

METHODOLOGY FOR ELABORATION OF NATIONAL FINANCIAL ACCOUNTS FOR BULGARIA

The Bulgarian national financial accounts are prepared in accordance with the European System of National and Regional Accounts (ESA) 2010. Financial accounts deal with the financial transactions taking place between institutional units (sectors).

I. INSTITUTIONAL SECTORS

Non-financial corporations (S.11)

Sector **Non-financial corporations (S.11)** includes all private and public corporations, cooperatives and partnerships, recognized as independent legal entities, public producers and non-profit institutions or associations servicing non-financial corporations, which are market producers and are principally engaged in the production of goods and non-financial services. The sector also includes head offices controlling a group of corporations which are market producers if the preponderant type of activity of the group as a whole (measured on the basis of value added) is the production of goods and non-financial services. Also included are special purpose entities providing goods or non-financial services, as well as private and public quasi-corporations which are market producers principally engaged in the production of goods and non-financial services.

Financial corporations (S.12)

At an aggregated level, sector **Financial corporations (S.12)** includes the following sub-sectors:

- Central bank (S.121);
- Deposit-taking corporations except the central bank (S.122);
- Money market funds (MMFs) (S.123);
- Non-MMF investment funds (S.124);
- Other financial intermediaries, except insurance corporations and pension funds (S.125);
- Financial auxiliaries (S.126);
- Captive financial institutions and money lenders (S.127);
- Insurance corporations (S.128);
- Pension funds (S.129).

Sub-sector **Central bank (S.121)** includes the Bulgarian National Bank whose principal function is to maintain price stability by ensuring the stability of the national currency. The BNB also assists with the creation and functioning of effective payment systems and supervises them. It has the exclusive rights to issue currency in the country.

Sub-sector **Deposit-taking corporations except the central bank (S.122)** includes all financial corporations and quasi-corporations, except those classified in the central bank and in the MMF subsectors, which are principally engaged in financial intermediation and whose business is to receive deposits and/or close substitutes for deposits from institutional units, and for their own account to grant loans and/or to make investments in securities. This includes all commercial banks.

Sub-sector **Money market funds (S.123)** consists of all financial corporations and quasi-corporations, except the central bank and commercial banks, which are principally engaged in financial intermediation.

Sub-sector **Non-MMF investment funds (S.124)** consists of all collective investment schemes, except those classified in the MMF sub-sector, which are principally engaged in financial intermediation. It includes the following financial intermediaries: open-ended and closed-ended investment funds, real estate investment funds, investment funds investing in other funds and hedge funds.

Sub-sector **Other financial intermediaries, except insurance corporations and pension funds (S.125)** includes financial intermediaries principally engaged in long-term financing.

Sub-sector **Financial auxiliaries (S.126)** consists of all financial corporations and quasi-corporations which are principally engaged in activities closely related to financial intermediation but which are not financial intermediaries themselves.

Sub-sector **Captive financial institutions and money lenders (S.127)** consists of all financial corporations and quasi-corporations which are neither engaged in financial intermediation nor in providing financial auxiliary services and where most of either their assets or their liabilities are not transacted on open markets.

Sub-sector **Insurance corporations (S.128)** consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation as a consequence of the pooling of risks mainly in the form of direct insurance or reinsurance.

Sub-sector **Pension funds (S.129)** consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Pension funds as social insurance schemes provide income in retirement, and often benefits for death and disability.

General government (S.13)

Sector **General government (S.13)** consists of institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth. It is divided into four subsectors:

- **Central government (S.1311)** – includes all institutional units whose activities are financed by the central budget;
- **State government (S.1312)**;
- **Local government (S.1313)** – includes all municipalities as units of public administration;
- **Social security funds (S.1314)** – includes all institutional units which control social security schemes, organized and controlled by units of General government.

Households (S.14)

The data on this sector's financial accounts is derived from counterpart information from other sectors.

Non-profit institutions serving households (S.15)

Sector **Non-profit institutions serving households (S.15)** includes the following main types of non-profit organizations:

- trade unions, professional or learned societies;
- consumers' associations, political parties;
- churches or religious societies;
- social, cultural, recreational and sports clubs.

Rest of the world (S.2)

Sector **Rest of the world (S.2)** consists of non-resident units insofar as they are engaged in transactions with resident institutional units, or have other economic links with resident units. The institutions of the EU and international organizations are included.

II. FINANCIAL INSTRUMENTS

The financial accounts consider the following financial instruments (which can be both assets and liabilities for the institutional sub-sectors):

Monetary gold and special drawing rights (F.1)

Sub-category **Monetary gold (F.11)** consists of all transactions in monetary gold that is gold held as a component of foreign reserves by monetary authorities. The gold is a financial asset only for the Central bank sub-sector.

Sub-category **Special drawing rights (SDRs) (F.12)** consists of all transactions in SDRs that is international reserve assets created by the International Monetary Fund and allocated to its members to supplement existing reserve assets.

Currency and deposits (F.2)

Category **Currency and deposits (F.2)** consists of all transactions in currency and deposits that is currency in circulation and all types of deposits in national and in foreign currency. It is divided into three sub-categories of financial transactions:

- **Currency (F.21)** - consists of all transactions in currency that is notes and coins in circulation that are commonly used to make payments.
- **Transferable deposits (F.22)** - consists of all transactions in transferable deposits that is deposits (in national or in foreign currency) which are immediately convertible into currency or which are transferable by cheque, banker's order, debit entry or the like, both without any kind of significant restriction or penalty.
- **Other deposits (F.29)** - consists of all transactions in other deposits that is deposits (in national or in foreign currency) other than transferable deposits. Other deposits cannot be used to make payments at any time and they are not convertible into currency or transferable deposits without any kind of significant restriction or penalty. These are time deposits, savings deposits, deposits resulting from a savings scheme or a contract and other.

Debt securities (F.3)

Debt securities (F.3) are negotiable financial instruments serving as evidence of debt. This category consists of all transactions in securities, other than shares or financial derivatives. They are usually transferrable and tradable on secondary markets or can be offset on the market, and do not grant the holder any ownership rights in the institutional unit issuing them. The main category F.3 is divided into two sub-categories of financial transactions:

- **Short-term debt securities (F.31)** – securities which have an original maturity of a year or less;
- **Long-term debt securities (F.32)** – securities which have an original maturity more than one year or no maturity.

Loans (F.4)

Category **Loans (F.4)** consists of all transactions in loans, that is financial assets created when creditors lend funds to debtors, either directly or through brokers, which are either evidenced by non-negotiable documents or not evidenced by documents. This category is divided into two sub-categories:

- **Short-term loans (F.41)** – loans with a short-term original maturity, including loans repayable on demand;
- **Long-term loans (F.42)** – loans with a long-term original maturity.

Equity and investment fund shares or units (F.5)

Category **Equity and investment fund shares or units (F.5)** consists of all transactions in shares and other equity that is financial assets, which represent property rights on corporations or quasi-corporations. These financial assets generally entitle the holders to a share in the profits of the corporations or quasi-corporations and to a share in their net assets in the event of liquidation.

This category is divided into two sub-categories of financial transactions:

- **Equity (F.51)** - all financial assets that are a claim on the residual value of a corporation, after all other claims have been met;
- **Investment fund shares or units (F.52)** - shares of an investment fund if the fund has a corporate structure. They are known as units if the fund is a trust.

Insurance, pension and standardised guarantee schemes (F.6)

Category **Insurance, pension and standardized guarantee schemes (F.6)** includes financial claims by insurance policy, pension and standardized guarantee holders against the respective providers of insurance, pension or guarantee services.

Financial derivatives and employee stock options (F.7)

Category **Financial derivatives and employee stock options (F.7)** consists of financial assets, connected to a financial asset, non-financial asset or an indicator, through which financial risks can be traded in financial markets in their own right.

This category is divided into two sub-categories of financial transactions:

- **Financial derivatives (F.71)** – financial instruments linked to a specified financial instrument or indicator or commodity, through which specific financial risks can be traded in financial markets in their own right. This includes forwards, options, swaps, forward rate agreements, credit derivatives and credit default swaps.
- **Employee stock options (F.72)** – agreements made on a given date under which an employee has the right to purchase a given number of shares of the employer's stock at a stated price either at a stated time or within a period of time immediately following the vesting date.

Other accounts receivable/payable (F.8)

Category **Other accounts receivable/payable (F.8)** consists of all financial assets and liabilities created as counterparts to transactions where there is a timing difference between these transactions and the corresponding payments.

This category is divided into two sub-categories of financial transactions:

- **Trade credits and advances (F.81)** - financial claims arising from the direct extension of credit by the suppliers of goods and services to their customers, and advances for work that is in progress or is yet to be undertaken, in the form of prepayment by customers for goods and services not yet provided.
- **Other accounts receivable/payable, excluding trade credits and advances (F.89)** – financial claims arising from timing differences between distributive transactions or financial transactions on the secondary market and the corresponding payments.

III. Data sources

The National Statistical Institute has elaborated financial accounts on the basis of data drawn from standardized questionnaires collected by National Statistical Institute as well as data from other institutions such as the Bulgarian National Bank, the Ministry of Finance, the Central Depository, etc.

Standardized accounting questionnaires

Standardized accounting questionnaires containing a wide range of information necessary for the compilation of the financial accounts for the following sectors: Non-financial corporations (S.11), Non-MMF investment funds (S.124), Other financial intermediaries, except insurance corporations and pension funds (S.125), Financial auxiliaries (S.126), Captive financial institutions and money lenders (S.127), Insurance corporations (S.128), Pension funds (S.129) and Non-profit institutions serving households (S.15). For the purposes of elaboration of Bulgarian financial accounts the following accounting

questionnaires are used - Balance sheets, Income statements, Report on receivables, liabilities and collateralized loans and Report on securities.

Data from partner institutions

The **Bulgarian National Bank** provides data used in the compilation of financial accounts. The Bulgarian National Bank compiles statistical data for three institutional sub-sectors - Central bank (S.121), Deposit-taking corporations except the central bank (S.122) and Money market funds (MMFs) (S.123), broken down by financial instrument and counterpart sectors. Balance of payment and International investment position provides data for flows (transactions, revaluation and other changes in volume) and respectively for stocks. In practice they concern transactions, related to financial assets and liabilities between the Rest of the world sector and the domestic sectors.

The **Ministry of Finance** provides data for the state debt for the flows and stocks in the end of each year, broken down by issuer sub-sector, financial instruments and maturity. Also balance sheets for General government sub-sectors' are used for the purposes of elaboration of financial accounts for general government sub-sectors.

The **Central Depository** provides statistical data for all registered shares (both stocks and transactions) for holder and issuer sectors. Additional detailed information on market traded (quoted) shares is obtained from the **Bulgarian Stock Exchange**.