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This methodology aims at defining the concepts illustrated in the Stat Info “Monetary developments France”, by specifying in particular the economic sectors involved in money creation (whether issuers or holders), the instruments that make up the monetary aggregate M3 and the counterparties thereof.

Economic sectors

Money-issuing sector: *monetary financial institutions* (MFIs), which include resident credit institutions as defined in Community law and all other resident financial institutions whose business is to receive deposits/or close substitutes from entities other than MFIs and, for their own account, to grant credits and/or to make investments in securities. Under the terms of this definition, the resident MFIs in France are the Banque de France, credit institutions as defined under banking law other than mutual guarantee companies, the Caisse des dépôts et consignations, money-market funds. Payment institutions are not included in monetary financial institutions.

Money-neutral sector: *central government*. Central government agencies are not considered to be in either the money-holding or money-issuing sectors, even though their most liquid liabilities in the form of deposits are included in the monetary aggregates (see the description of central government deposits below).

Money-holding sector: *other financial intermediaries, insurance companies and pension funds*, as well as *non-financial agents* i.e.: *general government, non-financial corporations, households and non-profit institutions serving households* (NIPISHs).

Main categories of economic agents				
Money-issuing sector	Money-neutral sector	Money-holding sector		
Monetary financial institutions (MFIs)		General government other than central government	Private sector non-financial agents	Other financial intermediaries
<ul style="list-style-type: none"> - ECB and NCBs - Credit institutions - Money market funds - Other monetary financial institutions 	<ul style="list-style-type: none"> - Central government 	<ul style="list-style-type: none"> - Social security administrations - Local government 	<ul style="list-style-type: none"> - Non-financial corporations - Households (sole traders, private individuals) - Non-profit institutions serving households 	<ul style="list-style-type: none"> - Insurance companies and pension funds - Non-money market funds - Investment firms - Financial vehicle corporations - Clearing houses, etc.
		Non-financial agents		
		General government		Private sector

Monetary assets and aggregates

Deposits with agreed maturity: deposits that are not immediately disposable because they are subject to a fixed term, or which are only disposable before the agreed term by forgoing some or all of the agreed interest.

Deposits redeemable at notice up to three months: deposits of liquid savings that offer less immediate liquidity than overnight deposits. In France, this covers tax-free passbook savings accounts such as *livret A*, *livret bleu*, *Codevi*, *compte d'épargne-logement*, *livret d'épargne populaire*, *livret jeune*, and taxable passbook savings accounts

Repurchase agreements: an agreement whereby an asset is sold while the seller simultaneously obtains the right and obligation to repurchase it at a specific price on a pre-determined future date.¹

Securities other than shares: in France, this covers negotiable debt securities² and bonds, government securities (government bonds, Treasury bills) and participating securities.

M1: currency in circulation³ and overnight deposits.

M2: M1 + deposits redeemable at notice up to three months + deposits with agreed maturity up to two years.

M3: M2 + repurchase agreements + money market fund shares/units + debt securities issued with maturity up to two years by monetary financial institutions.

Only positions vis-à-vis euro-area residents other than MFIs or central government institutions are included in the M1, M2 and M3 aggregates. All of the assets covered by the M3 aggregate are called monetary assets.

The classifications of monetary assets are based on an assessment of the liquidity of the assets, regardless of the currency they are denominated in, so as to take account of possible substitutions between euro assets and foreign currency assets and to avoid any breaks in the statistical series. An original maturity threshold is also used to select deposits with agreed maturity and debt securities of a monetary nature. The threshold is two years, which is the same maximum maturity for credit institutions' eligible liabilities for the calculation of reserve requirements.

Furthermore, in some euro area countries (Italy, Belgium, Ireland), the Treasury and/or the Post Office are entitled to take deposits and grant loans. Even though these entities are not monetary financial institutions (MFIs), the deposits that they receive are included in the euro area monetary aggregates if they meet the criteria for inclusion. In France, overseas departments and their public institutions are required to centralise their deposits with the Treasury. In addition, La Banque Postale is a credit institution and therefore an MFI.

Counterparts of M3

The **counterparts of M3**, which are the primary sources of money supply, are identified or derived from the MFI balance sheet items that are not included in the aggregates:

- Longer term financial liabilities⁴ (excluding capital),
- Investments of MFIs in securities issued by non-MFIs,
- Loans granted by MFIs to non-MFIs,
- Net external assets of MFIs,⁵
- Balance of claims and liabilities between MFIs,⁶
- “Residual” item.

¹ See ECB (February 2004) “General Documentation on Eurosystem Monetary Policy Instruments and Procedures” – Glossary (page 83).

² In this category, a distinction is made for debt securities issued by monetary financial institutions with maturity up to two years, which are considered to be close substitutes for deposits.

³ Banknotes and coins do not appear in the French component of M1, as published in the “stat info money”. Banknotes and coins in the M1 aggregate (euro area) are broken down according to the share of each Eurosystem NCB in the capital of the ECB.

⁴ Longer term financial liabilities: bonds, fixed-term deposits and debt securities with an agreed maturity of over 2 years, deposits redeemable at notice over three months, capital and réserves.

⁵ Net external assets of MFIs can cover two aspects: on the one hand, MFIs carry out operations with non-residents for their own account (investment of a euro area bank in a non-resident bank subsidiary); on the other, MFIs record in their balance sheet the counterpart of the transactions of the non-financial sector (firms, insurance companies, etc.) with non-residents.

⁶ The balance of claims and liabilities between MFIs is not necessarily equal to zero due to the lag in the date at which operations are recorded.