

Article

Quarterly return of assets and liabilities, Financial Services Survey 266: January to June 2020

Experimental Statistics for Other Financial Institutions' financial assets and liabilities for the first two quarters of 2020.

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Table of contents

1. [Main points](#)
2. [Overview of the Financial Services Survey](#)
3. [Main findings](#)
4. [FSS 266 sector coverage](#)
5. [Related links](#)

1 . Main points

- This article compares experimental balance sheet statistics from the Financial Services Survey (FSS 266) for Other Financial Institutions at the end of Quarter 1 (Jan to Mar) 2020 with Quarter 4 (Oct to Dec) 2019, and provides selected [Experimental Statistics](#) for Quarter 2 (Apr to June) 2020.
- During Quarter 1 2020, the total assets and liabilities of the Other Financial Institutions surveyed by the FSS 266 increased by 14% (£0.6 trillion) to £4.6 trillion and £4.7 trillion respectively, with Derivatives (AF.71) increasing by approximately 50% (£0.5 trillion) and the value of Listed Equity (AF.511) holdings declining by 49% (£63 billion); the large increase in financial derivatives came mostly from Securities Dealers.
- The large increase in Other Financial Institutions' derivatives is consistent with the Office for National Statistics (ONS) article [Early assessment of the impact of the coronavirus pandemic on the UK's financial accounts](#), that showed a large increase in Monetary Financial Institutions' derivatives assets and liabilities during Quarter 1 2020.
- During Quarter 2 2020, Securities Dealers' Derivative (AF.71) assets and liabilities remained at high levels relative to Quarter 4 2019 although they were respectively 9% and 7% lower than in Quarter 1 2020.
- The stock of non-bank lending to households during Quarter 1 2020 appears to have been broadly stable at levels similar to Quarter 4 2019 based upon a comparison of quarterly growth rates from three separate sources (FSS 266, [ONS Monthly Credit Grantors survey](#) and a commercial data entity); during Quarter 2 2020, the stock of non-bank lending to households is estimated to have declined by approximately 5%.

2 . Overview of the Financial Services Survey

This article summarises for the first time the main points from the [Financial Services Survey \(FSS 266\)](#) experimental balance sheet statistics for the Other Financial Institutions sectors for Quarter 1 (Jan to Mar) 2020 and Quarter 2 (Apr to June) 2020. As coronavirus (COVID-19) related restrictions were applied in the UK during the second half of March 2020 (that is, during Quarter 1 2020), we can compare FSS 266 financial assets and liabilities for the Other Financial Institutions sectors with Quarter 4 (Oct to Dec) 2019 before restrictions were in place.

The term [Experimental Statistics](#) means that the FSS 266 and other contributing sources are “under active development” and are not directly comparable with [National Accounts](#) statistics, such as the Blue Book. For example, there are some small improvements in the Quarter 4 2019 Experimental Statistics presented in this article compared with those published in the FSS 266 July 2020 article [Return of assets and liabilities, Financial Services Survey 266: October to December 2019](#). The Experimental Statistics have been produced outside of current processing of the national accounts and will be revised prior to inclusion in any future annual national accounts.

We will continue to evaluate and quality assure these Experimental Statistics and other new data sources with the aim of incorporating them into the UK National Accounts. These experimental estimates may be subject to change as we develop, quality assure and integrate these data. For more information on FSS 266 data, see [Return of assets and liabilities, Financial Services Survey 266](#).

In the context of the coronavirus pandemic, the number of responses received to the FSS 266 for the Quarters 1 and 2 2020 were somewhat lower than normal.

The Office for National Statistics (ONS) has previously published FSS 266 experimental balance sheet statistics from the Other Financial Institutions sectors for [Quarter 4 2016, Quarter 4 2017, Quarter 4 2018 and Quarter 4 2019](#). This article expands upon those publications by providing a full set of FSS 266 Experimental Statistics for Quarter 1 2020 for the Other Financial Institutions and some selected Experimental Statistics for Quarter 2 2020, with the latter confined to Securities Dealers.

The FSS 266 samples most financial activities outside of banking, investment funds, insurance corporations and pension funds, that is, Other Financial Institutions. In Quarter 1 2020, the Other Financial Institutions' FSS 266 total financial assets were £4.6 trillion and financial liabilities £4.7 trillion, making them larger than those of either the insurance corporations (S.128), pension funds (S.129) or investment funds (S.123 to S.124) financial sub-sectors in recent years.

The Other Financial Institutions' FSS 266 total assets and liabilities are second only in size to Deposit Taking Corporations (S.121 to S.122). Examples of Other Financial Institutions sampled by the FSS 266 include non-bank financial intermediation, lending, financial leasing, factoring, securities dealing, securitisation, financial auxiliaries and non-bank holding companies (NBHCs).

We welcome feedback on this article. If you would like to share your views with us, please email flowoffundsdevelopment@ons.gov.uk.

3 . Main findings

During Quarter 1 (Jan to Mar) 2020, the total assets and liabilities of the Other Financial Institutions surveyed by the Financial Services Survey (FSS 266) increased by 14% (£0.6 trillion) to £4.6 trillion and £4.7 trillion respectively. This 14% increase is largely explained by an increase of £0.5 trillion in [Derivatives \(AF.71\)](#) assets and liabilities from Securities Dealers. The increase in derivative assets were partly offset by decreases in [Listed Equity \(AF.511\)](#) (£63 billion) assets and Unlisted Equity (AF.512) (£60 billion) assets. During Quarter 2 (Apr to June) 2020, total Derivatives (AF.71) assets and liabilities remained high when compared with Quarter 4 (Oct to Dec) 2019, although they were respectively 9% and 7% lower than in Quarter 1 2020.

For Quarter 2 2020, FSS 266 experimental balance sheet statistics from Securities Dealers are also presented, and they account for most of the Other Financial Institutions' FSS 266 total Derivatives (AF.71) assets and liabilities. At the time of writing (September 2020) experimental FSS 266 statistics for Quarter 2 2020 were only available for Securities Dealers on Own Account and not the other financial [Standard Industrial Classifications \(SIC\)](#) sampled by the FSS 266.

In Quarter 1 2020, the value of FSS 266 Listed Equity (AF.511) asset holdings declined by 49% (£63 billion) when compared with Quarter 4 2019. This decline of 49% in the value of FSS 266 Listed Equity compares with a wider market of 33% during Quarter 1 2020, as measured by the [FTSE 250](#).

In terms of loans activity, the stock of non-bank lending to households during Quarter 1 2020 appears to have been broadly stable at levels similar to Quarter 4 2019. This conclusion is based upon a comparison of quarterly growth rates from three separate sources (FSS 266, [ONS Monthly Credit Grantors survey](#) and a commercial data entity). During Quarter 2 2020, the stock of non-bank lending to households is estimated to have declined by approximately 5%.

Derivatives

The increase in total Other Financial Institutions' assets, as measured by the FSS 266, during Quarter 1 2020 was primarily driven by an increase in Derivatives (AF.71), which grew by £0.5 trillion, increasing approximately 50% from the previous quarter. Within the Other Financial Institutions' SIC sectors sampled by the FSS 266, derivatives are primarily traded by Securities Dealers on Own Account (SIC 64991), and they account for most of the total derivatives assets and liabilities reported by the FSS 266. Securities Dealers on Own Account were responsible for most of the increase in derivative assets during Quarter 1 2020.

At the time of writing (September 2020), FSS 266 Experimental Statistics for Quarter 2 2020 were only available for Securities Dealers. They reported total assets of £2.6 trillion and liabilities of £2.5 trillion for Quarter 2 2020. This represents a modest decrease of 6% in Securities Dealers' assets and liabilities compared with Quarter 1 2020, but confirms that trading in derivatives remained at a very high level in Quarter 2 2020 with £1.4 trillion in derivative assets being reported, higher than the Quarter 4 2019 level.

FSS 266 Experimental Statistics on derivatives are divided into forwards and options. With forwards, two parties agree to exchange a specified quantity at an agreed date and price, whereas with options the purchaser of the option has the right, but not the obligation to purchase from the option seller at a predetermined price either on a given date or within a given time span. In Quarter 4 2019, over 80% of derivatives were forwards. Of the £0.5 trillion increase in derivative assets during Quarter 1 2020, £0.4 trillion were in forwards and £0.1 trillion were in options, confirming that the mix of forwards and options did not change significantly during Quarter 1 2020, when compared with Quarter 4 2019.

What did change, however during Quarter 1 2020, compared with Quarter 4 2019, was a move towards a larger share of derivatives counterparties with non-UK residents. In terms of counterparties, in Quarter 4 2019, approximately 78% of the financial derivative assets sampled by the FSS 266 were made with non-UK residents. In Quarter 1 2020, the percentage of financial derivatives assets with non-UK residents increased, with approximately 85% of the £0.5 trillion increase in Quarter 1 2020 derivative assets being with non-UK residents.

Stock of non-bank lending to households

In order to assess the stock of non-bank lending to households, the growth rates from three experimental balance sheet statistics sources have been compared:

- [Financial Service Survey 266 \(FSS 266\)](#)
- [Office for National Statistics \(ONS\) Monthly Credit Grantors survey \(MCG\)](#)
- a commercial data entity

In the case of the ONS Monthly Credit Grantors survey (MCG), only those [Standard Industrial Classifications \(SIC\)](#) that are also sampled by the FSS 266 have been considered in the non-bank lending comparisons, as the MCG also collects data from SICs outside the 20 SICs sampled by the FSS 266. This approach has been necessary in order to make direct comparisons between the FSS 266 and MCG on the total stock of non-bank lending.

During Quarter 1 2020, the FSS 266 Experimental Statistics suggest that the total stock of non-bank lending to households was broadly stable, being 2.8% higher than in Quarter 4 2019. Experimental balance sheet statistics from the ONS MCG suggest that the total stock of non-bank lending to households was also broadly similar in Quarter 1 2020 as in Quarter 4 2019, with a decline of just 0.2%.

The ONS has also obtained anonymised borrowing data from a commercial data entity on the stock of consumer loans by “other financial institutions” (UK lenders other than banks, building societies, or insurance companies) to households. The commercial data source provides the value of the lending at the end of the period, split between various loan types such as mortgages, credit card debt, and hire purchase. The commercial data entity currently has wider coverage of the stock of non-bank lending to households than either the FSS or MCG. The ONS is in the process of improving the coverage of the FSS 266 to enhance its coverage of non-bank lending. The commercial data entity showed a decline of 0.2% in the total stock of non-bank lending to consumers between Quarter 4 2019 and Quarter 1 2020, that is, identical to the MCG’s decline of 0.2%.

Taken together, these three sources of Experimental Statistics on the stock of non-bank lending to households suggest that non-bank lending in the UK was broadly stable between Quarter 4 2019 and Quarter 1 2020.

The Experimental Statistics from the FSS 266 on non-bank lending for Quarter 2 2020 were still being analysed at the time of writing this article in late September 2020, however early indications suggest that non-bank lending picture was somewhat more complex than in the previous two quarters, reflecting the significant change in the UK economy during Quarter 2 2020. Data from the commercial data entity suggest that the total stock of non-bank lending to households declined by around 5.6% in Quarter 2 2020 from the Quarter 1 2020 level. For the MCG, the decline was 4.2%. Taken together, these two sources of Experimental Statistics on the stock of non-bank lending to households suggests that it declined by approximately 5% between Quarter 1 and Quarter 2 2020.

Other accounts receivable/payable

According to the [European System of Accounts 2010 \(ESA 2010\)](#) [5.230 to 5.232]:

“Other accounts receivable/payable are financial assets and liabilities created as counterparts to transactions where there is a timing difference between these transactions and the corresponding payments.

Other accounts receivable/payable include transactions in financial claims which stem from the early or late payment for transactions in goods or services, distributive transactions or financial transactions on the secondary market.

Financial transactions in other accounts receivable/payable comprise:

- (a) Trade credits and advances (F.81) and
- (b) Other accounts receivable/payable, excluding trade credits and advances (F.89).”

In terms of the FSS, it includes Other Accounts Receivable (assets) questions on:

- “goods and services that you have paid for, but not yet received”
- “goods or services that you have provided to customers, but have not yet received payment for”

The FSS 266 captures Other Accounts Payable (liabilities) via questions on:

- “goods and services that you have received payment for, but not yet delivered to customers”
- “goods and services that you have received, but not yet paid for”

Other assets, including Other Accounts Receivable, increased by £57 billion (23%), from £252 billion in Quarter 4 2019 to £309 billion in Quarter 1 2020. Approximately 95% of the total “other assets” are Other Accounts Receivable which are assets that arise from a timing difference between a good or service being provided, and payment being made.

The assets associated with “goods and services provided to customers, but not yet received payment for” increased by £46 billion (48%) between Quarter 4 2019 and Quarter 1 2020. When considering the sectors reporting the increase in this asset, it was found that they were dominated by Securities Dealers on Own Account (SIC 64991). They were responsible for a £51 billion increase in “goods or services that you have provided to customers, but have not yet received payment for” assets, suggesting that all sectors except Securities Dealers on Own Account saw this asset category decline by £5 billion, which is small when compared with the total Other Financial Institutions’ assets of £4.6 trillion in Quarter 1 2020.

In terms of liabilities, Securities Dealers on Own Account saw a £44 billion increase in “goods and services that you have received, but not yet paid for”, which is similar to the £51 billion increase recorded for the Securities Dealers on Own Account assets associated with “goods and services provided to customers, but not yet received payment for”.

Equity and investment fund shares and units

Between Quarter 4 2019 and Quarter 1 2020, there was a decline of £63 billion (49%) in FSS 266's holdings of Listed Shares assets (AF.511). This partly reflects the general decline in the stock market during Quarter 1 2020, as the wider stock market, for example, the [FTSE 250](#) fell by approximately 33% during this period.

In contrast to holdings of Listed Shares assets, holdings of Unlisted Shares (AF.512) assets were more stable, falling by 5% during the same period (£60 billion).

Factoring

With the exception of the [SIC 64303 Venture and Development Capital Activities](#), the only non-bank financial intermediary (NBFIs) SIC sector to experience a decline in financial assets during Quarter 1 2020 was [SIC 64922 Factoring](#). Factoring is a financial transaction in which a business sells its accounts receivable (that is, its invoices) to a third party (called a factor) at a discount. Factoring enables a business to meet its current need for liquidity via the sale of its invoices at a discount. During Quarter 1 2020, factoring saw a fall in assets of £3 billion (29%), however this is small when compared with the total FSS 266 assets of £4.6 trillion. Factoring will however be an interesting financial indicator to continue to monitor during 2020 to 2021, as it may provide a guide to the need for short-term liquidity.

4 . FSS 266 sector coverage

The Financial Services Survey (FSS 266) samples 20 of the UK's 34 [Standard Industrial Classification \(SIC\) financial codes](#) and therefore captures a wider range of financial activities than the traditional financial sectors of banking, insurance, pension funds and investment funds. In order to assist the reader this section provides a brief glossary of some of the terms used in this article and previous FSS 266 articles. Readers wishing to explore the FSS 266 Experimental Statistics further are invited to consult previous FSS 266 Experimental Statistics articles, links to which can be found in the [Related links section](#).

As part of the [joint Flow of Funds project between the ONS and the Bank of England](#), in May 2018 the Office for National Statistics (ONS) announced a series of articles that would provide separate experimental balance sheet statistics for each of the [European System of Accounts 2010 \(ESA 2010\)](#) financial sub-sectors S.123 to S.127:

Investment and Other Financial Institutions (IOFIs)

- S.123 Money Market Funds
- S.124 Non-Money Market Funds
- S.125 Other Financial Intermediaries
- S.126 Financial Auxiliaries
- S.127 Captive Financial Institutions and Money Lenders

Taken together, these five financial sub-sectors (S.123 to S.127) are often referred to as the Investment (S.123 to S.124) and Other Financial Institutions (OFIs S.125 to S.127) sectors, or IOFIs. The 20 SICs sampled by the FSS 266 fall within the ESA 2010 Other Financial Institutions (S.125 to S.127) sub-sectors. IOFIs include all financial activities outside of banking, insurance and pension funds. Similarly, OFIs cover all financial corporations whose activities are not Banking (S.121 to S.122), Investment Funds (S.123 to S.124), Insurance Corporations (S.128) or Pension Funds (S.129). An important feature of OFIs is that they cover a wide range of heterogeneous activities.

There are 21 [Standard Industrial Classification \(SIC\) codes](#) that approximately map to the ESA 2010 financial sub-sectors S.125 to S.127 (OFIs). The FSS 266 samples 20 of these 21 SIC codes. Data for the other SIC code 64922 Activities of mortgage finance companies are collected by the Bank of England (BoE). The approximate mappings of these FSS 20 SIC codes to ESA 2010 sub-sectors was described in the [Shadow Banking Introductory article](#).

For presentation purposes, the Experimental Statistics for the 20 Standard Industrial Classification (SIC) codes sampled by the FSS 266 have been aggregated into three SIC groups:

- Non-Bank Financial Intermediaries (for example, non-bank lending activities)
- Financial Adjutants
- Non-Bank Holding Companies

These three SIC groups are used in preference to the ESA 2010 financial sub-sectors to emphasise that the FSS 266 does not provide full coverage of the financial sub-sectors S.125 to S.127. For example, the FSS 266 only samples non-bank holding companies, whereas data on bank holding companies are collected separately by the BoE.

Non-Bank Financial Intermediaries (NBFIs)

Non-Bank Financial Intermediaries (NBFIs) is the SIC group used in the FSS 266 Experimental Statistics articles for those SICs that are sampled by the FSS 266 and map to the [European System of Accounts 2010 \(ESA 2010\)](#) Other Intermediaries (S.125) financial sub-sector.

Financial Adjutants (FAs)

Financial Adjutants (FAs) is the SIC group used in the FSS 266 Experimental Statistics articles to aggregate the financial auxiliaries SICs that are sampled by the FSS 266. The ESA 2010 financial auxiliaries subsector (S.126) consists of all financial corporations and quasi-corporations which are principally engaged in activities closely related to financial intermediation, but which are not financial intermediaries themselves. Financial auxiliaries act on behalf of other units and do not put themselves at risk by incurring financial liabilities or by acquiring financial assets as part of an intermediation service. Examples of financial auxiliaries include brokers and investment fund managers.

One notable difference between the FSS 266 and the definition of the ESA 2010 financial auxiliaries subsector (S.126), is that the FSS 266 does not collect data on financial head offices, which are however included within the ESA 2010 definition of S.126. Head offices fall within the [Standard Industrial Classification \(SIC\) code](#) 70.10 and so fall outside of the 20 financial SICs sampled by the FSS 266. So even though the sub-set of head offices which are financial head offices are included in ESA 2010 S.126 they fall outside the SIC based sampling scope of the FSS 266.

Non-Bank Holding Companies (NBHCs)

Non-Bank Holding Companies is the SIC grouping used to aggregate all the non-bank holding companies SICs sampled by the FSS 266. Data on bank holding companies is collected separately by the Bank of England. Holding companies hold the assets of a group of companies, but do not undertake any management activities with respect to the group. They fall into the ESA 2010 financial sub-sector Captive Financial Institutions and Money Lenders (S.127). According to ESA 2010 (2.98):

"Captive financial institutions and Money Lenders subsector (S.127) consists of all financial corporations and quasi-corporations which are neither engaged in financial intermediation nor in providing financial auxiliary services, and where most of either their assets or their liabilities are not transacted on open markets."

5 . Related links

[Flow of Funds archived background information](#)

Article | Archived 6 January 2016

A summary of flow of funds with background information and methodology.

[Return of assets and liabilities, Financial Services Survey 266: October to December 2019](#)

Article | Released 1 July 2020

Experimental Statistics from the ONS Financial Services Survey (FSS 266) quarterly return of assets and liabilities. Part of the Economic Statistics Transformation Programme.

[Enhanced financial accounts \(UK flow of funds\) - Investment and other financial institutions \(IOFIs\)](#)

Article | Released 26 November 2019.

New experimental data for investment and other financial institutions (IOFIs) sectors, which include all financial activities outside of banking, insurance and pension funds.

[Economic Statistics Transformation Programme: enhanced financial accounts \(UK flow of funds\) - Financial Services Survey 266 - return of assets and liabilities, Quarter 4 2018](#)

Article | Released 14 June 2019

This article presents Experimental Statistics from Quarter 4 (Oct to Dec) 2018 from the Financial Services Survey (FSS) 266 for Other Financial Institutions.

[Economic Statistics Transformation Programme: enhanced financial accounts \(UK flow of funds\) -- Financial Services Survey 266 - quarterly return of assets and liabilities](#)

Article | Released 2 July 2018

Experimental Statistics from the ONS Financial Services Survey (FSS 266) quarterly return of assets and liabilities.

[Economic Statistics Transformation Programme: enhanced financial accounts \(UK flow of funds\) -- shadow banking introductory article](#)

Article | Released 1 May 2018

This article introduces ONS plans to improve coverage of the financial sub-sectors S.123 to S.127 using the Financial Services Survey and other sources.

Explanatory notes

[Institutional sectors and financial instruments](#)

[AF.2 Currency and deposits](#)

[AF.3 Debt securities](#)

[AF.4 Loans](#)

[AF.5 Equity and investment fund shares or units](#)

[AF.6 Pensions, insurance and standardised guarantee schemes](#)

[AF.71 Financial derivatives](#)