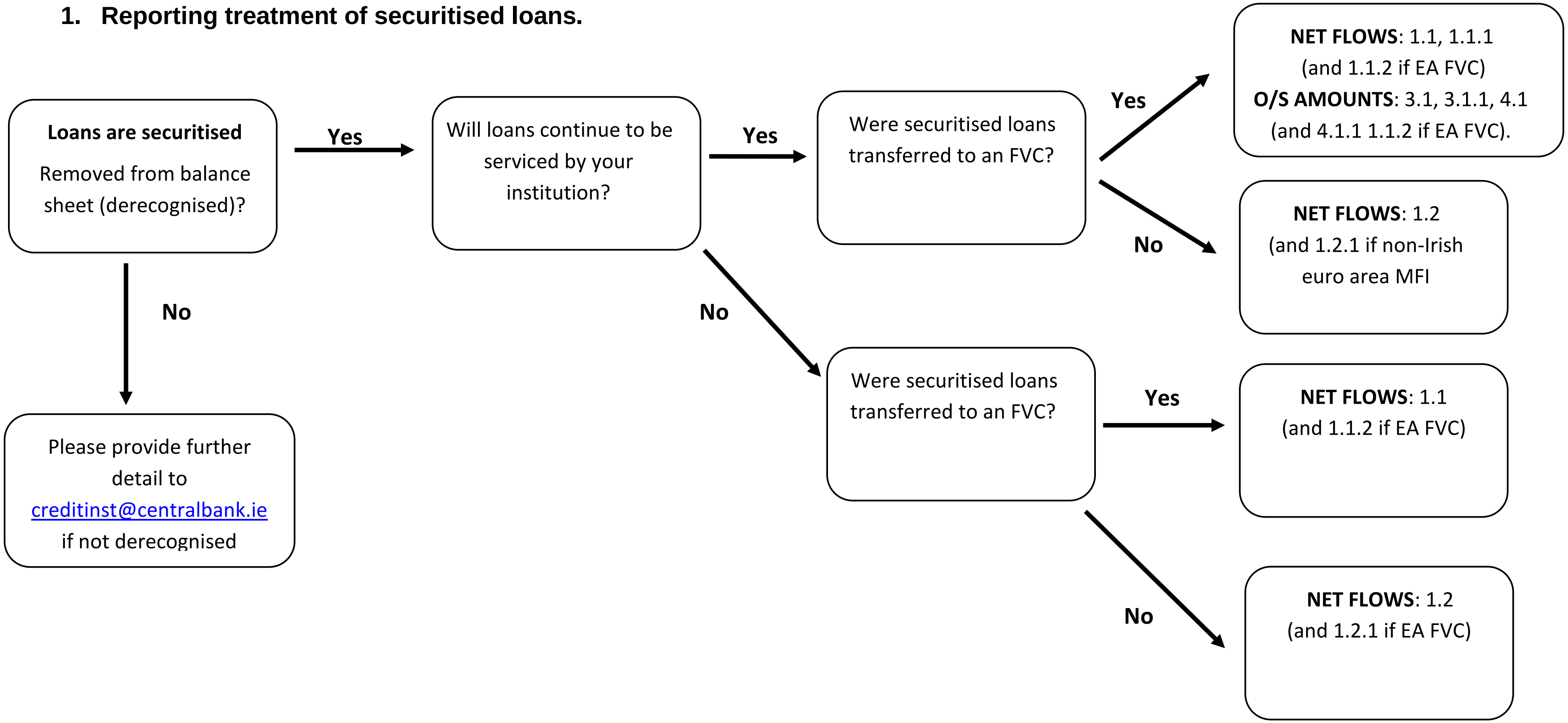
Therefore, should the exchange rate effects be excluded when calculating the revaluation adjustment in respect of the item ‘investment fund shares/units’ and ‘equity’ as for any other item of the balance sheet? Or, should an exception be applied to this item, i.e., the price revaluation should contain all changes in value, also including the exchange rate adjustment?

In the case of ‘investment fund shares/units’ and ‘equity’ the currency in which the shares are quoted has no direct relevance for the price of the shares. Changes in the price of shares fully reflect the impact of changes in relative exchange rates. Hence, exchange rate effects must be considered together with the price effects. Furthermore, there is no link between the currency in which the share is listed and the response of that share price to changes in relative exchange rates.

The application of a separate exchange rate adjustment to ‘investment fund shares/units’ and ‘equity’ could result in an artificial distortion. Therefore, the ECB has indicated that the price revaluation adjustment of item investment fund shares/units’ and ‘equity’ can be reported *including all changes in value*, not separating the part of the changes in value caused by the changes in the exchange rate.

APPENDIX 2

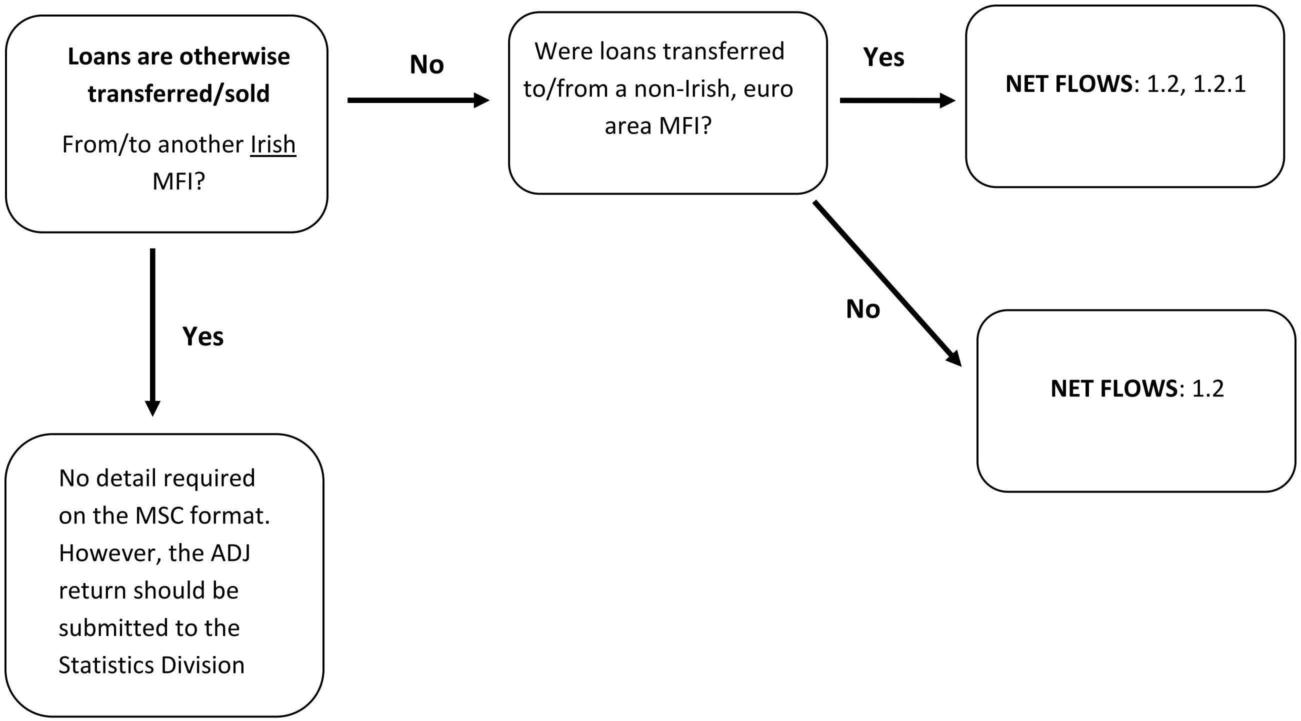
1. Reporting treatment of securitised loans.



Note 1: Losses and loan write-off/write downs at time of securitisation are recorded on the RV2 – see Section 5.

Note 2: Where loans are transferred onto the balance sheet, a positive figure should be captured in the 'Net Flows' section; where loans are transferred off the balance sheet, a negative figure should be captured.

2. Reporting treatment of transferred loans.



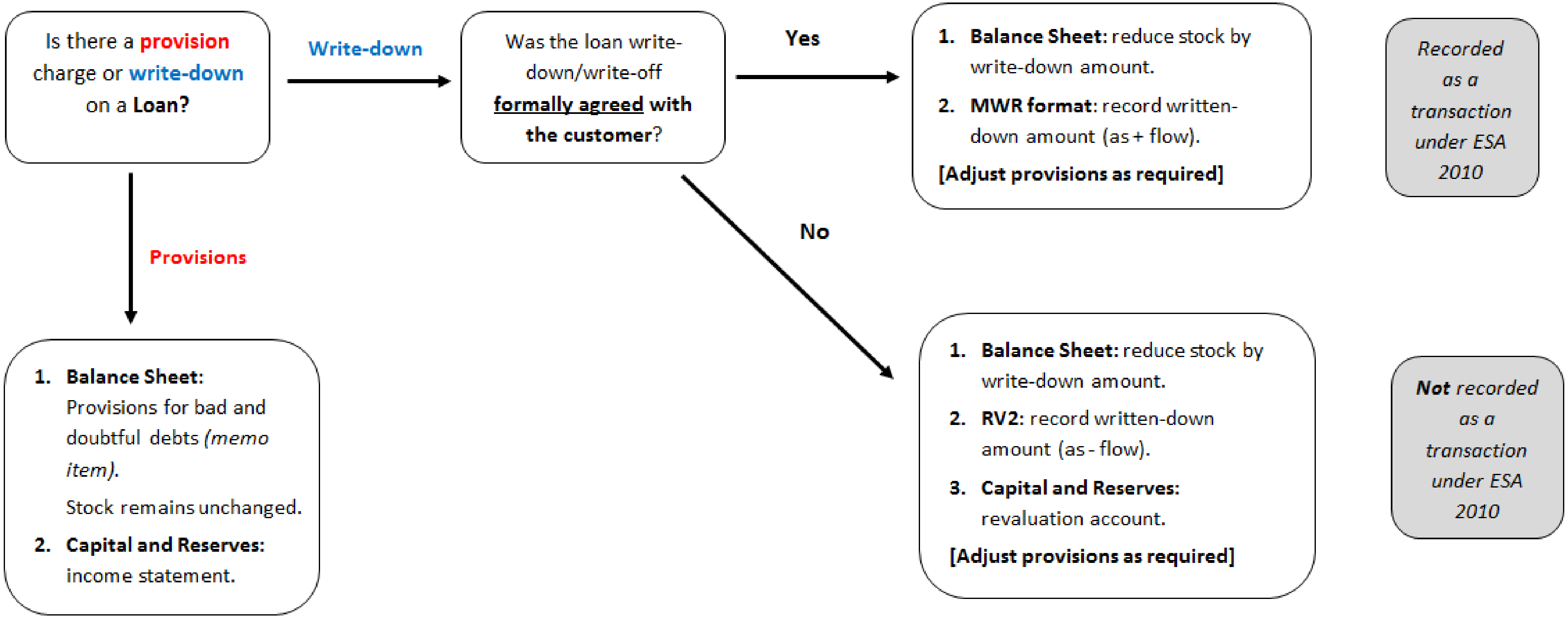
Note 1: Losses and loan write-off/write downs at time of loan transfer are recorded on the RV2 – see Section 5.

Note 2: Where loans are transferred onto the balance sheet, a positive figure should be captured in the 'Net Flows' section; where loans are transferred off the balance sheet, a negative figure should be captured.

Note 3: When loans are transferred to a domestic credit institution, the Statistics Division should be informed by email. The ADJ return (Appendix 3) should also be submitted also, detailing the domestic transfers.

3. Reporting treatment of provisions (impairments and allowances) and write-downs/write-offs affecting on-balance sheet loans.

Loans are <u>always</u> reported on the balance sheet gross of provisions



Provisions: Specific, general and collective provisions against loan loss incurred but not reported, and allowances for impairments and loan-losses.

Write-down: Loan losses incurred/charged and reported. Can be with or without the knowledge of the customer. Includes write-offs/write-downs at time of loan sale or transfer.

Note: Losses and loan write-off/write-downs at time of securitisation are also recorded on the RV2 (see above for recording of transferred loans).

APPENDIX 3

ADJ: ICS - For Loan Transfers to Domestic Banks

Return ADJ
Format ICS
Bank _____________
Date _____________

		Irish resident										
		2. General government		2. Other resident sectors								
			2.1. Other General Government	2.1Non-MMF investment funds	2.1Other financial intermediaries +financial auxilaries + captive	2.2 Insurance corporations	2.2 Pension funds	2.3 Non-financial corporations	2.4 Households			
										2.4.1Credit for consumption	2.4.2 Lending for house purchase	2.4.3 Other lending
	€000	10	20	30	40	50	60	70	80	90	100	110
1.3 Transfer to a domestic euro area MFI	(10)											
up to 1 year	(20)											
over 1 and up to 5 years	(30)											
over 5 years	(40)											

		OMUM											5. Rest of the world
		3. General government		4. Other resident sectors									
			3.1. Other General Government	2.1Non-MMF investment funds	2.1Other financial intermediaries +financial auxilaries + captive	2.2 Insurance corporations	2.2 Pension funds	4.3 Non-financial corporations	4.4 Households				
										4.4.1Credit for consumption	4.4.2 Lending for house purchase	4.4.3 Other lending	
	€000	120	130	140	150	160	170	180	190	200	210	220	230
1.3 Transfer to a domestic euro area MFI	(10)												
up to 1 year	(20)												
over 1 and up to 5 years	(30)												
over 5 years	(40)												