BANK ĊENTRALI TA' MALTA
EUROSISTEMA
CENTRAL BANK OF MALTA

GUIDANCE NOTES TO THE INSURANCE COMPANIES' RETURNS

1. General reporting procedures

(a) These returns are to be filled in by all insurance companies which are authorised in terms of the Insurance Business Act (Cap. 403). The Returns are to be prepared in accordance with these *Guidance Notes* any other ad hoc communication released by the Central Bank of Malta (CBM) from time to time.

(b) The file – Insurance Integrated Returns - contains five sheets: Cover sheet, Assets (Balance Sheet), Liabilities (Balance Sheet), SBSA (Security-by-security) and PL (Profit & Loss Statement). Retain this Excel file as your master copy.

(c) The authorities will grant derogations to insurance companies writing business solely outside Malta which fall in the 5% bracket in terms of their total gross premiums written. The CBM, in consultation with the MFSA, shall inform the companies whether or not they will be granted a derogation following each annual review. Companies without derogation are to report the full set of returns on a quarterly basis whilst those with derogation are only required to submit the return on an annual basis. The list of reporting companies (which may include new companies licensed during the year) will be reviewed on an annual basis.

(d) Insurance companies are to submit the quarterly or annual returns to the CBM within four weeks following the end of the reference period. The returns are to be submitted:

(i) either on cd and addressed to:

The Manager
Statistics Office
Central Bank of Malta,
Castille Place, Valletta VLT 1060

in a sealed envelope with the word '*Confidential*' written on the top right corner of the envelope.

(ii) or electronically to mbs@centralbankmalta.org using password protection or Pretty Good Privacy (PGP) (to be discussed bilaterally with CBM staff before the submission of the returns).

(e) Decimal places (to four places of decimals) should only be reported in the SBSA return. Moreover, the returns (except for the SBSA return) automatically round up decimal places to the nearest whole number.

(f) Reporting should be in thousands of euro. Positions in foreign currencies at the end of the reporting period (in Parts A & Part B) should be converted into Euro using the exchange rate prevailing at the end of the reporting period. On the other hand, transaction in foreign currencies (in Parts A, B and additional info in the P&L) should be converted into euro using the exchange rate prevailing on transaction date. Average exchanges rates are only to be used when the exchange rate prevailing on transaction date is not available. Conversions of foreign currencies into euro for profit and loss items should be done using the average exchange rates for the period. Exchange rates can be downloaded from the Central Bank of Malta website: centralbankmalta.org/site/exchange.html.

(g) Companies should forward a duplicate copy of the returns to the MFSA through the following channels:

(i) either on cd and addressed to:

Director, Insurance Unit (Statistics) Malta Financial Services Authority Notabile Road Attard BKR 3000

(ii) or by email to: insurancereporting@mfsa.com.mt

(h) Instead of requiring the reporting institutions to provide their holdings of securities on an aggregated basis, insurance companies are now being asked to report their holdings of securities on a security-by-security (s-b-s) basis. This implies that such institutions are to transmit, in return 'SBSA', the ISIN codes of such holdings of securities and a limited number of additional related variables, without having to aggregate such securities by currency, country, region and maturity. Companies not choosing the option of reporting on a s-b-s basis will have to report their securities on an aggregated basis and with the necessary breakdowns in the allocated part of the returns.

(i) The authorised official completing the questionnaire must be able to provide verbal and written information on the developments implied by the data supplied and breaks in the data supplied compared with the previous period's figures. Revisions in the data relating to previous periods are to be provided in soft copy and should be accompanied by explanatory notes.

(j) Any queries regarding the returns should be directed by phone to the CBM's Statistics Office or by email at mbs@centralbankmalta.com.

(k) The balance sheet highlights the main asset and liability items. Further breakdowns by country and sector are to be provided using the in-built drop-down menus. Transactions and positions are to be provided in the assigned columns.

(l) The reporting schedules are constructed in such a way that, whenever possible, totals are automatically generated by means of formulae. These cells are write-protected in order to maintain the original and harmonised format. Shaded cells in all returns should not be filled in.

(m) In the event of a merger, division or re-organisation that might affect the fulfillment of its statistical obligations, the reporting institution involved shall inform the Central Bank of Malta once the intention to implement such operation has become public and in due time before it takes effect, of the procedures that are planned to fulfill the statistical reporting requirements.

(n) The Central Bank of Malta shall exercise the rights to verify the information which reporting agents provide. These rights shall in particular be exercised by the Central Bank of Malta when an institution included in the actual reporting population does not fulfill the minimum standards for transmission, accuracy, conceptual compliance and revisions.

(o) The CBM may share such returns on an individual basis with the National Statistics Office (NSO) to facilitate the NSO's legally required statistical reporting.

2. Standards to be applied

Reporting agents must fulfill the following standards to meet the statistical reporting requirements:

a) Standards for transmission:

- (i) reporting to the CBM must be timely and within the deadlines set by the Bank;
- (ii) statistical reports must take their form and format from the technical reporting requirements set by the CBM;
- (iii) the contact person(s) within the reporting institution must be identified;
- (iv) the technical specifications for data transmission to CBM must be followed; and

b) Standards for accuracy:

- (i) the statistical information must be correct:
- (ii) all linear constraints must be fulfilled (e.g. assets and liabilities must balance, subtotals must add up to totals);
- (iii) data must be consistent across all frequencies;
- (iv) reporting institutions must be able to provide information on the developments implied by the data supplied;
- (v) the statistical information must be complete: Existing gaps should be acknowledged, explained to the CBM and, where applicable, bridged as soon as possible;
- (vi) the statistical information must not contain continuous and structural gaps;
- (vii) reporting institutions must follow the dimensions and decimals set by the CBM for the technical transmission of the data; and
- (viii) reporting institutions must follow the rounding policy set by the CBM for the technical transmission of the data.

c) Standards for conceptual compliance:

- (i) the statistical information must comply with the definitions and classifications contained in these Guidance Notes;
- (ii) in the event of deviations from these definitions and classifications, where applicable, reporting agents must monitor on a regular basis and quantify the difference between the measure used and the measure contained in these instructions; and
- (iii) reporting institutions must be able to explain breaks in the data supplied compared with the previous periods' figures.

d) Standards for revisions:

- (i) The revisions policy and procedures set by the CBM must be followed. Revisions deviating from regular revisions must be accompanied by explanatory notes.

3. Concept of 'Residence'

a) The distinction between the Residents of Malta, Residents of other Monetary Union Member States (MUMs) and the Rest of the World (ROW) should be based on the residence definition as provided below. Thus, residence should not be based on any other definition or legally based definitions such as that for tax.

b) The resident units (e.g. households, companies) of a country are those which have a centre of economic interest in the economic territory of Malta. These resident units may or may not have the nationality of that country, may or may not be legal entities, and may or may not be present on the economic territory of the country at the time they carry out a transaction.

c) The term "economic territory" includes the geographic territory administered by the government within which persons, goods, services and capital move freely. This comprises any free zones, including bonded warehouses and factories under customs control; the national air-space, territorial waters and the continental shelf lying in international waters, over which the country enjoys exclusive rights; and the territorial enclaves, i.e. geographic territories situated in the rest of the world and used, under international treaties or agreements between states, by general government agencies of the country e.g. embassies, consulates, military bases, scientific bases, etc. The economic territory does not include extraterritorial enclaves i.e. the parts of the country's own geographic territory used by general government agencies of other countries, by the institutions of the European Union or by international organisations under international treaties or agreements between states.

d) The term "*centre of economic interest*" indicates the fact that there exists some location within the economic territory on, or from, which a unit engages, and intends to continue to engage, in economic activities and transactions on a significant scale, either indefinitely or over a finite but long period of time (a year or more).

   Only those companies that are legally registered in Malta and have a physical presence as well as a significant degree of economic activity in Malta are to be considered as resident.

   Households that have a centre of economic interest in the country are deemed to be *resident* units, even if they go abroad for short periods (less than a year). They include, in particular, the following: (i) border workers, i.e. people who cross the frontier frequently to work in a neighbouring country; (ii) seasonal workers, i.e. people who leave the country for several months, but less than a year, to work in another country in sectors in which additional manpower is needed periodically; (iii) tourists, patients, students, visiting officials, businessmen, salesmen, artists and crew members who travel abroad; (iv) locally recruited staff working in the extraterritorial enclaves of foreign governments; (v) the staff of the institutions of the European Union and of civilian or military international organisations which have their headquarters in extraterritorial enclaves; and (vi) the official, civilian or military representatives of the government of the country (including their households) established in territorial enclaves.

4. The sector and country classifications

(a) Sector classification

The European System of Accounts (ESA 95) provides the standard for sector classification. See link from the Central Bank of Malta website at http://www.centralbankmalta.org/site/statistics4.asp.

Monetary Financial Institutions (MFIs)
Resident national central banks, resident credit institutions as defined in Community law, and other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs, and, for their own account (at least in economic terms), to grant credits and/or make investments in securities (Regulation (EC) No 2423/2001).

General government (GOV)
Resident units which are principally engaged in the production of non-market goods and services, intended for individual and collective consumption and/or in the redistribution of national income and wealth.

Other financial intermediaries and financial auxiliaries (OFI)
Financial corporations and quasi-corporations (except insurance corporations and pension funds) principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits and/or close substitutes for deposits from institutional units other than MFIs, or insurance technical reserves. Investment funds are included in this category. Also included are financial auxiliaries consisting of all financial corporations and quasi-corporations that are principally engaged in auxiliary financial activities.

Insurance corporations and pension funds (INS)
Financial corporations and quasi-corporations principally engaged in financial intermediation as the consequence of the pooling of risks.

Non-financial corporations (NFC)
Corporations and quasi-corporations not engaged in financial intermediation but principally in the production of market goods and non-financial services.

Households and non profit institutions serving households (HSE)
Individuals or groups of individuals as consumers, and producers of goods and non-financial services exclusively for their own final consumption, and as producers of market goods and non-financial and financial services provided that their activities are not those of quasi-corporations. Included are non-profit institutions which serve households and which are principally engaged in the production of non-market goods and services intended for particular groups of households.

(b) Country classifications are included in the drop-down menus.

5. Accounting and valuation rules

(a) The accounting rules followed by insurance companies for the purposes of reporting in these returns shall be those laid down in the relevant national law implementing the European Council Directives 91/674/EEC on the annual accounts and the consolidated accounts of insurance undertakings.

(b) Without prejudice to accounting practices and netting arrangements prevailing in Malta, all financial assets and liabilities shall be reported on a gross basis for statistical purposes.

(c) For items which are subject to accrued interest the following rules shall apply:

(i) "securities other than shares" – to include accrued interest

(ii) "deposit and loan claims" and "loans and deposits received" – to exclude accrued interest.

Accrued interest should be kept separate from the instrument to which it relates until the interest due date. Accrued interest is to be reported in the Parts A2 and B2.

6. Reporting of balance sheet items

All assets and liabilities should be recorded in one of the categories provided in the balance sheet returns. Selected definitions of the main instrument categories are provided below. For ease of reference, the definitions refer in some cases to the European Council Directives 91/674/EEC on the annual accounts and the consolidated accounts of insurance undertakings, hereinafter referred to as **Insurance Accounting Directive** (**InsAD**). It may be noted that the assets which the InsAD refers to as 'Investments for the benefit of life-assurance policyholders who bear the investment risk' should <u>not</u> be reported as such, but should be recorded in the appropriate asset categories.

<u>Assets</u>

1) **Currency (or cash)** represents holdings of euro and foreign notes and coins that are used to make payments.

2) **Deposits** are those funds or other balances lodged with a bank Deposits are usually redeemable for cash at face value plus accrued interest. Deposits consists of current deposits, savings deposits split up into withdrawable on demand and redeemable at notice and time deposits. The term "withdrawable on demand" means that such deposits do not require an advance notice before their withdrawal. The term "redeemable at notice" means that such deposits can be withdrawn only subject to a pre-announcement. Deposits are to be reported split into short term- up to 1 year and long term – over 1 year, according to original maturity.

   2.1: In a reinsurance contract, the direct insurer (ceding corporation) usually requires a guarantee from the reinsurer (accepting corporation) to collateralise the reinsurance transaction. Such amounts, that are assets of the reinsurer and liabilities of the direct insurer, are recorded, according to the InsAD, on the balance sheets as "deposits with ceding undertaking" on the asset side of the reinsurer, and "deposits with accepting undertaking" on the liability side of the direct insurer. <u>However in accordance with an ECB convention, the guarantee amounts paid by the reinsurer to the direct insured entity should be recorded as **loans** between two units within the ICPF sector.</u>

3) **Debt securities** are those assets that are normally traded in the financial markets and that give the holders the unconditional right to receive stated fixed sums on a specified date or the unconditional right to fixed money incomes or contractually determined variable money incomes (e.g. government stocks, corporate bonds and debentures). A short term security (e.g. treasury bills) is defined as having an original maturity of one year or less while a long term security has an original maturity of more than one year. All securities must be recorded in the balance sheet at **market value** and according to **their original maturity (i.e a 10-year Government Stock or a Corporate Bond maturing in 8 months time should be recorded as long-term security)**.

   3.1 Money market instrument (maturity <= 1 year)" Under this item include bills, commercial paper, bankers' acceptances, etc. that usually give the holder the unconditional right to receive a stated, fixed sum of money on a specified date and have an original maturity of one year or less. Money market instruments are usually issued at a discount in organised markets.

Examples of short-term debt securities are:

- Treasury bills/notes;
- Bankers' acceptances;
- Certificates of deposit with contractual maturity of one year or less;
- Commercial and financial paper;
- Promissory notes;
- Debt securities that have been lent under a securities lending arrangement;

Money market securities that have been sold under repurchase agreements should remain reported as securities assets on balance sheet since ownership remains with the borrower and included under "Loans" on the liabilities side. This comprises all debt paper with original maturity of less than or equal to one year; regardless of whether it gives a right to contractually agreed fixed or variable rate of interest.

3.2 **Bonds & Notes issued by parent company -** Under this item include bonds, debentures, notes, etc. (usually gives the holder the unconditional right to a fixed money income or contractually determined variable money income and have an original term to maturity of over one year) issued by your parent company and acquired by the reporting insurance company. A parent company is one which owns 10 percent or more of the ordinary shares or voting power in the reporting insurance company

Examples of long-term debt securities are:

- Bonds such as treasury, zero coupon, deep-discounted, currency-linked, floating rate, convertible bonds and eurobonds;
- Assets-backed securities such as mortgage-backed bonds;
- Index-linked securities;
- Non-participating preference shares;
- Floating rate notes (FRN) such as variable rate notes (VRN), perpetual notes (PRN), etc.;
- Euro-medium term notes;
- Debentures;
- Negotiable certificates of deposit with contractual maturity of more than one year;
- Debt securities that have been lent under a securities lending arrangement.

3.2 Bonds and notes issued by subsidiaries and affiliates report your participation in bonds & notes issued by your subsidiaries or affiliates. A subsidiary or affiliate is a company in which the reporting institution owns 10 percent or more of the ordinary shares or voting power.

3.3 Bonds and notes issued by others. - report your participation in bonds & notes issued by unrelated corporate or unincorporated bodies i.e. excluding your parent company, subsidiaries and affiliates.

4) **Loans**: Report loans, overdrafts and other advances, i.e. financial assets that are created when creditors lend to debtors, either directly or indirectly through brokers, which are not evidenced by negotiable documents or are represented by a single document (even if it

has become negotiable). This category is sub-divided into short-term loans, consisting of all financial transactions whose original maturity is normally **one year** or less and in exceptional cases two years at the maximum, long-term loans, whose original maturity is normally **more than** one year.

4.1 Loans to parent company - report those financial assets created through the direct lending of funds (including financial leases) by the reporting insurance company (in the role of subsidiary to its parent) through an arrangement in which the lender either receives no security evidencing the transaction or receives a non-negotiable document or instrument. A parent company is one which owns 10 percent or more of the ordinary shares or voting power in the reporting insurance company.

4.2 Loans to subsidiaries and affiliates - report those financial assets created through the direct lending of funds (including financial leases) by the reporting insurance company (lender) to its subsidiaries and affiliates (borrower) through an arrangement in which the lender either receives no security evidencing the transaction or receives a non-negotiable document or instrument. A subsidiary or affiliate is an enterprise in which the reporting insurance company owns 10 percent or more of the ordinary shares or voting power.

4.3 Loans to others long-term - See above (Note 2.1) - report those financial assets created through the direct lending of funds (including financial leases) by the reporting insurance company (lender) to other unrelated enterprises (borrower) through an arrangement in which the lender either receives no security evidencing the transaction or receives a non-negotiable document or instrument. Under this item report only loans to unrelated corporate or unincorporated bodies with a maturity of one year or over. **Loans to others short-term -** See above (Note 2.1). However, only loans with a maturity of less than one year should be reported under this item

5) **Shares and other equity**: Holdings of securities which represent property rights on companies. These securities generally entitle the holders to a share in profits of companies and to a share in their own funds in the event of liquidation. This category also includes units in other investment schemes, unit funds, investment trusts and other collective schemes, whether they are open-ended or closed-ended funds, quoted or unquoted. The value of Shares and other equity should be based on the **market prices or fair values**. Fair values must be used to estimate shares in situations where market price data are unavailable. It is that value that approximates the value that would arise from a market transaction between unrelated parties. The two methods used to establish fair values are:

Establish a fair value based on the market price of a market-traded financial instrument, similar in nature to a non-traded financial instrument. Fair values should be based on the present value of future cash flows. In this case the future cash flows must be known with certainty or can be estimated, and a discount rate must be available.

5.1 Collective investment schemes' units – holdings of collective investment schemes or units.

5.2 Other shares and equity

5.2.1 Equity investment 10% or more - report equity investment in a enterprise in which the reporting entity owns 10 percent or more of the ordinary shares or voting power. This includes those entities that are subsidiaries, associates and branches either directly or indirectly owned by the reporting entity. Also, the purpose of the equity investment must be one of acquiring a more or less permanent interest in the enterprise; whereby a certain degree of control (i.e. 'significant influence' and a 'long-term relationship') is obtained in the management of the enterprise that contrasts with the motives of, say, investors in securities.

5.2.2 Equity securities - less than 10% -under this item include equity securities issued by unrelated entities. Equity securities issued by an enterprise that is not related to the reporting insurance companys should be excluded and included under - **Equity investment 10% or more.** Related enterprises are enterprises in which an enterprise group has an equity interest of 10% or more. Ownership is measured in terms of ordinary shares or voting stock of incorporated enterprises or equivalent beneficial interest in unincorporated enterprises.

Examples of what to include in equity securities are:

- Ordinary shares;
- Participating preference shares;
- Depository receipts e.g. American depository receipts;
- Equity securities that have been lent under a securities lending arrangement.

6. **Insurance Technical Reserves:** this category comprises the claims of cedant insurers on the reinsurer's share of technical provisions. A detailed definition of the insurance technical reserves is provided above in the Liabilities section. Insurance technical reserves are **financial assets** for Life and Non-life Insurance Companies only when insurance companies reinsures the ceding company, it transfers some or all of the risk that it has assumed to another insurance company (the accepting company), but it does not transfer its obligations to the policy holder. Insurance technical reserves should therefore be reported on a gross basis, that is the insurance technical reserve liability is not reduced by the amount ceded, but an assets against the reinsures is recorded.

7. **Debtors:** Debtors should be presented at their net realisable value after deducting provision for bad debts.

7.1 Receivables from parent company include receivables from your parent company which owns 10 percent or more of the ordinary shares or voting power in the reporting insurance company.

7.2 Receivables from subsidiaries and affiliates See above. However, only receivables from a subsidiary or affiliate in which the reporting company owns 10 percent or more of the ordinary shares or voting power should be reported under this item.

7.3 Receivables from others - See above. However, only receivables from unrelated companies should be reported under this item.

8. **Financial derivatives** are instruments, such as options, warrants, futures and swaps that are based on, or derived from an underlying instrument. The underlying instrument is usually

another financial asset, but may also be a commodity. Financial derivatives do not include the underlying instrument. Financial derivatives should be recorded if they have a market value because they are tradable or can be offset. **The market value of the financial derivative (gain on the assets side and loss on the liabilities side) is recorded in the balance sheet – The underlying instrument is only recorded on the balance sheet if and when it is actually acquired.**

9. **Investment in property** - Include investment in property (such as land, buildings) which were acquired for investment purposes only. Buildings used for own operations should be excluded and included under item 10.

10. Fixed assets: This item incorporates non-financial tangible fixed assets which are intended to be used repeatedly for more than 1 year by the reporting institution. They include land and buildings occupied by the reporting institution, as well as equipment and other infrastructures. Investment in property is to be reported in item 9 above.

11. Other assets: This item includes other items not classified elsewhere. Such items can be other financial or other intangible non-financial assets which are created as a counterpart of a financial or non-financial transaction in cases where there is a timing difference between this transaction and the corresponding payment arising in the ordinary course of business transactions, such as Life Insurance's Present Value of In-force Business (PVFB), unpaid taxes, dividends and trade credit. Additions to computer software should be included under the heading 'Other non-financial assets'.

Part B1 - Liabilities

1. **Deposits** – As mentioned above, in view of the ECB convention deposits should be reported as loans. Since insurance corporations are not deposit taking institutions no other figures should be reported.

2. **Debt securities**: This category consists of all securities excluding shares issued by the institutional unit (the insurance company) for borrowing purposes. Securities must be recorded in the balance sheet at **market value** and according to their **original maturity (i.e. a 2 year corporate bond maturing in 8 months time should be considered as long-term security)**. It includes bonds, commercial paper, debentures and similar instruments normally traded in the financial markets.

   2.1. Money market instrument (maturity <= 1 year)" Under this item include bills, commercial paper, bankers' acceptances, etc. that usually give the holder the unconditional right to receive a stated, fixed sum of money on a specified date and have an original maturity of one year or less. Money market instruments are usually issued at a discount in organised markets.

   2.2. Bonds & notes acquired by parent company - Under this item include bonds, debentures, notes, etc. (which usually give the holder the unconditional right to a fixed money income or contractually determined variable money income and have an original term to maturity of over one year) issued by the reporting insurance company and acquired by its parent company. A parent company is one which owns 10 percent or more of the ordinary shares or voting power in the reporting insurance company.

Examples:

- Bonds such as treasury, zero coupon, deep-discounted, currency-linked, floating rate, convertible bonds and eurobonds;
- Assets-backed securities such as mortgage-backed bonds;
- Index-linked securities;
- Non-participating preference shares;
- Floating rate notes (FRN) such as variable rate notes (VRN), perpetual notes (PRN), etc.;
- Euro-medium term notes;
- Debentures;
- Negotiable certificates of deposit with contractual maturity of more than one year;
- Debt securities that have been lent under a securities lending arrangement.

2.3. **Bonds and notes acquired by subsidiaries and affiliates** report securities issued by the reporting insurance company and acquired by its subsidiaries and or affiliates. A subsidiary or affiliate is an enterprise in which the reporting insurance company owns 10 percent or more of the ordinary shares or voting power.

2.4. **Bonds and notes issued by others. -** Report bonds and notes issued by the reporting insurance companys and acquired by unrelated corporate or uncorporated bodies i.e. excluding your parent company, subsidiaries and affiliates.

Loans are created when creditors lend funds to borrowers, which may or may not be evidenced by non-negotiable documents. A loan is an unconditional debt to the creditor which has to be repaid at maturity and which is interest-bearing. The conditions governing a loan are either fixed by the financial company granting the loan or negotiated by the lender and the borrower directly or through a broker. By convention, short-term loans and overdrafts are normally classified separately. The latter are loans with an original maturity of one year or less. Long term loans have an original maturity of more than one year.

3.1 Loans from parent company report those financial liabilities created through the direct borrowing of funds (including financial leases) by the reporting insurance company (borrower) from its parent (lender) through an arrangement in which the lender either receives no security evidencing the transaction or receives a non-negotiable document or instrument. A parent company is one which owns 10 percent or more of the ordinary shares or voting power in the reporting insurance company

3.2 Loans from subsidiaries and affiliates report those financial liabilities created through the direct borrowing of funds (including financial leases) by the reporting insurance company (borrower) from its subsidiaries and affiliates (lender) through an arrangement in which the lender either receives no security evidencing the transaction or receives a non-negotiable document or instrument. A subsidiary or affiliate is an enterprise in which the reporting insurance company owns 10 percent or more of the ordinary shares or voting power.

3.3 Loans from others - long-term - report those financial liabilities created through the direct borrowing of funds (including financial leases) by the reporting insurance company (borrower) from other unrelated enterprises (lender is not your parent company, subsidiaries or affiliates) through an arrangement in which the lender either receives no security evidencing the transaction or receives a non-negotiable document or instrument. Under this item report only loans from unrelated corporate or uncorporated bodies with an original maturity of one year or over. **"Loans from non-residents: short-term"** See above. However, only loans with a maturity of one year or less should be reported under this item.

3. **Financial derivatives** are instruments, such as options, warrants, futures and swaps that are based on, or derived from an underlying instrument. The underlying instrument is us usually another financial asset, but may also be a commodity. Financial derivatives do not include the underlying instrument. Financial derivatives should be recorded if they have a market value because they are tradable or can be offset. **The market value of the financial derivative (gain on the assets side and loss on the liabilities side) is recorded in the balance sheet – The underlying instrument is only recorded on the balance sheet if and when it is actually acquired.**

5. **Insurance technical reserves**: This category consists of transactions in insurance technical reserves that is the technical provisions of insurance companies against policy holders or beneficiaries. They are defined in articles 25 through 31 of the Insurance Accounting Directive (hereinafter referred to as InsAD). Insurance technical reserves are **financial liabilities**:
   - of life or non-life insurance companies and autonomous pension funds included in the sub-sector insurance corporations and pension funds
   - of non-autonomous pension funds included in the sectors of the institutional units that set them up.

   Insurance technical reserves are to be categorised as:
   - 5.1 Technical provisions for life-assurance policies, where the investment risk is borne by the policy holders (InsAD article 31).
   - 5.2 Technical provisions for other live-assurance policies (InsAD articles 27, 29).
   - 5.3 Net equity of households in pension fund reserves.
   - 5.4 Prepayments of premiums, reserves for outstanding claims and other insurance technical reserves (InsAD articles 25, 26, 28, 30).

   Gross recording of reinsurance: When an insurance company (the ceding company) transfers some or all of the risk that it has assumed to another insurance company (the reinsurer or accepting company), it does not transfer its obligations to the policy holder. Insurance technical reserves should therefore be reported on a gross basis, i.e. the insurance technical reserve liability is not reduced by the amount ceded, but an asset against the reinsures (sector ICPF) is recorded (see the Asset section below). Reinsures or other accepting insurance companies report the accepted business as insurance technical reserve liabilities against the ceding corporation (sector ICPF).

6. **Creditors (excluding loans):** This item should comprise any creditors arising out of direct insurance operations, reinsurance operations, amounts owed to banks, taxation and social security.

6.1 Payables to foreign parent - include payables to a direct investor who owns 10 percent or more of the ordinary shares or voting power in the reporting entity. Examples include miscellaneous account payables such as wages and salaries outstanding, etc.

6.2 Payables to subsidiaries and affiliates - See above. However, report payables to a subsidiary or affiliate in which the reporting company owns 10 percent or more of the ordinary shares or voting power.

6.3 Payables to others - See above. However include only those payables to unrelated companies.

7. **Other liabilities:** This item includes other items not classified elsewhere such items may arise in the ordinary course of business transactions, such as unpaid taxes, dividends and trade credit.

Part B2 - Interest & dividends (refer to Section 7 – Flows)

Part B3 - Shareholders' funds

1. **Shareholders' funds**: These comprise the Share Capital, Reserves and Profit and loss account. Capital and Reserves are amounts arising from the issue of equity capital to shareholders or other proprietors, representing for the holder property rights. The latter are generally an entitlement to a share in its profits and to a share in its own funds in the event of liquidation. Also included are funds arising from non-distributed benefits or funds set aside in anticipation of future likely payments and obligations. Own capital and reserves should not include shares issued to the investing customers by insurance companies.

   Share Capital (if any): These comprise amounts arising from the issue of equity capital to shareholders or other proprietors, representing for the holder property rights and generally an entitlement to a share in its profits and to a share in its own funds in the event of liquidation. The value of shares should be based on the **market prices** (if quoted on any Stock Exchange) or fair values must be used to estimate shares in situations where market price data are unavailable. It is that value that approximates the value that would arise from a market transaction between unrelated parties. The methods used to establish fair values are as follows:

   Establish a fair value based on the market price of a market-traded financial instrument, similar in nature to a non-traded financial instrument. Fair values should be based on the present value of future cash flows. In this case the future cash flows must be known with certainty or can be estimated , and a discount rate must be available.

   Own capital and reserves should not include shares issued to the investing customers by collective investment schemes.

   Reserves include funds arising from non-distributed benefits or funds set aside in anticipation of future likely payments and obligations. Reserves should be split to include separately (a) Disclosed Reserves and (b) Undisclosed Reserves, in line with the classifications of the Bank for International Settlements (BIS). Disclosed reserves should include capital reserve, share premium, retained profits, and minority interest. Undisclosed reserves include revaluation reserves, general provisions, debt capital instruments, subordinated debt and unrealised gains/losses on investments.

1.1 More than 10% - report equity investment in the reporting insurance company whereby the direct investor owns 10 percent or more of the ordinary shares or voting power. The purpose of the equity investment must be one of acquiring a more or less permanent interest in the reporting insurance company; whereby a certain degree of control (i.e. 'significant influence' and a 'long-term relationship') is obtained in the management of your insurance company that contrasts with the motives of, say, investors in securities which is to be reported under shareholders funds – less than 10%.

1.2 Less than 10% - under this item report holdings of less than 10% of ordinary shares issued by the reporting insurance company and held by a corporate or unincorporated body.

7. Concept of flows

a. Flows are defined as the difference between the stock positions at reporting dates, from which the effect of changes that arise due to influences other than true transactions are removed. These influences can take the form of revaluation adjustments i.e. market price and exchange rate changes, and other changes.

b) As mentioned above, the flow in a particular instrument is found by using the stock data for the same instrument as shown in the balance sheet submitted by the reporting agent i.e. position at the end of the period. The process entails a simple arithmetic operation, which in symbol format for period ‘t’ can be expressed as:

$$F_t = (S_t - S_{t-1}) - C_t - V_t - E_t$$

where

F_t = Flow (True Transaction)

S_t = Stock end of period

S_{t-1} = Stock end of previous period

C_t = Reclassification adjustment

V_t = Price Revaluation adjustment

E_t = Exchange Rate adjustment

a) Financial (net) transactions refer to those transactions that arise out of the creation, liquidation or change in ownership of financial assets or liabilities. These transactions are measured in terms of the difference between stock positions at end-period reporting dates, from which the effect of changes due to influences from ‘revaluation adjustments’ (caused by price and exchange rate changes) and ‘other changes and other adjustments’ are removed.

b) Revaluation adjustments include price and exchange rate changes. Price and exchange rate revaluations refer to fluctuations in the valuation of assets and liabilities that arise either from changes in the prices of assets and liabilities and/or the exchange rates that affect the values expressed in euro of assets and liabilities denominated in a foreign currency.

c) The adjustment in respect of price revaluation of assets/liabilities refers to fluctuations in the valuation of assets/liabilities that arise because of a change in the price at which assets/liabilities are recorded or traded. The price revaluations include the changes that occur over time in the value of end-period stocks because of changes in the reference value at which they are recorded, i.e. holding gains/losses.

d) Movements in exchange rates against the euro that occur between end-period reporting dates give rise to changes in the value of foreign currency assets/liabilities when expressed in euro. As these changes represent holding gains/losses and are not due to financial transactions, these effects need to be removed from the transactions data.

e) In principle, 'price and exchange rate revaluations' also contain valuation changes that result from transactions in assets/liabilities, i.e. realised gains/losses; however, there are different national practices in this respect.

f) Reclassifications capture information on any extraordinary activities involving the balance sheets such as catastrophic losses, changes in sector classifications of counterparties in the absence of revisions and changes in the composition of the statistical reporting population.

g) The concept of flows follows the double-entry system i.e. total assets must be equal to total liabilities.

8. Definitions of stocks, flows and accrued interest items *(For parts A1 and B1 – Assets and liabilities)*

a. Position at beginning of period

Report the opening position of the market value of the financial claims and liabilities of the reporting enterprise at the beginning of the period. The opening position should agree with the closing position reported at the end of the preceding period.

b. Net transactions

(i) Net transactions are equal to an increase in transactions less a decrease in the same transaction for example granting a new loan and withdrawing a deposit (on the assets side).

(ii) Increase in transactions: Report those transactions which cause the stock of the reporting period to increase (+). Examples of transactions that increase the assets or liabilities include:

- New loans and deposits
- Buying securities
- Acquisition of fixed assets

(iii) Decrease in transactions: report those transactions which cause the stock of the reporting period to decrease (-). Examples of transactions that decrease the assets or liabilities include:

- Repayment of a loan and withdrawal of a deposit
- Selling securities

c. Revaluation adjustments

Revaluation adjustments shall be derived i.e. cells within the reporting schedules include a formula.

d. **Reclassifications**

Reclassifications are only to be reported following guidance from the Central Bank of Malta.

e. Position at end of period

Report the market value of the claims and liabilities of the reporting enterprise at the end of the reporting period.

For parts A2 and B2 – Interest and dividends

Position of accrued interest at the beginning of the period report the amount of accrued interest at the beginning of the reporting period. The position must agree with the position at the end of the previous reporting period. Positions denominated in foreign currencies should be converted into Euro using the exchange rate prevailing at the close of business on the last working day of the reporting period.

Accrued interest in the course of the month report interest accrued (i.e. receivable/payable) during the course of the reporting period. In this column report:

- Interest due and not received (in Part A1) – i.e. accrued interest receivable, which has not yet been debited to the relevant accounts.

- Interest accrued and unpaid (in Part B1) – i.e. accrued interest payable, which has not yet been credited to the relevant accounts.

Received and sold interest in the course of the period report interest actually received or sold during the reporting **period** . When interest matures and part of this interest is not received, please record all the interest in this Column. However, report that part of the interest not yet received under *"Other Assets"*.

Paid and purchased interest in the course of the period report interest actually paid or purchased during the reporting **period**. When interest matures and part of this interest is not paid, please record all the interest in this column. However, report that part of interest not yet paid under *"Other liabilities"*

Revaluation and other changes report all other differences in value relative to interest data reported earlier, e.g. exchange rate changes.

Position of accrued interest at end of period report the amount of accrued interest at the end of the reporting month. Positions denominated in foreign currencies should be converted into Euro using the exchange rate prevailing at the close of business on the last working day of the reporting period.

Dividends received/paid report any dividends and remittances of profits earned from the ownership of stock (shares) or equivalent equity interest in enterprises.

For part B3 – Shareholders funds

Country and sector - report the country where the shareholders are domiciled and the counterpart sector.

Position at beginning of period - report the market value of equity investment held by corporate or unincorporated bodies in the reporting insurance company at the beginning of the period. The opening position should agree with the closing position you reported for the previous period.

Positions denominated in foreign currencies should be converted to Euro using the exchange rate prevailing at the close of business on the last working day of the year.

Transactions - report any acquisitions/sales of equity capital in the reporting insurance company during the period.

Profit and loss" report profits (or losses) after tax, excluding extraordinary items and before profit appropriation attributed to equity investment holdings in the reporting insurance company. Extraordinary profits (or losses) should be reported under "Other changes".

Dividends declared - report any dividend declared (in proportion to equity participation in the reporting insurance company during the period.

Revaluation changes - report the impact on the stock of financial assets and liabilities due to changes in the exchange rate between the Euro and other currencies in which these liabilities are denominated. Moreover, report changes in the market value of the reported security

Other changes - report all other differences in value relative to the data in the submitted report. In order to reduce the number of questions that might be asked after the report is submitted, it is advisable to provide separate clarification for substantial amounts. Examples include extraordinary profits and reclassifications (such as from portfolio to direct investment when the 10 percent equity holding is exceeded).

Position at end of period - report the market value of equity investment held by corporate or unincorporated bodies in the reporting insurance companys at the end of the reporting year. Positions denominated in foreign currencies should be converted to Euro using the exchange rate prevailing at the close of business on the last working day of the reporting period.

9. Security-by-security reporting in return SBSA

Reporting agents are to report their holdings of securities (both equity and debt) which have a valid ISIN code on a security by security basis in return SBSA. Only those securities without a valid ISIN code are to be reported on an aggregated basis. Institutions which have been granted with derogation and will thus report on an annual basis are not to fill in SBSA return but report on aggregated basis.

When an institution is submitting the return SBSA for the first time, this institution should also report SBSA for the previous reporting quarter. However, only the fields under the heading "position at end of period" are to be reported. The transactions effected during the previous reporting period are not to be filled in.

1. **Security identifier code**
   International Security Identification Code (ISIN) used to identify the security.

2. **Number of units/shares (in 000s)**
   The number of equity securities (both local and foreign) held by the reporting institution at the end of the reporting period. *This field is not to be filled in for debt securities.*

3. **Nominal value (in euro 000s)**
   The nominal value of debt securities (both local and foreign) held by the reporting institution at the end of the reporting period. Debt securities denominated in foreign currencies should be converted into euro using the exchange rate prevailing at end of the quarter. *This field is not to be filled in for equity securities.*

4. **Nominal currency**
   Report the currency code of the security held e.g. EUR for euro, GBP for Sterling.

5. **Market price**
   - For equity, the market price must be "price per unit in nominal currency" of the issue.
   - For debt securities the price should be calculated including accrued interest i.e. on a dirty price basis.

   When multiplying the number of units/nominal amount by the price, this should be equal to the amounts reported for securities (including accrued interest) in the balance sheet.

6. **Net transactions (in euro 000s)**
   Report the net transactions effected during the reporting period relating to the acquisition (purchases) less disposal (sales) of both equity and debt securities. When calculating the net transactions for debt securities, please include any purchased or sold interest.

7. **Interest received in the course of the period (in euro 000s)**
   Report any interest received during the reporting period (excluding sold interest which should be reported with the transactions in 6 above).

8. **Dividends received during the period (in euro 000s)**
   Any dividends earned from the ownership of stock (shares) or equivalent equity such as holdings in Collective Investment Schemes. These amounts should be recorded on the basis

of dividends actually received during the period.

Example on how to fill in SBSA return for Securities other than shares (Debt securities)

ISIN 1

During the quarter under review your institution purchase €10,000 nominal amount @ 101.3 (dirty price i.e. including purchased interest) of ISIN 1. During the same quarter your institution sold all its holdings of ISIN 1 @ 103.2 (dirty price i.e. including sold interest). No position in ISIN 1 was held at the beginning of the quarter.

Workings:
Net transactions – Purchase 10@ 101.3 = € 10.13
Sale 10 @ 103.2 = € 10.32

Net Transaction = (€ 0.19)

Position beginning of quarter = 0 nominal amount
Position end of quarter = 0 Nominal amount

ISIN 2

At the beginning of the quarter your institution held $20,000 nominal amount of ISIN 2. During the quarter your institution sold all its holdings in ISIN 2 @ 105.68 (dirty price i.e. including sold interest).

Workings:

Euro – USD rate at beginning of the quarter – 1.4303
Euro – USD rate actual transaction date – 1.4026
Euro – USD rate at end of the quarter – 1.3917

Net transactions - Sale 20 @ 105.68 = $ 21.136
Converted @ actual transaction $/€ rate of 1.4026

Net Transaction = (€ 15.0692)

Position beginning of quarter = $20 nominal amount converted into euro @ 1.4303
= € 13.983
Position end of quarter = 0 Nominal amount

ISIN 3

During the quarter under review your institution purchased GBP 5,000 nominal amount @ 107.1 (dirty price i.e. including purchased interest) of ISIN 3. No position in ISIN 3 was held at the beginning of the quarter.

Workings:

Euro – GBP rate at beginning of the quarter – 0.7903
Euro – GBP rate actual transaction date – 0.8452
Euro – GBP rate at end of the quarter – 0.9525
Dirty price at end of quarter – 108.22

Net transactions - Purchase 5 @ 107.1 = £ 5.355
Converted @ actual transaction £/€ rate of 0.8452

Net Transaction = € 6.3358

Position beginning of quarter = 0
Position end of quarter = £5 nominal amount converted into euro @ 0.9525
= € 5.2493

ISIN 4

During the quarter under review your institution purchased €30,000 nominal amount @ 100.3 (dirty price i.e. including purchased interest) of ISIN 4. During the same quarter your institution sold €15,000 of its holdings in ISIN 4 @ 102.2 (dirty price i.e. including sold interest). At the beginning of period your institution held €10,000 (nominal amount) in ISIN 4.

Workings:
Net transactions – Purchase 30@ 100.3 = € 30.09
Sale 15 @ 102.2 = € 15.33

Net Transaction = € 14.76

Position beginning of quarter = 10 nominal amount
Position end of quarter = (Position @ beginning of period 10 + Net purchases during the quarter (30 – 15) = 25 Nominal amount
Dirty Price as at end of quarter – 101.88

ISIN 5

At the beginning of the quarter your institution held $60,000 nominal amount of ISIN 5. No purchases or sales of this security occurred during the quarter. However, your institution received $ 1,800 in interest.

Workings:

Euro – USD rate at beginning of the quarter – 1.4303
Euro – USD rate actual transaction date – 1.4026
Euro – USD rate at end of the quarter – 1.3917
Dirty Price as at end of quarter – 102.77

Transactions:
Net transactions - 0 – no purchases or sales were made during the quarter
Interest received during the quarter $1.8 converted at actual transaction date 1.4026 = €1.28

Position beginning of quarter = $60 nominal amount converted into euro @ 1.4303
= € 41.949
Position end of quarter = $60 nominal amount converted into euro @ 1.3917
= € 43.1127

Example on how to fill in SBSA return for shares and other equity

ISIN 6

During the quarter under review your institution purchased10,000 units @ €1.1 of ISIN 6. During the same quarter your institution sold all its holdings in ISIN 6 @ €1.3. No position in ISIN 6 was held at the beginning of the quarter.

Workings:
Net transactions – Purchase 10@ 1.1 = € 11
Sale 10 @ 1.3 = € 13

Net Transaction = (€ 2)

Position beginning of quarter = 0 units
Position end of quarter = 0 units

ISIN 7

At the beginning of the quarter your institution held 1,000,000 units of ISIN 7. During the quarter your institution sold all its holdings in ISIN 7 @ $4.88 (price per share).

Workings:

Price of ISIN 7 at beginning of the quarter – $5.99
Euro – USD rate actual transaction date – 1.4026

Net transactions - Sale 1,000 @ $4.88 = $ 4,880
Converted @ actual transaction $/€ rate of 1.4026

Net Transaction = (€ 3,479.2528)

Position beginning of quarter = 1,000 units @ $5.99
Position end of quarter = 0 units

ISIN 8

During the quarter under review your institution purchased 10,000 units @ £ 4.1 per share of ISIN 8. No position in ISIN 8 was held at the beginning of the quarter.

Workings:

Price at beginning of the quarter – £4.73

Euro – GBP rate actual transaction date – 0.8452
Price at end of the quarter – £6.11

Net transactions - Purchase 10 @ £4.1 = £ 41
Converted @ actual transaction £/€ rate of 0.8452

Net Transaction = € 48.5092

Position beginning of quarter = 0
Position end of quarter = 10 units @ £6.11

ISIN 9

During the quarter under review your institution purchase 30,000 units @ €11.3 per share of ISIN 9. During the same quarter your institution sold 15,000 units of its holdings in ISIN 9 @ €15.8 per share. At the beginning of period your institution held 10,000 units in ISIN 9.

Workings:
Net transactions – Purchase 30@ €11.3 = € 339
Sale 15 @ €15.8 = € 237

Net Transaction = € 102

Price as at end of quarter - € 16.2
Position beginning of quarter = 10 units
Position end of quarter = (Position @ beginning of period 10 + Net purchases during the quarter (30 – 15) = 25 units

ISIN 10

At the beginning of the quarter your institution held 600 units of ISIN 10. No purchases or sales in this ISIN occurred during the quarter. However, your institution received $100.8 in dividends

Workings:

Price at beginning of the quarter – $99.52
Euro – USD rate actual transaction date – 1.4026
Price at end of the quarter – $101.88

Transactions:
Net transactions - 0 – no purchases or sales were made during the quarter
Dividends received during the quarter $0.1008 (since transactions are to be reported in thousand's) converted at actual transaction date 1.4026 = €0.07186

Position beginning of quarter = 0.6 units @ $99.52
Position end of quarter = 0.6 units $101.88

	Position at end of period				Transactions effected during the quarter (Euro 000s)		
Security identifier code (ISIN)	Number of units/shares (in 000s and applicable for shares and other equity only)	Nominal value (in euro 000s and applicable for debt securities only)	Nominal currency	Market price	Net transactions (purchases less sales including purchased and sold interest)	Received interest in the course of the quarter	Dividends received during the quarter
ISIN 1		0	EUR		-0.19		
ISIN 2		0	USD		-15.0692		
ISIN 3		5.2493	GBP	108.22	6.3358		
ISIN 4		25	EUR	101.88	14.76		
ISIN 5		43.1127	USD	102.77	0	1.28	
ISIN 6	0		EUR		-2		
ISIN 7	0		USD		- 3479.2528		
ISIN 8	10		GBP	6.11	48.5092		
ISIN 9	25		EUR	16.2	102		
ISIN 10	0.6		USD	101.88	0		0.07186

IMPORANT

Figures are not to be rounded up
E.g.: Nominal value 1000.23564
Price 2.4578

10. Instructions for the Profit and Loss statement and additional information

Items in the Profit and Loss Account should be reported on a cumulative basis (i.e. profit for year to date). For example, if an insurance company, whose financial year end is December, makes a profit of €10K in the first quarter and €15K in the second quarter of the year, then in the profit and loss return for June quarter, the profit reported should be €25K.

The Profit and Loss Account return consists of three main sections: (a) General Business (b) Life Business, (c) Additional information. Also, figures corresponding to expenditure in the profit and loss account should not carry a negative sign, or otherwise these would be considered as income.

Claims management expenses (item 5 a) comprise internal and external costs directly attributable to claims negotiation and settlement and indirect costs incurred in respect of maintaining a claims settlement functionOther technical income (item 4) reported under the Life Business section, should include positive changes in the Value of In-Force Business and other technical income. Similarly, other technical expenditure (item 7) should include all negative changes in the Value of In-Force Business and other technical expenditure.

Additional Info **–** Data on items "Gross wages & salaries paid" and "Employers contribution to social security iro employees" are to be reported on a cumulative basis.
On the other hand, from item "Average number of employees" onwards data should be reported on a quarterly basis.

Income attributed to insurance policy holders during the period – under this item report investment income earned on the assets invested to meet insurance companies' provision liabilities and which are attributable to insurance policy holders. A distinction between life and non life insurance policy holders is required.

Net increase/decrease in reserves for claims volatility during the period – report the adjustment for claims volatility which represents the difference between actual claims in the period and a normally expected level of claims. The expected level of claims may be calculated according to one of the following methods:

- The expectation approach
- The accounting approach
- The sum of costs plus "normal" profit

Selected transactions with non residents of Malta

Life insurance and pension funds - include pensions and annuity services.

Freight insurance - include insurance on goods that are in the in the process of being exported or imported.

Other direct insurance - include health, general liability, fire marine, casualty or accident and other insurance cover not specified elsewhere.

Re-insurance assumed from non-resident insurers - consists of an insurance enterprise undertaking insurance with policyholders and often transfers some of the risks incurred to other insurance enterprises. These transactions between insurance enterprises are called re-insurance. Please report any insurance assumed from non-resident insurance companies.

Re-insurance ceded to non-resident insurers" see note above. However report any insurance ceded to non-resident insurance companies.

Other Services

Accounting, auditing, book-keeping and tax consultancy services - include those activities related to accounting, bookkeeping and tax consultancy services.

Advertising, market research and public opinion polling - include design, creation, marketing, placement and purchase of advertisement, trade fair exhibition services and promotion, market research and public opinion polls.

Business and management consultancy and public relations services - include planning, organisation cost projecting and human resource management.

Communication services - include telecommunications (broadcasting, satellite, electronic mail etc.), postal, courier, newspaper and magazine delivery services.

Compensation of employees - include wages, salaries and other benefits in cash or in kind, earned by individuals – in economies other than those in which they are residents – for work performed for (and paid by) residents of those economies; together with contributions paid by employers on behalf of employees to social security schemes or to private insurance or pension funds to secure benefits for employees. Employees include seasonal or other short-term workers who have a centre of economic interest in their own economies.

Computer and information services - include data base development, storage and on-line series facilities, data processing, tabulation processing services (on a time share or specific basis) and processing management services, hardware consultancy, software design, development and customised implementation and programming, maintenance and repairs of computers and peripheral equipment and news agency service.

Financial services - include fees for intermediation services such as lending, financial leasing, letters of credit, bankers acceptances, lines of credit, foreign exchange transactions and travellers' cheques transactions, commissions and fees associated with security brokerage, placements of issues, underwriting, redemption, swaps, options and commodity futures and portfolio and other financial management fees.

Legal services - include legal advise, representation and documentation services.

Other services - include any other services transacted between your institution and non-residents not specified elsewhere