

# Quarterly inquiry on financial assets and liabilities (BOPQ)

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# 1 Quarterly inquiry on financial assets and liabilities

The quarterly inquiry on financial assets and liabilities (BOPQ) replaces the monthly inquiry on foreign financial assets and liabilities (BOPM) and the data collection concerning outstanding credit starting from the reporting for the first quarter of 2017. The report must be submitted no later than the **30th day of the month following the reporting quarter**.

In the quarterly inquiry on financial assets and liabilities (BOPQ), data are provided on non-group and intra-group items. In addition to foreign assets and liabilities, data on debt instruments (excluding securities) are also given on items within Finland. On other items, data are given about items only between Finland and the rest of the world.

The collected data are used for the compilation of statistics on balance of payments and international investment position and statistics on foreign direct investments. In addition, the data are utilised in compiling National Accounts. The data supply obligation is based on the Statistics Act (280/2004, Section 14) and on the EU Regulation concerning the collection of statistical information by the European Central Bank (2533/1998, amended 951/2009).

The data are collected from the largest enterprises and entities operating in Finland, which have significant foreign or domestic financial assets and liabilities. The inquiry covers all domestic sectors (excl. financial institutions, investment funds, households and employment pension schemes). Every Finland-based group member subject to the reporting obligation is required to make separate reports. The form pages are modelled according to the predetermined roles, so that each data provider can give data for the items specified for its role.

Data providers are divided into three different **Roles** based on their Classification of Sectors:

**Role 1:** Sectors S11 (non-financial corporations) and S1313 (local government)

**Role 2:** Sector S1311 (central government)

**Role 3:** Sectors S125 (other financial intermediaries), S126 (financial auxiliaries) and S127 (captive financial institutions and money lenders)

The data provider's sector data according to the Classification of Sectors 2012 standard are available from Statistics Finland's web site.

[https://stat.fi/en/luokitukset/sektoriluokitus/sektoriluokitus\\_1\\_20130101/](https://stat.fi/en/luokitukset/sektoriluokitus/sektoriluokitus_1_20130101/)

All Business IDs and sector groups of domestic entities can be obtained for statistical reporting from Statistics Finland's classification service: [http://www.stat.fi/tup/yrluok/index\\_en.html](http://www.stat.fi/tup/yrluok/index_en.html)

Further information about the data collection is available from Statistics Finland. Questions concerning the data collection can be sent to: [maksutase@stat.fi](mailto:maksutase@stat.fi).

## 2 General instructions

### 2.1 Structure of the data collection

The inquiry is answered online with Statistics Finland's data collection form. You can log in to the form either with the user ID and password sent by email by Statistics Finland or with the KATSO identification.

More detailed instructions for the data collection form can be found in the instructions of Statistics Finland's data collection website.

The inquiry comprises the following form pages:

- A Non-group assets
- B Non-group liabilities
- C Intra-group assets
- D Intra-group liabilities
- E Foreign equity investment within the same enterprise group
- F Derivatives contracts
- G Additional information on central government
- Interests

Data given on all form pages are reported **in millions of euros at the accuracy of two decimal places**. The form pages A, B, C, D and G and the Interests form page are adjusted automatically depending on the role of the data provider. Each form page should be marked as completed to transfer the reported data to Statistics Finland.

The form page data for the latest quarter (excl. forms E and G) can alternatively be filled in by downloading a form-specific CSV file to the service. There are separate instructions for forming a CSV file. Downloading a CSV file can be used in the first reporting time as well, but then opening stocks have to be given manually on the form. Each form page also has to be marked as completed when using sending of a CSV file in order that the data are transferred to Statistics Finland.

Interest data are given last on a separate form page once all other form pages have been filled in. Interest data are given only on such instruments on which data have been given on other form pages. Data on interests are not broken down by the counterparty's country or sector.

Data providers of all roles divide non-group and intra-group items based on the counterparty's country on forms A, B, C and D. In addition, depending on the data provider role, part of asset and liability items are broken down by the counterparty's sector data.

Non-group and intra-group items are broken down according to maturity (short-term or long-term agreement). A short-term agreement has an original maturity of no more than 12 months. Agreements with an original maturity of more than 12 months and agreements without fixed maturity are classified as long-term agreements.

Intra-group items are further broken down based on the counterparty's country and intra-group relations.

The closing stock data of the previous quarter move automatically to the opening stock data of the newest quarter. If the opening stock data have changed, they should be corrected for the previous quarter.

On the data collection form, data providers can correct, in addition to the latest quarter, data on three previous quarters if the data have been given on the form concerned. If the data for previous quarters are changed, the previous quarters also need to be marked as completed to transfer the data to Statistics Finland.

## 2.2 Basic concepts

### **Residents and non-residents**

In this inquiry, residents are economic entities that engage in economic activities in Finland on a permanent basis and that have fixed premises in Finland from where they carry out their activities, e.g. offices or production plants. Economic activities are regarded as permanent if they continue for at least a year. Otherwise, activities are regarded as being conducted by non-resident economic entities.

In practice, all entities registered in Finland are regarded as resident entities. By way of exception, however, foreign branches of entities registered in Finland are regarded as non-resident. Correspondingly, Finnish branches of entities registered abroad are regarded as resident in Finland.

The Nordic Investment Bank (NIB), the institutions of the European Union and other international organisations are regarded as non-residents and are identified with separate country codes.

## Euro area

The Member States of the European Union and their overseas territories having adopted the common currency euro and the European Central Bank (ECB) and the European Stability Mechanism (ESM).

## Securities-based assets and liabilities

**Role 1 and 2** data providers also report data on their securities. Data should be given only on intra-group foreign securities-based assets and liabilities.

Securities-based assets are negotiable shares, bonds and money market instruments of which data are given on the form concerning bonds and money market instruments.

Bonds are negotiable debt instruments with an original maturity of more than 12 months. Money market instruments are negotiable debt instruments with an original maturity of no more than 12 months such as commercial papers and certificates of deposit.

Foreign liabilities related to negotiable bonds and money market instruments are reported at market value, which includes interest accrued to the promissory note (at the so-called dirty price).

Data on derivatives contracts are not given for securities-based assets or liabilities, but on a separate Derivatives contracts form.

## Enterprise group, parent, subsidiary, associate, branch and fellow enterprise

In this inquiry, an enterprise group refers to a whole comprising two or more economic entities, where one of the economic entities controls directly at least 10 per cent or indirectly over 50 per cent of votes in all other entities within the group.

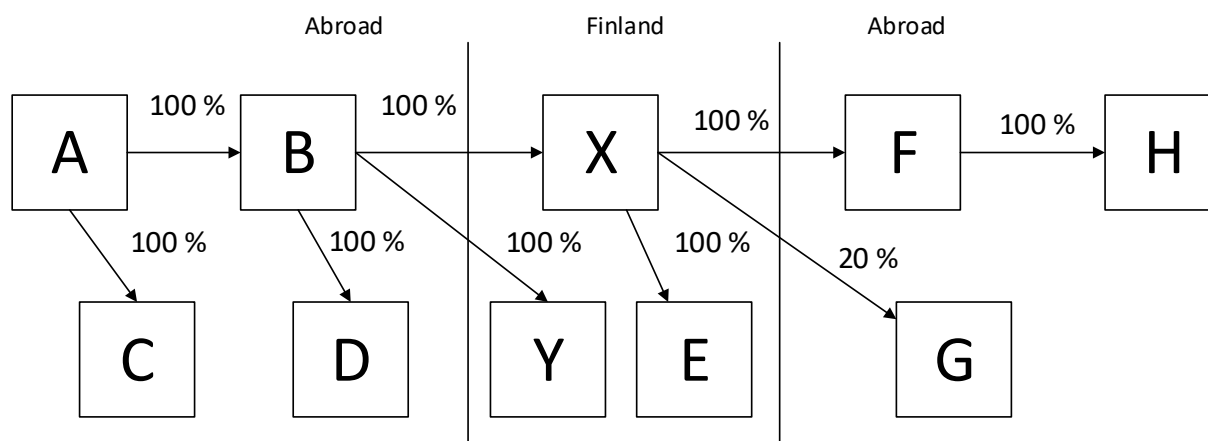
As a concept, an enterprise group is close to the accounting concept group. An enterprise group covers at least economic entities belonging to the same group, but in some cases it may also include economic entities not belonging to the group as referred to in the company's accounts.

The intra-group relation is determined based on whether the counterparty is from the data provider's viewpoint:

- 1) A parent enterprise
- 2) A subsidiary, associate or fellow enterprise
- 3) A branch

## An example of an enterprise group

In the example, the boxes indicate economic entities. Here, X is a Finnish entity reporting in the inquiry. X, E and Y are resident in Finland while the others reside abroad. The arrows indicate decision/control power relations and the adjacent percentages their voting right proportions.



Within the enterprise group, the Finnish reporting entity X may have a relation with

- 1) A foreign parent enterprise, i.e. a non-resident entity holding directly at least 10 per cent or indirectly over 50 per cent of votes in the Finnish reporting entity. In the example, entities A and B are foreign parent enterprises of entities X and E
- 2) A foreign subsidiary, associate or branch, i.e. a non-resident economic entity 10 per cent of whose voting rights are held directly, or 50 per cent indirectly, by the Finnish reporting entity. In the example, F and H are X's foreign subsidiaries and G, on the other hand, is a foreign associate and E a Finnish subsidiary.
- 3) A foreign fellow enterprise, i.e. a foreign economic entity belonging to the same enterprise group with the Finnish reporting entity, which is not a parent enterprise, subsidiary or branch of the Finnish reporting entity. Economic entities in fellow enterprise relations are combined by a common parent enterprise, which does not, however, own the fellow enterprises through the same chain of ownership. In the example, entities C and D are X's foreign fellow enterprises and entity Y is a Finnish fellow enterprise.

### Assets and liabilities at the start and end of the reporting period

Assets and liabilities related to negotiable bonds and money market instruments at the start and end of the reporting period are reported at market value, which includes interest accrued to the promissory note (at the so-called dirty price). Assets and liabilities related to all other debt instruments are reported without accrued unpaid interest.

The stock and change data of assets and liabilities are related as follows: assets or liabilities at the start of the reporting period + net change + exchange rate changes + other valuation changes = assets or liabilities at the end of the reporting period.

In the first reporting time, data are also given on the opening stocks of assets and liabilities.



## Net change

Net change refers to purchases/sales or drawings/redemptions made during the reporting period. Transactions should be valued at purchase or sale price on the transaction day. Non-euro transactions are converted into euro using the ECB's mean exchange rate quoted on the transaction day.

## Exchange rate changes

Enter here data on valuation changes in assets and liabilities due to exchange rate changes during the reporting period. An exchange rate change is positive when assets or liabilities increase and negative when they decrease.

## Instructions for calculating exchange rate changes

Flows recorded in another currency are converted into domestic currency with the exchange rate at the time and the stocks are converted with the exchange rate on the last day of the period. The exchange rate change is calculated by converting transactions in foreign currency into euros in the manner mentioned above and thus, the euro-denominated transactions and the opening stock of the period are deducted from the euro-denominated closing stock.

Formula:

$$V(€) = L(\$ )t * xp(t) - A(\$ ) * xp(t - 1) - N(\$ ) * xv(t) - M(\$ ) * xv(t) \text{ where}$$

$t$  = period

$xp$  = exchange rate at period end

$xv$  = exchange rate at time of transaction

$xk$  = average exchange rate of period

$A$  = opening stock

$N$  = net change

$M$  = other changes

$L$  = closing stock

$V$  = exchange rate change

## Other valuation change

Other valuation changes refer to changes that may have occurred in the value of assets or liabilities during the reporting quarter for reasons other than purchases, sales, redemptions or exchange rate changes. Other valuation change need not be filled in the form (except on the Interests form page),

but it is calculated automatically to the form from the other reported variables. Their size should be followed actively because they are usually close to zero and large other valuation changes can be interpreted as classification changes, for example. A classification change refers to a situation where the enterprise group breakdown of an item moves during the quarter as a result of an acquisition from non-group into intra-group. Classification changes should always be mentioned under Additional information.

### **Maturities**

Assets and liabilities with original maturities of more than 12 months are classified as long-term assets and liabilities. Assets and liabilities without fixed maturity are also classified as long-term.

### **Listed and unlisted limited company and other form of incorporation**

Listed limited companies are companies whose shares are equity securities quoted in secondary markets and whose shareholders are liable for the debts and other commitments of the company only to the extent of the capital they have invested in the company's shares.

Unlisted limited companies are companies whose shares are equity securities not quoted in secondary markets and whose shareholders are liable for the debts and other commitments of the company only to the extent of the capital they have invested in the company's shares.

Other forms of incorporation constitute other than listed and unlisted limited companies. Other forms of incorporation include, e.g. the reporting entity's branches located in other countries and companies whose shares are not transferrable and whose shareholders are liable for the company's debt and other commitments with their entire assets.

### **Countries of counterparties**

The country of counterparty is the immediate debtor's or creditor's country of location. In most items, Finland is also included in the list of counterparty countries. As regards bonds, money market instruments and shares, the debtor is the issuer of the security and the creditor is the holder of the security.

In addition to individual countries, the list includes some international organisations: the European Central Bank (ECB), the European Investment Bank (EIB), European Union institutions, the Nordic Investment Bank (NIB) and other international organisations.

If the asset or liability counterparty country changes as a result of business activities, information on the change is given under Other valuation changes. The change should be mentioned under *Additional information*.

Standardised derivative instruments carried out at derivative exchanges are reported based on the country of location of the exchange and non-standardised derivative instruments are reported based on the country of location of the counterparty.

### 3 A form: Non-group assets

On the form page, data are given on other than securities-based foreign assets and liabilities from economic entities not belonging to the same enterprise group. The data are given on both Finnish and foreign assets. The data reported are broken down by asset type, maturity and the counterparty's country. In addition, Role 2 and 3 data providers also specify loan receivables to the euro area (long-term loans, short-term loans and leasing credits) according to the counterparty's sector. Sector specifications are not asked on the counterparty's other asset items.

On assets, data are given on the situation at the end of the quarter and on net changes and exchange rate changes. In the first time of reporting, data are also given on the situation at the beginning of the quarter. The data are given in millions of euro at the accuracy of two decimal places.

#### 3.1 A.1: Loans

Credits that involve a bilateral loan agreement between the lender and borrower are reported under loans. The debt instruments on which loan agreements are based are neither negotiable nor freely transferrable. Loans include promissory note loans and lending via purchases of securities on the basis of repurchase or lending agreements. Loans also include hire purchase receivables, factoring and confirming credits of accounts.

#### 3.2 A.2: Leasing credits

Assets connected with leasing objects should be reported under leasing credits (financial leasing). Financial leasing refers to long-term leasing in which the financier acquires possession of the object required by the lessee, and leases it further on a long-term lease agreement. The lessee has the right to use the object, and the leasing period usually lasts the whole economic life of the leased object. In leasing credits, data are not given on operational leasing that is short-term and close to a conventional rental agreement.

Drawings of leasing credits are calculated as the market value of the leasing object. Periodic leasing payments made according to agreement are considered to include repayment of both principal and interest, of which interest is reported separately on the Interests form page. The share of repayment in leasing payments is reported as net change in leasing credit.

Repayments are calculated according to the terms of agreement except for the final quarter of the agreement. The repayment reported in the net change of the final quarter is equal to the asset at the end of the previous quarter so that the asset of the final quarter is zero at the end of the quarter. The outstanding debt based on a leasing agreement can be calculated by deducting the sum of all principal repaid in preceding quarters (incl. the reporting quarter) from the market value of the leased object.

### 3.3 A.3: Deposits

Transaction accounts, fixed-term accounts, other deposit accounts at financial institutions and cash holdings are reported in non-group assets.

Under deposits are reported entries in intra-group main accounts and sub-accounts held with financial institutions that the reporting entity, in its own accounting, classifies as claims on financial institutions.

#### Special case

Negative balances on accounts with overdraft facility, held with financial institutions, should be reported in B form (Non-group liabilities) under B.4 Other liabilities.

### 3.4 A.4: Trade credits

Trade receivables and prepaid expenses related to goods and services trade as well as construction and other projects with economic entities not belonging to the same enterprise group are reported under trade credits.

### 3.5 A.5: Other assets

All other items related to non-group assets not belonging elsewhere are reported under Other assets. For instance, bills of exchange, assets based on payment time grants and payments in transit.

Data on cash collateral in derivative trading are not given in other assets, but on the Derivatives contracts form page.

## 4 B form: Non-group liabilities

On the Non-group liabilities form page, report other than derivatives-based and securities-based liabilities not belonging to the same enterprise group. The data are given on both Finnish and foreign liabilities. The data reported are broken down by liability type, maturity and the counterparty's country. **Role 2** data providers also specify loan debts to the euro area (long-term loans, short-term

loans and leasing credits) according to the counterparty's sector. Sector specifications need not be given on the counterparty's other liability items.

On liabilities, data are given on the situation at the end of the quarter and data on net changes and exchange rate changes. In the first time of reporting, data are also given on the situation at the beginning of the quarter. The data are given in millions of euro at the accuracy of two decimal places.

## 4.1 B.1: Loans

In loans, data are given on bilateral loan agreements between the lender and borrower. The debt instruments on which loan agreements are based are neither negotiable nor freely transferrable. Drawings on loans are stated at full value without deduction for expenses and fees. However, interest expenses have to be subtracted and reported separately on the Interests form page. Drawings on syndicated loans are broken down by the country of location of the banks included in the syndicate according to relative shares of the loan. Loans also include financing via sales (or delivery) of securities on the basis of repurchase or lending agreements. Loans also include hire purchase receivables, factoring and confirming credits of accounts.

## 4.2 B.2: Leasing credits

Liabilities connected with leasing objects should be reported under leasing credits (financial leasing). Financial leasing refers to long-term leasing in which the financier acquires possession of the object required by the lessee, and leases it further on a long-term lease agreement. The lessee has the right to use the object, and the leasing period usually lasts the whole economic life of the leased object. In leasing credits, data are not given on operational leasing that is short-term and close to a conventional rental agreement.

Drawings of leasing credits are calculated as the market value of the leasing object. Periodic leasing payments made according to agreement are considered to include repayment of both principal and interest, of which interest is reported separately on the Interests form page. The share of repayment in leasing payments is reported as net change in leasing credit.

Repayments are calculated according to the terms of agreement except for the final quarter of the agreement. The repayment reported in the net change of the final quarter is equal to the liability at the end of the previous quarter so that the liability of the final quarter is zero at the end of the quarter. The outstanding debt based on a leasing agreement can be calculated by deducting the sum of all principal repaid in preceding quarters (incl. the reporting quarter) from the market value of the leased object.

### 4.3 B.3: Trade credits

Accounts payable and buyers' advances related to goods and services trade as well as construction and other projects with economic entities not belonging to the same enterprise group are reported under trade credits.

### 4.4 B.4: Other liabilities

Items not belonging to all other form pages (loans, lending credits, trade credits) are included in Other liabilities. For example, credit drawn on accounts held with financial institutions, bill-of-exchange financing, liabilities based on payment time grants and payments in transit, insurance company deposits and reinsurance account liabilities.

Data on cash collateral in derivative trading are not given in other liabilities, but on the Derivatives contracts form page. Insurance companies' underwriting reserves (insurance premium and indemnity liabilities) are not reported in this inquiry.

#### Special case

In case the balance of an account with an overdraft facility held with a financial institution turns negative, the balance is reported in this item. Positive account balances are reported in A form (Non-group assets) under A.3 Deposits.

## 5 C form: Intra-group assets

On the form page Intra-group assets, debt-based intra-group assets are reported excluding derivatives. The data are given on both Finnish and foreign assets. **Role 1 and 2** data providers also give data on intra-group foreign security-based assets. **Role 3** data providers need not give data on intra-group security-based assets.

The data reported are broken down by asset type, maturity, intra-group relations and the counterparty's country. **Role 2 and 3** data providers specify loan receivables to the euro area (long-term loans, short-term loans and leasing credits) according to the counterparty's sector. Sector specifications need not be given on the counterparty's other asset items.

On assets, data are given on the situation at the end of the quarter and on net changes and exchange rate changes. In the first time of reporting, data are also given on the situation at the beginning of the quarter. The data are given in millions of euro at the accuracy of two decimal places.

Assets are reported in gross and not in net less liabilities.

## 5.1 C.1: Loans and consolidated accounts

Under Loans and consolidated accounts, data are reported on financial assets of economic entities belonging to the same enterprise group. The data are given on the following items as a total: loans, leasing credits related to rented goods, assets created in consolidated accounts. Loans also include hire purchase receivables, factoring and confirming credits of accounts.

## 5.2 C.2: Trade credits

Trade receivables and buyers' advances related to goods and services trade as well as construction and other projects with economic entities not belonging to the same enterprise group are reported under trade credits.

## 5.3 C.3: Other assets

Data are given in Other assets on debt-based intra-group assets not belonging elsewhere. These items include bills of exchange, assets based on payment time grants and payments in transit.

Data on cash collateral in derivative trading are not given in other assets, but on the Derivatives contracts form page.

## 5.4 C.4: Deposits

**Role 3** data providers record deposits on accounts in deposit banks belonging to the same enterprise group.

## 5.5 C2 Securities-based assets

### 5.5.1 C2.1 Bonds

In bonds, **Role 1 and 2** data providers report data on negotiable bonds issued by a foreign economic entity belonging to the same enterprise group that have an original maturity of more than 12 months.

### 5.5.2 C2.2 Money market instruments

In money market instruments, **Role 1 and 2** data providers report data on negotiable bonds issued by a foreign economic entity belonging to the same enterprise group that have an original maturity of no more than 12 months.

## 6 D form: Intra-group liabilities

On the form page Intra-group liabilities, data are given on debt-based intra-group liabilities excluding derivatives. The data are given on both Finnish and foreign liabilities. **Role 1 and 2** data providers also give data on intra-group foreign security-based liabilities. **Role 3** data providers need not give data on intra-group security-based liabilities.

The data reported are broken down by liability type, maturity, intra-group relations and the counterparty's country. **Role 3** data providers also specify loan debts to the euro area (long-term loans, short-term loans and leasing credits) according to the counterparty's sector. Sector specifications need not be given on the counterparty's other liability items.

On liabilities, data are given on the situation at the end of the quarter and data on net changes and exchange rate changes. In the first time of reporting, data are also given on the situation at the beginning of the quarter. The data are given in millions of euro at the accuracy of two decimal places.

### 6.1 D.1: Loans and consolidated accounts

Under Loans and consolidated accounts, data are reported on liabilities of economic entities belonging to the same enterprise group. The data are given on the following items as a total: loans, leasing credit debts related to rented goods, liabilities created in consolidated accounts. Loans also include hire purchase receivables, factoring and confirming credits of accounts.

### 6.2 D.2: Trade credits

Accounts payable and buyers' advances related to goods and services trade as well as construction and other projects with an economic entity belonging to the same enterprise group are reported under trade credits.

### 6.3 D.3: Other liabilities

Data are given in Other liabilities on debt-based intra-group assets not belonging elsewhere. These items include bills of exchange, assets based on payment time grants and payments in transit.

Data on cash collateral in derivative trading are not given in other liabilities, but on the Derivatives contracts form page.

### 6.4 D2 Securities-based liabilities

#### 6.4.1 D2.1 Bonds



In bonds, **Role 1 and 2** data providers give data on negotiable bonds issued by a Finnish reporting entity and held by a foreign economic entity belonging to the same enterprise group that have an original maturity of more than 12 months are reported under bonds.

#### 6.4.2 D2.2 Money market instruments

In money market instruments, **Role 1 and 2** data providers give data on negotiable bonds issued by a Finnish reporting entity and held by a foreign economic entity belonging to the same enterprise group that have an original maturity of no more than 12 months are reported under bonds.

## 7 E form: Foreign equity investment within the same enterprise group

On the form page Foreign equity investment within the same enterprise group, data are reported on equity investments in foreign subsidiaries, associates and branches. In addition, data are given on the form page on the investments of a foreign parent company in the reporting entity.

In this data collection, data are not given on investments in mutual funds and investments in shares entitling to voting rights of under 10 per cent. Data on capital loans are given on the form pages Intra-group assets and liabilities.

### 7.1 E.1: Reporting entity's equity investments in foreign subsidiaries, associates and branches

Report here equity investments made by a Finnish reporting entity in foreign subsidiaries, associates and branches in which the reporting entity holds directly at least 10 per cent of voting rights (for example, as a consequence of acquisitions or increases of equity capital). The information requested is broken down according to the enterprise group relations, the counterparty's country and direct ownership percentage. The direct ownership percentage describes the entity's ownership share in another entity directly so that there are no other owners between two entities in the chain of ownership. An ownership share that goes through other entities is not here counted in the ownership percentage reported.

As net change, report the change formed as the difference between equity investments made and returns of capital during the reporting period. In the context of acquisitions, investment here comprises the acquisition price paid by the reporting entity for a foreign target and returns of capital comprise the sale price received by the reporting entity for a target. In dividends and branch profits received, report dividends paid and returned to the data provider, as well as branch profits distributed during the reporting period. Dividend data are given for the reporting period in which the data provider has recorded them as income in its income statement.

If data concerning several counterparties are for the same country and the same ownership percentage category (=same specifications), the data are summed to one row.

## 7.2 E.2: Equity investment by foreign parent company in the reporting entity

Report here equity investments made by such a foreign economic entity in a reporting entity that holds directly at least 10 per cent of voting rights in the reporting entity (for example, as a consequence of acquisitions or increases of equity capital). This foreign economic entity is the parent enterprise of the reporting entity. The data given are broken down according to the counterparty's country and direct ownership percentage.

As net change, report the change formed as the difference between equity investments made by the foreign parent company in the reporting entity and returns of capital during the reporting period. In the context of acquisitions, investment here comprises the acquisition price paid by the foreign parent enterprise and returns of capital comprises the sale price received by the selling foreign parent enterprise. In dividends and branch profits received, report dividends distributed by the reporting entity to a foreign parent enterprise and branch profits distributed by the reporting branch to a foreign parent enterprise during the reporting period. Dividends are reported for the reporting period during which the reporting entity has deducted them from the equity capital included in its balance sheet.

If data concerning several counterparties are for the same country and the same ownership percentage category (=same specifications), the data are summed to one row.

## 8 F form: Derivatives contracts

On the form page Derivatives contracts, data are reported on the gross values of outstanding contracts related to derivatives contracts made with non-residents and actual payment flows during the reporting period. The data are given separately from the underlying assets (instrument or commodity in whose value the value of the contract is bounded). Trades in underlying assets with non-residents after performance of a derivatives contract are reported on other forms in the appropriate places (insofar as this involves assets or liabilities covered by this inquiry). The data provision includes both standardised derivatives contracts and non-standardised, bilateral contracts (OTC derivatives). Data on derivatives contracts also include bilateral contracts entered into with non-resident counterparties belonging to the same enterprise group as the reporting entity.

Derivatives contracts acquired via non-resident derivatives exchanges are treated as if entered into with non-residents. In addition, data are given on the form on cash collateral in derivatives trading received and given under a certain period.

## Payments

Data are given on payment flows (cash flows) realised during the reporting quarter from contracts entered into. Actual payment flows are reported broken down into payments received from contracting parties and payments made to contracting parties.

Payments are treated on a gross basis. Thus, contracts entered into with the same counterparty are not netted.

For example, payments are premiums payable at the start of standardised derivatives contract periods, settlements made during the life of such contracts (variation margins) and net settlements effected at the close of contract, as well as all payments between parties in connection with non-standardised contracts.

If a contract results in delivery of the underlying item (as may be the case in connection with options, futures and forwards), the difference between the value of the underlying asset based on its current market price and its value based on the exercise or contract price is reported in the appropriate Payments item.

**Excluded** from derivatives-related payments are brokerage fees or other service charges paid to banks, investment firms, etc. upon acquisition or during the life of a contract. **Excluded** from payments are repayable margin deposits related to contracts.

## Gross value of outstanding contracts

The gross value of outstanding contracts reported for derivatives contracts refers to the market value of contracts that are in effect (outstanding) at the end of the reporting quarter. The aggregate value of contracts with positive market values is shown as assets. The aggregate value of contracts with negative market values is shown as liabilities. The values of underlying assets are **not** reported as values of derivatives contracts.

When reporting assets and liabilities, contracts are treated on a gross basis. Thus, contracts entered into with the same counterparty are not netted.

If the market value of a contract cannot be defined on the basis of a public price or interest rate quotation (OTC derivatives), the contract can be valued by, for example, applying a theoretical pricing model or by calculating the discounted present value of the remaining net flow of payments on the basis of the current market value of the underlying asset.

The asset and liability stock of derivatives contracts is broken down by country by the location of the counterparty country for a non-standardised contract and by the location of the derivatives exchange in the case of a standardised contract.

## 8.1 F.1: Derivatives contracts entered into with non-residents

The reporting includes both standardised derivatives contracts and non-standardised, bilateral contracts (so-called OTC derivatives). Reporting of derivatives contracts also covers bilateral contracts entered into with non-resident counterparties belonging to the same enterprise group as the reporting entity. Derivatives contracts acquired via non-resident derivatives exchanges are treated as if entered into with non-residents.

The following contract types are not treated as derivatives in this inquiry:

- Fixed-price supplier contracts for goods and services, unless standardised and exchange-traded (e.g. commodity futures)
- Insurance contracts
- Guarantees and other collateral for loans
- A derivatives-type contract that is an integral and inseparable part of the underlying asset and can therefore be considered as having an impact on the value of the underlying asset (e.g. a contractual arrangement in connection with convertible bonds by which the investor is entitled to convert the bonds into shares of the issuing company).

## 8.2 F.2: Cash collateral in derivatives trading

The data provision includes cash collateral or margin deposits related to derivatives contracts entered into with foreign counterparts, which are returned to the payer at close of contract. Other collateral related to derivatives trading, such as securities collateral, is not reported. Only the balance of collateral is given at the end of the quarter, not flow data.

## 8.3 Examples of how derivatives should be treated

Of options, premiums paid/received in buying or selling options and any net settlements received/paid at the close of contract are entered under Payments. In the case of certain standardised types of options (primarily interest rate options), any regular margin payments effected during the life of the contract are also included.

If an option contract results in delivery of the underlying asset, the reporting procedure is as follows:

1) If the resident respondent is an investor (holder of an option) and if it is a question of a call option, the difference between the current market price of the underlying asset (times the amount of the underlying asset) and its exercise price (times the amount of the underlying asset) is considered equivalent to a payment from a non-resident contracting party. In the case of a put option, the difference between the exercise price of the underlying asset (times the amount of the underlying asset) and its current market price (times the amount of the underlying asset) is considered equivalent to a payment from a non-resident contracting party. The purchase/sale of the underlying

asset is reported at the current market price on other forms in the appropriate places (insofar as this involves assets or liabilities covered by the inquiry).

2) If the resident respondent is the seller (writer) of an option and if it is a question of a call option, the difference between the current market price of the underlying asset (times the amount of the underlying asset) and its exercise price (times the amount of the underlying asset) is considered equivalent to a payment to a non-resident contracting party. In the case of a put option, the difference between the exercise price of the underlying asset (times the amount of the underlying asset) and its current market price (times the amount of the underlying asset) is considered equivalent to a payment to a non-resident contracting party. The purchase/sale of the underlying asset is reported as explained in 1) above.

For balance of payments purposes, an option contract is always regarded as the investor's (holder's) asset and the seller's (writer's) liability; thus, in reporting the gross values of outstanding contracts, purchased options are included in assets and written options in liabilities.

In the case of **futures**, margin payments effected during the life of a contract are recorded as payments. Because these payments are determined on the basis of valuation changes in a contract and are generally effected daily, there will normally be nothing to report on the gross values of outstanding contracts.

If a futures contract results in delivery of the underlying asset, the reporting procedure is as follows:

- 1) If the resident respondent is the buyer of a futures contract and the current market price of the underlying asset is higher than the contract price, the difference between the market price (times the amount of the underlying asset) and the contract price (times the amount of the underlying asset) is considered equivalent to a payment from a non-resident contracting party. If the contract price of the underlying asset is higher than the current market price, the difference between the contract price (times the amount of the underlying asset) and the market price (times the amount of the underlying asset) is considered equivalent to a payment to a foreign contracting party.
- 2) If a resident reporting unit is the seller of a futures contract and the current market price of the underlying asset is higher than the contract price, the difference between the market price (times the amount of the underlying asset) and the contract price (times the amount of the underlying asset) is considered equivalent to a payment to a non-resident contracting party. If the contract price of the underlying asset is higher than the current market price, the difference between the contract price (times the amount of the underlying asset) and the market price (times the amount of the underlying asset) is considered equivalent to a payment from a non-resident contracting party.

Transactions in underlying assets are reported in the same way as for options.

## **Forward contracts (incl. FRAs) and foreign exchange swaps**

In connection with forward contracts, payments made between the parties during the life and at the close of contracts are entered as payments. Typical payments include net settlements effected at the close of bond forwards and forward rate agreements (FRAs).

In respect of currency forwards (a foreign exchange trade is defined as a forward trade if the currency is delivered more than two business days after the trade date), the contract normally results in the delivery of the underlying asset. The procedure is then as follows:

- 1) If the current market rate (spot rate) on the currency to be purchased (underlying asset) is higher than the contract price, the difference between the spot rate (times the amount of the currency serving as the underlying asset) and the contract price (times the amount of the currency serving as the underlying asset) is considered equivalent to a payment from a non-resident contracting party. If the contract price of the currency to be purchased is higher than the spot rate, the difference between the contract price (times the amount of the currency serving as the underlying asset) and the spot rate (times the amount of the currency serving as the underlying asset) is considered equivalent to a payment to a non-resident contracting party.
- 2) Foreign exchange trades, where the currency is delivered within two business days after the trade date, are reported on A form (Non-group assets) under A.3 Deposits. The amounts of the currency purchased (increase in assets) and the currency sold (decrease in assets) are converted into the reporting currency using the spot rates for the transaction day.
- 3) Where forwards other than currency forwards are concerned, and the underlying asset is delivered, the reporting procedure is the same as for futures.

At the start of a forward contract, the market value of the contract is zero. During the life of the contract, the market value of the underlying asset changes, and the value of the contract may be positive (asset) or negative (liability). In addition, the value may switch from positive to negative (or vice versa) during the life of the contract. The value of a non-standardised forward contract can be determined by discounting the payment flows related to the contract.

A foreign exchange swap refers to a spot transaction in currencies linked with a reverse forward transaction. The forward leg of this type of transaction is reported as a currency forward.

## **Interest rate and currency swaps**

An interest rate swap or a currency swap refers here to a contract under which the contracting parties agree to exchange payment streams (cash flows) linked with a specified notional principal amount according to a predetermined payment schedule. If the cash flows represent interest payments and

are denominated in the same currency, it is a question of an interest rate swap. If the cash flows (and notional principal amounts) are denominated in different currencies, it is a question of a currency swap or cross-currency interest rate swap. An interest rate swap or a currency swap normally also involves the exchange of notional principal amounts at the close of the contract (sometimes also at the start). Repayments of principal are also possible during the life of the contract.

Contractual cash flows between contracting parties are reported as payments.

The value of a non-standardised interest rate or currency swap can be calculated as the difference between the discounted present values of the remaining contractual cash flows at the appropriate reporting time (end of reporting month). The discount rate for calculating present value is the market interest rate applicable to the remaining period of the contract.

If a currency swap is based on an actual asset or liability (i.e. the contract can be identified with a specific asset or liability) and the exchangeable cash flows relate to both principal and interest, the value can also be determined as follows:

- 1) If an interest rate or currency swap is based on an asset, the value of the contract is reported as the difference (positive or negative) between the remaining principal amounts (incl. accrued interest) of the asset acquired via the contract and of the original (underlying) asset.
- 2) If an interest rate or currency swap is based on a liability, the value of the contract is reported as the difference (positive or negative) between the remaining principal amounts (incl. accrued interest) of the original liability and the liability acquired via the contract.
- 3) If the underlying original asset or liability is a foreign one, it is reported as described in the original contractual terms in A or B forms under the appropriate type of asset or liability.

## 9 G form: Additional information on central government

On the form Additional information on central government, **Role 2** data providers give data on foreign liabilities concerning promissory notes related to membership subscriptions and on foreign assets related to membership subscriptions and development credits. The data are broken down by the counterparty or the counterparty's country depending on the item. On the form page, data are also given on assets inside Finland related to credits transmitted from central government assets by municipalities. Data on assets inside Finland are broken down by the counterparty's sector.

### 9.1 G.1: Additional information on central government, liabilities

Here data are given on promissory notes related to membership subscriptions. In promissory notes related to membership subscriptions promissory notes with which the state makes membership



subscriptions to international organisations and entities that act as financial corporations are reported. The data are broken down by the counterparty.

## 9.2 G.2: Additional information on central government, assets

Here data are reported on the acquisition of foreign membership subscriptions, initial capital, increase of initial capital, and on development credits and remission of development credits. Initial capital items and increase of initial capital are broken down by the counterparty. Development credits and remission of development credits are broken down by the counterparty's country. Remission of development credits is given as part of net change of development credits and separately on their own row. Remission of development credits is reported as negative.

In addition, on assets inside Finland credits transmitted from central government assets transmitted by municipalities are reported. Credits transmitted from central government assets transmitted by municipalities include state-subsidised loans transmitted by municipalities to corporations and private persons. The data are broken down by the counterparty's sector. Data on foreign assets on credits transmitted from central government assets by municipalities are given on A form.

## 10 Interests

On the form page Interests, interest data are given on instruments on which data have been reported on other form pages of the inquiry (excluding trade credits, equity investments and derivatives). Only those interest rows are activated to be filled in on which data on corresponding instruments have been given on other form pages. Therefore, interest data are given only once all other form pages have been filled in.

The numbering of interest rows refers to the numbering of the asset or liability instrument on the corresponding row on other form pages. For instance, on interest row A.1.1 interest data are given related to A.1.1 long-term loans given on the form page Non-group assets. Interest data are given aggregated over the counterparty country and sector, broken down according to the instrument category, except for additional information on central government, where interest data are given broken down by the counterparty.

Interest items must have the following mutual connection: opening balance + accrual-based interest - interest paid + other changes = closing balance.

### Special case

Interest lines activate to be filled in also for instruments whose stock and net change data were filled as zero on the form page of instruments.



For example, data should be given on accrued interest for short-term items that have no opening or closing stock during the reporting quarter, but for which interest has accrued during the reporting quarter. Then zero should be filled in instrument data in form pages A to D, so the interest rows open for filling in.

**Opening balance**

Accrued, unpaid interest at the beginning of the quarter. The opening balance corresponds to the closing balance of the previous quarter. The opening balance is asked only in the first time, after that the closing balance is taken pre-filled from the previous quarter's report.

**Accrual-based interest**

New interest accrued during the quarter, that is, the interest that is allocated to the quarter in question on accrual basis.

**Interest paid**

Interest paid during the quarter, that is, cash-based interest.

**Other changes**

Other changes taken place during the reporting quarter, which explain the balance change, e.g. capitalisation of interests. A balancing item that mainly intends to help keep the balance data at the correct level over time. Typically zero.

**Closing balance**

Accrued, yet unpaid interest at the closing of the reporting quarter. Calculated automatically based on the other reported data. Is transferred to the opening balance of the next quarter.