

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

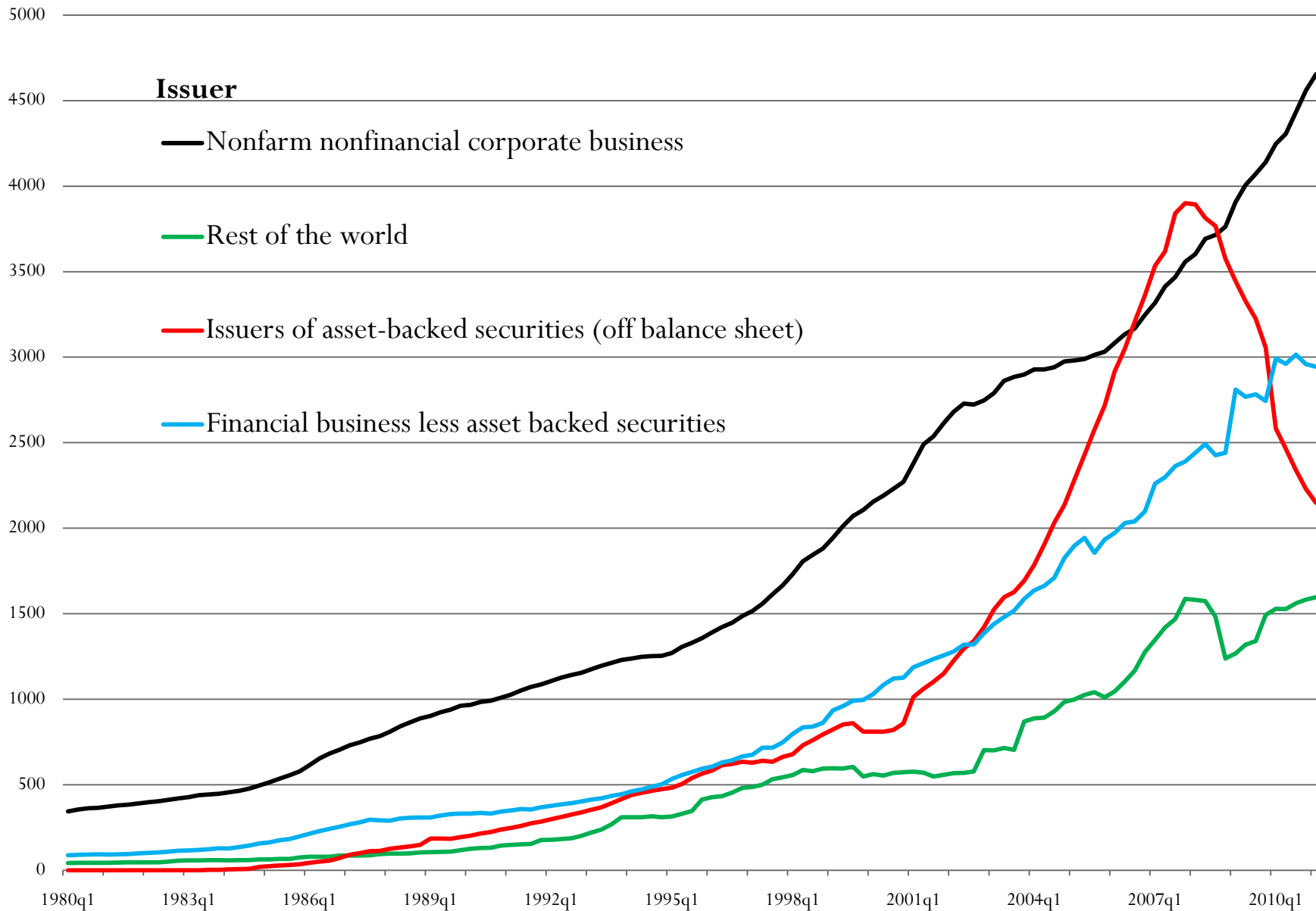
- **Central bank.**
- **Insurance and pension funds.**
 - Life and property-casualty insurance.
 - Private pensions (DB and DC).
 - Government employee retirement funds (S&L, Federal).
- **Deposit-taking corporations except the central bank.**
 - Commercial banks (ex. BHCs).
 - Savings institutions.
 - Credit unions.
 - *Money market mutual funds.*
- **Other financial business.**

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Corporate and Foreign Bonds

Billions of dollars



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

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

(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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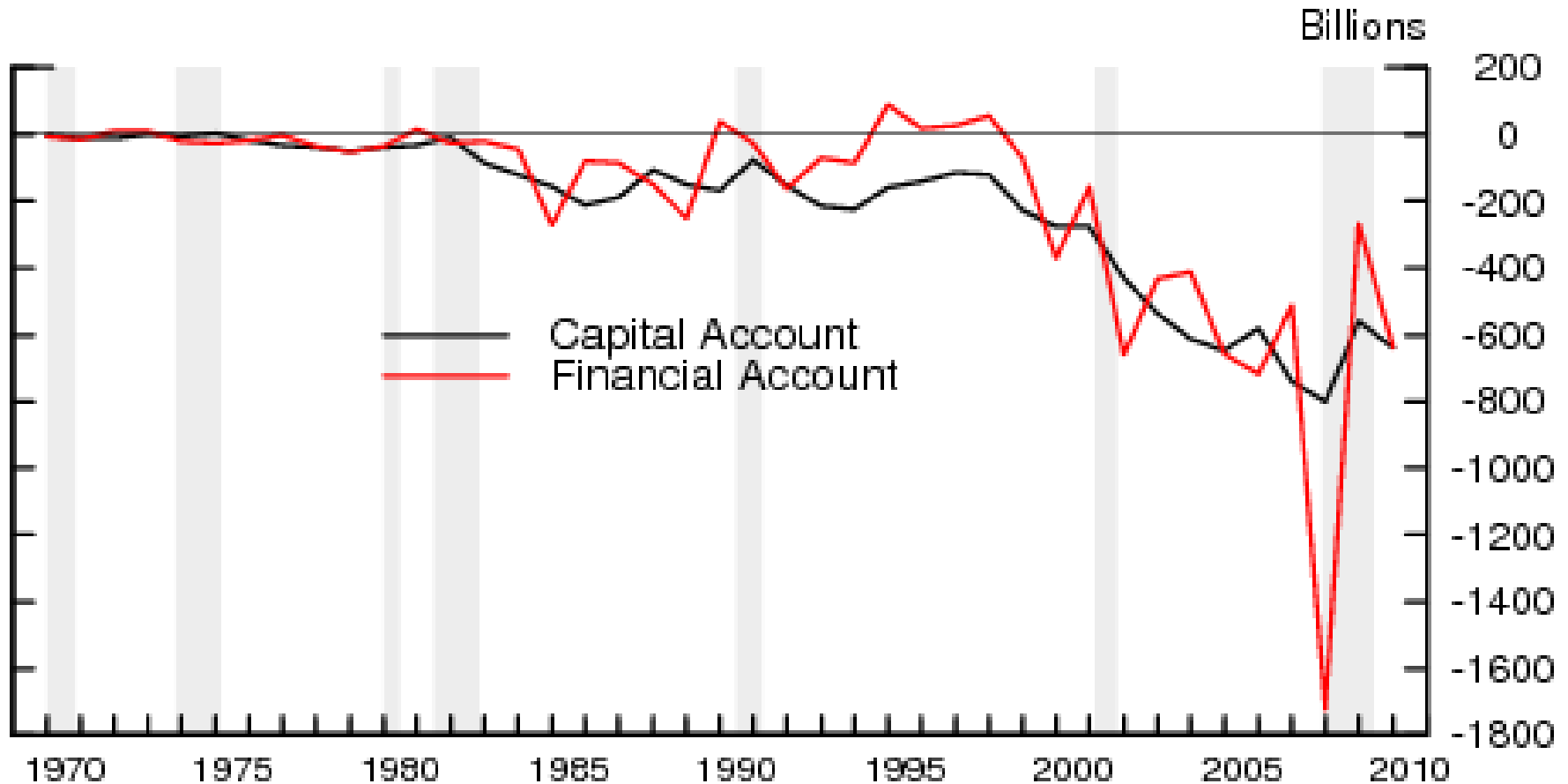
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Net lending (+) or Net Borrowing (-) in the Capital and Financial Accounts



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