



Survey of Financial Information

Definitions Booklet

This Definitions Booklet is designed to assist you to complete the Survey of Financial Information. It gives advice on:

- Types of financial instruments
- Types of counterparties and business units

Help Available

If you require any clarification of terms contained in this booklet or in the form itself, or if you require further copies, please telephone ABS contact Joseph Madaffari on (02) 6252 5842.

Introduction

This definitions booklet is designed to assist you to complete the Survey of Financial Information. The booklet is divided into 4 parts:

- Introduction
- Instructions
- Types of financial instruments (listed in alphabetical order)
- Types of counterparties and business units (also listed in alphabetical order)

Purpose of the Survey of Financial Information

This survey collects quarterly financial information used in the compilation of five publications:

- *Australian National Accounts: National Income, Expenditure and Product (5206.0).*
- *Assets and liabilities of Australian Securitised Issuers (5232.0.55.001)*
- *Australian System of National Accounts (5204.0).*
- *Australian National Accounts: Australian Financial Accounts (5232.0) and*
- *Managed Funds, Australia (5655.0).*

These can be accessed from the ABS website: www.abs.gov.au

Instructions

- Please report on an accruals basis as recorded in this business's Statement of Financial Position.
- Report all income items **exclusive of Goods and Services Tax (GST)**.
- Report all expense items **exclusive of Goods and Services Tax (GST)** where this is recoverable as an input tax credit.
- If exact figures are not available please provide careful estimates so that you can return the form to us on time.
- The items listed under ***Including*** and ***Excluding*** are examples and should not be taken to be a complete list of items to be included or excluded. If you are unsure where to classify a particular instrument or institution, please discuss with the ABS contact listed on the front of this document.
- Report the primary financial instruments which you actually hold, not the assets underlying them. For example, mortgage backed bonds should be reported under long term debt securities not housing loans. Note however, that any assets held in internal trust funds or by wholly owned investment subsidiaries located in Australia should be consolidated into the appropriate asset.
- Report on a consolidated basis if you are reporting on the 'Non-Financial Trading Corporations' (PNFCE) form and are reporting for a group of related companies operating in Australia. **Consolidation** is the accounting process of adding together transactions or balance sheet items but excluding those between entities in the same subsector or company group to produce a net measure of financial flows between that grouping and the rest of the economy. In a commercial accounting sense, this process is applied to entities where a parent/subsidiary relationship exists. For example, a loan from one Non-Financial Trading Corporation to another in the group is eliminated from the consolidated total of assets and liabilities of the subsector because, in such cases, there is no asset or liability held with an entity outside the non-financial corporations subsector.
- For income and expense questions, report in **thousands of Australian dollars (A\$,000)**. Where the value in this business's accounts is not expressed in thousands of dollars, round the value up or down to the nearest thousand dollars.
- Please report all other monetary values in **millions of Australian dollars (A\$,000,000)**. Where the value in this business's accounts is not expressed in millions of dollars, round up or down to the nearest million dollars.

Types of financial instruments

Bills of exchange are unconditional orders in writing addressed by one person to another, signed by the person giving it, requiring the person to whom it is addressed to pay on demand. They usually have an original term to maturity of 180 days or less.

Including

- Bank accepted bills, bank endorsed bills, non-bank bills, and accommodation bills

Commercial paper (CP) is also called promissory notes or one-name paper and is a type of short term debt security (see *Short-term debt securities*). It is a written promise to pay a specified sum of money to the bearer at an agreed date. It is usually issued for terms ranging from 30 to 180 days and is sold to an investor at a simple discount to the face value.

Including

- Promissory notes, one-name paper, certificates of deposit issued by banks and merchant banks, and asset-backed commercial paper

Excluding

- Floating-rate notes and similar long-term debt securities with a short-term interest rate (include as *Long-term debt securities*)
- Euro CP (include as *Non-resident debt securities*)

Debt securities are financial instruments that evidence the issuer's promise to repay the principal at face value upon maturity. Examples are bills of exchange, commercial paper and bonds.

Deposits are customers' account balances with domestic deposit-taking institutions (central bank, banks and other deposit taking institutions).

Including

- Account balances with resident banks
- Account balances with resident other deposit taking institutions such as credit unions, building societies, merchant banks and Registered Financial Corporations (RFCs)

Excluding

- Cash at hand (include as *Holdings of notes and coins*)
- Certificates of deposit (There is a separate category for negotiable certificates of deposit. Include transferable certificates of deposit as *Long-term debt securities*)
- Deposits with non-resident banks (include as *Non-resident loans and deposits*)

Derivatives are securities whose value depends on the value of an underlying asset, an index or reference rate. Derivative contracts involve:

- Future delivery, receipt or exchange of financial items such as cash or another derivative instrument, or
- Future exchange of real assets for financial items where the contract may be tradeable and has a market value.

Derivative contracts can either be binding on both parties (as with a currency swap) or subject to the exercise by one party of a right contained in the contract (as with options).

Including

- Options including call and put options; exchange traded and over-the-counter options; interest rate, bullion, commodity and equity options; warrants and swaptions
- Interest-rate swaps
- Cross currency interest rate swaps
- Currency swaps
- Futures (e.g. bank bill, bond)
- Forward rate agreements
- Forward foreign-exchange contracts
- Employee stock options

Derivatives in a net asset position are contracts where the market value of the closing position is positive at the reporting date. Derivatives in a net liability position are contracts where the market value of the closing position is negative at the reporting date.

Listed shares comprise shares in resident companies quoted on the Australian Stock Exchange (ASX).

Including

- Listed ordinary shares
- Listed participating preference shares (a special type where the holder has an entitlement to a share in the residual value on dissolution of the issuing company)
- Shares borrowed or purchased under repurchase agreements

Excluding

- Shares in non-resident companies even if quoted on ASX (*include as Non-resident shares*). A list of the foreign companies quoted on ASX is available from the ASX website www.asx.com.au.
- Equity derivatives, such as exchange traded options (*include as Derivatives*)
- Units in listed trusts (*include as Units in trusts*)
- Shares lent or sold under repurchase agreements

Types of financial instruments (*continued*)

Loans and placements Loans are borrowings which are not evidenced by the issue of debt securities. Placements are customers' account balances with entities not regarded as deposit taking institutions.

Including

- Overdrafts
- Secured and unsecured borrowings
- Financial lease agreements
- Account balances with institutions which do not qualify as deposit taking institutions - see **deposit taking institutions** in the types of counterparties and business units section of this document.
- 11 am money placed with corporate treasuries.

Excluding

- Bills of exchange, commercial paper and promissory notes (there are separate categories for *Short-term debt securities*)
- Bonds, debentures, medium term notes (MTNs), transferable certificates of deposit (TCDs), floating-rate notes (FRNs) (include all as *Long-term debt securities*)
- Account balances with financial intermediaries deemed to be deposit taking institutions, such as banks (include as *Deposits*)

Long-term debt securities are debt securities which have an original term to maturity of more than one year.

Including

- Treasury Bonds
- Treasury Adjustable Rate Bonds (TABs)
- Inscribed stock
- Asset-backed bonds
- Debentures
- Transferable certificates of deposit (TCDs)
- Unsecured notes
- Mortgage-backed bonds
- Convertible notes
- Semi-government bonds
- Corporate bonds
- Fixed-interest securities
- Inflation-indexed bonds
- Medium-term notes (MTNs)
- Floating-rate notes (FRNs)
- Other floating-rate debt securities
- Euro bonds issued by Australian residents
- Non-participating preference shares (a special type where the holder has no entitlement to a share in the residual value on dissolution of the issuing company)

Excluding

- Derivatives
- Euro bonds, including Kangaroo bonds, issued by non-residents (include as *Non-resident debt securities*)
- Debt securities which have an original term to maturity of one year or less (include as *Short-term debt securities*)

Negotiable certificates

of deposit (NCDs) are short-term (one year or less) bearer securities issued by resident banks, repayable at a fixed date. The bank writes a certificate stating that a fixed amount has been deposited for a fixed period of time and predetermined interest rate. The NCD trades at a discount from face value.

Excluding

- Transferable certificates of deposit (include as *Long-term debt securities*)
- Certificates of deposit issued by merchant banks (include as *Commercial paper*)
- Certificates of deposit issued by non-resident banks (include as *Non-resident debt securities*)
- Commercial paper issued by resident banks (include as *Commercial paper*)

Non-resident assets comprise all financial claims on non-residents whether purchased overseas or in Australia and irrespective of the currency in which they are denominated (see definition of *Non resident*).

Including

- Shares in non-resident companies even if traded on ASX
- Tangible assets such as land and buildings located overseas
- Debt securities issued by non-residents (including Kangaroo bonds which are bonds issued by a non-resident entity in the Australian market)
- Accounts receivable from non-residents (including related companies)

Excluding

- Financial claims on Australian residents denominated in foreign currency (include as *Australian assets*)
- Financial claims on Australian residents purchased overseas e.g. Yankee bonds issued by an Australian company (include as *Australian assets*)

Notes and coin are holdings of Australian notes and coin (cash)

Including

- Australian notes and coin (cash)

Excluding

- Foreign currency (include as *Other non-resident assets*)
- Bills of exchange (include as *Short-term debt securities*)
- Cash management trusts (include as *Units in trusts: Cash management trusts*)

Types of financial instruments (*continued*)

Other financial assets and liabilities

are all other assets and liabilities not already classified in one of the other instruments

Including

- Accounts receivable and payable or trade debtors and creditors
- Monies receivable for sales of securities or payable for purchase of securities

Excluding

- Future income tax benefits (include as *Non-financial assets*)
- Net positions in derivatives (there are separate categories for derivatives)
- Accounts receivable from or payable to non-residents (including related companies overseas) (include as *Other non-resident assets* or *Other liabilities to non-residents* as appropriate)
- Shareholders' funds, retained earnings, reserve and provision accounts (include as *Provisions* or under *Net assets*)

Repurchase agreement

(Repos) involves the sale of securities or other assets with a commitment to repurchase equivalent assets at a specified price and specified future date.

Units in trusts are securities which are similar to equity which represent ownership of part of a trust rather than a company.

Short-term debt

securities are debt securities which have an original term to maturity of one year or less.

Including

- Treasury notes
- Bills of exchange
- Inscribed stock
- Commercial paper and promissory notes issued by any institution (e.g. trading enterprises, central borrowing authorities, securitisers)
- Negotiable certificates of deposit (NCDs)

Excluding

- Debt securities which have an original term to maturity of more than one year, but have a remaining term to maturity of less than or equal to a year (include as *Long-term debt securities*)

Treasury notes are short-term debt securities issued by the Australian Commonwealth government.

Shares which are often referred to as equity, are securities which represent ownership of part of a company. For the purposes of this survey, it is subdivided into *Shares listed on Australian stock exchanges* and *Shares not listed on Australian stock exchanges*. The latter category includes equity in privately owned companies, equity in subsidiaries and related companies. Shares in foreign companies (including those listed on non Australian stock exchanges) should be included as *Non-resident shares*.

Unlisted shares are resident shares not available for purchase or sale through Australian stock exchanges

Types of counterparties and business units

For a market transaction to occur there must be a willing buyer and a willing seller. To the buyer, the seller is the counterparty, and vice versa. The counterparty in a derivative contract is the party assuming the credit risk.

An important distinction is made by ABS between resident counterparties and non-residents. Australian residents are those persons, companies and other entities domiciled in Australia for one year or more. All others are classified as non-residents.

Australian Commonwealth government provides non-market goods and services, principally financed by taxes and hence, provided free of charge or at nominal prices, well below the cost of production. Australian Commonwealth government entities are primarily financed from taxation revenue.

Including

- Departments such as the Commonwealth Department of Finance and the Department of Defence
- ABC and SBS
- Australian Film Commission
- CSIRO

Excluding

- Government business enterprises (GBEs) such as AIDC and EFIC (include as *Trading enterprises owned by the Commonwealth Government* or *Financial institutions* as appropriate)
- Departments of the state governments, the ACT and the Northern Territory governments (include under *State, territory and local government*)

Australian Prudential Regulation Authority (APRA)

is the prudential regulator of the Australian financial services industry. APRA oversees banks, credit unions, building societies, general insurance and reinsurance companies, life insurance, friendly societies and most members of the superannuation industry.

Banks are those financial corporations and quasi corporations licensed by the Australian Prudential Regulation Authority (APRA) to operate as a bank. Generally they have the word *Bank* in their legal name. A list of banks can be found on the APRA website www.apra.gov.au.

Including

- Banks listed on the APRA website under the categories *Australian owned banks, foreign subsidiary banks and branches of foreign banks*.

Excluding

- Credit Unions and Building Societies (include as *Other deposit taking institutions*)
- Merchant and investment banks (include as *Other deposit taking institutions*)
- Non-resident banks (these are *Non-resident counterparties*)

Cash management

trusts are unit trusts which are governed by a trust deed, are open to the general public and which generally confine their investments (as authorised by the trust deed) to financial securities available through the short term money market. Cash management trusts issue units in the trust that are redeemable by the unit holder on demand.

Excluding

- Cash management accounts with banks or other deposit taking institutions

Cash common funds are common funds offered by a trustee company, that primarily invest in cash or short term money market securities.

Common funds are funds established to enable pooling of monies by a trustee company.

Friendly societies are organisations registered as such with APRA. They provide investment, health, educational and welfare benefits to their investors. A list of friendly societies can be found on the APRA website www.apra.gov.au.

General and health insurance companies

General insurance corporations must be registered as an insurance company with APRA. They mainly offer house, car, marine and health insurance. Organisations which offer insurance to cover medical and hospital expenses are known as health insurers.

Including

- Export Finance Insurance Corporation (EFIC)
- Private sector and government-owned general and health insurance enterprises
- Reinsurance

Excluding

- Life insurance (include as *Life insurance companies*)

Investment companies are companies whose main purpose is to invest in the shares of other companies. Investors usually purchase shares (not units) in the Investment company. They may be listed on the ASX or unlisted. Those quoted on the ASX are called Listed Investment Companies (LICs).

Types of counterparties and business units (*continued*)

Internal trusts are established to facilitate co-ownership of investment assets. All units in internal trusts are held within a group of related companies, they cannot be bought or sold.

Life insurance companies must be registered as a life insurer with APRA. They offer insurance for death or disability and also offer investment and superannuation products. Generally they have the word Life in their legal name. A list of life insurance companies can be found on the APRA website www.apra.gov.au.

Excluding

- Insurance companies offering house, car and marine insurance (these are *general and health insurance companies*)
- Reinsurance

Listed investment companies (LICs) are investment companies listed on the ASX.

Listed trading enterprises are those entities owned and controlled by the private (non-government) sector whose main activity is producing goods or non-financial services for sale at market prices and are listed on the ASX.

Including

- Parent companies with controlling interests in private trading companies
- Intra-group financiers for groups of trading companies
- Trading enterprises which are the Australian-based branches of foreign companies
- Partnerships of trading companies and unincorporated joint ventures engaged in trading activities

Excluding

- Unincorporated businesses except those mentioned above (there is a separate category for these)
- Companies providing financial services to the public such as banks and insurance companies (there are separate categories for these)
- Property and infrastructure trusts (these are in *Units in trusts*)

Reserve Bank of Australia (RBA) is Australia's central bank. Its main responsibilities include managing monetary policy and maintaining financial system stability. The Bank is an active participant in financial markets, manages Australia's foreign reserves, issues Australian currency notes and serves as banker to the Australian Government and the banking system.

Wholesale trusts are an investment vehicle enabling institutional investors to pool their monies to invest in one or more underlying investments. A key feature of wholesale trusts is that the trust is the legal owner of the assets and investors own units in the wholesale trusts.

Excluding

- Retail public (offer) unit trusts (there is a separate category for these)
- Internal trusts (these should be consolidated)
- Wholesale trusts which are open only to superannuation funds (include with superannuation funds)

Non-resident counterparties are persons, companies and other entities ordinarily domiciled in a country other than Australia.

Including

- Foreign branches and subsidiaries of Australian businesses

Excluding

- Australian-based branches and subsidiaries of foreign businesses (these are *Resident counterparties*)

Other common funds are common funds offered by a trustee company which invest in equity, mortgages and long term securities.

Other deposit taking institutions constitutes entities authorised to accept deposits by APRA and not classified as banks. A list of these entities can be found on the APRA website www.apra.gov.au

Including

- Credit unions and building societies
- Registered Financial Corporations (RFC's).

Property and infrastructure trusts are a type of retail public (offer) unit trust. They issue units to the general public within Australia and invest the pooled monies primarily in real property. They must have registered a prospectus with the Australian Securities Investment Commission (ASIC). Some are listed on ASX.

Retail public (offer) unit trusts issue units to the general public within Australia and invest the pooled monies. They must have registered a prospectus with the Australian Securities Investment Commission (ASIC). Some are listed on ASX. There are two broad types of public unit trusts: property and infrastructure trusts; and financial trusts such as mortgage, fixed interest and equity trusts.

Excluding

- Family trusts (include as Individuals or *Households*)
- Wholesale trusts (there is a separate category for these)
- Internal trusts (these should be consolidated)
- Agricultural trusts (include in *Other units in trusts*)
- Film trusts (include in *Other units in trusts*)

Types of counterparties and business units (*continued*)

Resident counterparties are persons, companies and other entities ordinarily domiciled in Australia.

Including

- Australian-based branches and subsidiaries of foreign businesses

Excluding

- Foreign branches and subsidiaries of Australian businesses (these are non-resident counterparties)

Securitisers issue asset-backed debt securities so called because these securities are backed by specific assets, often residential mortgages. The securities can be short term (e.g. commercial paper) or long term (e.g. bonds) Some additional information can be found at www.securitisation.com.au

State and territory borrowing authorities

are state and territory financial institutions set up to provide debt funding, risk management and financial advisory services for a range of state and territory government and semi government entities. Currently it comprises TCorp, TCV, QTC, WATC, SAFA, TasCorp, NTTC.

Excluding

- ACT Treasury (include in *State, territory and local government*)

State, territory and local government

provides non-market goods and services principally financed by taxes and hence provided free of charge or at nominal prices well below the cost of production.

Including

- State and territory departments such as police, sport & recreation, arts and premiers
- ACT Treasury
- State schools, technical and further education colleges, state-owned hospitals, and film commissions

Excluding

- Government business enterprises such as electricity and water authorities (include as *Trading enterprises owned by state, territory and local government*)
- State, territory and local government borrowing authorities or treasury corporations (there is a separate category for these)
- Government-owned financial institutions (there are several categories for financial institutions)

Superannuation

funds are established to provide benefits for their members on retirement, resignation, death or disablement. A superannuation fund usually takes the legal form of a trust fund. The Self Managed Superannuation Funds (SMSFs) are regulated by the ATO and all other funds are regulated by APRA. A list of the APRA regulated entities can be found on the APRA website www.apra.gov.au.

Including

- Pooled superannuation trusts
- Approved deposit funds (ADFs)
- Public sector superannuation funds (including SIS-exempt funds)
- Private sector superannuation funds e.g. retail or industry super funds
- SMSFs
- Master trusts i.e. superannuation

Excluding

- The superannuation business of life insurance companies (include under *Life insurance companies*)

Trading

enterprises are those entities whose main activity is the production of goods or non-financial services for sale at market prices. They may be listed on the ASX or unlisted.

**Trading
enterprises****owned by state,
territory and****local government**

are those businesses which are owned and controlled by State, Territory or Local governments and which produce goods or non-financial services for sale at market prices.

Including

- Non-privatised power authorities
- Housing commissions
- Port authorities
- Water boards
- Gas and fuel authorities

Excluding

- State, territory and local government borrowing authorities or treasury corporations (there is a separate category for these)
- Government-owned financial institutions (these are classified as financial institutions)
- Government departments (include as *State, territory and local government*)
- Privatised enterprises (include as *Trading enterprises*)

Types of counterparties and business units (*continued*)

Trading enterprises owned by the Commonwealth government

are those businesses which are owned and controlled by the Commonwealth government and which produce goods or non-financial services for sale at market prices.

Including

- Australia Post
- Snowy Hydro Ltd

Excluding

- Government departments (include as *Australian Commonwealth government*)
- Government-owned financial institutions (these are classified as financial institutions)

Individuals and unincorporated trading businesses

includes persons (in their capacity as households) and businesses operated by persons either as sole proprietors or in partnerships with other persons. They do not operate through a company structure.

Including

- Family trusts established for personal purposes
- Unincorporated cafes and restaurants
- Unincorporated professional practices (medical, dental, legal, accounting etc.)
- Unincorporated businesses run by tradesmen (plumbers, electricians etc.)
- Trusts established to operate an unincorporated business and receive its income

Excluding

- Australian-based branches of foreign companies (include as *trading enterprises* or financial institutions as appropriate)
- Unincorporated businesses offering financial services (these are financial institutions)
- Unincorporated businesses owned by governments (these are government-owned trading enterprises or financial institutions)
- Unincorporated joint ventures and partnerships of companies (include as *Trading enterprises*)