U.S. Flow of Funds Accounts: A snapshot of ongoing improvements

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* The views expressed are those of the author and should not necessarily be attributed to the Federal Reserve Board or its staff.
Types of potential improvements

- We have a conceptual framework and appropriate data exist.
  - Resource constraints and priorities.
  - We may not know …

- We have a conceptual framework, but rely on others for data.
  - Resource constraints and priorities.
  - They may not know …
A snapshot of some ongoing projects:

- Split out financial subsectors in the integrated accounts.
- Separate asset-backed securities from corporate bonds.
- Explore adding sectors: hedge funds and other private funds.
- Online documentation guide.
Integrated Macroeconomic Accounts

- Relate production, income and saving, capital formation, financial transactions, and asset revaluations to changes in net worth for major sectors of the U.S. economy.

- One of the G20 recommendations is to have more detail for the financial business sector.
  
  - Relatively simple for the following accounts: financial, other changes in volume, revaluation, and balance sheet.
  
  - More difficult for the current and capital accounts.
The Financial Subsectors

- Central bank.

- Insurance and pension funds.
  - Life and property-casualty insurance.
  - Private pensions (DB and DC).
  - Government employee retirement funds (S&L, Federal).

- Deposit-taking corporations except the central bank.
  - Commercial banks (ex. BHCs).
  - Savings institutions.
  - Credit unions.
  - *Money market mutual funds.*

- Other financial business.
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Corporate and Foreign Bonds

Issuer

- Nonfarm nonfinancial corporate business
- Rest of the world
- Issuers of asset-backed securities (off balance sheet)
- Financial business less asset backed securities
Separate Asset-Backed Securities from Corporate Bonds

- Issuers:
  - Off-balance-sheet entities (ABS issuers).
  - On-balance sheet (FAS 166/167).

- Holders:
  - **Identifiable:** For example, commercial banks; insurance companies; state and local pensions; mutual funds; rest of world.
  - **Unidentifiable:** For example, pensions; broker/dealers.

- Interim Goal: Identify what we can, search for ways to fill in gaps.

- More broadly, this kind of work is needed to build a true who-to-whom matrix of flows and exposures.
### An Example: U.S.-chartered commercial banks

<table>
<thead>
<tr>
<th>As of 2011:Q1</th>
<th>Total $ billion</th>
<th>Held by U.S.-chartered commercial banks $ billion</th>
<th>percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate bonds</td>
<td>11,342</td>
<td>460</td>
<td>4.1</td>
</tr>
<tr>
<td>ABS issuers (1)</td>
<td>2,148</td>
<td>139</td>
<td>6.5</td>
</tr>
<tr>
<td>All other</td>
<td>9,195</td>
<td>321</td>
<td>3.5</td>
</tr>
</tbody>
</table>

(1) Excludes ABS corporate bonds backed by corporate bonds
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Hedge Funds and Other Private Investment Pools

- The Flow of Funds Accounts do not have a hedge fund sector.
- The SEC is developing a new filing (Form PF) that will help.
- Collect a wide range of data on hedge funds, “liquidity funds”, and a variety of other private funds.
- Contain detailed data on assets and liabilities, including type of instrument and maturity.
- This is a case study in how the statistical community can work together to improve financial statistics.
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Guide to the Flow of Funds

• New interactive, web-based guide to the Flow of Funds Accounts was released March 28, 2011.

• Provides details on how every series is constructed.

• Lists source data (with web links).

• Provides complete transparency on what we do.

• We hope to get feedback from users to identify untapped data sources.
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Net lending (+) or Net Borrowing (-) in the Capital and Financial Accounts

Source: Flow of Funds Accounts of the United States, June 9, 2011