



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Resident Offices Return (RS1)

Revaluation Adjustment Return (RV1)

Reclassification Adjustment Return (RC1)

Notes on Compilation

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V1.1	30 July 2009	Original document
V1.2	25 November 2009	Editing and formatting changes
V1.3	31 December 2010	Reflecting change in methodology for reporting loans
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Introduction

These notes on compilation are designed to help reporting agents complete the Resident Offices Return, the Revaluations Adjustment Return and the Reclassifications Adjustment Return which will become effective from June 2010. 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 (RS1), Revaluation Adjustment Return (RV1), and the Reclassification Adjustment Return (RC1). 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 25/2009 of the ECB of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (Recast) (ECB/2008/32)¹.

1.1 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).

¹ http://www.ecb.int/ecb/legal/pdf/l_01520090120en00140062.pdf

1.2 Reporting frequency

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

- **Resident Offices Return (RS1)**
 - o Balance Sheet Overview (BSO)
 - o Balance Sheet - Irish Resident, Euro Currency Details (IES)
 - o Balance Sheet - Irish Resident, Non-euro Currency Details (INS)
 - o Balance Sheet - Other Monetary Union Member State Resident, Euro Currency Details (OES)
 - o Balance Sheet - Other Monetary Union Member State Resident, Non-euro Currency Details (ONS)
 - o Balance Sheet - Rest of World Resident Details, All Currency (RWS)
 - o Reserve Requirement Calculation (REQ)
 - o Market Value & Transactions of Selected Assets (MVT)
 - o Amortisation of Loans to Irish Residents (LAM)
 - o Off-Balance Sheet Items (OBS)
 - o Securitisation Activities (MSC)
- **Revaluation Adjustment Return (RV1)**
 - o Revaluation Adjustment (REV)
- **Reclassification Adjustment Return (RC1)**
 - o Balance Sheet Reclassifications - Irish Resident, Euro (IEC)
 - o Balance Sheet Reclassifications - Irish Resident, Non-euro (INC)
 - o Balance Sheet Reclassifications - Other Monetary Union Member State Resident, Euro (OEC)
 - o Balance Sheet Reclassifications - Other Monetary Union Member State Resident, Non-euro (ONC)
 - o Balance Sheet - Rest of World Resident Details, All Currency (RWC)
 - o Reclassification - Securitisation Activities (SCC)

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

- **Resident Offices Return (RS1)**
 - o Securitisation Activities – Country Breakdown (QSC)
 - o Sector Analysis of Selected Liabilities and Assets (QSAQSA)
 - o Country Breakdown (QCOQCO)
 - o Currency Breakdown (QCAQCU)
 - o Interest Rate Reset (IRR)
- **Revaluation Adjustment Return (RV1)**
 - o Revaluation Adjustment for Government Credit (REG)
 - o Securitisation – Write-Downs at Time of Transfer (SER)
- **Reclassification Adjustment Return (RC1)**
 - o Reclassification - Analysis of Selected Liabilities and Assets (IPC)
 - o Reclassifications - Interest Rate Reset (IRC)

1.3 Reporting deadline

The reporting deadline for all returns (monthly and quarterly) is noon on 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.

1.4 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 manually inputting data into 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 are available on the Central Bank's website http://www.centralbank.ie/sta_cir.asp.

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 25/2009 of the ECB of 19 December 2008 concerning the balance sheet of the monetary financial institutions sector (Recast) (ECB/2008/32).

1.5 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.

1.6 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.

1.7 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 not adopted the single currency, are treated as non-euro.

1.8 Items in transit

The practice of posting entries to accounts before they have passed through the clearing process and value has been received, gives rise to items in transit at reporting dates. In order to prevent double counting in the compilation of monetary aggregates, reporting institutions are requested to deduct 60 per cent of net debit items in transit from non-government current accounts and add the remaining 40 per cent to non-government overdrafts.

1.9 Provisions for bad and doubtful debts

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

The bad debt provisions in the balance sheet comprises:

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.

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.

1.10 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.

1.11 Affiliates

An affiliate is a parent, 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.

1.12 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' position.

An example of this is row item '16.6 loans to international financial services companies' on the IES format of the RS1. These loan balances are also included, but not separately identified in the row item '2. Loans', Column 4. 'Other sectors'.

Section 2a: 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:
 - o **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);
 - o **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.
 - o **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.

- 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.

- o 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.
- o 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 securities other than shares and other equity 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 shares and other equity. For statistical purposes, subordinated debt is treated according to the nature of the financial instrument, i.e., classified as either loans or securities other than shares 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 securities other than shares, 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 and including one year 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 Annex VIII, Part 1, Sections 13-19 of Directive 2006/48/EC², 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.

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2006:177:0001:0200:EN:PDF>

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

- 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 Eurosystem 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. Securities other than shares

Holdings of securities other than 'shares and other 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 payments and/or a stated fixed sum at a specific date or dates or starting from a date defined at the time of issue;
- Negotiable loans that have been restructured into a large number of identical documents and that can be traded on secondary markets (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 securities other than shares. 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:

- *Securities other than shares up to 1 year*
Securities other than shares with an original maturity of up to and including one year should be recorded here.
- *Securities other than shares over 1 and up to 2 years*
Securities other than shares with an original maturity of over one year and up to and including two years should be recorded here.
- *Securities other than shares over 2 years*
Securities other than shares with an original maturity of over two years should be recorded here.

5. Money market fund (MMF) shares/units

Mutual fund shares/units held by the reporting institution which are 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 as 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/or which pursue a rate of return that approaches the interest rates of money market instruments.

6. Shares and other equity

Holdings of securities which represent property rights in corporations or quasi-corporations. These securities generally entitle the holders to a share in the profits of corporations or quasi-corporations and to a share in their own funds in the event of liquidation. Mutual fund shares (other than money market fund shares/units) are included here.

On the detailed balance sheets not relating to domestic counterparts (OES, ONS and RWS) a separate 'of which equity investments holdings greater than 10%' is required. This should correspond to the foreign direct investment part of the quarterly CRS1 form. Investments of the credit institutions of 10% or more in companies and branches abroad are to be included under this heading.

7. Fixed assets

This includes premises, equipment, furniture, fixtures and fittings, company cars, etc., owned by the reporting institution for its own use. 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 classified 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 'securities other than shares'.

- *Other asset items*

This includes assets not classified elsewhere.

Section 2b: 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:

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

2. 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

- o The relevant national regulatory provisions provide no unconditional right to the issuing MFI to refuse redemption of its shares;
- o The shares are value certain (i.e. under normal circumstances they will be paid out at their nominal value in the event of redemption);
- o 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.

1.1 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);
- 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.

1.2 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.

1.3 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

1.4 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 'securities other than shares 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.

2.1 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.

2.2 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.

2.3 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.

2.4 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 securities other than shares, 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:
 - o Negotiable debt instruments containing embedded derivatives;
 - o 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 1 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;
- Non-distributed benefits or funds;
- Charges for specific and collective provisions against loans, securities and other types of assets.

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:

4.1 *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'.

4.2 *Share premium*

Balances on share premium or stock premium accounts relating to ordinary shares. Share premium in respect of other capital instruments should be reported indistinguishably with the relevant instrument.

4.3 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.

4.4 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 plus other capital reserves. Other capital reserves are defined as any income or gains which, because of statutory or other provisions, are not available for distribution at the 'return date' or which are otherwise classified as capital reserves in the financial accounts.

4.5 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.

4.6 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:

- o 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
- o 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.

4.7 Preference Shares

The sum of all preference shares issued as perpetual non-cumulative preference shares, cumulative perpetual preference shares, fixed-term preference shares and other redeemable preference shares.

4.8 Subordinated loan capital

The sum of perpetual subordinated loan capital and subordinated term loan capital.

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 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:

5.1 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 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.

5.2 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.

5.3 Other interest payable

All accrued interest not included in 'accrued interest on 'deposits'. This includes accrued interest on the category 'debt securities issued'.

5.4 Other liability items

Liabilities not classified elsewhere are included here.

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 website³). Sector classification follows principles that are consistent with the European System on Accounts (ESA 95). 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.

1. Monetary financial institutions (MFIs)

Resident national central banks, resident credit institutions, as defined in Community Law, money market funds, 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.

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 of 2006/48/EC (one of the two EU directives that make up the Capital Requirements Directive (CRD)) defines a 'credit institution' as:

- (a) an undertaking whose business is to receive deposits or other repayable funds from the public and to grant credits for its own account; or
- (b) An electronic money institution within the meaning of Directive 2000/46/EC

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.

Credit institutions include **Credit Unions** as regulated by the Registrar of Credit Unions. Credit unions must be separately identified as memorandum item in the IES and INS formats on the RS1 return.

³ A copy of this manual is available at <http://www.ecb.int/pub/pdf/other/mfimarketstatisticssectormanual200703en.pdf>

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 RS1.

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 governments

All administrative departments, agencies, foundations, institutes and similar state bodies, the competence territory of one country (with the exception of the administration of social security funds - see below).

2.2 Other general governments

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 restricted 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.

3. Other sectors

Throughout the RS1, RV1 and RC1 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 other financial intermediaries and financial auxiliaries, insurance corporations and 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 RS1. Currently, the European Investment Bank (EIB) is included in this category for MFI statistics purposes. 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.

4. Other financial intermediaries and financial auxiliaries (OFIs)

Financial corporations and quasi-corporations (except 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 from institutional units other than MFIs, or insurance technical reserves.

Also included are financial auxiliaries consisting of all financial corporations and quasi-corporations that are principally engaged in auxiliary financial activities.

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

4.1 Financial vehicle corporations

Financial vehicle corporations (FVCs) are securitisation vehicles. An FVC is defined in Article 1 of Regulation ECB/2008/30⁴. 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; and
- b) which issues securities that are offered for sale to the public or sold on the basis of private placements

4.2 Central counterparties

⁴ http://www.ecb.int/ecb/legal/pdf/l_01520090120en00010013.pdf

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 these can be accessed at the following link http://mifiddatabase.cesr.eu/Index.aspx?sectionlinks_id=24&language=0&pageName=CENTRAL_COUNTERPARTIES_Display&subsection_id=0.

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
LCH. Clearnet SA	France
MEFF	Spain
CCP Austria	Austria

Other EU Member States:

CCP	Country of residence
LCH.Clearnet Ltd.	United Kingdom
KELER Rt.	Hungary
OMX	Sweden
Casa Romana de Compensatie S.A. (CRC)	Romania

4.3 International financial services companies

On the Resident Offices Return, reporting agents are requested to separately identify International Financial services Companies as a memorandum item. These are companies whose primary role is in supplying financial services to non-residents.

5. Insurance corporations and pension funds (ICPFs)

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

6. Non-financial corporations (NFCs)

All private and public institutional units which are not classified as financial corporations but rather in the production of goods and non-financial services with the object of generating profit.

7. 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.

7.1 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.

Section 4. Resident Offices Return (RS1)

The Central Bank collects 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 ten monthly formats and five quarterly formats. When reporting online only the monthly formats will be visible on non-end quarter months and all formats will be visible on end-quarter months.

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.

A memorandum item is required identifying provisions for bad and doubtful debts.

Definitions of all asset/liability categories and counterpart sectors are provided in Chapter 2 and Chapter 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 syndicated loans received, transferable deposits and deposits from affiliated companies must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Chapter 2 and Chapter 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 syndicated loans received, transferable deposits and deposits from affiliated companies must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Chapter 2 and Chapter 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. For monitoring foreign direct investment a 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.

On the liabilities side memorandum items syndicated loans received, transferable deposits and deposits from affiliated companies must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Chapter 2 and Chapter 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. For monitoring foreign direct investment a 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.

On the liabilities side memorandum items syndicated loans received, transferable deposits and deposits from affiliated companies must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Chapter 2 and Chapter 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. For monitoring foreign direct investment a 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.

On the liabilities side, memorandum items breakdown of deposits by maturity, syndicated loans received, transferable deposits and deposits from affiliated companies must be reported. Debt securities issued with up to two years original maturity but which nominal capital guarantee is below 100% should also be separately identified.

Definitions of all asset/liability categories and counterpart sectors are in Chapter 2 and Chapter 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, is applied 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 30 per cent, to each of these balance sheet items.

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 ESCB's minimum reserve system (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 ECB and the national central banks.

Given that MFIs subject to the ESCB's minimum reserve system are excluded, the REQ sheet only requests balance with MFIs not subject to reserve requirements, the ECB and national central banks. Balance from institution subject to reserve requirements, the ECB, and national central banks 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.

viii. Market Value and Transactions of Selected Assets (MVT)

The market value of the reporting institutions holdings of 'securities other than shares' and 'shares and other equity' should be reported here. A breakdown by residency of the counterpart is required. This format should be completed on an 'all currency' basis, i.e., no distinction should be made between euro and non-euro liabilities.

Where no market value is available, reporting institutions should use an alternative valuation methodology to estimate market value, such recent transaction prices, directors' valuations or the assets' net asset value.

This comprises the current market value securities recorded at book value in the following formats: BSO, IES, INS, OES, ONS, and RWS.

Acquisitions and sales during the reporting month should be recorded at the market value on the transaction date.

ix 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. 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 (RV1). 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.

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

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 Directive 2006/48/EC.

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 mortgagee 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.

2.3 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 the credit institution remains as servicer in a securitisation (Format MSC: Item 3. and Item 4.)
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)

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.

Net flows of loans securitised or otherwise transferred

Net flows are defined as: loans securitised or otherwise disposed of during the reference month minus loans acquired⁵ during the reference month. Loans transferred to, or acquired from, another euro area 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.

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 RS1, 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 RS1, then the flow of loans should be recorded in part 2 of the

⁵ Acquired loans are loans purchase by the reporting agent. It does not include loans granted in the normal course of business.

MSC format

Part 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 RS1, should be recorded here. They should be reported according to whom the loans were transferred as follows:

- Transferred to a Financial Vehicle Corporation (FVC)
 - of which transferred to a euro area resident FVC
- Transferred to any other entity

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 residents. For loans transferred to FVCs (Item 1.1 and Item 1.1.1), loans to non-financial corporations should be supplied by the maturity.

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 '1.1.1 transfer to euro area FVC'. The appropriate column is under Irish residents '2.4 households' and '2.4.2 lending for house purchase'.

Part 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/2008/32. 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, 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 not removed from the balance sheet, as reported in the RS1.

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.

Outstanding amounts of securitised loans

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, 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;
- or
- Loans securitised but not derecognised from the balance sheet, as reported on the Resident Offices return, should be recorded in part 4 of the MSC;
- or
- If neither of the two 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.

Part 3. Outstanding amounts of loans serviced in a securitisation

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'.

Part 4. Outstanding amounts of securitised loans not derecognised

Part 4. is being requested to satisfy the ECB Regulation ECB/2008/32. As a general rule securitised loans should be removed from the RS1 and thus the outstanding amount of securitised loans should be recorded in Part 3 above (if serviced). However, if securitised loans are recognised on the RS1, they should be recorded under Part 4.

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.

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.

Example:

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, column3.3 Non-financial corporations
- €20 million in Row Item 28. Netherlands, column3.3 Non-financial corporations
- €50 million in Row Item 44. Netherlands, column3.3 Non-financial corporations
- €30 million in Row Item 60. Netherlands, column3.3 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 general government sector is comprised of central government and other general government. The aim of the QSA format is to collect more detailed information on deposits and lending to the other general government sector in Ireland and the euro area.

Funds are analysed:

- By residency - as defined in Section 1 – both Domestic and Other Monetary Union Member States. No information is required on Rest of World residents;
- on an all currencies basis, i.e., no distinction is made between euro and foreign currency balances;
- 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 are analysed by:

- country of residence of the counterparty (QCO)
- on an all currencies basis, i.e., no distinction is made between euro and foreign currency balances; and
- MFI/non-MFI sector: Non-MFI is general government and the other residents (non-government) sector (OFIs, ICPFs, NFCs and households)

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 (QCU);
- residency of counterpart: domestic, other monetary union member state (OMUMS) resident or Rest of World resident;
- sector - for domestic and OMUMS residents the following sector breakdown is required: MFI, general government and other sectors. For rest of world residents a sector breakdown by bank and non-bank is required;
- Maturity – for 'Deposits' and 'Loans' from rest of world residents, a maturity breakdown is required.

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 in 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** (actual increases or decreases in business) and changes that arise due to **other influences**, i.e., non-transactions. Transactions are defined as the difference between end-of-month balance sheet (stock) positions at the reporting date (month-to-month changes), from which the effect of changes due to other influences is removed. Other influences (non-transactions) are changes such as reclassifications, revaluations, etc. For the purposes of compiling flow data there are three types of other influences:

- exchange rate adjustments – 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;
- Write-offs/write-downs at time of loan transfer , revaluations and changes in the valuation of negotiable instruments, e.g., securities, caused by a change in their price; and
- reclassifications and other adjustments – 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. The revaluations information is supplied to the Central Bank by credit institutions in the monthly Revaluation Adjustment Return (RV1) detailed below. Reclassification information is supplied to the Central Bank by credit institutions in the Reclassifications Adjustment Return (RC1) form detailed below.

5(a). Revaluation Adjustment Return (RV1)

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** and **price revaluations of securities**. In addition, explanatory notes/information on the reasons for the adjustments may be required.

Exchange rate adjustments should not be included in this return.

All reporting institutions should complete the *Revaluation Adjustment Return (RV1)* 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 RV1 is comprised of: a monthly format, RV1 – revaluation adjustment; and two quarterly formats: REG – revaluation adjustments for government credit, SER – securitisation revaluation adjustments.

Funds are analysed by residency, currency and sector of the counterparty. Counterparties are identified according to their sector or institutional classification in accordance with the guidance provided in *Section 3: Definitions of sectors*.

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

Data on write-offs/write-downs are reported 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. As loans are reported on a nominal basis (i.e. gross of impairment provisions) from December 2010, there should be no changes in the RS1 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 also not be included on the RV1.

Write-offs/write-downs on loan securitisation or other transfer should be reported only when they occur on the RS1, which implies that zeros would be reported for every period in which no loan write-offs/write downs are recorded.

Reporting Requirements

The amounts written off/written down on loan securitisation or other transfer are reported according to the geographical location of the counterparty. In addition, counterparties located in the participating Member States of the euro area are classified according to their institutional sector, with separate data for monetary financial institutions, general government and 'other resident (non-government) sector' and the latter with a further breakdown by sub-sector, i.e., other financial intermediaries and financial auxiliaries; insurance corporations and pension funds; non-financial corporations; and households and non-profit institutions serving households. The household sector is reported with a breakdown according to the purpose of the loan, i.e., consumer credit, lending for house purchase; and other (residual). Total amounts are reported in respect of loans to residents of the rest of the world, without any additional breakdown.

Price Revaluation of Securities

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 price revaluations are reported according to the geographical location of the counterparty. In addition, counterparties located in the participating Member States of the euro area are classified according to their institutional sector, with separate data for monetary financial institutions, general government and 'other resident (non-government) sector'. Total amounts

are reported in respect of securities other than shares, and shares and other equity issued by residents of the rest of the world, without any additional breakdown.

Other Issues

It is assumed that the revaluation adjustment refers primarily to asset categories 'securities other than shares' and 'shares and other 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 RV1 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.

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.

5(b). Reclassification Adjustment Return (RC1)

The purpose of this return is to collect data on reclassifications and other adjustments which are not reported on Revaluation Adjustment Return (RV1).

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 counterparty 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.**

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 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 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 (RC1)* 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 RC1.

Example 1.

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 on the 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 RC1 return is laid out similar to the Resident Offices Return (RS1) as it aims to capture reclassification on the RS1. Each sheet of the RC1 corresponds to a sheet on the RS1. There are five sheets to be reported monthly and two to be reported quarterly. Each corresponding format on the RS1 and RC1 returns detailed in the table below.

Format on RC1	Corresponding format on RS1
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
IPC: Analysis of selected liabilities and assets	QSA
IRC: Interest rate reset	IRR

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.

	31 January	28 February
Loans Outstanding		
Loan A	100	100
Loan B	100	100
Loan C	100	0
	31 January	28 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

As of December 2010, 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 4

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 -----	----- -----

Only unrealised gains/losses and their corresponding flows are considered in these examples for the calculation of adjustments according to the 'balance sheet' method (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

Market 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	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 ⁶		100 ⁷	+1
Security B	99	Sell for 102		
Security C		Buy/sell within Jan.		
Security D		Buy for 101	101 ⁸	
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

⁶ Since market price (99) < cost price (100), record at market price.

⁷ Since market price (103) > cost price (100), record at cost price.

⁸ Since market price (103) > cost price (101), record at cost price.

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

Book value

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'.

Other Issues

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.

The exchange rate adjustment is not currently calculated in respect of item '**shares and other equity**' since the Regulation does not require reporting institutions to supply a currency breakdown of 'shares and other 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 (formerly Table 5).

Therefore, should the exchange rate effects be excluded when calculating the revaluation adjustment in respect of the item 'shares and other 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 'shares and other 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 'shares and other equity' could result in an artificial distortion. Therefore, the ECB has indicated that the price revaluation adjustment of item 'shares and other 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.

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