

Suspense items – allocations within aggregate banks’ data

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Some changes have been made to the allocation of suspense items within aggregate banks’ data. The following outlines the reason for the change and explains the new allocations.

Two types of suspense items are reported on the balance sheet return (Form BT) submitted to the Bank of England by all UK resident banks. These are ‘Items in suspense’ and ‘Balances awaiting settlement of securities transactions’. There are separate items for these on both the liabilities and assets sides of the balance sheet.

Items in Suspense:

These refer to credit (banks’ liabilities) or debit (banks’ assets) balances not in customers’ names, but relating to customers’ funds (as opposed to the reporting institutions’ internal funds or to its shareholders’ funds). As the definitions for BT item 8 explain these include for example:

- Accounts holding funds awaiting transfer to customers (but not accounts relating to interest accruing).
- Returnable application monies for capital issues.
- Customers’ funds awaiting investment which have been transferred to an account not in the name of the customer.
- Funds transferred from customers’ accounts to an account not in the name of the customer to meet acceptances, confirmed credits etc.
- Funds placed on account to meet travellers’ cheques issued by the reporting institution but not yet presented.
- Funds received from credit/debit card schemes but not yet paid to merchants.

Balances awaiting settlement of securities transactions:

These refer to amounts payable in respect of transactions not due until a future settlement date which arise because of the requirement to report investments on a contract basis.

Prior to the previous Banking Statistics Review (BSR), these two types of suspense items were combined into one. A small sample of banks were asked to provide more detailed information on the types of suspense items that were contained within the ‘assets in suspense’. This survey revealed that ‘balances awaiting settlement of securities transactions’ were sufficiently different in nature from the other suspense items to justify the creation of a separate item at the time of the BSR.

Why allocate suspense items in aggregate data?

When data from individual banks are aggregated, the suspense items, along with the transit items¹, may give rise to double counting of deposits received from

customers outside of the banking system or, where overdrawn or loan accounts are concerned, to the under-recording of total lending made to such customers. The data for deposits and loans are therefore adjusted to take account of these items.

Allocations for suspense items

The results of the pre-BSR survey allowed the following sector allocations to be made for suspense items:

Balance Sheet items	Private Sector	Non-Residents
£ credit	67% +deposits 33% - advances	-
£ debit	67% -deposits 33% +advances	-
FC credit	22% +deposits 13% -advances	39% +deposits 26% -advances
FC debit	21% - deposits 14% +advances	39% - deposits 26% +advances

For each balance sheet item, the amount allocated to a particular sector is split between deposits and lending and then applied to the aggregate data. For example, sterling credit items are allocated 100% to the UK private sector, with 67% added to deposits and 33% deducted from advances.

The separately reported balances awaiting settlement have, until now, been added to the other suspense items and allocated in the same proportions in aggregate data.

In recent years, balances awaiting settlement have grown in size relative to the other items in suspense. So the Bank has revisited the original survey information in order to determine different allocations for balances awaiting settlement from those for other suspense items. The separate balances awaiting settlement are now allocated based on information from the original survey, combined with new anecdotal information on the likely split of this type of suspense business.

The other suspense items have now been allocated as follows:

Balance Sheet items	Private Sector	Non-Residents
£ credit	71% +deposits 29% - advances	-
£ debit	67% -deposits 33% +advances	-
FC credit	23% +deposits 12% -advances	39% +deposits 26% -advances
FC debit	24% - deposits 16% +advances	36% - deposits 28% +advances

¹ Transit items are credit and debit balances in the course of transmission, for instance standing orders.

The revised allocations have been applied to the suspense items back to 1997, when the separate balances awaiting settlement were introduced. The new allocations have resulted in some sizeable revisions, to some aggregate statistics, on a month to month basis, but many of these largely net out on an annual basis.

Further improvements

To improve these allocations further, updated information from banks would be required. Previous information from some banks suggested that this information would be straightforward to provide or may already be available. If this is the case we would be pleased to receive this information from UK resident banks via the e-mail address shown at the top of the article.