



EUROPEAN CENTRAL BANK

SUPPLEMENTARY GUIDANCE NOTES CONCERNING STATISTICS ON THE HOLDERS OF MONEY MARKET FUND SHARES/UNITS

Introduction

1. The European Central Bank (ECB) recently published Regulation ECB/2002/8 of 21 November 2002 amending Regulation ECB/2001/13 of 22 November 2001 concerning the consolidated balance sheet of the monetary financial institutions sector¹. This amending Regulation introduces a reporting obligation in respect of the data on the breakdown by residency of the holders of money market fund (MMF) shares/units to enable the ECB to compile euro area monetary aggregates. Previously the only legal basis was Guideline ECB/2003/2 of 6 February 2003 concerning certain statistical reporting requirements of the European Central Bank and the procedures for reporting by the national central banks of statistical information in the field of monetary and banking statistics² and its predecessors, which were considered insufficient for such an important task.

2. These notes explain the requirements and standards set out in Regulation ECB/2002/8 for statisticians at the national central banks (NCBs) who collect statistical information on the holders of MMF shares/units from the reporting population and compile the information for the ECB. To this aim, the notes contain definitions, explanations and cross-references to Regulation ECB/2002/8. The recommendations contained in these notes reflect the agreed interpretation of the rules contained in Regulation ECB/2002/8.

3. These notes supplement the Guidance Notes to Regulation ECB/2001/13 on the MFI balance sheet statistics³.

Preamble

4. Recital 4 of Regulation ECB/2002/8 makes it clear that a list for the entire euro area of other financial intermediaries except insurance corporations and pension funds (OFIs) is not essential to the specific purpose of collecting data from the institutions concerned. This is in line with the requirements for monetary financial institutions (MFIs), where Article 3(1) of Regulation ECB/2001/13 defines the ECB's obligation to 'establish and maintain a list of MFIs' and Article 3(3) establishes that 'the list of MFIs for statistical purposes shall be for information only'. The NCBs are nevertheless free to compile a list of OFIs for national purposes. In particular, it may be advisable for NCBs collecting information from intermediaries acting as custodians to maintain a list of reporting OFIs.

Article 1

Article 1(1)

5. This Article of Regulation ECB/2002/8 inserts a new paragraph 3 into Article 2 of Regulation ECB/2001/13. For the purposes of reporting data on the holders of MMF shares/units, this new paragraph extends the actual reporting population beyond the MFI sector (S.121 and S.122) to include the OFI sector (S.123) also, for a specific purpose. The intention is to permit the NCBs, inter alia, to address OFIs as statistical reporting agents, either because they act as custodians of MMF shares/units, or because they are involved in trading MMF shares/units with non-residents. As set out in Article 1(4) of Regulation ECB/2002/8, the statistical requirement addressed to OFIs only refers

¹ OJ L 330, 6.12.2002, p. 29.

² To be published in the Official Journal of the European Union.

³ Published in November 2002.

to bearer shares/units where the NCB selects either of the two options set out in Article 1(4) 13d(b) or 13d(c). Where the NCBs select the option set out in Article 1(4) 13d(a), neither will OFIs be required to submit statistical information in respect of registered shares/units, as it is envisaged that this requirement will be met by the issuing MMFs, nor will OFIs be required to do so in respect of bearer shares.

6. The reporting population for data on the holders of MMF shares/units is defined without prejudice to the application of the derogation from full reporting requirements applied to small MFI established in Article 2(2) of Regulation ECB/2001/13. This derogation is applied on the basis of the total MFI balance sheet as described in Article 2(2) of Regulation ECB/2001/13. The following cases can be distinguished for the application of 'tail' reporting in respect of this new requirement.

6.1. Where an NCB grants a derogation that relieves MMFs of the full monthly reporting requirements, either in terms of breakdowns or timeliness (i.e. MMFs are included in the reporting 'tail'), there is no legal obligation either on the issuer of the shares/units or on other institutions to report the data on the holders of the MMF shares/units concerned. However, the NCBs concerned must apply the grossing-up procedure described in Article 5 of Guideline ECB/2003/2. This procedure must be applied to all balance sheet items, including the breakdown by residency of holders of MMF shares/units. The NCB concerned decides which compilation procedure applies to the breakdown by residency of the holders of MMF shares/units (e.g. an NCB may relieve OFIs of any reporting obligation imposed by Regulation ECB/2002/8 even if they are subject to a reporting requirement under national law, for example as reporters of balance of payments (bop) statistics or as custodians). This

is in accordance with Annex III of Regulation ECB/2001/13.

6.2. Where MMFs are subject to the full statistical requirements of Regulation ECB/2001/13 with the sole exception of the requirement to report monthly the breakdown by residency of the holders of MMF shares/units established in Regulation ECB/2002/8, this still implies that MMFs are part of the reporting 'tail'. Again, neither the issuer of the units/shares nor any other institutions concerned are under an obligation to report the data for this breakdown. The NCB will instead be responsible for applying the grossing-up procedure described in Guideline ECB/2003/2 to estimate the breakdown by residency which the MMFs have not reported. The NCBs concerned decide on the compilation procedure applying to the breakdown by residency of MMF shares/units (e.g. an NCB may relieve OFIs of any reporting obligation imposed by Regulation ECB/2002/8, even if they are subject to a reporting requirement under national law, e.g. as bop reporters or custodians). This is in accordance with Annex III of Regulation ECB/2001/13.

6.3. Where MMFs are full monthly reporters (i.e. MMFs are not included in the 'tail'), the breakdown by residency has to be reported either by the issuing MMF or by the other institutions that have been addressed by the NCBs in accordance with the requirements set out in Regulation ECB/2002/8.

Article 1(3)

7. The sentence added at the end of paragraph 6 of Annex I, Part I, Section I of Regulation ECB/2001/13 makes it explicit that there is no requirement for the issuing fund itself to report data on the holders of MMF shares/units. Instead, a management company,

other entities acting on behalf of the issuing fund or other entities such as depositories that may have the relevant information could provide this data. This is typically the case where the MMFs concerned are not incorporated institutions.

8. The newly inserted paragraph 9 of Annex I, Part I, Section I defines the terms 'MMF registered shares/units' and 'MMF bearer shares/units'. A flexible approach to the requirement for data on the residency of holders avoids the shortcomings that would arise if a single general requirement had been applied to all MMFs. It should be noted that the extent of holder information generally available in respect of registered shares/units compared with bearer shares/units differs significantly. In the case of shares/units issued in registered form, the issuers or other institutions acting on behalf of the issuers are able to provide accurate and complete information on the end-investors (beneficial owners) of the shares/units issued. This information is not usually available, however, to the issuing MMF in respect of shares/units that are issued in bearer form. National legal arrangements, the organisation of the relevant markets issuing the shares/units and the operating procedures applied by the MMFs are all factors determining the availability of information on the holders of MMF shares/units. In the case of registered shares/units held by a nominee, it is recommended that the shares/units should, where possible, be classified according to the residency of the end-investor. This would be in line with the accepted treatment of such cases in Regulation ECB/2001/13, e.g. the treatment of loans granted on a trust basis.

Article I(4)

9. This Article inserts a new subsection (vi) into Annex I, Part I, Section III of Regulation ECB/2001/13.

10. Paragraph 13a of this new subsection (vi) establishes the requirement to report data on the holders of MMF shares/units according

to a breakdown by residency. As with the revaluation adjustment established in Regulation ECB/2001/13, a minimum reporting requirement is established.

11. Paragraph 13b of subsection (vi) notes that the NCBs are permitted to extend the statistics collected to additional breakdowns not required by Regulation ECB/2002/8. Nevertheless, Regulation ECB/2002/8 does not require NCBs to submit further breakdowns to the ECB in respect of holdings of MMF shares/units. This is why additional breakdowns over and above the minimum reporting requirement have not been included in the amendment to Table I of Regulation ECB/2001/13.

12. For registered shares/units, as set out in paragraph 13c of subsection (vi), the new requirement is treated in the same way as all other MFI balance sheet items.

13. Regarding bearer shares/units, the new reporting requirement is described in paragraph 13d of subsection (vi), in respect of which the following explanatory notes are provided.

13.1. Three options for collecting the information are presented. The NCBs choose the reporting option (or options) that best suits the organisation of the relevant business at national level. The aim is to ensure compliance with the conditions established in Regulation ECB/2002/8 and thereby provide high quality statistical information.

13.2. As established in Regulation ECB/2002/8, the NCBs and the ECB will monitor compliance with its provisions. They are expected to assess to what extent reporting agents comply with the conditions determining the applicability of the chosen options, to compare these with other options and may either recommend keeping or changing the chosen option.

- 13.3. In the context of paragraph 13d of subsection (vi), option (a) is “fall-back” option, i.e. it is guaranteed to apply because it permits the reporting of data not directly referring to the end-investor where this information is unavailable to the reporting agent.
- 13.4. In the context of paragraph 13d of subsection (vi), in options (a) and (c), it is sufficient for the data to refer to the residency of the first known counterparty, where this is the only information available to the reporting agent.
- 13.5. In the context of paragraph 13d of subsection (vi), within option (b), ‘most’ normally means 85% of total MMF shares/units issued by resident funds, and in option (c), ‘low’ normally means below 15% of the total of MMF shares/units issued by resident funds. These percentages are similar to the amounts stipulated under the heading ‘primarily’ in the definition of MMF contained in Regulation ECB/2001/13 Annex I, Part I, paragraphs 6 and 7.

Article 1(5)

14. New cells added to Table I (Stocks) form an integral part of Table I of Regulation ECB/2001/13, subject to the reporting peculiarities set out in Regulation ECB/2002/8, with the result that a different reporting agent may be responsible for these cells from the one responsible for the rest of the balance sheet.

Article 1(6)

15. The first data subject to reporting according to Regulation ECB/2002/8 will be the monthly data for May 2003. Anticipating the difficulties that may arise in implementing the new requirements, transitional provisions apply. They allow additional reporting time, providing that the data for the breakdown by residency of MMF shares/units must be reported to the ECB before expiry of one month from close of business on the 15th working day following the end of the month to which the data relate. The NCBs will decide when they need to receive data from the reporting agents in order to meet this deadline. Importantly, these transitional provisions do not prejudice the application of the reporting obligations contained in Annex I to Guideline ECB/2003/2 in this respect. According to Guideline ECB/2003/2, the NCBs must continue to send monthly data on the breakdown by residency of MMF shares/units to the ECB within 15 working days following the end of the month to which the data relate. So long as the transitional provision is in force, i.e. between May 2003 and December 2003, the NCBs may base data for the current month on estimates, revising these estimates in the following month in the light of actual data received from the reporting institutions.

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