



Changes to the treatment of securities transactions in the Bank of England's monetary statistics

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This article outlines changes to some of the Bank of England's credit data. Additional detail on holdings of securities by monetary financial institutions collected since 2014 has facilitated an improvement in the way transfers of securities are treated in the calculation of transactions data. This will allow for exclusion of the effects of asset transfers and therefore bring their treatment more in line with the Bank's approach to transfers of loans. The changes will be implemented for June 2015 data, available in the next *Bankstats* publication. This will result in revisions to a number of securities and lending net flow and growth rate series. Whilst there are significant revisions to data in some months, the overall effect of revisions across the period affected (February 2014 to May 2015) is small. The Bank will also implement the results of a review of the seasonal adjustment of M4L measures.

Introduction

The Bank of England publishes a range of data on monetary financial institutions' (MFIs) holdings of securities. As with all data published by the Bank, these are subject to ongoing review. Additional detail on holdings of securities by monetary financial institutions collected since 2014 has facilitated an improvement in the way transfers of securities are treated in the calculation of transactions data.¹ This will allow for exclusion of the effects of asset transfers and therefore bring their treatment more in line with the Bank's approach to transfers of loans. Alongside this, the Bank is also making changes to the seasonal adjustment of related series. The changes to be implemented are as follows:

1. From February 2014 data onwards, transfers of quoted shares will be omitted from net securities flow series, and therefore net M4 lending (M4L) flow measures. The resultant contribution of quoted shares to these measures will typically be zero. A full list of series affected by this change is available in the Annex to this article.
2. Following a recent review of seasonal adjustment (SA) of M4L measures, the Bank will move to an indirect seasonal adjustment of some measures, adjusting the loans and securities components separately.

The changes will be implemented with the publication of June 2015 data, available in the next *Bankstats* publication. This will result in revisions to a number of securities and lending net flow and growth rate series. Whilst there are significant revisions to data in some months the overall effect of revisions across the period affected (February 2014 to May 2015) is small.

¹ For further details on the additional data, see 'Improvements to the compilation of M4 lending excluding intermediate OFCs series and the publication of additional Monetary Financial Institutions' data' by Rajveer Berar and Ross Meader, Bank of England *Bankstats (Monetary & Financial Statistics)*, January 2015, available at www.bankofengland.co.uk/statistics/Documents/ms/articles/art1jan15.pdf.

Statistical treatment of net flows

In Bank of England credit statistics, a distinction is made between changes in amounts outstanding of financial instruments that are due to lending transactions and those that are due to other changes in the value of assets (OCVAs). This latter category includes items such as revaluation effects, reporting changes and asset transfers. The Bank's statistical net credit flows data are constructed to reflect lending transactions as far as possible using the difference in amounts outstanding between reporting periods, less the value of identified OCVAs.²

In the case of securities data a number of OCVAs are currently captured, with revaluation effects and reporting changes all routinely identified or estimated. However, asset transfers have proved challenging to identify as the example below sets out.

Consider a situation where an MFI is looking to purchase a security (such as a quoted share) of a given company. It has two options: 1) to purchase it directly from the company at the point of issuance, or 2) to buy a previously issued security via a secondary market. The first channel would be classified as a lending transaction, while the second should be classified as an OCVA. MFIs are currently unable to distinguish between the two channels in their statistical reporting of securities holdings to the Bank. Therefore, currently both lending transactions and secondary market asset transfers feature in the Bank's published statistical data on net securities flows.

Recent analysis, as part of the Bank's commitment to review its published data regularly, has identified improvements to this approach drawing upon new breakdowns introduced to the Bank's statistical data collection. The Bank began collecting statistical data on MFIs' holdings of securities by instrument type (quoted shares, unquoted shares, bonds and other debt securities, and other securities), by sector, from January 2014 data. While reporting institutions remain unable to separate out transferred assets

themselves, Bank analysis has identified that the most of movements reported by MFIs for the quoted share component reflect secondary market asset transfers.³

Given this, the Bank will now move to a position of including net quoted share flows only where transactions relating to new issuance and buyback activity can be identified. This improvement will come into effect from February 2014 data (the point from which net flows data for the new breakdown are available). The component change within net securities flows is summarised in Table 1.

Table 1: Summary of changes to the components contributing to net securities and lending flows

Does item contribute to net flows data?	Current treatment	New treatment
Quoted shares	✓	✗ ^(a)
Unquoted shares	✓	✓
Bonds and other debt securities	✓	✓
Other securities	✓	✓

(a) Apart from where new issuance/buyback transactions are identified.

This will affect published net flows and growth rates for quoted shares, as well as the securities and lending measures these feed into. This change will introduce a break from February 2014 data onwards in both the relevant net flow measures and their respective growth rates. The respective 'amounts outstanding' series will be unaffected by this change.

Table 2 provides a high level summary of the M4L series that will be revised as a result of this improvement.

² More detail on the construction of net flow measures is available at: www.bankofengland.co.uk/statistics/Pages/iadb/notesiadb/changes.aspx.

³ Internal analysis based on capital issuance data and confidential counterparty information provided by reporters.

Table 2: Summary of the sectoral components of M4L that will be revised as a result of improvements to net securities flows^(a)

M4L	PNFCs	IOFCs	NIOFCs	HHs
Amounts outstanding	✗	✗	✗	✗
Changes	✓	✓	✓	✗
Growth rates	✓	✓	✓	✗

(a) The abbreviations used are as follows: PNFCs: Private non-financial corporations; IOFCs: Intermediate other financial corporations; NIOFCs: Non-intermediate other financial corporations; HHs: Households.

Changes to seasonal adjustment

Concurrent with this change in securities treatment, the Bank will also be implementing the results of a review into the seasonal adjustment of M4L measures. Recent analysis has indicated that the private non-financial corporations (PNFCs) M4L series would be better suited to indirect seasonal adjustment, whereby the total series is the sum of a seasonally adjusted loan component and a non seasonal securities component.⁴ Intermediate other financial corporations and non-intermediate other financial corporations M4L tested under their current treatment of direct adjustment remain non seasonal. The suitability of these series to indirect seasonal adjustment will be assessed once a sufficient back run of the separate securities data (available from 2014) is available.

Materiality of the changes

Both the change in treatment of securities and in seasonal adjustment will lead to revisions over the back run of the affected series. Table 3 shows revisions to a number of series that will result from both changes being implemented.

Table 3: Average monthly revisions to a sample of series - February 2014 to May 2015

Revisions to net flows	Non seasonally adjusted		Seasonally adjusted	
	M4L: PNFCs	M4L ^{ex}	M4L: PNFCs	M4L ^{ex}
Series code	BD68	B3DT	VWNQ	VWVL
Mean absolute revision (£ billions)	0.1	0.1	0.1	0.1
Mean absolute revision (£ billions)	2.5	2.7	2.0	2.2
Mean revision % of average mean flow	1.9	1.3	2.1	1.2
Mean absolute revision, % of mean absolute flow	76.6	54.5	74.7	54.3

The magnitudes of the mean revisions presented in Table 3 reflect the fact that over the period affected, the revisions are largely offsetting. Consequently, the mean absolute revisions are materially larger for the series shown.

Taking PNFC M4L as an example, the following charts illustrate the materiality of revisions for both the monthly net flows and twelve-month growth rate series.

Chart A shows the net flows of PNFC M4L, non seasonally adjusted, with the new series showing significant revisions changes in some months, but less volatility over the affected period and a small cumulative effect overall. The mean absolute revision is £2.5 billion.

⁴ These series have been checked for residual seasonality, and will continue to be reviewed on a regular basis.

Chart A: PNFC M4L net flows, non seasonally adjusted

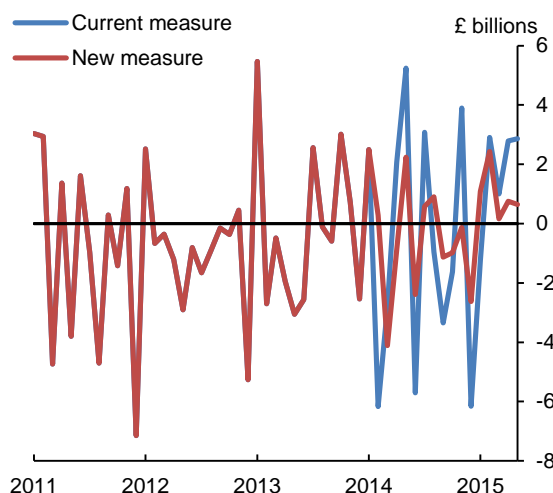
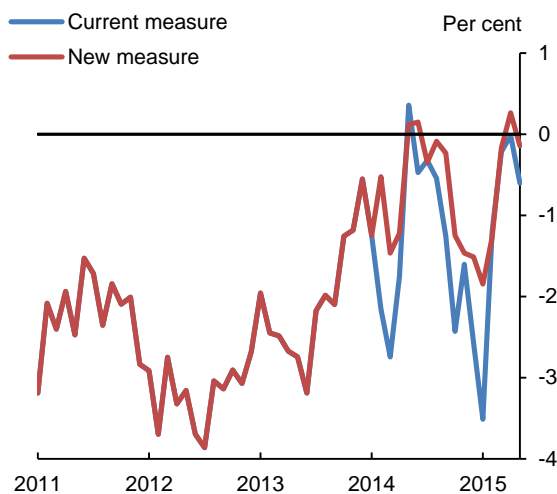


Chart B shows the twelve-month growth rates. These are significant in some months, with an average revision to the twelve-month growth rate of 0.6 percentage points.

Chart B: PNFC M4L, twelve-month growth rates, non seasonally adjusted



For seasonally adjusted data, the new measure will also reflect the changes to the method of seasonal adjustment outlined earlier. Charts C and D show the combined effect these changes have on the net flows and twelve-month growth rate of PNFC M4L, seasonally adjusted.

Chart C PNFC M4L net flows, seasonally adjusted

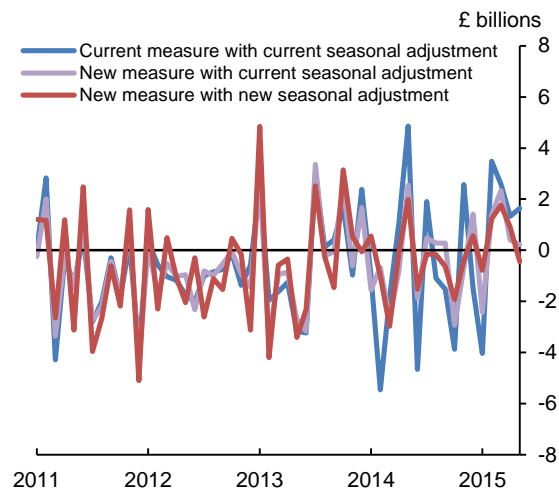
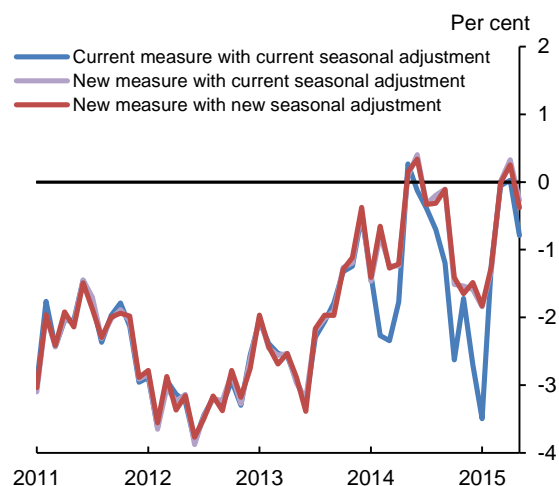


Chart D PNFC M4L, twelve-month growth rates, seasonally adjusted



These charts both show that the majority of the changes to seasonally adjusted data from February 2014 onwards are due to the improvement in securities treatment. As shown in Table 3, the mean absolute revision to the net flows of PNFC M4L, seasonally adjusted, is £2.0 billion, due to these changes.

Next steps

The changes outlined in this article will take effect from the next edition of *Bankstats*, published on 29 July 2015.

Annex: Series affected by these changes**Money and Credit statistical release tables**

		Seasonally adjusted				
		Amounts outstanding	Net flows	Growth rates		
				1m	3m (ann)	12m
Table A	Aggregate money and credit	B57Q	B58Q	B66P	B59Q	B62Q
Table C	PNFCs' money and credit	BC57	VWNQ	VWNR	VWNS	VWNU
Table D	Non-intermediate OFCs' money and credit	-	B68Q	B65P	B69Q	B72Q
Table E	Aggregate M4	-	AVBR	VQJQ	-	VQJU
Table E	Aggregate M4 Lending	-	VWVL	VWVM	-	VWVP

Tables B and F-N are not affected.

Bankstats tables

Series (LPM/LPQ/RPM/RPQ)	Not seasonally adjusted					Seasonally adjusted				
	Net flows	Sterling unless otherwise stated ^(a)			Amounts outstanding	Sterling unless otherwise stated ^(a)				
		Growth rates				Growth rates				
		1m	3m (ann)	12m		Net flows	1m	3m (ann)	12m	
A2.1.1	MFIs' net lending to private sector (historical measure)	-	VQKW	-	VQLA	-	-	VQJQ	VWVN	VQJU
	MFIs' net lending to private sector	-	BF38	-	BF43	-	-	VWVM	-	VWVP
A2.2.3	MFIs' net lending to private sector	BF37	BF38	BF39	BF43	-	VWVL	VWVM	VWVN	VWVP
	MFIs' (excl. Central Bank) net lending to private sector excluding intermediate OFCs	B3DT	B3D5	B3D9	B3DD	B57Q	B58Q	B66P	B59Q	B62Q
	MFIs' net lending to OFCs	B8Y7	B3Z5	B9Y4	B9Y7	-	VWNL	VWNNM	VWNN	VWNP
	MFIs' (excl. Central Bank) net lending to OFCs excluding intermediate OFCs	B3E7	B3D3	B3D7	B3DB	-	B68Q	B65P	B69Q	B72Q
A3.1	MFIs' net lending to private sector	BF37	-	-	-	-	VWVL	-	-	-
	MFIs' net foreign currency lending to private sector	VWGE	-	-	-	-	VWQU	-	-	-
	MFIs' lending (net of deposits) to private sector	VWZN	-	-	-	-	VZNF	-	-	-
	MFIs' other liabilities	VYAG	-	-	-	-	VWQP	-	-	-
		VYAH (FC)	-	-	-	-	VWQQ (FC)	-	-	-
	MFIs' net other assets	VWZV	-	-	-	-	VZNN	-	-	-
		VWZW (FC)	-	-	-	-	VZNO (FC)	-	-	-
A3.2	MFIs' net lending to private sector	BF37	-	-	-	-	VWVL	-	-	-
	MFIs' holdings of securities issued by private sector	VYAP	-	-	-	-	-	-	-	-
	MFIs' external transactions and all other foreign currency transactions	B72P (FC)	-	-	-	-	VRIG (Total)	-	-	-
		AVBW (Total)	-	-	-	-	-	-	-	-
	MFIs' net non-deposit liabilities	VWZV	-	-	-	-	VRHV	-	-	-
	Total external transactions and all other foreign currency transactions	VQLP (Total)	-	-	-	-	VRPC (Total)	-	-	-
A4.1	MFIs' net lending to private non-financial corporations (historical measure)	VVPE	VVPP	-	VVPI	-	VVOK	VVOL	-	VVOO
	MFIs' net lending to other financial corporations (historical measure)	VVOY	VVOZ	-	VVPC	-	VVOE	VVOF	-	VVOI
A4.3	MFIs' net lending to private non-financial corporations	BD68	B3Z6	-	B9Y8	BC57	VWNQ	VWNR	-	VWNU
	MFIs' net lending to other financial corporations	B8Y7	B3Z5	-	B9Y7	-	VWNL	VWNNM	-	VWNP

(a) FC denotes foreign currency.

Bankstats tables (continued)		Not seasonally adjusted			Seasonally adjusted					
		Sterling unless otherwise stated ^(a)			Sterling unless otherwise stated ^(a)					
		Series (LPM/LPQ/RPM/RPQ)	Net flows	Growth rates			Amounts outstanding	Net flows	Growth rates	
1m	3m (ann)			12m	1m	3m (ann)			12m	
B1.4	MFIs' (excl. Central Bank) capital and other internal funds	B4DJ (£)	-	-	-	-	-	-	-	-
		B4BM (FC)								
		B4IK (E)								
	MFIs' (excl. Central Bank) total liabilities	B4JJ (£)	-	-	-	-	-	-	-	-
		B4FM (FC)								
		B4CL (E)								
	MFIs' (excl. Central Bank) total liabilities, all currencies	B4JM	-	-	-	-	-	-	-	-
	MFIs' (excl. Central Bank) holdings of securities issued by private sector	B4CC	-	-	-	-	-	-	-	-
	MFIs' (excl. Central Bank) total assets	B4AJ	-	-	-	-	-	-	-	-
	MFIs' (excl. Central Bank) total assets, all currencies	B4IM	-	-	-	-	-	-	-	-
B2.1	MFIs' holdings of securities issued by private sector	VYAP	-	-	-	-	VWTE	-	-	-
		VYAQ (FC)					VWTF (FC)			
	MFIs' total assets	VYAI (Total)	-	-	-	-	VWRQ (Total)	-	-	-
	MFIs' other liabilities	VWKK	-	-	-	-	VWQP	-	-	-
		VWKL (FC)					VWQQ (FC)			
B2.1.1	MFIs' holdings of securities issued by private sector	VYAP	-	-	-	-	-	-	-	-
		VYAQ (FC)								
	MFIs' holdings of quoted shares issued by private non-financial corporations	Z57K	-	-	-	-	-	-	-	-
		Z57P (FC)								
	MFIs' holdings of securities issued by private non-financial corporations	VWPG	-	-	-	-	-	-	-	-
		VWPH (FC)								
	MFIs' holdings of securities issued by other financial corporations	VWPE	-	-	-	-	-	-	-	-
		VWPF (FC)								
	MFIs' holdings of quoted shares issued by Intermediate OFCs	Z57A	-	-	-	-	-	-	-	-
		Z57F (FC)								
	MFIs' holdings of securities issued by Intermediate OFCs	Z5GV	-	-	-	-	-	-	-	-
		Z5GW (FC)								
	MFIs' holdings of quoted shares issued by OFCs excluding intermediate OFCs	Z57U	-	-	-	-	-	-	-	-
		Z57Z (FC)								
	MFIs' holdings of securities issued by OFCs excluding intermediate OFCs	Z5HQ	-	-	-	-	-	-	-	-
		Z5GX (FC)								
B2.2/B2.2.1	Central Bank's holdings of securities issued by private sector	VYCQ	-	-	-	-	-	-	-	-
		VYCR (FC)								
	Central Bank's other liabilities	VYCA	-	-	-	-	-	-	-	-
		VYCB (FC)								
B2.5	MFIs' (excl. Central Bank) holdings of securities issued by private sector	B2VR	-	-	-	-	-	-	-	-
		B2VU (FC)								
	MFIs' (excl. Central Bank) other liabilities	B2VB	-	-	-	-	-	-	-	-
		B2VD (FC)								

(a) FC denotes foreign currency.

Statistical Interactive Database (IADB)	Not seasonally adjusted						Seasonally adjusted									
	Sterling unless otherwise stated ^(a)						Sterling unless otherwise stated ^(a)									
	Series (LPM/LPQ/RPM/RPQ)	Break-adjusted level	Net flows	Growth rates				Amounts outstanding	Break-adjusted level	Net flows	Growth rates				Seasonal residual: level	Seasonal residual: changes
				1m	3m (ann)	6m	12m				1m	3m (ann)	6m	12m		
Private non-financial corporations' funds raised from UK MFIs and capital markets	-	-	-	-	-	-	-	-	VYVV (Total)	-	-	-	-	-	B3ZI	
MFIs' net lending to private sector	Z5MD	-	-	-	BF42	-	BC69	Z5ME	-	-	B9DH	VWVO	-	-	-	
MFIs' net lending to private sector (historical measure)	VVFX	AVBS	-	VRKQ	VRLA	-	-	VVFX	AVBR	-	VQJY	VQKC	-	-	-	
MFIs' M4 liabilities to private sector	-	-	-	-	-	-	-	-	-	-	-	-	-	BD62	BD58 BD84	
MFIs' net non-deposit liabilities	-	VWQI	-	-	-	-	-	-	-	-	-	-	-	-	-	
MFIs' net lending to private non-financial corporations	-	-	-	B9Y5	B3Z9	-	-	-	-	-	VWNS	VWNT	-	-	-	
MFIs' net lending to private non-financial corporations (historical measure)	-	-	-	VVPG	-	-	-	-	-	-	VVOM	-	-	-	-	
MFIs' net lending to private non-financial corporations and household sector	-	B6NR	B6NX	B7DA	-	B7DE	BE33	-	BE34	BE35	BE36	BE37	BE38	-	-	
MFIs' net lending to private non-financial corporations and household sector (historical measure)	-	B6NQ	B6NW	B6DZ	-	B7DD	-	-	BE26	BE27	BE28	-	BE32	-	-	
MFIs' (excl. Central Bank) net lending to private sector excluding intermediate OFCs	-	-	-	-	-	-	-	B8FQ	-	-	-	-	-	-	-	
MFIs' (excl. Central Bank) net lending to private sector excluding intermediate OFCs (historical measure)	-	BG2E	-	-	-	-	-	-	BG2G	-	-	-	-	-	-	
MFIs' (excl. Central Bank) lending to Intermediate OFCs	-	B99L (£)	-	-	-	-	-	-	-	-	-	-	-	-	-	
MFIs' net lending to other financial corporations	-	B9GW (FC)	-	-	B3Z8	-	-	-	-	-	-	VWNO	-	-	-	
MFIs' net lending to other financial corporations (historical measure)	-	-	-	VVPA	-	-	-	-	-	-	VVOG	-	-	-	-	
MFIs' (excl. Central Bank) lending (net of deposits) to Intermediate OFCs	-	B9GX	-	-	-	-	-	-	-	-	-	-	-	-	-	
MFIs' net other assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	VYHN (Total)	
MFIs' external transactions and all other foreign currency transactions with other non-financial corporations	-	VQSE (Total)	-	-	-	-	-	-	-	-	-	-	-	-	-	

(a) FC denotes foreign currency.

Additional series to be published ^(a)		Not seasonally adjusted						Seasonally adjusted					
		Sterling						Sterling					
		Series (LPM/LPQ)	Amounts outstanding	Net flows	Growth rates				Amounts outstanding	Net flows	Growth rates		
1m	3m (ann)				6m (ann)	12m	1m	3m (ann)			6m (ann)	12m	
A4.3	MFIs' loans to private non-financial corporations	Z5MQ	Z5MR	Z5N2	Z5TQ	Z5TR	Z5TS	Z5MO	Z5MP	Z5MW	Z5MX	Z5MY	Z5MZ
	MFIs' holdings of securities issued by private non-financial corporations	VWPW ^(b)	VWPG ^(b)	Z5TX	Z5TY	Z5TZ	Z5U2	Z5MS	VWTI	Z5TT	Z5TU	Z5TV	Z5TW

^(a) This table was added on 22/07/2015

^(b) Series is currently available in *Bankstats* Table B2.1.1.