Circular letter

Changes to the Explanatory notes on DRA reporting

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Contents

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1 Introduction

This circular describes the changes and clarifications to the explanatory notes on DRA reporting for the balance of payments, sectoral statistics and sectoral accounts. The changes were made to clarify how specific instruments or transactions must be reported as a result of new developments or questions that we received.[1]
The changes apply to all reporting profiles that contain the relevant forms.
The changes only involve the reporting instructions. The reporting forms themselves have not been amended.
First, we will explain the implementation time frame for the changes, and how these changes must be reported in the transitional situation. Next, we will discuss the changes and clarifications in more detail. At a later stage, they will be incorporated in the explanatory notes to the DRA reporting forms.

2 Implementation period and reporting in the transitional situation

2.1 When will the changes be implemented?

The changes and clarifications must be included in the reports for the periods starting from **1 January 2018**, i.e. in the monthly report on January 2018, the quarterly report on the first quarter of 2018 and the annual report on 2018.

2.2 Reporting in the transitional situation

For the profit and loss account items, the changes only have to be implemented in the relevant column. No further reconciliation adjustments are necessary. This applies to the change in section 3.1.
For items on the assets and liabilities forms, changes can lead to situations where reports can no longer be reconciled, because the opening balance in the report cannot be adjusted and must be the same as the closing balance of the preceding period. If this happens, the difference must be accounted for in the 'other changes' column.

3 Changes and clarifications

3.1 Wage costs including persons working at the company but on another payroll

Current requirement
The WVB-S form requires you to report on wage or staff costs for own staff members.

New requirement
The items and sub-items of staff costs must relate to persons employed by the reporting company. This involves both persons on the company's own payroll, insofar as they are in actual fact working in the company, and persons working for the company whose payroll records are kept by a parent, sister or subsidiary company.

[1] We communicated some of the instructions in this document to specific groups of reporters before.

This means the following employees **must be** included:
- persons working at the company whose payroll records are being kept by a parent, sister or subsidiary;
- persons on the company's own payroll, including persons aged 65 or over who are employed by the company, and those that have been seconded for less than one year to a branch office or to a project abroad;
- directors of public limited companies (NVs) and private limited companies (BVs) on the company's own payroll, including director-major shareholders (DMS) and any family members employed by the company.

The following employees **must not** be included:
- persons whose payroll records your company keeps, but who are in actual fact employed by an affiliated company, such as a subsidiary;
- persons that are fully incapacitated under the General Incapacity for Work Insurance Act (AAW/WAO), on a disability pension, etc.;
- persons seconded for more than one year to a branch office or to a project abroad.

If work has been outsourced, or activities have been separated, persons performing these activities must **not** be included. Examples are pension scheme administration companies and investment managers performing specific tasks for pension funds or investment funds. Please note that the associated costs must be reported under Other operating expenses or Management fees (WVB-L form) depending on the activities performed.

3.2 No participating interests possible for units in investment funds

<u>Current requirement</u>
At present, there are no specific instructions for units in and held by investment funds.

<u>New requirement</u>
Investments in **units** of investment funds (assets for all institutions and liabilities for the investment fund) cannot be classified as participating interests (i.e. direct investments) regardless of the size of the shareholding. They always come under the statistical concept of "securities transactions" This means that:
- investments in units of investment funds (on the assets side for all institutions) must always be reported on securities forms AEN and AEB, not on form AD;
- investments in units of investment funds (on the liabilities side of investment funds) must always be reported on form PEN-A, not on form PD.

In other forms of equity (or working) capital equity investments by investment funds may be possible, which applies to participating interests in a company of 10% or higher and to cross-holdings (in subsidiaries of investment funds) of lower than 10%.

3.3 Reporting ISIN code securities

<u>Current requirement</u>
When reporting securities with ISIN codes, a distinction must be made between equity securities and debt paper. When in doubt whether securities should be classified as equities or debt paper, the difference may be determined by their

trading unit: if securities are traded in number of units, they must be reported under equities, and if they are traded in nominal value, they must be reported under debt paper.

In some cases this requirement has proved to be unworkable, as there is debt paper traded in number of units. In order to account for this, the requirement will be adjusted without retrospective implications.

New requirement
When reporting, securities must be classified according to unit of trading, i.e. under equities in case of number of units and under debt paper in case of nominal value.

3.4 Collateral for derivatives contracts

Current requirement
The current requirement is concise where collateral for derivatives contract is concerned, comprising one sentence only: Any margin accounts held in cash and the (net) movements therein must be reported under current account (AO-RC).

In the previous circular, this description had been complemented with contracts that are handled by a central counterparty (CCP), but additional requirements are needed for collateral to hedge counterparty risk. This only refers to collateral in cash; collateral in securities falls outside the scope of the reporting.

Additional requirement
A distinction must be made between derivatives contracts with daily settlement and other derivatives contracts. Both contracts may involve collateral. Reporting of the collateral depends on the type of contract.
The collateral in the form of money held in margin accounts and their daily (net) movements (initial margin and variation margin) must be reported on the AO-RC form, with the party where the collateral is being held as the counterparty.
Collateral in the form of cash to hedge counterparty risk in contracts that are not settled daily must be reported under short-term loans on the AO-LK form or the PO-LK form, depending on whether the collateral was deposited or obtained. If the loan's maturity exceeds one year, you must report it on the AO-LL or PO-LL form.

3.5 Forward exchange transactions and other futures contracts: further explanation

Current requirement
Forward contracts are futures that are not exchange-traded. As a rule, forwards contracts are executed. When the contract ends, the underlying value is bought or sold against the pre-agreed price. These contracts must be reported on the D-OTV form.

The requirements cite forward exchange transactions and credit derivatives as examples of futures contracts.

Additional requirement
Other examples of futures contracts are bond forwards and to-be announced contracts (TBAs).