

# Z.1: Financial Accounts of the United States – All Table Descriptions

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## Summaries

### B.1: Derivation of U.S. Net Wealth

The Derivation of U.S. Net Wealth table shows the market value of tangible assets controlled by the household, noncorporate business, and government sectors of the U.S. economy, adding in the market value of equity for nonfinancial and financial corporations, and netting the financial position vis-a-vis the rest of the world.

Financial assets are not included in the calculation of net national wealth since their positions net to zero across all U.S. sectors and the rest of the world.

### D.1: Debt Growth by Sector

This table shows debt growth by sector. Domestic nonfinancial sectors include households and nonprofit organizations, nonfinancial business (corporate business is also shown separately), state and local governments, and the federal government. In addition, total debt growth of the domestic financial and foreign sectors is shown. The domestic financial sectors that issue debt include private depository institutions; life insurance companies; government-sponsored enterprises (GSEs); agency- and GSE-backed mortgage pools; issuers of asset-backed securities; finance companies; real estate investment trusts (REITs); security brokers and dealers; holding companies; and other financial business. Foreign debt growth represents amounts held by foreign financial and nonfinancial entities in U.S. markets only.

Debt includes debt securities (open market paper, Treasury securities, agency- and GSE-backed securities, municipal securities, and corporate and foreign bonds) and loans (depository institution loans not elsewhere classified (n.e.c.), other loans and advances, mortgages, and consumer credit). Households' consumer credit and one-to-four-family residential mortgage debt growth are shown separately on this table. Other forms of borrowing by the household and nonprofit organizations sector, which include municipal securities, depository institution loans n.e.c., other loans and advances, and commercial mortgages, are not shown separately from the total in this table.

Growth rates are calculated by dividing transactions at a seasonally adjusted rate from table D.2 by seasonally adjusted levels at the end of the previous period from table D.3. Seasonally adjusted levels in financial accounts statistics are derived by carrying forward year-end levels by seasonally adjusted transactions. Growth rates calculated from changes in unadjusted levels can differ from those in table D.1.

### Financial Accounts Matrix—Transactions

All other tables in the financial accounts use a time-series format for presenting data. This matrix table shows an alternative format, consisting of sector columns and instrument rows with data for one time period. The data shown here also appear in the sector and instrument tables. For each sector, the matrix contains one column for uses of funds and one column for sources of funds, and the two columns must separately sum to the same total. For each row, the total of sources must equal the total of uses. The sector and instrument discrepancies are considered uses of funds.

The columns presented on this table include sectors for households and nonprofit organizations, total nonfinancial business, state and local governments, federal government, a total for the domestic nonfinancial sectors, a combined financial sector, the rest of the world sector, and a total for all sectors (both domestic and foreign). The rows presented on this table include detail on gross saving, capital expenditures, net lending (+) or net borrowing (-), total financial assets, total liabilities and equity, and sector discrepancies.

Presenting the accounts in matrix form highlights the fact that for financial transactions, one sector's sources of funds are other sectors' uses, and vice versa. The total amounts shown in all the source or use columns must equal the total amounts shown in all of the rows.

### D.2: Borrowing by Sector

This table shows borrowing by sector at seasonally adjusted annual rates. Domestic nonfinancial sectors include households and nonprofit organizations, nonfinancial business (corporate business also shown separately), state and local governments, and the federal government. Total borrowing by the domestic financial and foreign sectors is also shown. Domestic financial sectors include private depository institutions; life insurance companies;

government-sponsored enterprises (GSEs); agency- and GSE-backed mortgage pools; issuers of asset-backed securities; finance companies; real estate investment trusts (REITs); security brokers and dealers; holding companies; and other financial business (detail available on table F.3). Foreign borrowing represents amounts borrowed by foreign financial and nonfinancial entities in U.S. markets only.

Borrowing includes funds obtained through issuing debt securities (open market paper, Treasury securities, agency- and GSE-backed securities, municipal securities, and corporate and foreign bonds) or obtaining loans (depository institution loans not elsewhere classified (n.e.c.), other loans and advances, mortgages, and consumer credit). Households' consumer credit and one-to-four-family residential mortgage borrowing are shown separately on this table. Other households and nonprofit organizations' borrowing instruments, which include municipal securities, depository institution loans n.e.c., other loans and advances, and commercial mortgages, are not shown separately.

Borrowing shown on D.2 is different from net lending (+) or net borrowing (-) shown on individual sector tables and in the matrix, which is defined as the net acquisition of financial assets less the net increase in liabilities.

## F.2: Distribution of Gross Domestic Product

Gross domestic product (GDP) is equal to the market value of all final goods and services produced during a particular period by labor and property located in the United States (real GDP is the total adjusted for inflation). This table shows the major components of expenditures on GDP—personal consumption expenditures, gross private domestic investment, net U.S. exports of goods and services, and government consumption expenditures and gross investment (the familiar “C + I + G + X - M”). Sectoral splits of gross private domestic investment are based on annual Bureau of Economic Analysis fixed-asset data and correspond to financial accounts sectors. This table corresponds closely to national income and product accounts (NIPA) table 1.1.5.

In contrast, gross national product (GNP), shown as a memo item, is based on the ownership of the production factors rather than their location. GNP is calculated as GDP plus net U.S. income receipts from the rest of the world.

Also shown as a memo item is the net acquisition of nonproduced nonfinancial assets. Nonproduced assets are assets that arise from means other than a production process; a prime example is naturally occurring resources, such as electromagnetic spectrum, off-shore drilling, and land access rights.

## D.3: Debt Outstanding by Sector

This table shows seasonally adjusted debt outstanding by sector. Domestic nonfinancial sectors include households and nonprofit organizations, nonfinancial business (corporate business also shown separately), state and local governments, and the federal government. Total debt held by the domestic financial and foreign sectors is also shown. Domestic financial sectors include private depository institutions; life insurance companies; government-sponsored enterprises (GSEs); agency- and GSE-backed mortgage pools; issuers of asset-backed securities; finance companies; real estate investment trusts, or REITs; security brokers and dealers; holding companies; and other financial business. Foreign credit debt represents amounts held by foreign financial and nonfinancial entities in U.S. markets only.

Debt instruments include debt securities (open market paper, Treasury securities, agency- and GSE-backed securities, municipal securities, and corporate and foreign bonds) and loans (depository institution loans not elsewhere classified (n.e.c.), other loans and advances, mortgages, and consumer credit). Households' consumer credit and one-to-four-family residential mortgage debt are shown separately on this table. Other types of household and nonprofit organizations debt, including municipal securities, depository institution loans n.e.c., other loans and advances, and commercial mortgages, are not shown separately.

## F.3: Distribution of National Income

National income is the measure of earnings from aggregate economic activity. The amounts received by firms from buyers' expenditures on the final goods and services that make up gross domestic product (GDP) are paid out as income to the factors of production. This table shows the distribution of national income to the factors of production: compensation of employees, proprietors' income with inventory valuation (IVA) and capital consumption adjustments (CCAdj), rental income of persons with CCAdj, corporate profits with IVA and CCAdj,

net interest and miscellaneous payments, taxes on production and imports, net business current transfer payments, and current surplus of government enterprises. Subsidies are excluded. Sectoral detail on profits is also shown. Note: Consumption of fixed capital is not included in national income because it is retained in the firm or governmental unit as a form of saving. This table corresponds closely to national income and product accounts (NIPA) table 1.12.

The memo section, based on NIPA table 1.7.5, shows the calculation of GDP from national income. The sum of national income, private and government consumption of fixed capital, and the statistical discrepancy, less net U.S. income receipts from the rest of the world, equals GDP.

#### **F.4: Saving and Investment**

This table shows the relationship between saving and investment, by sector, for the U.S. economy. It is based on national income and product accounts (NIPA) table 5.1 and is consistent with the Integrated Macroeconomic Accounts for the United States, jointly compiled by the Federal Reserve Board and the Bureau of Economic Analysis.

Gross saving is equal to net saving plus consumption of fixed capital. For each sector, net saving is the amount not spent out of current income. For households and institutions, net saving is personal income less the sum of personal outlays and personal current taxes, plus wage accruals, less disbursements. For domestic businesses, which include domestic financial and nonfinancial businesses, and foreign businesses in the United States, net saving is undistributed corporate profits plus inventory valuation and capital consumption adjustments (detail shown on table F.3). Net government saving is the difference between government current receipts and current expenditures.

In theory, gross saving can also be calculated as the sum of gross domestic investment, net capital account transactions, and capital account net lending (+) or net borrowing (-). In practice, however, the two calculations for gross saving differ by NIPA's statistical discrepancy. Gross domestic investment is the sum of gross private domestic investment (fixed investment and the change in private inventories) and government gross investment (detail shown on table F.2). Net capital account transactions include net capital transfers paid and net acquisition of nonproduced nonfinancial assets (detail shown on tables F.5 and F.2, respectively). Net lending (+) or net borrowing (-) shown on this table reflects the capital account, whereas net lending (+) or net borrowing (-) shown on sector tables in the financial accounts is calculated as net acquisition of financial assets less total liabilities.

The value of irreparable damage to, or the destruction of, fixed assets is shown in addendum items on this table as disaster losses. As of 2009, these losses were no longer considered consumption of fixed capital but were reclassified as other volume changes (see tables R.101, R.103, and R.104). The threshold for determining whether any single event is treated as a disaster will be if either the associated property losses or the insurance payouts exceed 0.1 percent of GDP. The effects of losses from events smaller than this threshold are assumed to be already reflected in the estimates of depreciation and net current insurance settlements.

#### **F.5: Net Capital Transfers**

Capital transfers consist of cash or in-kind transfers related to the acquisition or the disposition of an asset. This table shows capital transfers paid and capital transfers received by sector as recorded on national income and product accounts (NIPA) table 5.11. Addendum items show net capital transfers paid by sector, which are used for financial accounts purposes. NIPA measures of income and saving exclude capital transfers, which reflect changes in ownership of existing assets but are not directly associated with current production.

The following transactions are classified as capital transfers: (1) federal government investment grants to state and local governments for highways, transit, air and water transportation, and water treatment plants; (2) federal government investment subsidies to business, such as maritime construction subsidies; (3) estate and gift taxes; (4) immigrants' transfers to the United States; and (5) federal government forgiveness of debt owed by foreign governments. In 2009, disaster-related insurance benefits were reclassified as capital transfers to be consistent with the NIPA's reclassification of disaster losses from consumption of fixed capital to other changes in the volume of assets.

During the financial crisis of 2008, the federal government purchased corporate equities from financial businesses under the Troubled Asset Relief Program, or TARP, and from government-sponsored enterprises (GSEs). The difference between the assumed market value of these corporate equities at the time of purchase and the

issuance price is recorded as a capital transfer from the federal government to financial institutions in the NIPA. Detail on these financial stabilization payments to U.S.-chartered depository institutions, holding companies (GMAC), GSEs, and other financial business (American International Group, Inc.) is shown in the addendum.

Note: Net capital transfers paid by the federal government in the financial accounts exclude these financial stabilization payments because they are considered a revaluation of the equities issued rather than an implied subsidy. In addition, in the financial accounts, the market value of these equities is revalued each quarter, whereas in the NIPA, the capital transfer is recorded only in the initial purchase period.

In 2014:Q3, there is a capital transfer paid by financial corporations to households, reflecting the settlement reached by Citigroup and Bank of America with the U.S. Department of Justice to resolve mortgage-related litigation from the 2008-2009 financial crisis. The settlement is recorded on an accrual basis at the time of the agreement thus reflecting the full value of the consumer relief portion of the settlement. The fines associated with this settlement are recorded as current transfers from financial business to federal and state and local governments.

## **F.6, L.6: Derivation of Measures of Personal Saving**

Saving by the personal sector is saving by the households and nonprofit organizations sector consolidated with the nonfinancial noncorporate business sector. Nonfinancial noncorporate business is considered an activity subaccount of households, and the income earned from the activities of these unincorporated businesses is a component of personal income in the national income and product accounts (NIPA).

Saving for any sector is the amount not spent out of current income. In the NIPA, saving is defined as a sector's current income less its current expenditures; for the personal sector in the NIPA, saving is equal to disposable personal income (income net of taxes) less personal outlays. Measures of saving can also be constructed using the financial accounts. In particular, the financial accounts take advantage of the equality between saving and investment to calculate saving for the personal sector by adding the sector's net financial investment (its net acquisition of financial assets less its net increase in liabilities) and its net investment in tangible assets (gross investment less consumption of fixed capital, or depreciation).

Both the NIPA and financial accounts measures of personal saving are net saving, reflecting the subtraction of consumption of fixed capital: In the NIPA, consumption of fixed capital is deducted as an expense when the components of personal income are calculated; in the financial accounts, consumption of fixed capital is deducted from the purchase of tangible assets. Because capital gains and losses on existing assets do not result from current investment, they are not reflected in either the financial accounts or the NIPA measure of personal saving. Both measures also exclude net capital transfers (shown in detail on table F.5), such as estate and gift taxes, because they are not considered part of current production.

This table presents three alternative measures of personal saving—the NIPA measure and two versions of the financial accounts measure. The broader financial accounts series (“personal saving, FOF concept (FOF data)”) reflects investment in all types of financial and tangible assets. The other, narrower financial accounts series (“personal saving, NIPA concept (FOF data)”), which is conceptually identical to the NIPA series, is obtained by adjusting the broader measure for three items that are treated differently in the NIPA: net investment in consumer durables, net transactions of government insurance and pension fund reserves, and contributions for government social insurance in U.S.-affiliated areas. The difference between this narrower measure and the NIPA series (“personal saving, NIPA concept (NIPA data)”) is equal to the households and nonprofit organizations sector discrepancy, with sign reversed (table F.101). Each of these figures—the three saving measures and the difference—is shown, at the bottom of the table, as a percentage of disposable personal income.

## **Sectors**

### **F.100, L.100: Domestic Nonfinancial Sectors**

The domestic nonfinancial sector equals the sum of the following sectors shown on tables 101 through 107: households and nonprofit organizations, nonfinancial business (nonfinancial corporate business and nonfinancial noncorporate business), and general government (federal government and state and local governments).



### **F.101, L.101: Households and Nonprofit Organizations**

The households and nonprofit organizations sector consists of individual households (including farm households) and nonprofit organizations such as charitable organizations, private foundations, schools, churches, labor unions, and hospitals. The sector is often referred to as the “household” sector, but nonprofit organizations are included because data for them are not available separately except for the years 1987 through 2000 (tables F.101.a and L.101.a).

Three adjustments are shown on table F.101 to align NIPA personal income with the household sector’s net acquisition of financial assets and net increase in liabilities: net transactions of government insurance and pension fund reserves, contributions for government social insurance for U.S.-affiliated areas, and net investment in consumer durables.

For most categories of financial assets and liabilities, the values for the household sector are calculated as residuals. That is, amounts held or owed by the other sectors are subtracted from known totals, and the remainders are assumed to be the amounts held or owed by the household sector. Beginning 1996:Q4, the market value of households’ and nonprofit organizations’ holdings of debt securities is estimated directly. For a few series, such as consumer credit, data for the sector are available directly and are not calculated residually. Open market paper, municipal securities, commercial mortgages, and trade payables are exclusively held by the nonprofit sector. When microeconomic data are available, such as data from the Federal Reserve Board’s Survey of Consumer Finances, asset and liability totals for the sector are reviewed. Also, because of the residual nature of the household sector, assets of entities for which there is no data source, such as domestic hedge funds, private equity funds, and personal trusts, are included in this sector.

In contrast to the practice in some countries, the household sector statement in the U.S. financial accounts does not include the transactions of nonfinancial noncorporate businesses (shown on tables F.104 and L.104). However, the household sector is assumed to hold all of the equity in noncorporate businesses, which is shown as an asset on the household table. The table for the personal sector (table F.6), however, does consolidate the household sector with unincorporated businesses.

An April 6, 2015 FEDS Note, “Deleveraging and Recent Trends in Household Debt” by Ivan Vidangos, describes recent dynamics in household debt. The note is available at [www.federalreserve.gov/econresdata/notes/feds-notes/2015/deleveraging-and-recent-trends-in-household-debt-20150406.html](http://www.federalreserve.gov/econresdata/notes/feds-notes/2015/deleveraging-and-recent-trends-in-household-debt-20150406.html).

### **F.102, L.102: Nonfinancial Business**

The nonfinancial business sector equals the sum of two sectors: nonfinancial corporate business and nonfinancial noncorporate business.

### **F.103, L.103: Nonfinancial Corporate Business**

The nonfinancial corporate business sector consists of all private for-profit domestic nonfinancial corporations. S corporations, which have 100 or fewer stockholders and are taxed as if they were partnerships, are included in this sector. Corporate farms are also included. Holding companies and equity real estate investment trusts, or REITs, which are considered financial businesses in the financial accounts, are excluded from this sector.

This table covers only the domestic activities of nonfinancial corporations, including U.S. operations that are foreign owned; it does not include the foreign subsidiaries of U.S. corporations. Therefore, earnings from the operations of foreign subsidiaries of U.S. corporations are reflected only in profit detail either as earnings retained abroad or as dividends received. Domestic corporations’ investment in foreign operations that results in ownership of more than 10 percent is shown as U.S. direct investment abroad, an asset of this sector. Similarly, foreign corporations’ investment in U.S. operations that results in ownership of more than 10 percent is shown as foreign direct investment in the United States, a liability.

The benchmark data source for this sector is the Statistics of Income (SOI), compiled from tax returns filed with the Internal Revenue Service. The SOI consolidates financial subsidiaries with their nonfinancial parent corporations. Because some large manufacturing corporations own finance companies, in the financial accounts, the SOI data on manufacturing corporations are replaced with data from the Census Bureau’s Quarterly Financial Report for Manufacturing, Mining, Trade and Selective Service Industries, which excludes these financial subsidiaries.

Unidentified miscellaneous assets, which is calculated residually, may include such items as deferred charges and prepaid expenses. Unidentified miscellaneous liabilities, which is also calculated residually, may include such

items as loans from private equity funds and hedge funds. Identified miscellaneous liabilities include claims of pension fund on sponsor (unfunded pension obligations of corporations) and pension fund contributions payable.

A November 14, 2018 FEDS Note, "Intercorporate Equity Holdings in the Financial Accounts of the United States," by Joseph Briggs and Hannah Hall describes the treatment of intercorporate equity holdings in the nonfinancial corporate business sector and is available at <https://www.federalreserve.gov/econres/notes/feds-notes/intercorporate-equity-holdings-in-the-financial-accounts-of-the-united-states-20181114.htm>.

A memo item shows the financing gap, which is an indicator of the corporate sector's need to borrow. It is calculated as the difference between capital expenditures and the sum of U.S. internal funds and an inventory valuation adjustment. Net lending or net borrowing in the capital account is almost the same as the financing gap, but it includes undistributed profits of foreign subsidiaries, which are excluded from the financial accounts calculation of U.S. internal funds.

### **F.104, L.104: Nonfinancial Noncorporate Business**

The nonfinancial noncorporate business sector consists of partnerships and limited liability companies (businesses that file Internal Revenue Service (IRS) form 1065), sole proprietorships (businesses that file IRS schedule C or schedule C-EZ), and individuals who receive rental income (income reported on IRS schedule E). Noncorporate farms are included in this sector. Limited liability companies combine the corporate characteristics of limited liability for all owners with the pass-through tax treatment of partnerships while offering more organizational flexibility than S corporations (included on tables F.103 and L.103). Note that investment properties owned by individuals and the corresponding mortgages are included in this sector rather than in the household and nonprofit organizations sector. Companies in this sector are not necessarily small, but they generally do not have access to capital markets and thus rely on trade credit and loans from commercial banks and other credit providers for funding.

Proprietor's net investment represents ownership of nonfinancial noncorporate businesses by households. Therefore, in the national income and product accounts (NIPA), the firms' consumption is part of personal consumption expenditures, and their income is part of personal income and is thus an element of household saving. Similarly, in the financial accounts, proprietors' net investment in noncorporate businesses is part of the net acquisition of financial assets by the household sector. In the case of noncorporate farms, expenditures on farm residential structures are part of the fixed-investment total for the households and nonprofit organizations sector. Proprietors' net investment for the sector is calculated as the difference between sources and uses of funds, so the sector does not have a discrepancy. On the balance sheet (table B.104), net worth is equal to proprietors' equity in noncorporate business and equity foreign direct investment.

### **F.105, L.105: General Government**

The general government sector equals the sum of two sectors: federal government and state and local governments. Memo items show the financial assets and liabilities of the consolidated general government sector, which excludes Treasury securities and municipal securities held by state and local governments and federal government loans to state and local governments.

### **F.106, L.106: Federal Government**

The federal government sector comprises the federal agencies, programs, and activities that are in the unified budget. The sector does not include the District of Columbia government, which is part of the state and local governments sector; the Federal Reserve Banks and certain monetary accounts of the Treasury, which together form the monetary authority sector; and government-sponsored enterprises (GSEs) such as Fannie Mae and Freddie Mac. The sector does include Ginnie Mae which is a government-owned corporation within the Department of Housing and Urban Development (HUD).

The sector is presented in the financial accounts on a consolidated basis, with holdings of Treasury securities by agencies within the federal government netted out (the largest intra-governmental holdings of Treasury securities are those in the Old Age and Survivors Insurance Trust Fund). As a result, the liability for securities outstanding shown for the federal government in the accounts is smaller than the published value for the total public debt, which includes securities held by the federal agencies.

In the financial accounts, the assets held for the purpose of providing retirement benefits to federal workers are not part of the federal government sector but are included in the federal government retirement funds sector. The nonmarketable Treasury securities issued to the federal government employee retirement sector are included in debt of the federal government, not as intergovernmental debt.

Beginning in 2008, the federal government expanded Treasury securities issuance to cover purchases of corporate equities and agency- and GSE-backed securities and to make loans under the Troubled Asset Relief Program, or TARP, and other financial stabilization programs. In addition, the federal government increased deposits in the Treasury temporary supplementary financing account at the Federal Reserve to support its financial stabilization loans and securities purchases.

The entries for current receipts, current expenditures, and saving are based on national income and product accounts (NIPA) table 3.2. However, net capital transfers paid that are shown here differ from those presented on the capital transfers table (table F.5) because financial stabilization payments are considered capital transfers by NIPA but are considered revaluations in the financial accounts. A full balance sheet for this sector is available in the Integrated Macroeconomic Accounts for the United States (tables S.7.a and S.7.q), which includes the value of structures, equipment and software but not the value of land.

Due to COVID-19 response, in 2020:Q2, the federal government, through the U.S. Treasury, made equity investments in the Money Market Mutual Fund Liquidity Facility (MMLF) and five additional funding, credit, and liquidity facilities created as special purpose vehicles, and classified in the other financial business sector: the Corporate Credit Facilities (CCF), the Main Street Lending Program (MSLP), the Term Assets Lending Facility (TALF), the Municipal Liquidity Facility (MLF), and the Commercial Paper Funding Facility (CPFF). In addition, in order to align with NIPA accrual treatment of Paycheck Protection Program (PPP) loan forgiveness subsidies to businesses and current transfers to nonprofit institutions serving households (NPISH), PPP payable liabilities were added to the federal government sector to account for the accrued liability to repay PPP loans in future periods, and are equal to loan forgiveness subsidies to businesses and current transfers to NPISH reported in NIPA.

### **F.107, L.107: State and Local Governments**

The sector for state and local governments, excluding employee retirement funds, consists of the government operations of the 50 states, their political subdivisions, and the District of Columbia, including debt-issuing authorities, government enterprises, and trust funds. The sector excludes state and local government employee retirement funds, which form a separate financial sector.

Current receipts, expenditures and saving for the sector are based on national income and product accounts table 3.3, "State and Local Government Current Receipts and Expenditures." A full balance sheet for this sector is available in the Integrated Macroeconomic Accounts for the United States (tables S.8.a and S.8.q), including the value of structures, equipment and software but not the value of land.

The sector's holdings of debt securities, corporate equities, and mutual fund shares are reported at market value.

### **F.108, L.108: Domestic Financial Sectors**

The domestic financial sector equals the sum of the following sectors shown on tables 109 through 132: monetary authority, private depository institutions (U.S.-chartered depository institutions, foreign banking offices in U.S., banks in U.S.-affiliated areas, and credit unions), property-casualty insurance companies, life insurance companies, private pension funds, state and local government employee retirement funds, federal government retirement funds, money market funds, mutual funds, closed-end funds, exchange-traded funds, government-sponsored enterprises, agency- and GSE-backed mortgage pools, issuers of asset-backed securities, finance companies, real estate investment trusts, security brokers and dealers, holding companies, and other financial business.

### **F.109, L.109: Monetary Authority**

The monetary authority sector is the group of institutions and financial accounts that supply reserve funds to depository institutions and absorb funds from them. The sector includes the 12 Federal Reserve Banks and their subsidiary offices (but not the Board of Governors of the Federal Reserve System) as well as certain monetary

accounts of the U.S. Treasury: monetary gold stock; the special drawing rights certificate account; and Treasury currency, which consists of standard silver dollars, fractional coin, national bank notes, and currency items in the process of retirement. These Treasury accounts are excluded from the assets and liabilities of the U.S. federal government sector in the financial accounts.

Historically, the largest asset of the monetary authority sector is Treasury securities, which the Federal Reserve System buys and sells through open market operations to conduct monetary policy, while the primary liabilities are currency and reserve deposits and other deposits. Beginning 2012:Q1, holdings of debt securities are recorded at market value. On the liability side, this expansion was funded by the U.S. Treasury's increased deposits in a temporary supplementary financing account at the Federal Reserve and by depository institutions holding much higher reserves.

Due to the financial crisis of 2008 and the COVID-19 pandemic, the Federal Reserve's balance sheet expanded on the asset side to include significant amounts of loans to financial institutions, purchases of Treasury securities and agency- and GSE-backed securities, and reciprocal currency arrangements (swap lines) with foreign central banks. Loans extended by the Federal Reserve to the other financial business sector include loans to Maiden Lane LLC to facilitate the arrangements associated with JPMorgan Chase & Co.'s acquisition of Bear Stearns Companies, Inc., loans to AIG, loans to purchase residential mortgage-backed securities from the U.S. securities lending reinvestment portfolio of AIG subsidiaries, loans to Maiden Lane III LLC to purchase CDOs on which AIG has written credit default swap contracts, and loans to the Commercial Paper Funding Facility LLC.

The Federal Reserve's reverse repurchase agreement operations, which began in 2013:Q3, are shown as detail under the security repurchase agreement liability. A March 24, 2015 FEDS Note, "The Federal Reserve's Overnight and Term Reverse Repurchase Agreement Operations in the Financial Accounts of the United States" by Ralf Meisenzahl, describes these operations in more detail. The note is available at <http://www.federalreserve.gov/econresdata/notes/feds-notes/2015/federal-reserves-overnight-and-term-rrp-agreement-operations-in-financial-accounts-of-the-united-states-20150324.html>.

In 2016, several financial market utilities designated systemically important by the Financial Stability Oversight Council (Council) under Title VIII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank Act) were allowed to open accounts at Federal Reserve banks. More information on designated financial market utilities (DFMU) is available at: [https://www.federalreserve.gov/paymentsystems/designated\\_dfmu\\_about.htm](https://www.federalreserve.gov/paymentsystems/designated_dfmu_about.htm).

Due to COVID-19 response, in 2020:Q1, the Federal Reserve lent to broker dealers under the Primary Dealer Credit Facility (PDCF) and to depository institutions and broker dealer subsidiaries of U.S. bank holding companies under the Money Market Mutual Fund Liquidity Facility (MMLF). In addition, the Federal Reserve enhanced the provision of liquidity via U.S. dollar liquidity swap line arrangements. In 2020:Q2, the Federal Reserve established the Paycheck Protection Program Liquidity Facility (PPPLF) to provide additional liquidity to lenders of Paycheck Protection Programs Loans. In addition, the Federal Reserve, established five funding, credit, and liquidity facilities as special purpose vehicles (SPVs): the Corporate Credit Facilities (CCF), the Main Street Lending Program (MSLP), the Term Assets Lending Facility (TALF), the Municipal Liquidity Facility (MLF), and the Commercial Paper Funding Facility (CPFF). The Federal Reserve made loans to these SPVs, which are classified in the other financial business sector. More information on Federal Reserve facilities is available at <https://www.federalreserve.gov/reports-to-congress-covid-19.htm>

### **F.110, L.110: Private Depository Institutions**

The private depository institutions sector equals the sum of the U.S.-chartered depository institutions, foreign banking offices in U.S., banks in U.S.-affiliated areas, and credit unions.

### **F.111, L.111: U.S.-Chartered Depository Institutions**

U.S.-chartered depository institutions are financial intermediaries that raise funds through demand and time deposits as well as from other sources, such as federal funds purchases and security repurchase agreements, funds from parent companies, and borrowing from other lending institutions (for example, the Federal Home Loan Banks); they use the funds to make loans, primarily to businesses and individuals, and to invest in securities. U.S.-chartered depository institutions include national commercial banks chartered by the Controller of the Currency, state-chartered commercial banks (chartered by one of the 50 states or the District of Columbia), federal savings

banks, state-chartered savings banks, cooperative banks, savings and loan associations, and international banking facilities (IBFs) established by U.S.-chartered depository institutions (included in the sector since the establishment of IBFs in 1981:Q4).

In recent years, this sector has undergone significant consolidation as a result of both the gradual removal of prohibitions on interstate banking arrangements and the growing similarity of the functions provided by different types of financial institutions. At the end of 2014, there were approximately 6,500 U.S.-chartered depository institutions insured by the FDIC, down from almost 14,000 twenty years prior.

The sector's assets and liabilities are reported on a consolidated basis; that is, intrasector deposit and loan balances are netted out. Security repurchase agreements are shown gross, that is, those transactions between depository institutions are not netted out. Foreign branches and foreign subsidiaries of U.S.-chartered depository institutions are not included in the consolidation; their assets and liabilities are included in the rest of the world sector. However, domestic nonbanking subsidiaries of U.S.-chartered depository institutions are consolidated with their parents. Holdings of debt securities (beginning 2012:Q1), corporate equities, and mutual fund shares are recorded at market value.

A memo item on the table shows the total amount of checkable and time and savings deposits that are not insured by the Federal Deposit Insurance Corporation (FDIC). As of 2010:Q4, the standard FDIC insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. Prior to 2006:Q1, the standard insurance amount was \$100,000. Beginning 2006:Q1, the limit was raised to \$250,000 for retirement accounts under the Federal Deposit Insurance Reform Act of 2005. In 2008:Q4, the standard insurance amount was temporarily increased to \$250,000 under the Emergency Economic Stabilization Act of 2008. In 2010:Q4, it was made permanent under Dodd-Frank Act of 2010. Additionally, in 2008:Q4, the FDIC guaranteed in full, all non-interest bearing transaction accounts (checkable deposits) under the Transaction Account Guarantee Program (TAGP) through 2010:Q4. The guarantee in full of all non-interest bearing transaction accounts was extended through 2012:Q4 under the Dodd-Frank Act 2010. All deposits of IBFs are considered uninsured.

Note: Because of accounting rule changes established by Statements of Financial Accounting Standards Nos. 166 and 167 in 2010:Q1, depository institutions consolidated back onto their balance sheets the assets and liabilities of certain special purpose vehicles that had previously been off balance sheet. This shift primarily increased loans on the asset side and corporate bonds and open market paper on the liability side.

### **F.112, L.112: Foreign Banking Offices in U.S.**

The foreign banking offices in U.S. sector consists of five groups of banking institutions that are foreign-related or that engage exclusively in international business: (1) branches and agencies of foreign banks that are not incorporated separately from their parents, are located in the United States, and are engaged in U.S. banking business; (2) Edge Act and agreement corporations, which are U.S. subsidiaries of either domestic or foreign banks and are established by such banks to engage in international business; (3) New York state investment companies, which are banking offices owned by one or more foreign banks and are chartered by the state of New York (included in the sector through 1996:Q2); (4) international banking facilities (IBFs) established by foreign banking offices in U.S. (included in the sector since the establishment of IBFs in 1981:Q4); and (5) American Express Bank, the international banking subsidiary of American Express Company (included in the sector through 2008:Q4). Domestically chartered U.S. depository institutions owned in whole or in part by foreign banks are part of the sector for U.S.- chartered depository institutions rather than the sector for foreign banking offices in the United States.

The Monetary Control Act of 1980 requires that foreign banking offices, along with other depository institutions, hold required reserves equal to a percentage of their deposit liabilities; the reserves must be held in the form of deposits with Federal Reserve Banks or vault cash. Since that requirement took effect, the institutions have also been eligible to borrow at the Federal Reserve discount window.

Holdings of debt securities and corporate equities are recorded at market value. Revaluations of debt securities begin 2012:Q1.

A memo item on the table shows the total amount of checkable and time and savings deposits that are not insured. All checkable deposits and time and savings deposits of foreign banking offices in the U.S. are considered uninsured according to the Federal Deposit Insurance Act of 1991.

### **F.113, L.113: Banks in U.S.-Affiliated Areas**

This sector is made up of commercial banks chartered in U.S.-affiliated areas and branches of U.S.-chartered commercial banks operating in these areas. These U.S.-affiliated areas are the U.S. territories of American Samoa, Guam, and the U.S. Virgin Islands; the Commonwealth of the Northern Mariana Islands and the Commonwealth of Puerto Rico; two freely associated states—the Republic of the Marshall Islands and the Federated States of Micronesia; and the Trust Territory of the Pacific Islands (Palau). Additional U.S.-affiliated areas, which are uninhabited or which have only a military presence, are Baker Island, Howland Island, Jarvis Island, Johnston Atoll, Kingman Reef, Midway Island, Navassa Island, Palmyra, and Wake Atoll.

Banks in U.S.-affiliated areas are considered part of the United States in balance of payments statistics published by the Bureau of Economic Analysis (BEA), but are considered foreign entities in the U.S. national income and product accounts published by the BEA. In addition, banks in U.S.-affiliated areas are not included in the definition of commercial banks in the Federal Reserve Statistical Release H.8, "Assets and Liabilities of Commercial Banks in the United States."

Holdings of debt securities are recorded at market value. Revaluations of debt securities begin 2012:Q1.

A memo item on the table shows the total amount of checkable and time and savings deposits that are not insured by the Federal Deposit Insurance Corporation (FDIC). As of 2010:Q4, the standard FDIC insurance amount is \$250,000 per depositor, per insured bank, for each account ownership category. Prior to 2006:Q1, the standard insurance amount was \$100,000. Beginning 2006:Q1, the limit was raised to \$250,000 for retirement accounts under the Federal Deposit Insurance Reform Act of 2005. In 2008:Q4, the standard insurance amount was temporarily increased to \$250,000 under the Emergency Economic Stabilization Act of 2008. In 2010:Q4, it was made permanent under Dodd-Frank Act of 2010. Additionally, in 2008:Q4, the FDIC guaranteed in full, all non-interest bearing transaction accounts (checkable deposits) under the Transaction Account Guarantee Program (TAGP) through 2010:Q4. The guarantee in full of all non-interest bearing transaction accounts was extended through 2012:Q4 under the Dodd-Frank Act 2010. All deposits of IBFs are considered uninsured.

### **F.114, L.114: Credit Unions**

Credit unions are federally or state-chartered savings institutions open to members who share a so-called common bond, such as employment, geographic proximity, or organization membership. At the end of 2014 there are about 6,300 credit unions in the United States, including the U.S. territory of Puerto Rico, offering primarily consumer-oriented financial services; most are fairly small institutions, although a few are very large and operate in the national financial arena.

The credit union industry has a hierarchical structure. Local credit unions belong to 23 corporate credit unions. The corporate credit unions accept deposits from and make loans to member credit unions; they also provide wholesale financial and payments services to their credit union constituency. In the sector statement for credit unions, intrasector transactions are netted out, but the investments of the corporate credit unions with institutions outside the credit union sector are included in the sector's total assets.

Holdings of debt securities, corporate equities, and mutual fund shares are recorded at market value. Revaluations of debt securities begin 2012:Q1.

The National Credit Union Share Insurance Fund (NCUSIF), administered by the National Credit Union Administration (NCUA), insures deposits in federal credit unions and federally insured state-chartered credit unions. A memo item on the table shows the total amount of checkable and time and savings deposits that are not insured under NCUSIF. Prior to 2006:Q1, the deposit insurance amount was \$100,000. Beginning 2006:Q1, the insured amount was raised to \$250,000 for retirement accounts under the Federal Deposit Insurance Reform Act of 2005. In 2008:Q4, the insurance amount was temporarily increased to \$250,000 under the Emergency Economic Stabilization Act of 2008. In 2010:Q4, the \$250,000 deposit insurance amount was made permanent under Dodd-Frank Act of 2010.

Federally insured credit unions pay an annual premium into the NCUSIF, which holds only securities issued by the U.S. government; in the financial accounts, in the sector for credit unions, total holdings of Treasury securities include an amount equal to the accumulated contributions of insured credit unions shown on the NCUSIF's balance sheet.

### **F.115, L.115: Property-Casualty Insurance Companies**

The sector for property-casualty insurance companies encompasses all companies licensed to write property or casualty insurance policies in the United States, excluding state funds that are established by states to provide workers' compensation coverage. Also excluded from the sector are captive insurers with non-insurance parents, which are not required to file financial statements with state regulators. We estimate that the excluded firms represent approximately two percent of U.S. property-casualty insurance business.

Property-casualty firms provide many types of insurance, such as fire, group and other accident and health, homeowners, medical malpractice, workers' compensation, automobile liability and physical damage, aircraft, reinsurance, burglary and theft, earthquake, credit, mortgage guaranty, and international.

The major assets of the companies that make up the sector are fixed-income securities and equities. Holdings of debt securities (beginning 2001:Q4), corporate equities, and mutual fund shares are recorded at market value. The companies' primary liabilities are amounts payable to policyholders for incurred losses, loss-adjustment expenses associated with those claims, and unearned premium reserves.

A memo item shows property-casualty insurance companies' liability for collateral received through securities lending activities. It is included in the instrument category other miscellaneous liabilities.

Two additional memo items on table L.115 show the total assets of financial guaranty insurers and mortgage guaranty insurers as reported in their statutory financial statements. Financial assets and liabilities of these guaranty insurers are included in the property-casualty insurance companies sector; however, Financial Accounts measures of debt securities are reported at market value.

A final set of memo items shows the total obligation to U.S. policyholders, the amounts that have been reinsured with U.S. and non-U.S. reinsurers, and the total obligation to non-U.S. policyholders that has been assumed by U.S. reinsurers from non-U.S. insurers.

An October 12, 2018 FEDS Note, "Accounting for Reinsurance Transactions in the Financial Accounts of the United States," by Michael Batty describes the treatment of reinsurance in more detail and is available at <https://www.federalreserve.gov/econres/notes/feds-notes/accounting-for-reinsurance-transactions-in-the-financial-accounts-of-the-united-states-20181012.htm>.

Note: Transactions between unaffiliated U.S. insurers, and between a U.S. insurer and a foreign insurer, are recorded gross of reinsurance. That is, both the direct insurer and reinsurer report liabilities for paying future policy claims. The liability of the reinsurer is an asset of the direct insurer, and the liability of the direct insurer is an asset of the policyholder.

### **F.116, L.116: Life Insurance Companies**

The sector for life insurance companies encompasses all legal reserve life insurance companies in the United States. These companies write about 98 percent of the life insurance policies in effect in the United States (the remaining policies are written by fraternal societies, savings banks, and the federal government); they also administer individual and group annuities. Life insurers included in this sector file the Life and Health Insurance financial statements with state regulators. While these companies often provide some health insurance through products such as disability insurance and long-term care insurance, companies that are solely health insurance providers, including health maintenance organizations, are regulated separately and are not included in the sector for life insurance companies.

The companies' major sources of funds are premiums and annuity considerations; they also receive substantial investment income from their holdings of financial assets. Holdings of debt securities (beginning 1996:Q4), corporate equities, and mutual fund shares are recorded at market value. Their major liabilities are reserves set aside for future benefit payments under life insurance and annuity contracts.

A memo item shows life insurance companies' liability for collateral received through securities lending activities. It is included in the instrument category other miscellaneous liabilities.

Another set of memo items shows the total obligation to U.S. policyholders, the amounts that have been reinsured with U.S. and non-U.S. reinsurers, and the total obligation to non-U.S. policyholders that has been assumed by U.S. reinsurers from non-U.S. insurers.

An October 12, 2018 FEDS Note, "Accounting for Reinsurance Transactions in the Financial Accounts of the United States," by Michael Batty describes the treatment of reinsurance in more detail and is available at <https://www.federalreserve.gov/econres/notes/feds-notes/accounting-for-reinsurance-transactions-in-the-financial-accounts-of-the-united-states-20181012.htm>.

Detailed financial asset and liability data can be found separately for general accounts of life insurers on tables F.116.g and L.116.g and for separate accounts of life insurers on tables F.116.s and L.116.s.

Note: Transactions between unaffiliated U.S. insurers, and between a U.S. insurer and a foreign insurer, are recorded gross of reinsurance. That is, both the direct insurer and reinsurer report liabilities for paying future policy claims. The liability of the reinsurer is an asset of the direct insurer, and the liability of the direct insurer is an asset of the policyholder.

Note: Funding agreements sold by life insurance companies to domestic issuers of asset-backed securities (ABS) are shown as an identified miscellaneous liability. Funding agreements sold to foreign special purpose vehicles are included in foreign direct investment in US. Funding agreements with the FHLB are included in other loans and advances. A March 3, 2016 FEDS Note, "Funding Agreement-Backed Securities in the Financial Accounts of the United States," by Elizabeth Holmquist and Maria Perozek describes the treatment of funding agreement-backed securities in more detail. The note is available online at <http://www.federalreserve.gov/econresdata/notes/feds-notes/2016/funding-agreement-backed-securities-in-the-financial-accounts-of-the-united-states-20160303.html>.

### **F.116.g, L.116.g: General Accounts**

The sector for life insurance companies encompasses all legal reserve life insurance companies in the United States. The general accounts of life insurers are used to fund contractual obligations that provide a fixed benefit or guaranteed rate of return. Such contractual obligations include, but are not limited to, term life insurance policies, whole life insurance policies, disability policies, and fixed annuities.

Holdings of debt securities (beginning 1996:Q4), corporate equities, and mutual fund shares are recorded at market value.

### **F.116.s, L.116.s: Separate Accounts**

The sector for life insurance companies encompasses all legal reserve life insurance companies in the United States. Separate accounts are legally separate from life insurers' general accounts, and are typically used to fund retirement investment products that pass most of the market risk through to policyholders, including variable life insurance policies and variable annuities. A large share of the assets backing these products is invested in corporate equities and mutual funds. However, many variable annuity contracts include guaranteed living benefit riders that provide minimum income or withdrawal benefits regardless of the performance of the account assets. Reserves backing these guarantees are held in the general account, as required for most guaranteed benefits issued by life insurers.

Holdings of debt securities (beginning 1996:Q4), corporate equities, and mutual fund shares are recorded at market value.

### **F.117, L.117: Private and Public Pension Funds**

The sector for private and public pension funds equals the sum of private pension funds, state and local government employee retirement funds, and federal government employee retirement funds defined benefit plans and defined contribution plans (including 401(k) type plans).

The liabilities of the sector are the pension entitlements of the household sector. Holdings of debt securities, corporate equities, and mutual fund shares are recorded at market value.

A memo item at the bottom of the table shows household retirement assets in tax-deferred accounts, which includes, in addition to the defined benefit and defined contribution plans included on this table, individual retirement plans (IRAs) and annuities at life insurance companies.

Another memo item on L.117 shows the funding status of the DB plans.

### **F.118, L.118: Private Pension Funds**

The sector for private pension funds includes defined benefit (DB) and defined contribution (DC) plans offered to employees of private-sector employers. The sector includes all "qualified plans" required to file form 5500 with the Internal Revenue Service, the Department of Labor, and the Pension Benefit Guaranty Corporation.

The sector does not include individual retirement accounts, Keogh plans, or pension plans for government workers, which are reported in other sectors. Also excluded are DB assets that have been transferred to insurance



companies for the purposes of paying pension benefits to retirees; those assets are included in the life insurance sector.

This sector includes unallocated insurance contracts, which are products sold by life insurance companies to pension funds, such as annuities and guaranteed investment contracts.

Liabilities of private pension funds are equal to the actuarial liabilities of DB plans (that is, accrued benefits to be paid in the future). Underfunding of DB plans is included as an asset of the plans and is shown on the table as “claims of pension fund on sponsor”. The sponsor is assumed to be a nonfinancial corporate business. Pension entitlements are assets of the household sector. Holdings of debt securities (beginning 2006:Q1), corporate equities, and mutual fund shares are recorded at market value.

A memo item at the bottom of the table shows total financial assets of DB and DC plans. Detailed financial asset data can be found separately for private DB plans on tables F.118.b and L.118.b and for private DC plans on table F.118.c and L.118.c.

Another memo item on L.118 shows the funding status of the DB plans.

### **F.118.b, L.118.b: Defined Benefit Plans**

The sector for private defined benefit (DB) pension plans includes DB plans sponsored by private employers for the benefit of their employees and retirees. Under a DB plan, workers accrue promises for retirement payments, typically according to a formula based on age, years of service, and salary. Employers and employees contribute assets that are set aside to cover the promised payments; however, workers do not own or direct the assets until the funds are paid in retirement, typically as an annuity. The sector includes all DB “qualified plans” that are required to file form 5500 with the Internal Revenue Service, the Department of Labor, and the Pension Benefit Guaranty Corporation.

This sector does not include DB assets that have been transferred to insurance companies for the purposes of paying pension benefits to retirees; those assets are included in the life insurance sector.

This sector includes unallocated insurance contracts, which are products sold by life insurance companies to pension funds, such as annuities and guaranteed investment contracts.

Liabilities of private DB pension funds are equal to the actuarial liabilities of DB plans (that is, accrued benefits to be paid in the future). Underfunding of DB plans is included as an asset of the plans and is shown on the table as “claims of pension fund on sponsor”. The sponsor is assumed to be a nonfinancial corporate business. Pension entitlements are assets of the household sector. Holdings of debt securities (beginning 2006:Q1), corporate equities, and mutual fund shares are recorded at market value.

An October 31, 2014 FEDS Note, “Introducing Actuarial Liabilities and Funding Status of Defined-Benefit Pensions in the Financial Accounts of the United States” by Irina Stefanescu and Ivan Vidangos, describes the new accrual accounting of defined-benefit pension liabilities in more detail. The note is available at [www.federalreserve.gov/econresdata/notes/2014/introducing-actuarial-liabilities-funding-status-defined-benefit-pensions-us-financial-accounts-20141031.html](http://www.federalreserve.gov/econresdata/notes/2014/introducing-actuarial-liabilities-funding-status-defined-benefit-pensions-us-financial-accounts-20141031.html).

For additional background information on actuarial liabilities of defined benefit pension plans, see Marshall Reinsdorf and David Lenze (2009), “Defined Benefit Pensions and Household Income and Wealth,” Bureau of Economic Analysis, Survey of Current Business, August, pp. 50-62, [www.bea.gov/scb/pdf/2009/08%20August/0806\\_benefits.pdf](http://www.bea.gov/scb/pdf/2009/08%20August/0806_benefits.pdf).

These data are a component of total private pension funds shown on tables F.118 and L.118.

### **F.118.c, L.118.c: Defined Contribution Plans**

The sector for private defined contribution (DC) pension plans includes DC plans sponsored by private employers for the benefit of their employees and retirees. Under a DC plan, the most common of which is the 401(k) plan, employers and workers contribute funds to individual accounts established for each participant. Workers typically direct the investments, and they may withdraw or transfer the assets after age 59-1/2 or after separating from the employer. The sector includes all DC “qualified plans” that are required to file form 5500 with the Internal Revenue Service, the Department of Labor, and the Pension Benefit Guaranty Corporation. 403(b) plans are typically sponsored by private academic and nonprofit employers.

Private pension defined contribution 403(b) variable annuity mutual fund plan data (CREF accounts assets) begin in 1980q1. Private pension defined contribution 403(b) unallocated insurance contracts and 403(b) non-variable annuity mutual fund data begin in 1997q1.

This sector does not include individual retirement accounts or Keogh plans.

This sector includes unallocated insurance contracts, which are products sold by life insurance companies to pension funds, such as annuities and guaranteed investment contracts.

The liabilities of the private DC pension sector are equal to the value of the assets. These pension entitlements are assets of the household sector. Holdings of debt securities (beginning 2006:Q1), corporate equities, and mutual fund shares are recorded at market value.

These data are a component of total private pension funds shown on tables F.118 and L.118.

### **F.119, L.119: Federal Government Employee Retirement Funds**

The sector for Federal Government Employee Retirement Funds includes defined benefit (DB) and defined contribution (DC) pension plans for the purpose of providing retirement benefits to federal workers.

The DB plans include the Civil Service Retirement and Disability Fund, the Railroad Retirement Board, the judicial retirement fund, the Military Retirement Fund, the Foreign Service Retirement and Disability Fund, and the National Railroad Retirement Investment Trust. The Civil Service Retirement Fund covers the Civil Service Retirement System (CSRS)—a defined benefit plan covering federal employees hired before 1984—and the Federal Employees Retirement System (FERS)—a defined benefit plan, supplemental to Social Security, for federal employees hired after 1983 and for employees formerly covered by CSRS who elected to join FERS. Federal government pension entitlements do not include the Social Security system. The assets of the DB plans, except the National Railroad Retirement Investment Trust, are nonmarketable Treasury securities and are included in debt securities issued by the federal government. The National Railroad Retirement Investment Trust is a trust fund invested in private assets for the benefit of railroad workers. Assets of this fund are invested in Treasury securities, agency- and GSE-backed securities, corporate and foreign bonds, and equities.

The DC plans include the FERS Thrift Savings Plan, a supplemental retirement option available to federal employees beginning in 1984. Assets of this plan are invested by the employee in nonmarketable Treasury securities, agency- and GSE-backed securities, corporate and foreign bonds, and equities.

Liabilities of federal government employee retirement funds are equal to the actuarial liabilities of DB plans (that is, accrued benefits to be paid in the future) and the assets of the DC plan. Underfunding of DB plans is included as an asset of the plans and is shown on the table as “claims of pension fund on sponsor.” The sponsor is the federal government. Suspended investments in the DC Thrift Savings Plan G Fund by the Treasury are treated as a loan by the plan to the federal government. Pension entitlements are assets of the household sector. Holdings of debt securities (excluding nonmarketable Treasury securities), corporate equities, and mutual fund shares are recorded at market value.

A memo item at the bottom of the table shows total financial assets of DB and DC plans. Another memo item on L.119 shows the funding status of the DB plans. Detailed financial asset data can be found separately for federal DB plans on tables F.119.b and L.119.b and for federal DC plans on table F.119.c and L.119.c.

An April 21, 2014 FEDS Note, “The Federal Debt-Limit Standoff of 2013 in the Financial Accounts of the United States” by Ivan Vidangos, describes the extraordinary measures used by the Treasury Department during the 2013 legislative standoff over raising the federal statutory debt limit. The note is available at [www.federalreserve.gov/econresdata/notes/feds-notes/2014/federal-debt-limit-standoff-of-2013-in-the-financial-accounts-of-the-united-states-20140421.html](http://www.federalreserve.gov/econresdata/notes/feds-notes/2014/federal-debt-limit-standoff-of-2013-in-the-financial-accounts-of-the-united-states-20140421.html).

#### **F.119.b, L.119.b: Defined Benefit Plans**

Federal government DB plans include the Civil Service Retirement and Disability Fund, the Railroad Retirement Board, the judicial retirement fund, the Military Retirement Fund, the Foreign Service Retirement and Disability Fund, and the National Railroad Retirement Investment Trust. The Civil Service Retirement Fund covers the Civil Service Retirement System (CSRS)—a defined benefit plan covering federal employees hired before 1984—and the Federal Employees Retirement System (FERS)—a defined benefit plan, supplemental to Social Security, for federal employees hired after 1983 and for employees formerly covered by CSRS who elected to join FERS. Federal government pension entitlements do not include the Social Security system. The assets of the DB plans, except the National Railroad Retirement Investment Trust (NRRIT), are nonmarketable Treasury securities and are included in the debt securities issued by the federal government. The National Railroad Retirement Investment Trust is a trust fund invested in private assets for the benefit of railroad workers. Assets of this fund are invested in Treasury securities, agency- and GSE-backed securities, corporate and foreign bonds, and equities.

Liabilities of federal government DB plans are equal to the actuarial liabilities of the plans (that is, accrued benefits to be paid in the future). Underfunding of DB plans is included as an asset of the plans and is shown on the table as “claims of pension fund on sponsor.” The sponsor is the federal government. Pension entitlements are assets of the household sector. Holdings of debt securities (beginning 2002:Q3 for debt securities held by NRRIT and excluding nonmarketable Treasury securities), corporate equities, and mutual fund shares are recorded at market value.

An October 31, 2014 FEDS Note, “Introducing Actuarial Liabilities and Funding Status of Defined-Benefit Pensions in the Financial Accounts of the United States” by Irina Stefanescu and Ivan Vidangos, describes the new accrual accounting of defined-benefit pension liabilities in more detail. The note is available at [www.federalreserve.gov/econresdata/notes/2014/introducing-actuarial-liabilities-funding-status-defined-benefit-pensions-us-financial-accounts-20141031.html](http://www.federalreserve.gov/econresdata/notes/2014/introducing-actuarial-liabilities-funding-status-defined-benefit-pensions-us-financial-accounts-20141031.html).

For additional background information on actuarial liabilities of defined benefit pension plans, see Marshall Reinsdorf and David Lenze (2009), “Defined Benefit Pensions and Household Income and Wealth,” Bureau of Economic Analysis, Survey of Current Business, August, pp. 50-62, [www.bea.gov/scb/pdf/2009/08%20August/0806\\_benefits.pdf](http://www.bea.gov/scb/pdf/2009/08%20August/0806_benefits.pdf).

These data are a component of total federal government employee retirement funds shown on tables F.119 and L.119.

### **F.119.c, L.119.c: Defined Contribution Plans**

Federal government DC plans consist of the Federal Employees Retirement System (FERS) Thrift Savings Plan, a supplemental DC retirement option available to federal employees beginning in 1984. Assets of this plan are invested by the employee in nonmarketable Treasury securities, agency- and GSE-backed securities, corporate and foreign bonds, and equities. The Thrift Savings Plan G Fund opened in 1987q2. The C and F fund opened in 1988q1, and the I and S funds opened in 2001q2.

Liabilities of federal government DC plans are equal to the assets of the DC plans. Suspended investments in the Thrift Savings Plan G Fund by the Treasury are treated as a loan by the plan to the federal government. Pension entitlements are assets of the household sector. Holdings of debt securities (beginning 2001:Q4 and excluding nonmarketable Treasury securities from the G Fund), corporate equities, and mutual fund shares are recorded at market value.

These data are a component of total federal government employee retirement funds shown on tables F.119 and L.119.

### **F.120, L.120: State and Local Government Employee Retirement Funds**

The sector for state and local government employee retirement funds consists of retirement systems that are administered by a recognized unit of a state or local government as defined by the Bureau of the Census and whose members are public employees compensated with public funds. The sector includes the defined benefit (DB) and defined contribution (DC) retirement funds of both state governments and local government entities such as counties, municipalities, townships, school districts, and special districts. US territories are excluded.

Liabilities of the state and local government employee retirement funds are equal to the actuarial liabilities of these DB plans (that is, accrued benefits to be paid in the future). Underfunding of DB plans is included as an asset of the plans and is shown on the table as “claims of pension fund on sponsor”. The sponsors are the state and local governments. Pension entitlements are assets of the household sector. Holdings of debt securities (for DB pension funds beginning 2002:Q2), corporate equities, and mutual fund shares are recorded at market value.

DC plans include 403(b) plans and 457 plans that are sponsored by state and local governments. For DC plans, pension entitlements are equal to assets, and there is no claim to the sponsor.

A memo item on L.120 shows the funding status of the DB plans. Detailed financial asset data can be found separately for state and local DB plans on tables F.120.b and L.120.b and for state and local DC plans on table F.120.c and L.120.c.

An April 20, 2015 FEDS Note, “Defined-Contribution Pension Plans for State and Local Government Employees in the Financial Accounts of the United States” by Matthew Hoops, Irina Stefanescu and Ivan Vidangos, describes recent changes in the treatment of this sector in more detail. The note is available at [www.federalreserve.gov/econresdata/notes/feds-notes/2015/defined-contribution-pension-plans-for-state-and-local-government-employees-20150420.html](http://www.federalreserve.gov/econresdata/notes/feds-notes/2015/defined-contribution-pension-plans-for-state-and-local-government-employees-20150420.html).

### **F.120.b, L.120.b: Defined Benefit Plans**

The sector for state and local government employee defined benefit (DB) plans include DB plans administered by a recognized unit of a state or local government as defined by the Bureau of the Census and whose members are public employees compensated with public funds. The sponsors are state governments and local government entities such as counties, municipalities, townships, school districts, and special districts. US territories are excluded.

Under a DB plan, workers accrue promises for retirement payments, typically according to a formula based on age, years of service, and salary. Employers and employees contribute assets that are set aside to cover the promised payments; however, workers do not own or direct the assets until the funds are paid in retirement, typically as an annuity.

This sector does not include DB assets that have been transferred to insurance companies for the purposes of paying pension benefits to retirees; those assets are included in the life insurance sector.

Liabilities of public DB pension funds are equal to the actuarial liabilities of DB plans (that is, accrued benefits to be paid in the future). Underfunding of DB plans is included as an asset of the plans and is shown on the table as "claims of pension fund on sponsor". Pension entitlements are assets of the household sector. Holdings of debt securities (beginning 2002:Q2), corporate equities, and mutual fund shares are recorded at market value.

An October 31, 2014 FEDS Note, "Introducing Actuarial Liabilities and Funding Status of Defined-Benefit Pensions in the Financial Accounts of the United States" by Irina Stefanescu and Ivan Vidangos, describes the new accrual accounting of defined-benefit pension liabilities in more detail. The note is available at [www.federalreserve.gov/econresdata/notes/2014/introducing-actuarial-liabilities-funding-status-defined-benefit-pensions-us-financial-accounts-20141031.html](http://www.federalreserve.gov/econresdata/notes/2014/introducing-actuarial-liabilities-funding-status-defined-benefit-pensions-us-financial-accounts-20141031.html).

For additional background information on actuarial liabilities of defined benefit pension plans, see Marshall Reinsdorf and David Lenze (2009), "Defined Benefit Pensions and Household Income and Wealth," Bureau of Economic Analysis, Survey of Current Business, August, pp. 50-62, [www.bea.gov/scb/pdf/2009/08%20August/0806\\_benefits.pdf](http://www.bea.gov/scb/pdf/2009/08%20August/0806_benefits.pdf).

These data are a component of total state and local government employee retirement funds shown on tables F.120 and L.120.

### **F.120.c, L.120.c: Defined Contribution Plans**

The sector for state and local government employee defined contribution (DC) pension plans consists of retirement systems that are administered by a recognized unit of a state or local government as defined by the Bureau of the Census and whose members are public employees compensated with public funds. The sponsors are state governments and local government entities such as counties, municipalities, townships, school districts, and special districts. US territories are excluded.

Under a DC plan, employers and workers contribute funds to individual accounts established for each participant. Workers typically direct the investments, and they may withdraw or transfer the assets after age 59-1/2 or after separating from the employer. The sector includes 403(b) and 457 plans that are sponsored by state and local governments. For DC plans, pension entitlements are equal to assets, and there is no claim on the sponsor. Pension entitlements are assets of the household sector. Holdings of corporate equities, and mutual fund shares are recorded at market value.

State and Local 403(b) variable annuity mutual fund plan data (CREF accounts assets) begin in 1980q1. Data for state and local 457 plans, 403(b) unallocated insurance contracts, and 403(b) non-variable annuity mutual funds begin in 1997q1.

This sector does not include individual retirement accounts or Keogh plans.

This sector includes unallocated insurance contracts, which are products sold by life insurance companies to pension funds, such as annuities and guaranteed investment contracts.

These data are a component of total state and local government employee retirement funds shown on tables F.120 and L.120.

An April 20, 2015 FEDS Note, "Defined-Contribution Pension Plans for State and Local Government Employees in the Financial Accounts of the United States" by Matthew Hoops, Irina Stefanescu and Ivan Vidangos, describes recent changes in the treatment of this sector in more detail. The note is available at [www.federalreserve.gov/econresdata/notes/feds-notes/2015/defined-contribution-pension-plans-for-state-and-local-government-employees-20150420.html](http://www.federalreserve.gov/econresdata/notes/feds-notes/2015/defined-contribution-pension-plans-for-state-and-local-government-employees-20150420.html).

### **F.121, L.121: Money Market Funds**

Money market funds (MMFs) are mutual funds that invest in short-term liquid assets and pay their investors dividends that reflect short-term interest rates. Like other mutual funds, MMFs are registered with the Securities and Exchange Commission and regulated under the Investment Company Act of 1940. In addition, all MMFs must comply with rule 2a-7 of the Investment Company Act of 1940, which seeks to limit the risk of MMFs by, for example, restricting the funds' holdings of securities of a single private issuer to no more than 5 percent of assets, limiting the average maturity of a fund's portfolio to 60 days or less, and requiring that each fund maintain minimum levels of assets that can be readily converted to cash. The sector includes variable annuity MMFs.

MMFs typically invest in Treasury securities, agency- and GSE-backed securities, certificates of deposit, commercial paper, short-term municipal securities, repurchase agreements, and other highly liquid and low-risk securities. MMFs are generally marketed to either institutional or "retail" (individual) investors. MMF balances are not insured by any federal agency.

### **F.122, L.122: Mutual Funds**

Mutual funds are investment companies that are registered with the Securities and Exchange Commission and regulated under the Investment Company Act of 1940. Mutual funds purchase financial assets using money obtained mainly through the issuance of shares. The net asset value (NAV) of each share of a mutual fund reflects the market value of the fund's holdings less any expenses charged by the fund. Mutual funds are "open end" investment companies; that is, they are permitted to issue an unlimited number of shares and are required by law to redeem the shares at NAV.

Mutual funds typically have specific investment objectives and invest in a limited class of assets, such as domestic stocks, stocks issued by companies in particular industries or in certain areas of the world, corporate bonds and notes, Treasury securities, municipal securities, or some combination of these asset classes. Shareholders receive returns through a pass-through of current interest and dividends, distributions of realized capital gains, and an accumulation of unrealized capital gains.

The financial accounts mutual fund sector covers all open-end investment companies that report to the Investment Company Institute (ICI), including variable annuity mutual funds. Money market funds (shown on tables F.121 and L.121), exchange traded funds (shown on tables F.124 and L.124), and hedge funds are not included. Holdings of debt securities (beginning 1980:Q1), corporate equities, and mutual fund shares are recorded at market value.

### **F.123, L.123: Closed-End Funds**

A closed-end fund is a type of investment company that is registered with the Securities and Exchange Commission and regulated under the Investment Company Act of 1940. Unlike mutual funds, closed-end funds generally do not issue additional shares after an initial public offering and are not required by law to redeem outstanding shares. Instead, a closed-end fund's shares are listed on a stock exchange or traded in the over-the-counter market. The market price of closed-end fund shares fluctuates like that of other publicly traded securities and is determined by supply and demand in the marketplace. The assets of a closed-end fund are professionally managed in accordance with the fund's investment objectives and policies, and the assets may be invested in stocks, bonds, and other securities. Holdings of debt securities (beginning 1995:Q1), corporate equities, and mutual fund shares are recorded at market value.

### **F.124, L.124: Exchange-Traded Funds**

An exchange-traded fund (ETF) is an investment company, typically a mutual fund or unit investment trust, whose shares are traded intraday on stock exchanges at market prices. Retail investors may buy or sell ETF shares through a broker just as they would the shares of any publicly traded company. Very large investors (known as authorized participants) can buy or redeem shares directly from the ETF via in-kind or sometimes cash transactions in large blocks (typically 50,000 shares). The first ETF—a broad-based domestic equity fund tracking the S&P 500 index—was introduced in 1993.

Holdings of debt securities (beginning 2002:Q3), corporate equities, and mutual fund shares are recorded at market value.

### **F.125, L.125: Government-Sponsored Enterprises**

Government-sponsored enterprises (GSEs) are financial service corporations created by the U.S. Congress to ensure or enhance the availability of credit to certain sectors of the economy, such as housing and agriculture. The sector is composed of the Federal Home Loan Banks (FHLBs), the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Agricultural Mortgage Corporation (Farmer Mac), the Farm Credit System, the Financing Corporation (FICO), and the Resolution Funding Corporation (REFCORP). The Student Loan Marketing Association, or Sallie Mae, was included until it was fully privatized in the fourth quarter of 2004.

This sector consists of a diverse group of enterprises, not only in terms of their mission, but also in terms of their relationship with the federal government. The FHLBs are a system of 12 regional banks that lend funds to U.S.-chartered depository institutions, credit unions, and life insurance companies. Both Freddie Mac and Fannie Mae, two agencies devoted to housing finance, were placed in conservatorship (a device used to maintain public confidence in an endangered financial institution) in September 2008; the conservator is the federal government, which legally controls both agencies. Farmer Mac is a private corporation that purchases and then securitizes loans on farms and farm land. The Farm Credit System is a network of borrower-owned lenders that makes loans to farmers and other rural concerns. The FICO and the REFCORP were established as a result of the 1980s savings and loans crisis to serve as financing vehicles for the Federal Savings and Loan Insurance Corporation Resolution Fund and the Resolution Trust Corporation, respectively. In the financial accounts, securities issued by the GSEs are not included in government debt.

Note: Beginning in the first quarter of 2010, Freddie Mac and Fannie Mae moved almost all of their one to four-family mortgage pools on to their consolidated balance sheets in response to new accounting rules (Financial Accounting Standards Nos. 166 and 167). Some multifamily pools issued by those GSEs also were moved on to their balance sheets, as well as some pools of farm loans issued by Farmer Mac.

### **F.126, L.126: Agency- and GSE-Backed Mortgage Pools**

Mortgage pools are a group of mortgages used as collateral for a mortgage-backed security. These pools are held in special purpose vehicles, which allow an originator to move mortgages off its balance sheet into a bankruptcy-remote vehicle.

Agency- and GSE-backed mortgage pools include mortgage pools backed by four types of properties: (1) pools consisting of one to four-family mortgages, issued by the Government National Mortgage Association (Ginnie Mae), the Federal National Mortgage Association (Fannie Mae), and the Federal Home Loan Mortgage Corporation (Freddie Mac); (2) pools of multifamily loans issued by Ginnie Mae, Fannie Mae, and Freddie Mac; (3) pools of commercial mortgages issued by the Farmers Home Administration (FmHA), which wound down all of its commercial mortgage pools at the end of 1996 (FmHA also formed one to four-family, multifamily, and farm mortgage pools, but withdrew completely from that business by the end of the 1990s); and (4) pools of farm mortgages issued by the Federal Agricultural Mortgage Corporation (Farmer Mac).

Securities issued by the agencies to fund these pools are known as mortgage-pool securities. These obligations are largely pass-through securities, in which purchasers receive interest, amortization, and principal payments on the underlying mortgages. In the financial accounts, these securities are part of the instrument category of agency- and GSE-backed securities and are equal to the unpaid balances of the mortgages in the pools.

Note: Beginning in the first quarter of 2010, Freddie Mac and Fannie Mae moved almost all of their one to four-family mortgage pools on to their consolidated balance sheets in response to new accounting rules (Financial Accounting Standards Nos. 166 and 167). Some multifamily pools issued by those GSEs also were moved on to their balance sheets, as well as some pools of farm loans issued by Farmer Mac.

### **F.127, L.127: Issuers of Asset-Backed Securities (ABS)**

Issuers of asset-backed securities (ABS) are special purpose vehicles (SPVs) that hold pools of assets (usually loans) in trust and use them as collateral for issuance of ABS. Most of these SPVs are formed by depository institutions, real estate investment trusts (REITs), and finance companies to move assets off their balance sheets into bankruptcy-remote entities. These originators often continue to act as servicers of the loans after the SPV is formed to earn fee income. This sector includes all off-balance-sheet SPVs, except those in the sector for agency-

and GSE-backed mortgage pools and those in the REIT sector (shown as a memo item at the bottom of this table).

Assets in the pools include one-to-four-family residential, multifamily residential, and commercial mortgages; consumer credit (such as automobile and student loans and credit card receivables); trade credit; Treasury securities; agency- and GSE-backed securities; other loans and advances; and miscellaneous assets. The instrument "other loans and advances" includes nonfinancial business loans securitized by depository institutions and finance companies and syndicated loans to nonfinancial corporate businesses. The instrument "miscellaneous assets" includes funding agreements with life insurance companies.

Liabilities of this sector are the securities issued by the SPVs and are typically medium- to long-term corporate bonds and commercial paper. These securities are largely pass-through securities, in which purchasers receive any interest, amortization, and principal payments on the underlying collateral.

Also included in this sector are consumer motor vehicle leases that were originally held by finance companies but have now been securitized. Acquisition of the motor vehicles by issuers of ABS occurs when the lease is securitized and is shown as fixed investment on this table. The leases themselves are not financial assets of this sector or of the original finance company lessor and are not liabilities of the household sector; rather, lease payments are treated as consumer expenditures by the household sector and as current income of the issuers of the ABS sector. The securitized consumer leases are shown as a memo item at the bottom of this table.

Instruments comprised of asset-backed securities, such as collateralized debt obligations (CDOs) and structured investment vehicles (SIVs), are not included in the financial accounts because of limited source data. In the ABS table, CDOs and SIVs, which are comprised of outstanding securities, are not included on the asset side. Similarly, the bonds issued by CDOs and SIVs are not included on the liabilities side of the ABS sector balance sheet.

Note: Because of accounting rule changes established by Statements of Financial Accounting Standards Nos. 166 and 167 in the first quarter of 2010, commercial paper that had been issued by SPVs with depository institution parents was removed from this sector's debt and consolidated back on to the parents' balance sheet. The amount of commercial paper outstanding that was shifted is shown as a memo item at the bottom of this table.

### **F.128, L.128: Finance Companies**

This sector includes both finance companies and mortgage companies. Data for this sector are based on a Federal Reserve survey where finance companies are defined as companies in which 50 percent or more of assets are held in any of the following types of loan or lease assets: (1) liens on real estate, which are outstanding balances on loans or leases, for any purpose, secured by liens on real estate; and (2) loans and leases not secured by real estate: (a) business loans and leases, which are outstanding balances on loans and on leases for commercial and industrial purposes to sole proprietorships, partnerships, corporations, and other business enterprises; and (b) consumer loans and leases, which are outstanding balances on loans and on leases for household, family, and other personal expenditures. In the financial accounts, liens on real estate are mortgages, business loans and leases are classified as other loans and advances, and consumer loans are consumer credit. U.S. direct investment abroad and foreign direct investment in the U.S. are treated as part of equity capital in the Federal Reserve survey. Holdings of corporate and foreign bonds are recorded at market value beginning 2011:Q1.

Finance companies do not include U.S.-chartered depository institutions, cooperative banks, credit unions, investment banks, or industrial loan corporations. However, subsidiaries of a holding company or foreign banking organization may be considered finance companies. Captive finance companies, which are subsidiaries of nonfinancial companies that provide financing to customers of the parent company's products, are also included in this sector.

Finance companies own motor vehicles that are leased to consumers. The acquisition of the vehicles by finance companies is recorded as fixed investment, and the debt used to finance the purchase of the vehicles is reported as a liability. However, the leases themselves are neither financial assets of the lessors (finance companies) nor liabilities of lessees (households). Lease payments are treated as consumer expenditures by the lessee and as current income to the lessor. Consumer leases are shown as a memorandum item at the bottom of this table.

Beginning with the 2006:Q2 release of the financial accounts, the mortgage company sector was combined with the finance company sector. Mortgage companies primarily originate loans to households or businesses for the purchase of residential or commercial properties and then sell most of them in the secondary market. Prior to the financial crisis that began in 2007, many mortgage companies derived a significant portion of their business from subprime and alt-A mortgages. Since then, the number of mortgage companies has dropped dramatically.

### **F.129, L.129: Real Estate Investment Trusts (REITs)**

Real estate investment trusts (REITs) are companies that manage a portfolio of real estate assets for the benefit of their shareholders. There are two main types of REITs: equity REITs (F.129.e and L.129.e), which invest in and own properties, and mortgage REITs (F.129.m and L.129.m), which invest in mortgages. To qualify as a REIT, a company must distribute at least 90 percent of its taxable income to shareholders each year. Shares of public REITs trade like stocks on the major exchanges. REITs were established as pass-through entities by federal legislation in 1960, which eliminated double taxation. REIT data in the financial accounts begin in 1968. REITs invest in several different types of real estate, including residential, retail, office, industrial, health care, hotel properties, and self-storage facilities.

With the 2007 revision of the North American Industry Classification System, or NAICS, equity REITs were reclassified from a financial category to a nonfinancial category (sector 53, Real Estate subsector). Mortgage REITs remained in a financial category (sector 52, Other Financial Vehicles subsector). However, in the financial accounts, both equity REITs and mortgage REITs are included in the financial sector.

In 2013:Q2 the mortgage REIT assets and liabilities increased due to the acquisition of a large special servicer and the consolidation of off balance sheet holdings on the balance sheet of the purchaser. Assets and liabilities reported at fair value are converted to book value based on information provided in investor presentation materials.

#### **F.129.e, L.129.e: Equity Real Estate Investment Trusts (REITs)**

Real estate investment trusts (REITs) are companies that manage a portfolio of real estate assets for the benefit of their shareholders. There are two main types of REITs: equity REITs (F.129.e and L.129.e), which invest in and own properties, and mortgage REITs (F.129.m and L.129.m), which invest in mortgages. To qualify as a REIT, a company must distribute at least 90 percent of its taxable income to shareholders each year. Shares of public REITs trade like stocks on the major exchanges. REITs were established as pass-through entities by federal legislation in 1960, which eliminated double taxation. REIT data in the financial accounts begin in 1968. REITs invest in several different types of real estate, including residential, retail, office, industrial, health care, hotel properties, and self-storage facilities.

With the 2007 revision of the North American Industry Classification System, or NAICS, equity REITs were reclassified from a financial category to a nonfinancial category (sector 53, Real Estate subsector). Mortgage REITs remained in a financial category (sector 52, Other Financial Vehicles subsector). However, in the financial accounts, both equity REITs and mortgage REITs are included in the financial sector.

In 2013:Q2 the mortgage REIT assets and liabilities increased due to the acquisition of a large special servicer and the consolidation of off balance sheet holdings on the balance sheet of the purchaser. Assets and liabilities reported at fair value are converted to book value based on information provided in investor presentation materials.

#### **F.129.m, L.129.m: Mortgage Real Estate Investment Trusts (REITs)**

Real estate investment trusts (REITs) are companies that manage a portfolio of real estate assets for the benefit of their shareholders. There are two main types of REITs: equity REITs (F.129.e and L.129.e), which invest in and own properties, and mortgage REITs (F.129.m and L.129.m), which invest in mortgages. To qualify as a REIT, a company must distribute at least 90 percent of its taxable income to shareholders each year. Shares of public REITs trade like stocks on the major exchanges. REITs were established as pass-through entities by federal legislation in 1960, which eliminated double taxation. REIT data in the financial accounts begin in 1968. REITs invest in several different types of real estate, including residential, retail, office, industrial, health care, hotel properties, and self-storage facilities.

With the 2007 revision of the North American Industry Classification System, or NAICS, equity REITs were reclassified from a financial category to a nonfinancial category (sector 53, Real Estate subsector). Mortgage REITs remained in a financial category (sector 52, Other Financial Vehicles subsector). However, in the financial accounts, both equity REITs and mortgage REITs are included in the financial sector.

In 2013:Q2 the mortgage REIT assets and liabilities increased due to the acquisition of a large special servicer and the consolidation of off balance sheet holdings on the balance sheet of the purchaser. Assets and liabilities reported at fair value are converted to book value based on information provided in investor presentation materials.



### **F.130, L.130: Security Brokers and Dealers**

Security brokers and dealers are firms that buy and sell securities for a fee, hold an inventory of securities for resale, or do both. The firms that make up this sector are those that submit information to the Securities and Exchange Commission on one of two reporting forms, either the Financial and Operational Combined Uniform Single Report of Brokers and Dealers (FOCUS) or the Report on Finances and Operations of Government Securities Brokers and Dealers (FOGS).

Brokers and dealers are an important link in the transmission of funds from savers to investors because they are a means of distributing both new security issues and those being resold on the secondary market. Dealers in U.S. government securities (FOGs reporters) that stand ready to buy from or sell to the Federal Reserve System assist in the implementation of monetary policy conducted through open market operations.

The major assets of the sector are collateral repayable from the other financial business sector in connection with securities borrowing (included in miscellaneous assets), debt securities and equities held for redistribution, customers' margin accounts, and security repurchase agreements (reverse repos). Sector operations are financed largely by net transactions with parent companies, customers' cash accounts, loans for purchasing and carrying securities from depository institutions, and security repurchase agreements.

In 2016:Q3, the security brokers and dealers sector has a large increase in investment by parent companies and corresponding decrease in foreign direct investment in U.S. due to new regulations implementing Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires foreign banking organizations to establish new U.S. Intermediate Holding Companies (IHCs) to act as the parent of domestic subsidiaries.

### **F.131, L.131: Holding Companies**

In the financial accounts, the holding companies sector consists of all top-tiered bank holding companies, savings and loan holding companies, U.S. Intermediate Holding Companies (IHCs), and securities holding companies (collectively "holding companies") that file the Federal Reserve's Form FR Y-9LP, Parent Company Only Financial Statements for Large Holding Companies, FR Y-9SP, Parent Company Only Financial Statements for Small Holding Companies, or FR 2320, Quarterly Savings and Loan Holding Company Report. Holding companies required to file FR Y-9LP include those with total consolidated assets of \$1 billion or more or meet other criteria, such as having a material amount of debt or equity securities outstanding that are registered with the Securities and Exchange Commission, being engaged in significant nonbanking activity, or conducting off-balance-sheet activities either directly or through a nonbank affiliate. Those holding companies required to file FR Y-9SP have total consolidated assets less than \$1 billion. Form FR 2320 must be filed by top-tier savings and loan holding companies exempt from initially filing the Y-9LP or Y-9SP, because even though they own a savings and loan institution, that is not their primary line of business. Mutual stock companies that file the FR 2320 are excluded because they do not hold any assets or liabilities at the holding company level.

The major assets of holding companies, other than small amounts of loans and securities, are net transactions with their affiliates; this includes equity investments in subsidiaries and associated banks and net balances due from affiliates and related depository institutions. Holdings of debt securities, corporate equities, and mutual fund shares are recorded at market value. Revaluations of debt securities begin 2012:Q1. The main source of funding for the sector is the issuance of corporate bonds and commercial paper.

The holding companies sector has a large increase in the level of assets and liabilities in the 2009:Q1 because a number of large financial institutions became bank holding companies. These companies (including Goldman Sachs, Morgan Stanley, American Express, CIT Group, GMAC, Discover Financial Services, and IB Finance) had not previously been included in the financial accounts. Starting in 2012:Q1, savings and loan holding companies (SLHCs) are required to file one of the Y-9 forms or the FR 2320. Starting in 2013:Q1, security holding companies (SHCs) are required to file one of the Y-9 forms. Beginning in 2012:Q3, series "breaks" reflect firms with parent assets of more than \$10 billion entering or exiting the sector due to changes in a firm's regulatory filing status with respect to Y-9LP, Y-9SP or FR 2320. Changes to filing status are a result of regulatory rule changes, or the purchase/sale of a bank, savings and loan institution or other affiliate affecting a firm's filing status.

The holding companies sector has a large increase in the level of assets and liabilities in 2016:Q3 due to new regulations implementing Section 165 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires foreign banking organizations to establish new IHCs to act as the parent of domestic subsidiaries. IHCs are required to file Federal Reserve Board Form FR Y-9LP. IHCs' investment in affiliates is included in miscellaneous assets. Equity investment in the IHCs is shown as foreign direct investment, a new liability of the

holding company sector (tables F.131, L.131, F.230, and L.230). Previously, this equity was recorded as foreign direct investment in the securities brokers and dealers sector.

### **F.132, L.132: Other Financial Business**

The other financial business sector consists of financial institutions and entities not included in tables F./L.109 to F./L.131. The following are included in the sector:

1. Subsidiaries of foreign bank and nonbank financial firms that raise funds in the U.S. commercial paper market and transfer the proceeds to foreign banking offices in the United States or to foreign parent companies abroad. In the financial accounts, this transfer of funds is reported as negative foreign direct investment (FDI) in the United States since by convention, FDI is reported as an asset of the parent and a liability of the subsidiary. The treatment of these transactions in the financial accounts is under review.
2. Financial holding companies, other than holding companies shown on tables F.131 and L.131, are included where data are available. The issuance of preferred shares to the federal government under the Troubled Asset Relief Program, or TARP, by American International Group, Inc. (AIG), a holding company, is recorded as a corporate equities liability with no specific corresponding asset.
3. Custodial accounts are bookkeeping entities established to hold cash collateral put up by security dealers to back securities they borrow to cover short sales and delivery failures. In the financial accounts, these security transactions are listed as securities loaned (net). The collateral is returned to the dealers when the borrowed securities are returned. While held in custody, the collateral is invested in money market fund shares, commercial paper, and corporate bonds.
4. Beginning in 2008, the Federal Reserve created a number of limited liability companies (LLCs) to which loans were extended to help stabilize the financial system. These LLCs included (1) Maiden Lane LLC to facilitate the arrangements associated with JPMorgan Chase & Co.'s acquisition of the Bear Stearns Companies, Inc.; (2) Maiden Lane II LLC to purchase residential mortgage-backed securities from the U.S. securities lending reinvestment portfolio of AIG subsidiaries; (3) Maiden Lane III LLC to purchase collateralized debt obligations on which AIG had written credit default swap contracts; and (4) Commercial Paper Funding Facility LLC. Loans were also made to AIG. Loans in the other financial business sector are recorded as depository institution loans n.e.c., with corporate and foreign bonds and open market paper serving as the corresponding assets.

AIA Aurora LLC and ALICO Holdings LLC, two limited liability companies created to hold all the outstanding common stock of American International Assurance Company, Ltd. (AIA), and American Life Insurance Company (ALICO), which are two life insurance subsidiaries of AIG, are also included in this sector. The stocks of AIA and ALICO are shown as an asset, and the monetary authority sector's holdings of preferred shares in AIA Aurora LLC and ALICO Holdings LLC are shown as a liability.

5. Loans extended by the federal government to the Term Asset-Backed Securities Loan Facility, or TALF, LLC and to funds associated with the Public-Private Investment Program (PPIP) are recorded as an "other loans and advances" liability. The other financial business sector's equity interest under PPIP is also shown as a liability.
6. Deposits of designated financial market utilities (DFMU) at the Federal Reserve. More information on designated financial market utilities (DFMU) is available at: [https://www.federalreserve.gov/paymentsystems/designated\\_fmu\\_about.htm](https://www.federalreserve.gov/paymentsystems/designated_fmu_about.htm).
7. Due to COVID-19 response, in 2020:Q2 the Federal Reserve, established five funding, credit, and liquidity facilities as special purpose vehicles (SPVs): the Corporate Credit Facilities (CCF), the Main Street Lending Program (MSLP), the Term Assets Lending Facility (TALF), the Municipal Liquidity Facility (MLF), and the Commercial Paper Funding Facility (CPFF). The Federal Reserve made loans to these SPVs, which are classified in the other financial business sector. More information on these SPVs is available at <https://www.federalreserve.gov/reports-to-congress-covid-19.htm>

### **F.133, L.133: Rest of the World**

The rest-of-the-world sector consists of all entities (individuals, firms, institutions, and governments) not residing in the United States that engage in transactions with U.S. residents. The table reflects the participation of foreigners in U.S. markets only; transactions exclusively among foreigners are not included.

In the financial accounts, this sector is constructed from the perspective of the foreigners, resulting in parallel treatment of the rest-of-the-world sector and the domestic sectors in terms of their roles as suppliers and users of funds. Thus, the acquisition of domestic assets by both the rest-of-the-world and the domestic sectors provides funding in U.S. capital markets; increases in the liabilities and equity of both the rest-of-the-world and the domestic sectors represent funding supplied by U.S. markets.

Holdings and amounts outstanding of debt securities, and holdings of corporate equities and mutual fund shares are recorded at market value.

Data for gross saving and net capital transfers paid are from the national income and product accounts, which treat U.S.-affiliated areas as foreign. Data for financial assets and liabilities are derived from the BOP accounts, which include U.S.-affiliated areas as part of the United States. The difference in the treatment of U.S.-affiliated areas in this sector is accounted for in the sector discrepancy.

Reverse repurchase agreements conducted through the Federal Reserve's Foreign Repo Pool are included in the rest-of-the-world's security repurchase agreement asset.

Memo items on the levels table (L.133) show the market value of foreign equities held by U.S. residents and the gross positive and negative fair value positions of financial derivatives. These memo items are not included in the financial asset and liability totals shown above.

## **Instruments**

### **F.200, L.200: U.S. Official Reserve Assets and SDR Allocations**

U.S. official reserve assets include (1) monetary gold, (2) special drawing rights (SDR) holdings, (3) the net U.S. reserve position in the International Monetary Fund (IMF), and (4) official foreign currency holdings. Transactions in international reserve assets are made among official agencies of the world's countries to settle international accounts. Also included on this table are SDR allocations.

The categories of reserve assets are described in detail as follows:

1. Monetary gold (including allocated gold accounts) consists of two subcategories, physical gold bullion and unallocated gold accounts, both of which are held by the monetary authority (or other units authorized by them) as part of reserves. Gold bullion takes the form of coins, ingots, or bars with a purity of at least 995 parts per thousand. Gold held as a valuable by commercial banks or as inventories by some specialized industries—for example, jewelers—are excluded.

At present, all U.S. monetary gold is "monetized": That is, the Treasury issues a gold certificate equal to the value of the gold to the Federal Reserve System, which increases the value of the Treasury's deposit account by the same amount. In the financial accounts, monetized gold is an asset of the monetary authority. In the past, amounts of unmonetized monetary gold have been held by the Exchange Stabilization Fund, an entity within the Treasury Department, which is part of the federal government sector.

Transactions in monetary gold consist of purchases and sales of gold among monetary authorities and are recorded in the financial account of the domestic sectors as increases (decreases) in assets, and the counterparts are recorded as decreases (increases) in assets of the rest of the world. Gold bullion held as a reserve asset is the only financial asset with no corresponding liability.

2. Official foreign exchange consists of holdings of foreign currencies by the Treasury Department and the Federal Reserve System that are used in connection with exchange market interventions, reciprocal official currency arrangements with foreign monetary authorities, foreign currency transactions with the IMF, and borrowings of foreign currencies in foreign capital markets.
3. SDRs are international reserve assets that the IMF created to supplement the reserves of IMF member countries. The SDR is neither a currency nor a claim on the IMF. Rather, it is a potential claim on the

freely usable currencies of IMF members. Holders of SDRs can obtain these currencies in exchange for their SDRs in two ways: (1) through the arrangement of voluntary exchanges between members and (2) by the IMF designating members with strong external positions to purchase SDRs from members with weak external positions.

SDRs are allocated in proportion to the countries' respective quotas. SDRs are valued at an administrative rate determined by the IMF. The IMF determines the value of SDRs daily in U.S. dollars by summing the values (which are based on market exchange rates) of a weighted basket of currencies. The basket and weights are subject to revision from time to time.

SDR allocations represent the amount the federal government would owe to the IMF should the United States withdraw its membership from the IMF. Thus, in the financial accounts, SDR allocations are a net increase in federal government liabilities and net acquisition of financial assets of the rest of the world. Levels represent the accumulation of these allocations, plus changes due to the fluctuation of the exchange rate. Since 1970, there have been seven allocations of SDRs to IMF member countries in proportion to their IMF quotas, the latest allocation being made in 2009.

SDRs can be used for a wide range of transactions and operations, including for acquiring other IMF members' currencies, settling financial operations, making donations, and extending loans. SDRs may also be used in swap arrangements and as security for the performance of financial obligations. In the financial accounts, SDR holdings represent the accumulation of SDR allocations and any change in value through these transactions or operations, interest paid or received, and administrative expenses.

4. The U.S. net reserve position in the IMF is equal to the U.S. quota in the IMF minus IMF holdings of U.S. dollars (excluding dollar holdings in IMF administrative and subsidiary accounts) plus net U.S. loans to the IMF. The net reserve position represents the amount of foreign exchange that the United States may unconditionally draw from the IMF on short notice, up to the full amount of its quota.

### **F.201, L.201: SDR Certificates and Treasury Currency**

Special drawing rights (SDRs) are international monetary reserves issued to member countries by the International Monetary Fund (IMF). SDR certificates are issued to Federal Reserve Banks by the Treasury when it monetizes the special drawing rights themselves. The first allocation of SDRs to the United States took place in 1970, and the first issue of SDR certificates was made the same year.

U.S. Treasury currency is the stock of currency for which the U.S. Treasury is the legal obligor. Since 1966, Treasury currency has comprised silver dollars and fractional coins, U.S. notes, and items in the process of retirement.

Transactions in Treasury currency and in SDR certificates take place only between the Treasury and the monetary authority. The discrepancy item for Treasury currency—the difference between changes in the liability of the federal government for Treasury currency and changes in holdings of Treasury currency by the monetary authority—arises from seigniorage, the profit that the federal government earns from the issuance of its currency.

### **F.202, L.202: U.S. Deposits in Foreign Countries**

U.S. deposits in foreign countries are deposits, including negotiable certificates of deposit, held in foreign financial institutions by private U.S. owners. Data on the deposit liabilities of foreign institutions are taken from the U.S. Balance of Payment statistics. Data on the holdings of foreign deposits by U.S. residents are incomplete, as indicated by the existence and relative size of the discrepancy for the category.

### **F.203, L.203: Net Interbank Transactions**

Net interbank transactions are changes in the assets and liabilities of private depository institutions and the monetary authority due from or due to other such institutions. These transactions are used for short-term lending, netting and clearing of transaction cash flows, acquiring foreign currencies, maintaining correspondent balances, managing assets and liabilities, and adjusting reserves. They are also used to make quasi-equity investments, especially between depository institutions operating in the United States and their affiliated foreign offices. Federal funds and security repurchase transactions are not included in net interbank transactions.

The memo section details the five types of transactions that are included in the instrument net interbank transactions.

1. Vault cash. U.S.-chartered depository institutions' and foreign banking offices in U.S.'s cash-on-hand for daily transactions. Vault cash is a liability of the monetary authority sector.
2. Depository institution reserves. Required and excess deposits of private depository institutions at the Federal Reserve.
3. Federal Reserve float and loans to U.S.-chartered depository institutions by monetary authority. Federal Reserve float is money in the banking system that is counted twice because of delays in processing checks. Loans to U.S.-chartered depository institutions by the monetary authority are loans from the Federal Reserve to U.S.-chartered depository institutions through term auction credit, primary credit, secondary credit, and seasonal credit. Also included are loans extended to U.S.-chartered depository institutions through the Asset-Backed Commercial Paper Money Market Mutual Fund Liquidity Facility (AMLF) during the 2008 financial crisis and Money Market Mutual Fund Liquidity Facility (MMLF) during the COVID-19 pandemic.
4. Transactions with banks in foreign countries. The net position (due to less due from) of U.S. depository institutions with their foreign affiliates, less U.S. depository institutions' deposits at unrelated foreign banks, plus U.S. depository institutions' loans from unrelated foreign banks. This net position is an asset of banks in foreign countries (rest of the world sector).
5. Transactions between U.S. depository institutions. The net of transactions of U.S.-chartered depository institutions with foreign banking offices in U.S., banks in U.S.-affiliated areas, and credit unions. In theory, interbank transactions between U.S. depository institutions should net to zero but do not due to inconsistencies in source data. The difference is shown as a discrepancy on the table and as "unallocated" in transactions between U.S. depository institutions (net) in the memo section.

#### **F.204, L.204: Checkable Deposits and Currency**

Checkable deposits consist of demand deposits at U.S.-chartered depository institutions, credit union share drafts, and negotiable order of withdrawal accounts and automatic transfer service accounts at depository institutions. Currency is U.S. currency and coin held outside the U.S. Treasury, Federal Reserve Banks, and the vaults of private depository institutions. Checkable deposits are liabilities of private depository institutions, while currency held outside of banks is a liability of the monetary authority.

Data on holdings of checkable deposits and currency by most sectors are compiled from available data, while holdings by the sector for households and nonprofit organizations are calculated residually from total liabilities. For most sectors, the information available is insufficient for separately showing holdings of deposits and currency, but estimates of currency holdings by the rest of the world are available.

Rest of the world currency is estimated from net payments of \$100s from New York, Los Angeles, and Miami Federal Reserve offices; offices whose \$100 payment activity is dominated by international accounts. This measurement is a proxy for international commercial bank currency shipments. It does not capture currency moved across U.S. borders outside of banking channels.

#### **F.205, L.205: Time and Savings Deposits**

Time and savings deposits include deposits at U.S.-chartered depository institutions, foreign banking offices in the United States, banks in U.S.-affiliated areas, and share accounts at credit unions. This instrument consists of time deposits (deposits that have a stated maturity) and savings deposits (passbook savings accounts). Both money market deposit accounts and individual retirement accounts/Keogh accounts held in the form of time and savings deposits are included in the total. In practice, depositors may generally withdraw funds from passbook savings accounts at any time without giving prior notice and without penalty, but they may not draw down funds from a time deposit having a stated maturity before the maturity date without penalty.

Data on holdings of time and savings deposits by most sectors are compiled from available data, while holdings by the sector for households and nonprofit organizations are calculated residually from total liabilities. Data on liabilities are insufficient to classify sectors' assets by type of deposit.

### **F.206, L.206: Money Market Fund Shares**

Money market fund (MMF) shares are obligations issued by MMFs, which are mutual funds that invest in short-term liquid assets and pay their investors dividends that reflect short-term interest rates. Like other mutual funds, MMFs are registered with the Securities and Exchange Commission and are regulated under the Investment Company Act of 1940. In addition, all MMFs must comply with rule 2a-7 of the Investment Company Act of 1940, which seeks to limit the risk of the funds. MMFs began operating in the 1970s and quickly became popular with investors because they typically pay higher interest rates than deposits. However, MMF shares are not insured by any federal agency. MMF shares may be redeemed at any time and may be used in carrying out transactions; the funds often allow shareholders to write checks, usually for a minimum amount, against individual account balances.

MMF shares are held by both institutional and retail investors. Institutional money market funds are used by businesses, pension funds, insurance companies, state and local governments, and other large-account investors. Retail money market funds are principally sold to individual investors. In the financial accounts, holdings by the sector for households and nonprofit organizations are calculated residually from total share value.

### **F.207, L.207: Federal Funds and Security Repurchase Agreements**

Federal funds purchases and security repurchase agreements are a type of short-term borrowing.

Federal funds are overnight borrowings by a depository institution to maintain its required reserve balance at the Federal Reserve. The interest rate at which such borrowings are done is called the federal funds rate.

A security repurchase agreement, also called a repo, is the sale of securities together with an agreement for the seller to buy back the securities at a later date. Repurchase agreements are viewed as collateralized loans, with the difference between the sale price and the repurchase price of the security constituting the interest payment. Repurchase agreements (and reverse repurchase agreements) are often carried out by the Federal Reserve System in order to temporarily inject reserves into (or remove reserves from) the banking system and withdraw them when they are no longer needed (or replace them when the need returns). Government securities dealers use repurchase agreements to finance their inventories.

While some sectors report federal funds purchases or sales separately from security repurchase agreements, it is not possible to show purchases and sales of the two items individually for the whole time series. Federal funds and security repurchase agreements are shown separately for U.S.-chartered depository institutions, which include savings institutions, beginning 2012:Q1; foreign banking offices in the U.S. beginning 2003:Q1, corporate credit unions beginning 1997:Q1, and the Federal Home Loan Banks (FHLB) beginning 2000:Q4. Federal funds of the FHLB include "term" federal funds, while those of the depository institutions do not.

Both the gross asset and liability positions of institutional sectors are shown; that is, transactions between two institutions within the same sector are not netted, aside from netting already present in source data. For depository institutions, repo and reverse repo transactions are included in the federal funds and security repurchase agreements instrument category, rather than in net interbank transactions. Due to the differences in the timing of recording sales and purchases and the short-term nature of many repos, the discrepancy for this instrument is often large.

A June 30, 2014 FEDS Note, "Repurchase Agreements in the Financial Accounts of the United States" by Elizabeth Holmquist and Josh Gallin, describes the construction of this instrument category in more detail. The note is available at [www.federalreserve.gov/econresdata/notes/feds-notes/2014/repurchase-agreements-in-the-financial-accounts-of-the-united-states-20140630.html](http://www.federalreserve.gov/econresdata/notes/feds-notes/2014/repurchase-agreements-in-the-financial-accounts-of-the-united-states-20140630.html).

A memo item shows the effective federal funds rate. The federal funds rate is the interest rate at which depository institutions lend excess reserves to each other overnight. The Federal Open Market Committee (FOMC) establishes the target rate for trading in the federal funds market. On December 16, 2008, the FOMC established a target range for the federal funds rate of 0 to 0.25 percent. The target rate remained at this historically low level until December 16, 2015 when the FOMC raised the target range to 0.25 to 0.50 percent. The effective federal funds rate is measured using a weighted average of rates on brokered trades. It is reported on an annualized basis using a 360-day year.

An additional memo item shows the Federal Reserve's reverse repurchase agreement operations, which include both overnight and term reverse repurchase agreements, with money market funds and other financial institutions. Other financial institutions include banks (consolidated), government-sponsored enterprises, and primary dealers. These operations began in 2013:Q3. A March 24, 2015 FEDS Note, "The Federal Reserve's Overnight and Term

Reverse Repurchase Agreement Operations in the Financial Accounts of the United States” by Ralf Meisenzahl, describes these operations in more detail. The note is available at <http://www.federalreserve.gov/econresdata/notes/feds-notes/2015/federal-reserves-overnight-and-term-rrp-agreement-operations-in-financial-accounts-of-the-uni-ted-states-20150324.html>.

Reverse repurchase agreements with the rest-of-the-world conducted through the Federal Reserve’s Foreign Repo Pool are included liability of the monetary authority.

### **F.208, L.208: Debt Securities**

Debt securities is the sum of the following instrument categories shown on table 209 through 213: open market paper, Treasury securities, agency- and GSE-backed securities, municipal securities, and corporate and foreign bonds.

### **F.209, L.209: Open Market Paper**

Open market paper consists of two items: (1) commercial paper and (2) bankers’ acceptances. These items are explained in detail below.

1. Commercial paper consists of short-term unsecured promissory notes issued by financial and nonfinancial borrowers. Commercial paper issued by foreigners in the United States is also included. Maturities range from 1 to 270 days, but the typical maturity is about 30 days. It is usually bought and sold on a discount basis, with face value paid to holders upon maturity.
2. A banker’s acceptance is a draft or bill of exchange drawn on and accepted by a banking institution (the “accepting bank”) or its agent for payment by that institution on a future date specified in the instrument (most commonly about three months later). In the financial accounts, they are treated as liabilities of U.S.-chartered depository institutions and of foreign banking offices in the United States. Banks’ holdings of own acceptances are excluded.

It is not possible to determine sectors’ holdings of commercial paper separately from their holdings of bankers’ acceptances. Holdings of open market paper by the households and nonprofit organizations sector are the assets of nonprofit organizations. The other financial business sector is the residual holder of open market paper.

### **F.210, L.210: Treasury Securities**

U.S. Treasury securities are marketable and nonmarketable securities issued by the Department of the Treasury, net of premiums and discounts. Because this instrument excludes Treasury securities held as investments of federal government accounts and those issued by federal agencies under special financing authorities, it represents total borrowing from the public plus nonmarketable securities issued to the federal government employee retirement funds. Nonmarketable securities issued to the federal government employee retirement funds are considered part of intergovernmental holdings in U.S. Treasury Department reports, but are treated as public in the financial accounts. Data on all U.S. Treasury securities outstanding, including intragovernmental holdings, can be found in the Monthly Statement of the Public Debt published by the Treasury.

Marketable Treasury securities consist of Treasury bills (maturity of 1 year or less), Treasury notes (maturity of 2 to 10 years), Treasury bonds (maturity of 10 to 30 years), securities issued by the Federal Financing Bank, and Treasury inflation-protected securities, or TIPS. Marketable Treasury securities are very liquid and are heavily traded on the secondary market.

Nonmarketable Treasury securities are issued for special purposes or to particular groups of investors and cannot be traded in the secondary market. These securities include U.S. Savings Securities, State and Local Government Series, Domestic Series, Foreign Series, Rural Electrification Administration Series, Government Account Series, HOPE Bonds (securities issued for the HOPE for Homeowners program beginning in 2008), and nonmarketable securities issued to the federal government employee retirement funds. U.S. Savings Securities are comprised of U.S. savings bonds, U.S. individual retirement bonds, U.S. retirement plan bonds, U.S. savings stamps, and matured U.S. savings securities.

Data on holdings of Treasury securities by most sectors are compiled from available data. Net purchases by the household and nonprofit organizations sector are calculated residually from total issuance; however, all U.S. savings securities are assets of the household sector. Outstanding holdings are shown at market value for some sectors, including the household and nonprofit organizations sector, (prefixed with LM on the tables) while other sectors are shown at book value (prefixed with FL on the tables). The discrepancy series on the level table shows the accumulated valuation difference between issuance and holdings. Nonmarketable treasury securities do not have a market value.

### **F.211, L.211: Agency- and GSE-Backed Securities**

Securities backed by agencies and government-sponsored enterprises (GSEs) are debt securities issued by budget agencies, government-sponsored enterprises (GSEs), and agency- and GSE-backed mortgage pools. Only the budget agency issues are considered officially to be part of the total borrowing of the federal government.

Budget agencies are federal agencies that are part of the budget of the U.S. government under special financing authorities and include the Tennessee Valley Authority, the Federal Housing Administration, the Federal Communications Commission, the Architect of the Capitol, and the National Archives and Records Administration. Previously, certificates of interest issued by the Commodity Credit Corporation and loan participation certificates were included in agency- and GSE-backed securities, but both were discontinued many years ago.

GSEs include the Federal Home Loan Banks, the Federal National Mortgage Association (Fannie Mae), the Federal Home Loan Mortgage Corporation (Freddie Mac), the Federal Agricultural Mortgage Corporation (Farmer Mac), the Farm Credit System, the Financing Corporation (FICO), and the Resolution Funding Corporation (REFCORP). The Student Loan Marketing Association (Sallie Mae) was included until it was fully privatized in the fourth quarter of 2004.

Agency- and GSE-backed mortgage pools are issued by the Government National Mortgage Association (Ginnie Mae), Fannie Mae, Freddie Mac, and Farmer Mac. The Farmers Home Administration (FmHA) was also included until the end of the 1990s.

Data on holdings of agency- and GSE-backed securities by most sectors are compiled from available data. Net purchases by the households and nonprofit organizations sector are calculated residually from total issuance. Outstanding holdings are shown at market value for some sectors, including the household and nonprofit organizations sector, (prefixed with LM on the tables) while other sectors are shown at book value (prefixed with FL on the tables). The discrepancy series on the level table shows the accumulated valuation difference between issuance and holdings.

### **F.212, L.212: Municipal Securities**

Municipal securities are obligations issued by state and local governments, nonprofit organizations, and nonfinancial corporate businesses. State and local governments are the primary issuers; detail on both long and short-term (original maturity of 13 months or less) debt is shown. This instrument excludes trade debt of, and U.S. government loans to, state and local governments. Debt issued by nonprofit organizations includes nonprofit hospital bonds and issuance to finance activities such as lending to students. Debt issued by the nonfinancial corporate business sector includes industrial revenue bonds. Outstanding holdings are shown at market value for some sectors (prefixed with LM on the tables) while other sectors are shown at book value (prefixed with FL on the tables). The discrepancy series on the level table shows the accumulated valuation difference between issuance and holdings.

Most municipal debt is tax-exempt; that is, the interest earned on holdings is exempt from federal income tax. Since 1986, however, some of the debt issued has been taxable, including the Build America Bonds authorized under the American Recovery and Reinvestment Act of 2009.

### **F.213, L.213: Corporate and Foreign Bonds**

Corporate and foreign bonds are debt obligations of U.S. financial and nonfinancial corporations and foreign entities. The obligations include bonds, notes, debentures, mandatory convertible securities, long-term debt, private mortgage-backed securities, and unsecured debt. For U.S. corporations, the category includes bonds issued both in the United States and in foreign countries, but not bonds issued in foreign countries by foreign



subsidiaries of U.S. corporations. Corporate bond liabilities are recorded at book value except for the rest of the world sector, which is reported at market value.

For the rest of the world, the category includes foreign bonds issued through or acquired by U.S. dealers and purchased by U.S. residents. The foreign borrowers are private corporations and financial institutions, central governments and their agencies and corporations, local and municipal governments, and international organizations. Bonds issued by foreign entities that are purchased by non-U.S. residents are not included.

On the asset side, it is not possible to separate the purchases of domestic issues and foreign issues for all sectors. For some sectors, purchases of structured bonds are shown separately. Structured bonds include privately issued mortgage-backed securities and other privately issued asset-backed bonds. Foreign purchases include corporate bonds issued abroad or in the United States by U.S. corporations reported by U.S. dealers. Before 1993, foreign purchases of bonds issued by U.S. corporations through finance subsidiaries in the Netherlands Antilles are also included.

Outstanding holdings are shown at market value for some sectors, including the household and nonprofit organizations sector, (prefixed with LM on the tables) while other sectors are shown at book value (prefixed with FL on the tables). The discrepancy series on the level table shows the accumulated valuation difference between issuance and holdings. Net purchases by households and nonprofit organizations are calculated residually.

### **F.214, L.214: Loans**

Loans is the sum of the following instrument categories shown on tables 215, 216, 217 and 222: depository loans not elsewhere classified, other loans and advances, total mortgages, and consumer credit.

### **F.215, L.215: Depository Institution Loans Not Elsewhere Classified**

Depository institution loans not elsewhere classified (n.e.c.) are primarily loans from U.S.-chartered depository institutions, foreign banking offices in the U.S., banks in U.S.-affiliated areas, and credit unions that are not included in any of the identified loan categories (open market paper, mortgages, and consumer credit). This instrument also includes loans from Federal Reserve Banks, including small amounts loaned to foreign borrowers prior to 1970 and loans made to institutions in response to the 2008 financial crisis and the COVID-19 pandemic.

Historically, the majority of depository institution loans n.e.c. have been extended to nonfinancial businesses in the form of commercial and industrial loans, lease-financing receivables, and agricultural loans. Depository institution loans n.e.c. to the sector for households and nonprofit organizations, a much smaller portion of the total, consist of overdrafts on deposit accounts, loans to individuals other than consumer credit and loans secured by real estate, and loans to nonprofit organizations. Depository institution loans n.e.c. are also made to the rest of the world and to some financial institutions other than private depository institutions. Loans made to brokers and dealers for purchasing and carrying securities are also included in this instrument category.

### **F.216, L.216: Other Loans and Advances**

Other loans and advances are loans of various types that do not fit into the categories of open market paper, mortgages, consumer credit, and depository institution loans not elsewhere classified. This table shows the 12 types of loans included in the instrument category other loans and advances.

1. U.S. government loans. Loans, other than mortgages, consumer credit, and trade credit, made by the federal government to households, nonfinancial businesses, state and local governments, and rest of the world for numerous public purposes. Also included are specific loans to automakers, Chrysler Financial, and the Term Asset-Backed Securities Loan Facility LLC, as well as loans made under the Public-Private Investment Program.
2. U.S. Treasury use of extraordinary measures to temporarily suspend reinvestments of nonmarketable Treasury securities by Federal government retirement funds.
3. Foreign loans to U.S. corporate business. Loans of all types, including real estate loans, made by foreign banks to U.S. nonfinancial corporations.

4. Customers' liability on acceptances outstanding. Obligations to banks for funds that have been advanced to the drawers of drafts or bills of exchange that have been accepted by the banks (bankers' acceptances). The borrowers are foreigners and U.S. nonfinancial corporations, and they are obligated to repay the funds on or before the maturity dates of the accepted drafts. In the financial accounts, customers' acceptance liabilities are assets of U.S.-chartered depository institutions and foreign banking offices in the U.S.
5. Holding company loans to business. Loans made by holding companies to domestic nonfinancial corporate businesses and to foreign nonfinancial businesses.
6. Policy loans. Loans secured by the cash surrender value of life insurance policies issued by life insurance companies and by the federal government. In the financial accounts, all policy loans are liabilities of the households and nonprofit organizations sector.
7. Federal Home Loan Banks (FHLB) advances. Advances to financial institutions that are members of the FHLB System, including the captive insurance companies of the finance company and real estate investment trust sectors. Note, the FHLB are included in the government-sponsored enterprises sector.
8. Loans from government-sponsored enterprises. Excludes loans classified as mortgages or consumer credit (such as student loans from Sallie Mae). Includes other loans (from Sallie Mae) and agricultural loans (from the Farm Credit System).
9. Securitized loans held by issuers of asset-backed securities (ABS). Securitized loans to nonfinancial corporate businesses originated by finance companies and U.S.-chartered depository institutions and now held by the ABS sector.
10. Finance company loans to business. Loans made by finance companies to nonfinancial corporate businesses and nonfinancial noncorporate businesses.
11. Margin accounts at brokers and dealers. Loans made by brokers and dealers to households to meet margin calls.
12. Cash accounts at brokers and dealers. Uninvested cash of households held by brokers and dealers.
13. Loans to nonfinancial corporate business. Syndicated loans to nonfinancial corporate businesses from domestic entities, excluding depository institutions and finance companies that are included elsewhere.
14. Loans from the Term Asset-Backed Securities Loan Facility (TALF II) to domestic hedge funds and private equity funds, which are included in the household sector.

### **F.217, L.217: Total Mortgages**

Mortgages are loans that are secured in whole or in part by real property. This table summarizes transactions in the four types of mortgages: (1) one-to-four-family residential mortgages (tables F.218 and L.218), (2) multifamily residential mortgages (tables F.219 and L.219), (3) commercial mortgages (tables F.220 and L.220), and (4) farm mortgages (tables F.221 and L.221).

Institution-level holdings detail is available for total mortgage holdings of the federal government, government-sponsored enterprises (GSEs), and agency- and GSE-backed mortgage pools. Federal government detail includes Ginnie Mae, Farmers Home Administration (FmHA), Federal Housing Administration (FHA), Federal Deposit Insurance Corporation, and other (includes Department of Veterans Affairs, Federal Financing Bank, Public Housing Administration, and Resolution Trust Corporation). GSE detail includes Fannie Mae, Freddie Mac, Farm Credit System, FHLB, and Farmer Mac. Agency- and GSE-backed mortgage pools detail includes Ginnie Mae, Freddie Mac, Fannie Mae, Farmer Mac, and Farmers Home Administration (FmHA). This detail corresponds to the Federal Reserve's Mortgage Debt Outstanding table, which now shows a mapping to Financial Accounts series and can be accessed at <https://www.federalreserve.gov/data/mortoutstand/>.

### **F.218, L.218: One-to-four-family Residential Mortgages**

One-to-four-family residential mortgages, also referred to as home mortgages, are loans collateralized by residential properties with one to four units and condominiums and cooperatives in structures with five or more units, as well as construction and land development loans on residential properties.

On transaction table (F.218) a memo item shows charge-offs for total one-to-four-family residential mortgage loans. All one-to-four-family residential mortgage loan charge-offs are excluded from transactions data and are accounted for as other changes in volume.

An October 31, 2014 FEDS Note, "Accounting for Mortgage Charge-offs in the Financial Accounts of the United States" by James Kennedy, Maria Perozek, Paul Smith, describes the treatment of mortgage charge-offs in more detail. The note is available at [www.federalreserve.gov/econresdata/notes/feds-notes/2014/accounting-for-mortgage-charge-offs-financial-accounts-of-the-united-states-20141031.html](http://www.federalreserve.gov/econresdata/notes/feds-notes/2014/accounting-for-mortgage-charge-offs-financial-accounts-of-the-united-states-20141031.html).

Another memo item shown on both the transaction and level tables (F.218 and L.218) shows loans made under home equity lines of credit and home equity loans secured by junior liens with detail by lender. Home equity loans are included in the one-to-four-family residential mortgage data.

The household sector is the primary borrower of one-to-four-family residential mortgages. Borrowing to finance the purchase of investment properties is considered borrowing by the nonfinancial noncorporate business sector. One-to-four-family residential mortgages held by the household sector are typically seller-financed loans. One-to-four-family residential mortgages that have been securitized and removed from the originator's balance sheet are reported as assets of either the sector for agency- and GSE-backed mortgage pools or the sector for issuers of asset-backed securities.

### **F.219, L.219: Multifamily Residential Mortgages**

Multifamily residential mortgages are loans secured by housing units in structures with five or more units, excluding buildings composed of condominiums and cooperatives where the units are individually owned and may be financed with a one- to four-family mortgage (included on tables F.218 and L.218). This instrument also includes construction and land development loans associated with multifamily residential properties.

Most multifamily residential mortgages are liabilities of the nonfinancial noncorporate business sector. Multifamily residential mortgages that have been securitized and removed from the originator's balance sheet are reported as assets of either the sector for agency- and GSE-backed mortgage pools or the sector for issuers of asset-backed securities.

### **F.220, L.220: Commercial Mortgages**

Commercial mortgages are loans secured by nonfarm nonresidential properties, such as office buildings, retail stores, and industrial facilities, as well as construction and land development loans associated with commercial properties.

The nonfinancial business sectors are the primary borrowers of commercial mortgages. Mortgages on nonresidential properties owned by nonprofit organizations, such as universities, hospitals, and churches, are shown as household sector borrowing. Commercial mortgages that have been securitized and removed from the originator's balance sheet are reported as assets of either the sector for agency- and GSE-backed mortgage pools or the sector for issuers of asset-backed securities.

### **F.221, L.221: Farm Mortgages**

Farm mortgages are loans secured by farm properties. The U.S. government defines farms in different ways for various purposes. In terms of residential real estate, a farm is on a property that generates at least \$1,000 in income from agricultural products. Farm mortgage debt is considered a liability of the nonfinancial corporate and nonfinancial noncorporate business sectors. The primary lenders of farm mortgages are government-sponsored enterprises, such as the Farm Credit System, and the U.S.-chartered depository institutions sector.

### **F.222, L.222: Consumer Credit**

Consumer credit consists of short- and intermediate-term loans to individuals, excluding loans secured by real estate. Consumer credit includes revolving credit, such as credit card receivables, and nonrevolving credit, such as loans for automobiles, mobile homes, education, boats, trailers, or vacations. Consumer motor vehicle leases are not included. All consumer credit is a liability of the sector for households and nonprofit organizations.

Types of consumer credit loans are shown as memo items. These include credit card loans, auto loans, student loans, and other consumer credit. The series on student loans begins in 2006:Q1.

Note: The Student Loan Marketing Association, or Sallie Mae, a major lender in the student loan market, moved from the sector for government-sponsored enterprises to the sector for finance companies when it was fully privatized in the fourth quarter of 2004.

Also, the shift in the first quarter of 2010 of consumer credit from the issuers of asset-backed securities to other sectors is largely due to financial institutions' implementation of the Financial Accounting Standards, or FAS, 166/167 accounting rules.

### **F.223, L.223: Corporate Equities**

Corporate equities are shares of ownership in financial and nonfinancial corporate businesses. The category consists of common and preferred shares issued by domestic corporations and U.S. purchases of shares issued by foreign corporations, including shares held in the form of American depository receipts, or ADRs. It does not include mutual fund shares, which are reported separately (tables F.224 and L.224).

Issues of the nonfinancial corporate business sector include both seasoned equity offerings, or SEOs, and initial public offerings, or IPOs. Net issues by the rest of the world include only net purchases of foreign issues by U.S. residents. Financial sector issuance is obtained mostly from individual sector balance sheets. Other financial businesses' issuance is the preferred shares issued by American International Group, Inc. to the federal government under the Troubled Asset Relief Program (TARP) and the monetary authority sector's preferred interest in American International Assurance Aurora LLC, and American Life Insurance Company Holdings LLC.

Net purchases of equities by foreigners are included in this table only if they are considered "portfolio" investment; that is, if they are purchases by a single foreign investor that will result in ownership of less than 10 percent of the outstanding equity of the issuing U.S. firm. Purchases by a single foreign investor that result in ownership of 10 percent or more of the firm's outstanding equity are considered foreign direct investment (shown on tables F.230 and L.230). Net purchases of equities by the households and nonprofit organizations sector are calculated residually.

The total value of corporate equities (table L.223) includes the market value of the shares of all corporations, both listed on exchanges and closely held. Also included is the estimated market value of the federal government's holdings of corporate equities purchased from financial businesses under TARP and from government-sponsored enterprises. Shares traded on the New York Stock Exchange, the American Stock Exchange, and the NASDAQ Stock Market account for the majority of the total value. Only the total market value of corporate equities issued by financial corporations is available. Because equities are ownership shares and included in the net worth of corporations, they are not considered liabilities of the incorporated sectors.

Memo items show the market value of publicly traded equity as well as closely held corporate equity of S corporations and C corporations. Unlike C corporations, an S corporation is a special type of corporation that elects to pass corporate income, losses, deductions, and credits through to their shareholders for federal tax purposes. There are a number of requirements that a corporation must meet to qualify for S corporation status.

Another memo item shows the percent change in the Dow Jones U.S. Total Market Index, an all-inclusive measure composed of all U.S. equity securities with readily available prices.

A March 29, 2016 FEDS Note, "Corporate Equities by Issuer in the Financial Accounts of the United States," by Richard Ogden, Damian Thomas, and Missaka Warusawitharana describes how these data are compiled and is available at <http://www.federalreserve.gov/econresdata/notes/feds-notes/2016/corporate-equities-by-issuer-in-the-financial-accounts-of-the-united-states-20160329.html>.

### **F.224, L.224: Mutual Fund Shares**

Mutual fund shares are obligations issued by mutual funds, which are investment companies that are registered with the Securities and Exchange Commission and regulated under the Investment Company Act of 1940. Mutual

funds are “open end” investment companies; that is, they are permitted to issue an unlimited number of shares and are required by law to redeem the shares at the net asset value (NAV). The NAV of each share of a mutual fund reflects the market value of the fund’s holdings less any expenses charged by the fund.

Mutual fund shares in the financial accounts exclude money market fund shares (shown on tables F.206 and L.206). Mutual fund shares are distinct from corporate equities (shown on F.223 and L.223). Thus, although some mutual funds hold corporate equities, mutual funds’ holdings of equities do not result in double counting in the financial accounts.

Mutual fund share values are determined by the market value of the underlying assets held by the funds. Mutual fund shares held by the sector for households and nonprofit organizations are calculated residually from total liabilities.

### **F.225, L.225: Trade Credit**

Trade credit and trade debt are accounts receivable and payable arising from the sale of business-related goods and services. The nonfinancial business sectors are both the largest borrowers and lenders of trade credit. Transactions by the government sectors are also significant in this instrument category. The government sectors extend trade credit in the form of prepayments to business firms for items not yet delivered. Trade payables of the sector for households and nonprofit organizations are only attributable to nonprofit organizations; balances on retail charge accounts are considered consumer credit (included on tables F.222 and L.222).

### **F.226, L.226: Life Insurance Reserves**

Life insurance reserves are funds that have been set aside to back claims against policies issued. Life insurance reserves are assets of the households and nonprofit organizations, U.S.-chartered depository institutions, and holding companies sectors and liabilities of life insurance companies and the federal government. In the financial accounts, the liability of private life insurance companies for life insurance reserves is equal to the sum of reserves for life insurance policies and reserves for supplementary contracts; the liability does not include reserves for annuities, health insurance, or policy dividend accumulations. The liability of the federal government is equal to the total assets of several U.S. government life insurance funds.

### **F.227, L.227: Pension Entitlements**

Pension entitlements are the annuities at life insurance companies and the actuarial liabilities of private pension funds, state and local government employee retirement funds, and federal government employee retirement funds. All pension entitlements are assets of the households and nonprofit organizations sector. Pension entitlements include the liabilities of both defined contribution and defined benefit pension plans. For defined contribution pension plans, pension entitlements are equal to the assets held by the pension fund. For defined benefit pension plans, pension entitlements are equal to the present value of benefits that households have accrued, whether or not the pension plan is fully funded.

The federal government defined benefit pension plans include the civil service retirement and disability fund, the Railroad Retirement Board, the judicial retirement fund, the military retirement fund, and the foreign service retirement and disability fund. The civil service retirement fund covers the Civil Service Retirement System (CSRS)—a defined benefit plan covering federal employees hired before 1984—and the Federal Employees Retirement System (FERS)—a defined benefit plan, supplemental to Social Security, for federal employees hired after 1983 and for employees formerly covered by CSRS who elected to join FERS. Federal government pension entitlements do not include the Social Security system.

The federal government defined contribution pension plans include the FERS Thrift Savings Plan and the National Railroad Retirement Investment Trust.

Individual retirement accounts (IRAs) and Keogh accounts are shown as memo items. IRAs that are invested in annuities are included in the life insurance companies’ pension entitlements liability but IRAs at depositories, money market funds, mutual funds, and other self-directed accounts are not included with pension entitlements.

For background information on actuarial liabilities of defined benefit pension plans, see Marshall Reinsdorf and David Lenze (2009), “Defined Benefit Pensions and Household Income and Wealth,” Bureau of Economic Analysis, Survey of Current Business, August, pp. 50-62, [www.bea.gov/scb/pdf/2009/08%20August/0806\\_benefits.pdf](http://www.bea.gov/scb/pdf/2009/08%20August/0806_benefits.pdf).

For life insurance companies, the liability is equal to policy reserves supporting individual and group annuities, excluding unallocated insurance contracts sold to pension funds. The unallocated contracts are miscellaneous liabilities of insurance companies and miscellaneous assets of pension funds, with corresponding obligation to future retirees recorded as a pension entitlement liability of the pension sector. Over time, these contracts are allocated to individual retirees, at which point they are no longer recorded as miscellaneous assets and liabilities, and the pension entitlement liability is transferred to the life insurance sector.

### **F.228, L.228: Taxes Payable by Businesses**

Taxes payable by businesses are taxes owed by the business sectors to federal, state, and local governments. Business sectors consist of nonfinancial and financial corporate companies and noncorporate entities. The corresponding asset for governments is taxes receivable. Taxes payable transactions are estimated as the difference from one period to the next in taxes payable reported on the balance sheets of individual sectors. Taxes receivable transactions are estimated as the difference between taxes accrued, as reported in the national income and product accounts (NIPA), and taxes received, as reported by governments. The discrepancy for this financial instrument category is the difference between taxes payable and taxes receivable; it reflects timing and reporting differences, measurement errors, and differences in estimation procedures.

### **F.229, L.229: Proprietors' Equity in Noncorporate Business**

Proprietors' equity in noncorporate business is households' ownership of nonfinancial noncorporate businesses and noncorporate security brokers and dealers. For nonfinancial noncorporate businesses, investment is calculated as the difference between sources and uses of funds; for the noncorporate security brokers and dealers, data on investment are obtained directly from regulatory reports. The level of proprietor's equity in noncorporate businesses is equal to the net worth of these companies. This instrument appears as a component of financial assets on the households and nonprofit organizations table (tables F.101, L.101, B.101, and R.101).

### **F.230, L.230: Direct Investment**

U.S. direct investment abroad is a category of cross-border investment where a U.S. resident has control of or a significant degree of influence on the management of a company abroad. The U.S. resident is considered to have control if he or she owns more than 50 percent of the voting power in the direct investment enterprise. Owning between 10 and 50 percent is considered a significant degree of influence. U.S. investment in a foreign company of less than 10 percent is considered portfolio investment and is counted as a U.S. purchase of foreign corporate equities (shown on tables F.223 and L.223). Equity, reinvested earnings and intercompany accounts detail for U.S. direct investment abroad is also shown. Direct investment debt positions between affiliated enterprises is considered intercompany lending.

Foreign direct investment in the United States is a category of cross-border investment where a foreign resident has control of or a significant degree of influence on the management of a U.S. company. The 10 percent threshold that distinguishes direct investment from portfolio investment for U.S. direct investment abroad also applies to foreign direct investment in the United States. Equity, reinvested earnings and intercompany accounts detail for foreign direct investment in the United States is also shown. Direct investment debt positions between affiliated enterprises is considered intercompany lending.

Direct investment data are shown on a directional basis.

Direct investment transactions and levels are reported at market value both in total and by sector. The table further shows the breakdown between equity and intercompany debt both in total and by sector.

An October 31, 2014 FEDS Note, "Measuring Direct Investment in the Financial Accounts of the United States" by Priya Punatar and Youngsuk Yook, describes recent changes in the treatment of this instrument category in more detail. The note is available at [www.federalreserve.gov/econresdata/notes/feds-notes/2014/measuring-direct-investment-in-the-financial-accounts-of-the-united-states-20141031.html](http://www.federalreserve.gov/econresdata/notes/feds-notes/2014/measuring-direct-investment-in-the-financial-accounts-of-the-united-states-20141031.html).

### **F.231, L.231: Total Miscellaneous Financial Claims**

Total miscellaneous financial claims are the sum of identified miscellaneous financial claims (tables F.232 and L.232 and tables F.233 and L.233) and unidentified miscellaneous financial claims (tables F.234 and L.234).

### **F.232, L.232: Identified Miscellaneous Financial Claims-Part I**

Identified miscellaneous financial claims include an assortment of asset and liability instruments. Part I includes equity-type investments that are not treated as separate instrument categories; these investments are explained further below.

1. Equity in the International Bank for Reconstruction and Development (part of the World Bank) and other international organizations represent the capital subscriptions of the federal government to these organizations. This series excludes the U.S. position in the International Monetary Fund, which is recorded as part of U.S. official reserve assets (shown on tables F.200 and L.200).
2. Federal Reserve Bank stock is the equity held by the U.S.-chartered depository institutions sector in the 12 Federal Reserve Banks. Under the Federal Reserve Board's Regulation I, to become a member of the Federal Reserve System, a depository institution must subscribe to stock equal to 6 percent of its capital and surplus. This stock does not carry the control and financial interest conveyed to holders of common stock; Federal Reserve stock may not be sold or pledged as collateral for loans.
3. Equity in government-sponsored enterprises is equity ownership in the Federal National Mortgage Association (Fannie Mae), the Farm Credit System, and the Federal Home Loan Banks held by other sectors. Firms that take advantage of the credit-provision programs of some of the enterprises are required to own stock in them. The federal government formerly held equity investments in the Federal Land Banks, retired in 1947; in Federal Home Loan Banks, retired in 1951; and in Banks for Cooperatives, Federal Intermediate Credit Banks, and Fannie Mae, all retired in 1968. Federal Land Banks, Banks for Cooperatives, and Federal Intermediate Credit Banks are now part of the Farm Credit System. Nonfinancial corporate businesses also held equity in Fannie Mae until 1969.
4. Holding companies' net transactions with affiliates is the equity ownership of holding company parents in U.S.-chartered depository institutions, property-casualty insurance companies, life insurance companies, finance companies, security brokers and dealers, and foreign affiliates (rest of world sector), as well as net balances with these affiliates or related depository institutions.
5. Nonfinancial corporations' investment in finance company affiliates is the acquisition of equity ownership by such corporations in their finance company affiliates. Among the companies are the "captive" subsidiaries of motor vehicle manufacturers and the credit subsidiaries of major retailers.
6. Other financial businesses' investment in affiliated companies involves the raising of funds in the commercial paper and corporate bond markets for foreign banking offices in the United States and security brokers and dealers.
7. Equity investment under the Public-Private Investment Program (PPIP) is the Federal government's and private investors' equal equity contribution to the Public-Private Investment Funds (PPIFs). In the financial accounts, PPIFs are included in the other financial business sector, and the private investors, which include financial institutions such as domestic hedge funds, are recorded as part of the household sector. Under the PPIP, the Treasury matches private equity and debt investments in the PPIFs. The funds then purchase troubled legacy assets related to the residential and commercial mortgage markets. These legacy assets include both real estate loans held directly on the books of banks and securities backed by mortgage loan portfolios.
8. Federal government investment in Federal Reserve facilities: in response to COVID-19, the U.S. Treasury made investments through the Exchange Stabilization Fund in five funding, credit and liquidity facility SPVs (CCF, MSLP, TALF, MLF, and CPFF) classified in the other financial business sector and the Money Market Mutual Fund Liquidity Facility (MMLF) in the monetary authority sector.

### **F.233, L.233: Identified Miscellaneous Financial Claims-Part II**

Identified miscellaneous claims include an assortment of asset and liability instruments. Part II includes items that individually appear on the balance sheets of only a few sectors and are therefore not treated as separate instrument categories. Those items are further explained below.

1. Nonofficial foreign currency holdings are assets of the federal government and monetary authority sectors and liabilities of the rest of the world sector. Official foreign currency holdings, which are included in U.S. official reserve assets, are excluded here (shown on tables F.200 and L.200). Holdings by the monetary authority sector are reciprocal currency arrangements (swap lines) with foreign central banks.
2. Postal Savings System deposits are liabilities of the Postal Savings System, which was established by congressional mandate in 1910. Through the system, individuals were able to establish and contribute to savings accounts at local post offices. The system was closed by statute in 1966, and the federal government liability for outstanding deposits was discontinued in the third quarter of 1985.
3. Deposits at Federal Home Loan Banks are deposits held by U.S.-chartered depository institutions at the Federal Home Loan Banks, which are part of the sector for government-sponsored enterprises.
4. Beginning 2020:Q2, Paycheck Protection Program (PPP) payable liabilities of the federal government and PPP receivable assets of the household and nonprofit organizations, nonfinancial corporate business, nonfinancial noncorporate business, and finance companies sectors were added in order to align Financial Accounts treatment with the National Income and Product Accounts (NIPA) accrual treatment of PPP loan forgiveness subsidies to businesses and current transfers to nonprofit institutions serving households (NPISH).
5. Funding agreements backing securities are deposit-type insurance contracts purchased by issuers of asset-backed securities (ABS) from life insurance companies. These funding agreements are used as collateral for new funding agreement-backed securities (FABS) issued by the ABS issuers. In the financial accounts, only funding agreements that back FABS issued domestically are separately identified. Funding agreements purchased by foreign special purpose vehicles are included in foreign direct investment in the U.S.
6. Deferred and unpaid life insurance premiums are the assets reported by life insurance companies as deferred and uncollected premiums. In the financial accounts, they are a liability of the sector for households and nonprofit organizations.
7. Life insurance company reserves are reserves set aside by life insurance companies, other than life insurance or pension fund reserves, to cover accident and health policies, policyholders' dividend and coupon accumulations and dividends, and contract claims. In the financial accounts, these liabilities are assets of the sector for households and nonprofit organizations.
8. Policy payables are liabilities of property-casualty insurance companies for unearned premium reserves, reserves for incurred claims, and reserves for loss-adjustment expenses. In the financial accounts, these liabilities are assets of the sectors for households and nonprofit organizations, nonfinancial corporate business and nonfinancial noncorporate business.
9. Unallocated insurance contracts are annuities and guaranteed investment contracts sold by life insurance companies to pension funds. They are miscellaneous liabilities of insurance companies and miscellaneous assets of pension funds, with corresponding obligation to future retirees recorded as a pension entitlement liability of the pension sector. Over time, these contracts are allocated to individual retirees, at which point they are no longer recorded as miscellaneous assets and liabilities, and the pension entitlement liability is transferred to the life insurance sector.
10. Pension fund contributions payable are employer contributions owed to pension funds by the sector for nonfinancial corporate business.
11. Securities borrowed (net) are liabilities of the other financial business sector to the security brokers and dealers sector for cash collateral when security dealers borrow (and lend) securities to cover short sales or delivery failure. As part of the borrowing transactions, the dealers provide cash collateral, which is held in custodial accounts (part of the other financial business sector) until they return the borrowed securities. The value of the collateral is assumed to be equal to the value of securities borrowed less the value of securities lent.



12. Retiree health-care funds include the Uniform Services Retiree Health Care Fund and the Postal Service Retiree Health Benefits Fund, which are liabilities of the federal government sector and assets of the household and nonprofit sector for retiree health-care benefits.
13. Claims of pension fund on sponsor are the unfunded portion of the private pension funds, federal government retirement funds, and the state and local government retirement funds. These represent claims the pension funds have on the nonfinancial corporate business, federal government, and state and local governments sectors who are the sponsors of the funds.

### **F.234, L.234: Unidentified Miscellaneous Financial Claims**

For many sectors, unidentified miscellaneous financial claims are determined indirectly as the residual after the individual "identified" asset or liability items for the sector (which appear on other instrument tables) have been subtracted from the sector's total assets or liabilities. For other sectors, the amount of such claims is obtained directly as the total amount reported by original sources as "other" assets or liabilities.

In most cases, the nature of the items in this category is truly unidentified. In some cases, however, items that are identified separately in original documents are included here because the items are not significant enough from an analytical viewpoint to be classified as individual transaction categories.

### **F.7: Sector Discrepancies**

This table presents the discrepancies for all sectors in the accounts for which a discrepancy is shown. A sector discrepancy is the difference between a particular sector's gross saving less net capital transfers paid and its gross investment. It is also equal to the difference between a sector's total sources of funds (nonfinancial sources, or saving out of income, plus liabilities and equity) and its total uses of funds (acquisition of tangible and financial assets); as a balancing item, a discrepancy is considered a use of funds.

A discrepancy may arise from differences in the timing or reporting of data obtained from different sources, measurement errors, or other inconsistencies. It is often viewed as an indicator of the quality or completeness of the data. However, the existence of discrepancies is generally seen as inevitable in the preparation of aggregate economic data. Frequently, large quarterly movements in discrepancies cancel out when the data are presented on an annual basis. The total sector discrepancy equals the total instrument discrepancy, shown on table F.8.

### **F.8: Instrument Discrepancies**

This table presents the discrepancies for all instruments in the accounts for which a discrepancy is shown. An instrument discrepancy is the difference between the total borrowing of funds by all sectors through a particular financial instrument and the total lending of funds through the same instrument. It is considered a use of funds that balances total borrowing and total lending.

A discrepancy is shown for the following financial instruments: Treasury currency, foreign deposits, net interbank transactions, federal funds and security repurchase agreements, mail floats, trade credit, taxes payable, and miscellaneous items. Also shown is the nonfinancial discrepancy, which consists of the statistical discrepancy from the national income and product accounts, private wage accruals less disbursements, and contributions for government social insurance from U.S. affiliated areas. No discrepancies exist for financial instruments not listed earlier in this paragraph, because one sector is assumed to be the residual lender (often the households and nonprofit organizations sector) or borrower.

A discrepancy may arise from differences in the timing or reporting of data obtained from different sources, measurement errors, or other inconsistencies, and is often viewed as an indicator of the quality or completeness of the data. The existence of discrepancies, however, is generally seen as inevitable in the preparation of aggregate economic data. Frequently, large quarterly movements in discrepancies cancel out when the data are presented on an annual basis. The total instrument discrepancy equals the total sector discrepancy, as shown on table F.7.

## Balance Sheet and Changes in Net Worth

### B.101: Balance Sheet of Households and Nonprofit Organizations

This table presents the entire balance sheet of the households and nonprofit organizations sector (see table B.101.n for a description of the sector). In contrast to table L.101, the balance sheet includes nonfinancial assets and net worth.

Nonfinancial assets include owner-occupied real estate, as well as commercial real estate, equipment and intellectual property products owned by nonprofit organizations, and consumer durable goods. In addition to primary residences, owner-occupied real estate includes farm houses, mobile homes, second homes that are not rented, vacant homes for sale, and vacant land. Real estate is recorded at market value, while other nonfinancial assets are recorded at replacement (current) cost.

Assets held in Individual Retirement Accounts (IRAs) and assets held in 529 College Plans are identified as separate memo items. Both are included in the assets shown on the household balance sheet. Section 529 plans are formally known as “qualified tuition programs” and they are generally administered by states. There are two types of 529 college plans: the prepaid tuition plans (tuition credits are purchased for the beneficiary) and college savings plans (contributions are made to an investment account and distributions are used for qualified educational expenses). Both are presented as separate memo sub-items. A December 18, 2016 FEDS Note, “Introducing Section 529 Plans into the U.S. Financial Accounts and Enhanced Financial Accounts,” by Madeline McCullers and Irina Stefanescu describes these data in more detail and is available at <http://www.federalreserve.gov/econresdata/notes/feds-notes/2015/introducing-section-529-plans-into-the-us-financial-accounts-and-enhanced-financial-accounts-20151218.html>.

A memo item shows the structure components of real estate at replacement cost. Also presented as memo items are household net worth as a percentage of disposable personal income, owners’-equity in household real estate, and owners’-equity as a percentage of household real estate.

### R.101: Change in Net Worth of Households and Nonprofit Organizations

This table presents a decomposition of the change in the net worth of households and nonprofit organizations (shown on table B.101). For a description of this sector, see tables F.101 or L.101. The change in net worth is equal to the sum of net investment, net holding gains on assets, and other volume changes.

Net investment is equal to capital expenditures less consumption of fixed capital and net lending (+) or borrowing (-) in the financial accounts. Net holding gains on nonfinancial assets (real estate, equipment, intellectual property products, and consumer durable goods) and financial assets (debt securities, corporate equities, mutual fund shares, life insurance reserves, pension entitlements, equity in noncorporate business, equity investment under the Public-Private Investment Program, and other financial assets) reflect the change in market value of these assets. Other volume changes consist of statistical discontinuities, disaster-related losses to fixed assets, and the difference between series for consumption of fixed assets published by the Bureau of Economic Analysis.

### B.103: Balance Sheet of Nonfinancial Corporate Business

This table presents the entire balance sheet of the nonfinancial corporate business sector (see table F.103 or L.103 for a description of the sector). In contrast to table L.103, the balance sheet includes nonfinancial assets and net worth.

Nonfinancial assets include real estate, equipment and software, and inventories. Real estate is recorded at market value, while other nonfinancial assets are recorded at replacement (current) cost. Memo items show total corporate equities outstanding at market value, detail for public and private issues, foreign direct investment: equity, and three ratios: equities to net worth, debt to equities, and debt to net worth. Additional memo items show the structure components of real estate at replacement cost and nonfinancial assets at historical cost.

### R.103: Change in Net Worth of Nonfinancial Corporate Business

This table presents a decomposition of the change in the net worth of nonfinancial corporate businesses (shown on table B.103). For a description of this sector, see tables F.103 or L.103. The change in net worth is equal to the sum of net investment, net holding gains on assets less liabilities, and other volume changes.

Net investment is equal to net physical investment, net lending (+) or borrowing (-), net corporate equity issues, and equity foreign direct investment transactions. Net physical investment is capital expenditures excluding consumption of fixed capital and inventory valuation adjustment. Net lending (+) or borrowing (-) is equal to the difference between net acquisition of financial assets and net increase in liabilities and equity. Because the change in net worth is computed as assets less liabilities (excluding equity), transactions of equity components must be added back in to net investment to offset the differencing of equity in the calculation of net lending (+) or borrowing (-).

Holding gains on nonfinancial assets (real estate, equipment, intellectual property products, and inventories), financial assets (debt securities, corporate equities, mutual fund shares, and U.S. direct investment abroad), and liabilities (foreign direct investment: intercompany debt, claims of pension fund on sponsor, and miscellaneous liabilities) reflect the change in market value of these instruments. Other volume changes consist of statistical discontinuities and disaster-related losses to fixed assets.

### **B.104: Balance Sheet of Nonfinancial Noncorporate Business**

This table presents the entire balance sheet of the nonfinancial noncorporate business sector (see table F.104 or L.104 for a description of the sector). In contrast to table L.104, the balance sheet includes nonfinancial assets and net worth.

Nonfinancial assets include real estate, equipment and software, and inventories. Real estate is recorded at market value while other nonfinancial assets are recorded at replacement (current) cost. A memo item shows the structure components of real estate at replacement cost. Debt to net worth is also presented as a memo item.

### **R.104: Change in Net Worth of Nonfinancial Noncorporate Business**

This table presents a decomposition of the change in the net worth of nonfinancial noncorporate businesses (shown on table B.104). For a description of this sector, see tables F.104 or L.104. The change in net worth is equal to the sum of net capital transfers paid, net investment, net holding gains on assets less liabilities, and other volume changes.

Net investment is equal to net physical investment, net lending (+) or borrowing (-) in the financial accounts, proprietor's net investment, and equity foreign direct investment transactions. Net physical investment is capital expenditures excluding consumption of fixed capital. Net lending (+) or borrowing (-) is equal to the difference between net acquisition of financial assets and net increase in liabilities and equity.

Net holding gains on nonfinancial assets (residential and nonresidential real estate, residential and nonresidential equipment, intellectual property products, and inventories) and liabilities (foreign direct investment: intercompany debt) reflect the change in market value of these instruments. Other volume changes consists of statistical discontinuities and disaster-related losses to fixed assets.

## **Supplementary Tables**

### **B.101.e: Balance Sheet of Households and Nonprofit Organizations with Debt and Equity Holdings Detail**

This table is an alternative presentation of the balance sheet of households and nonprofit organizations (see table B.101). It highlights the household sector's exposure to debt and equity markets by showing both directly and indirectly held debt securities and equity shares. Indirectly held debt securities and equity shares are those held by households through defined contribution pension funds, variable life and annuity policies at life insurance companies, and mutual funds. Debt securities and equity shares held by defined benefit plans are not included in indirectly held debt and equity, as benefits accrued under defined benefit pension plans do not vary with the value of the assets backing those liabilities. Note: Indirectly held debt and equity do not include all mutual fund shares; rather, it includes only mutual fund shares invested in debt securities and corporate equities.

A memo item shows total debt securities and equity shares held by households as a percent of total assets and as a percent of financial assets.

### **B.101.f: Balance Sheet of Domestic Hedge Funds**

The Balance Sheet of Domestic Hedge Funds supplementary table shows assets and liabilities of U.S. domiciled hedge funds.

Hedge funds are private funds that pool investors' money and invest in a wide range of assets. Private funds are excluded from the definition of investment company under the Investment Company Act of 1940 by section 3(c)(1) or 3(c)(7) of that Act, and are therefore not subject to some regulations intended to protect investors. Hedge funds typically require a high minimum investment and are only open to accredited investors, such as wealthy individuals and institutional investors, for example, pension funds and insurance companies. Hedge funds typically have more flexible investment strategies than mutual funds and often employ leverage. Hedge funds hold a wide variety of asset types which can include derivatives, currencies, and real estate, in addition to equities and fixed income instruments. Investors in hedge funds can face limitations on redemptions of shares, which differs from the daily redemption requirements of mutual funds.

This table reports data for U.S. domiciled hedge funds only. Hedge funds that file Form PF but are domiciled abroad are considered foreign entities for national accounting purposes. In the Financial Accounts, they are included in the rest of the world sector.

Domestic hedge funds shown on the table are those that file Form PF and also report the U.S. as the domicile of the fund on Form ADV. Hedge funds that have investment advisors that are registered or are required to register with the Securities and Exchange Commission (SEC), manage one or more private funds, or have at least \$150 million in private fund assets under management must file Form PF. Smaller hedge funds file Form PF annually while qualifying hedge funds of at least \$500 million must file quarterly and report more detail on their assets and liabilities. Hedge funds' investment advisors must also file the SEC's Form ADV, which has information on the domicile of private funds managed by investment advisers. Financial Accounts data on hedge funds begin 2012:Q4.

Note, the domestic hedge fund table is a standalone supplementary table. The hedge fund sector has not yet been fully incorporated in the Financial Accounts matrix, and thus, assets and liabilities of hedge funds have not yet been removed from other sectors in the Financial Accounts. In particular, most asset holdings of domestic hedge funds are included residually on the household balance sheet.

### **B.101.h: Balance Sheet of Households**

This supplementary table presents the entire balance sheet of the household sector. In the financial accounts, households are included as part of the household and nonprofit organizations sector (shown on tables F.101, L.101, B.101, and R.101). The data for the households sector is constructed by subtracting the respective asset holdings and liabilities of the nonprofit sector (shown on table B.101.n) from the broader households and nonprofit organizations sector (shown on table B.101), with some adjustments.

The memo section of the table shows how the supplementary, separate measures of households and nonprofit organizations assets and liabilities can be reconciled with the measures for the combined household and nonprofit organizations sector as presented in the core financial accounts (table B.101). In particular, nonprofit organizations' miscellaneous assets and liabilities are not included on table B.101, but are shown on the supplementary balance sheet for nonprofit organizations (table B.101.n). Also, nonprofit organizations' other loans receivable, excluding syndicated loans, are not included on table B.101 but are included on the nonprofit organizations balance sheet (table B.101.n).

### **B.101.n: Balance Sheet of Nonprofit Organizations**

This supplementary table presents the entire balance sheet of the nonprofit organizations sector. In the financial accounts, nonprofit organizations are included as part of the household and nonprofit organizations sector (shown on tables F.101, L.101, B.101, and R.101).

Nonfinancial assets include real estate, equipment, and intellectual property products. The data on equipment and intellectual property products and the structures data underlying the real estate measure are derived from the Bureau of Economic Analysis's Fixed Asset data. Real estate is recorded at market value, while other nonfinancial assets are recorded at replacement (current) cost.

Financial assets and liabilities data are obtained from informational tax returns filed annually with the Internal Revenue Service (IRS). Nonprofit organizations exempt from federal income tax under sections 501(c)(3)-(9) file

form 990 with the IRS; these organizations include educational, charitable, scientific, or literary organizations; hospitals; civic and business leagues; and social and recreational clubs (among others). Also included in the sector are private foundations and charitable trusts, which both file IRS form 990-PF. While 501(c)(3)-(9) organizations and private foundations and charitable trusts are combined on this table, separate underlying series are available. Memo items show the total financial assets of 501(c)(3)-(9) organizations and private foundations and charitable trusts separately. Religious organizations and other institutions with less than \$25,000 in annual gross receipts are not required to file with the IRS and are therefore excluded from this table.

Nonprofit organizations' holdings of debt securities and corporate equities and mutual fund shares are reported at fair market value. Other financial assets and liabilities are recorded at book value.

#### **F.4.c: Consumption of Fixed Capital**

The fixed assets tables represent a series of tables that relate the formation, consumption, net investment and current value stock of fixed assets primarily from BEA's national income and product account (NIPA) and BEA's Fixed Assets Account (FAA).

Consumption of fixed capital is the depreciation in a fixed assets as a result of physical deterioration, normal obsolescence or normal accidental damage. Infrequent losses due to war or to major natural disasters are not included.

Private consumption of fixed assets is national income and product account (NIPA) tables 5.2.5 with type detail based Fixed Assets table 2.4 and sectoring detail based on Fixed Assets estimate table 6.4. Federal and state and local government consumption of fixed assets type based on Fixed Assets table 7.3.

Domestic financial subsector detail is based on FRB staff estimates according the NAICS sectoring described in the F.4.G: Gross Fixed Investment table description.

Unshown government sector adjustment (FA316300095) represents residual difference between national income and product account NIPA and Fixed Asset Accounts (FAA) for federal government's consumption of fixed capital (CFC) and might cause small differences between aggregate and details for CFC by type.

Prior to 1988, table detail does not sum to the aggregate due to not shown financial business sector adjustment (FA796330095). This adjustment reflects differences between the NIPA estimate and Fixed Assets estimates.

#### **F.4.f: Net Fixed Investment**

The fixed assets tables represent a series of tables that relate the formation, consumption, net investment and current value stock of fixed assets primarily from BEA's national income and product account (NIPA) and BEA's Fixed Assets Account (FAA).

This table represents net fixed asset formation with net fixed investment equal to gross fixed investment (F.4.G: Gross Fixed Investment) minus consumption of fixed capital (F.4.C: Consumption of Fixed Capital).

Domestic financial subsector detail is based on FRB staff estimates according the NAICS sectoring described in the F.4.G: Gross Fixed Investment table description.

Unshown government sector adjustment (FA365015095) represents residual difference between national income and product account NIPA and Fixed Asset Accounts (FAA) for federal government's consumption of fixed capital (CFC) and might cause small differences between aggregate and details for CFC by type.

Prior to 1988, table detail does not sum to the aggregate due to not shown financial business sector adjustment (FA795015095). This adjustment reflects differences between the NIPA estimate and Fixed Assets estimates.

#### **F.4.g: Gross Fixed Investment**

The fixed assets tables represent a series of tables that relate the formation, consumption, net investment and current value stock of fixed assets primarily from BEA's national income and product account (NIPA) and BEA's Fixed Assets Account (FAA).

Gross fixed investment is current investment expenditures for new fixed assets. Fixed capital investment includes tangible structures and equipment and, intangible intellectual property products, software, research and development and, entertainment, literary and artistic originals.

Private gross fixed investment by type is based on national income and product account (NIPA) 5.2.5, 5.4.5 (structures), 5.5.5 (equipment), and 5.6.5 (intellectual property products). Private sector sectoring detail is based

on Fixed Assets tables 3.7E (equipment), 3.7I (intellectual property), 3.7S (structures). Federal and state and local government fixed investment is based on NIPA table 3.9.5.

Domestic financial subsector detail is based on FRB staff estimates with the sectors corresponding to the following NAICS classifications: U.S.-chartered depository institutions, Foreign banking offices in U.S., Banks in U.S.-affiliated areas, Credit Unions sum to NAICS 5221 and 5223 with NAICS 5223 being allocated to the U.S.-chartered depository institutions sector; Property-casualty insurance companies and life insurance companies summing to NAICS 5241, 5242, 5243; Private pensions and State and local government employee retirement funds sum to NAICS 5250; Government-sponsored enterprises, ABS issuers, and Finance companies sum to NAICS 5229; REITS sum to NAICS 531B; Security brokers and dealers sum to 5230; Holding companies sum to NAICS 5500.

#### **L.4.s: Net Stocks of Fixed Assets, current cost**

The fixed assets tables represent a series of tables that relate the formation, consumption, net investment and current value stock of fixed assets primarily from BEA's national income and product account (NIPA) and BEA's Fixed Assets Account (FAA).

Net stocks, current cost represents the total stock at current value of fixed assets in the U.S. economy and represents the prior period value plus net fixed investment (F.4.F: Net Fixed Investment) plus revaluations and other changes in volume.

Domestic financial subsector detail is based on FRB staff estimates according the NAICS sectoring described in the F.4.G: Gross Fixed Investment table description.

## **Integrated Macroeconomic Accounts for the United States**

### **S.1.a: Total Economy - Current Account**

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the financial accounts to changes in net worth calculated from the balance sheet (see table S.2.A for more information). These accounts are based on international guidelines and terminology spelled out in the System of National Accounts 2008. For more detail on these accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead (2007), "Integrated Macroeconomic Accounts for the United States," Bureau of Economic Analysis, Survey of Current Business, February, pp. 14-31, [www.bea.gov/scb/pdf/2007/02%20February/0207\\_macro\\_accts.pdf](http://www.bea.gov/scb/pdf/2007/02%20February/0207_macro_accts.pdf).

This table shows the current account for the total domestic economy, which is a summation of individual sector tables shown in the integrated macroeconomic accounts (tables S.3.a through S.8.a). All current account data are from the NIPA.

### **S.2.a: Selected Aggregates for Total Economy and Sectors**

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the financial accounts to changes in net worth calculated from the balance sheet. These accounts are based on international guidelines and terminology spelled out in the System of National Accounts 2008. For more detail on these accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead (2007), "Integrated Macroeconomic Accounts for the United States," Bureau of Economic Analysis, Survey of Current Business, February, pp. 14-31, [www.bea.gov/scb/pdf/2007/02%20February/0207\\_macro\\_accts.pdf](http://www.bea.gov/scb/pdf/2007/02%20February/0207_macro_accts.pdf). Also, see Marco Cagetti, Elizabeth Ball Holmquist, Lisa Lynn, Susan Hume McIntosh, and David Wasshausen (2012), "The Integrated Macroeconomic Accounts of the United States," FEDS working paper 2012-82, [www.federalreserve.gov/publications](http://www.federalreserve.gov/publications).

The sequence of accounts for each sector begins with an opening balance sheet, which records the value of assets, liabilities, and net worth. The balance sheet is followed by a sequence of current accounts that show the contribution made by the sector to gross domestic product, both in terms of the goods and services produced and in the cost incurred during production, and how net income generated from current production and received by the sector is used to finance consumption and savings.

The current account is followed by two accumulation accounts that separately derive a measure of the net lending (+) or net borrowing (-) position of the sector. The first, a capital account (NIPA-based) measure, derives net lending (+) or net borrowing (-) by subtracting fixed net capital formation from net saving that has been carried forward from the current account, less net capital transfers. The second, a financial account based measure, derives net lending (+) or net borrowing (-) by subtracting the net incurrence in liabilities from the net acquisition of financial assets. In principle, these two measures of net lending (+) or net borrowing (-) should be the same. However, the values are never equal because of differences in source data, timing of recorded transactions, and other statistical differences between data used to create the measures.

The capital and financial accounts are followed by two additional accumulation accounts. The first, an “other changes in volume” account, records changes in net worth that are unrelated to current production or asset revaluation, such as changes due to catastrophic losses, and statistical breaks due to substantive changes in sector coverage or details available in key source data. The statistical discrepancy is a component of the other changes in volume in these accounts. The second, a revaluation account, records changes in values of assets and liabilities that result from changes in their market price.

The sum of fixed investment, net lending (+) or net borrowing (-) in the capital account, and other changes in net worth from the other changes in volume and revaluation accounts fully explains the total change in net worth for the sector, which in turn provides the next opening balance sheet position.

This table shows the aggregates for the major components of the integrated macroeconomic accounts for each sector and the total economy, which is a summation of the individual sectors' components (tables S.3.a through S.8.a).

### **S.3.a: Households and Nonprofit Institutions Serving Households**

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the financial accounts to changes in net worth calculated from the balance sheet (see table S.2.A for more information). These accounts are based on international guidelines and terminology spelled out in the System of National Accounts 2008. For more detail on these accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead (2007), “Integrated Macroeconomic Accounts for the United States,” Bureau of Economic Analysis, Survey of Current Business, February, pp. 14-31, [www.bea.gov/scb/pdf/2007/02%20February/0207\\_macro\\_accts.pdf](http://www.bea.gov/scb/pdf/2007/02%20February/0207_macro_accts.pdf).

The integrated accounts for households and nonprofit institutions serving households cover the same institutions that are included in the sectors for the NIPA's households and institutions and the financial accounts' households and nonprofit organizations (see table F.101 or L.101 for a description of this sector); however, the treatment of a few items on this table is worth noting.

First, purchases of consumer durable goods are excluded from fixed investment, which is consistent with their treatment in the NIPAs and the SNA but not in the financial accounts. However, net investment in consumer durable goods is included in the “other changes in volume” account, which allows such goods to be recorded on the balance sheet for the household sector while still maintaining consistency with the SNA's exclusion of durables from fixed investment.

Second, the net lending or net borrowing measure that is used in the calculation of net worth is from the capital account rather than from the financial account. The statistical discrepancy between the capital account and the financial account enters the calculation of the change in net worth through the account regarding other changes in volume to bring the measure in line with what is reported in the financial accounts.

Finally, land and structures are not shown separately on the balance sheet and in the revaluation account; rather only total real estate is shown in contrast to the SNA recommendation.

Note: In theory, the difference between a sector's net savings less net capital transfers paid in the capital account (NIPA) equals net savings in the financial account. In practice, however, for the household sector there are a few differences. In contrast to the capital account, the financial account measure includes consumer durable goods, federal government life insurance reserves, and pension fund reserves of the Railroad Retirement Board and the National Railroad Retirement Investment Trust, and excludes wage accruals less disbursements. With the exception of consumer durables, the sum of these adjustments and the sector's statistical discrepancy constitute most of the difference between net lending or net borrowing in the capital and financial accounts.

### S.4.a: Nonfinancial Noncorporate Business

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the Financial Accounts to changes in net worth calculated from the balance sheet (see table S.2.A for more information). These accounts are based on international guidelines and terminology spelled out in the System of National Accounts 2008. For more detail on these accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead (2007), "Integrated Macroeconomic Accounts for the United States," Bureau of Economic Analysis, Survey of Current Business, February, pp. 14-31, [www.bea.gov/scb/pdf/2007/02%20February/0207\\_macro\\_accts.pdf](http://www.bea.gov/scb/pdf/2007/02%20February/0207_macro_accts.pdf).

The integrated accounts for nonfinancial noncorporate businesses cover institutions that are part of the NIPA's domestic business sector and is consistent with the nonfinancial noncorporate business sector in the Financial Accounts (see table F.104 or L.104 for a description of this sector).

This table contains a few noteworthy features:

1. In the current account, all income generated less expenses is paid out to households; therefore, net saving of this sector is zero.
2. In the financial account, the value of equity in noncorporate business is residually determined as the amount that is necessary to bring net borrowing from the financial account into alignment with net borrowing from the capital account. As a result, there is no statistical discrepancy between the borrowing measures to appear in the "other changes in volume" account.

### S.5.a: Nonfinancial Corporate Business

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the financial accounts to changes in net worth calculated from the balance sheet (see table S.2.A for more information). These accounts are based on international guidelines and terminology spelled out in the System of National Accounts 2008. For more detail on these accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead (2007), "Integrated Macroeconomic Accounts for the United States," Bureau of Economic Analysis, Survey of Current Business, February, pp. 14-31, [www.bea.gov/scb/pdf/2007/02%20February/0207\\_macro\\_accts.pdf](http://www.bea.gov/scb/pdf/2007/02%20February/0207_macro_accts.pdf).

The integrated accounts for nonfinancial corporate business cover the same nonfinancial institutions that are classified into the corporate sector in the NIPAs is consistent with the financial accounts' nonfinancial corporate business sector (see table F.103 or L.103 for a description of this sector).

This table contains several noteworthy features:

1. Undistributed corporate profits in the NIPAs are called net saving on this table. Net saving is equal to the SNA concept of disposable income because corporations have no final consumption expenditures.
2. Total nonfinancial assets on the balance sheet do not include the stocks of nonproduced nonfinancial assets, but the transactions associated with the net acquisition of such assets are included in the capital account.
3. Some of the financial activities of corporate subsidiaries are included in the current and capital accounts for this sector because NIPA data are largely based on consolidated tax return data, where sectoring is based on the predominant form of business. The financial account, however, uses survey and regulatory data to effectively split financial subsidiaries from consolidated returns of parent corporations that are primarily engaged in nonfinancial activities. This difference in the treatment of financial subsidiaries contributes to the statistical discrepancy.
4. The market value of corporate equity is shown as a liability on the balance sheet following SNA guidelines in contrast to the treatment in the financial accounts where the market value of corporate equities is excluded from balance sheet liabilities. Thus, in the financial accounts, net worth is the market (or replacement) value of assets less liabilities excluding equity capital. This measure of net worth is sometimes compared with the market value of shares for nonfinancial corporate businesses.

Note: Equity real estate investment trusts (REITs) are included in the financial business sector (table S.6.a).



### S.6.a: Financial Business

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the financial accounts to changes in net worth calculated from the balance sheet (see table S.2.A for more information). These accounts are based on international guidelines and terminology spelled out in the System of National Accounts 2008. For more detail on these accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead (2007), "Integrated Macroeconomic Accounts for the United States," Bureau of Economic Analysis, Survey of Current Business, February, pp. 14-31, [www.bea.gov/scb/pdf/2007/02%20February/0207\\_macro\\_accts.pdf](http://www.bea.gov/scb/pdf/2007/02%20February/0207_macro_accts.pdf).

The integrated accounts for financial business cover the same institutions that are included in the NIPA's financial corporate business sector and the financial sole proprietorships and partnerships that are excluded from the NIPA corporate sector. In addition, this table is consistent with the summation of financial accounts' monetary authority, private depository institutions, insurance companies, pension funds, and all other domestic financial business sectors (see tables F.109 through F.132 or L.109 through L.132 for a description of these sectors).

This table contains a few noteworthy features:

1. This sector represents the aggregation of all financial business subsectors, not a consolidation; thus, the same financial instrument can appear as both an asset and a liability.
2. Total nonfinancial assets on the balance sheet include only the replacement costs of structures as well as equipment and software. The value of land is not included.
3. The market value of corporate equity is shown as a liability on the balance sheet following SNA guidelines, in contrast to the treatment in the financial accounts where the market value of corporate equities is excluded from balance sheet liabilities. Thus, in the financial accounts, net worth is the market (or replacement) value of assets, less liabilities excluding equity capital.

Note: In theory, the difference between a sector's net savings less net capital transfers paid in the capital account (NIPA) equals net savings in the financial account. In practice, however, there is a difference for the financial business sector. Specifically, NIPA treats payments made to financial corporations from the federal government under the financial stabilization program as capital transfers, whereas these capital transfers are considered capital losses in the financial accounts.

### S.61.a: Central Bank

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the Financial Accounts of the United States to changes in net worth calculated from the balance sheet. See the table description for table S.2.A for more information.

This sector is equivalent to the monetary authority sector in the Financial Accounts of the United States. The sector includes the 12 Federal Reserve Banks and their subsidiary offices (but not the Board of Governors of the Federal Reserve System). The financial assets and liabilities also include certain monetary accounts of the U.S. Treasury: monetary gold stock; the special drawing rights certificate account; and Treasury currency, which consists of standard silver dollars, fractional coin, national bank notes, and currency items in the process of retirement. These Treasury accounts are excluded from the assets and liabilities of the U.S. federal government sector.

Total nonfinancial assets on the balance sheet include only the replacement cost of structures as well as equipment and intellectual property products. The value of land is not included.

The current and capital accounts for this sector are based on new prototype estimates from the Bureau of Economic Analysis. These estimates are generally not available in the published NIPA, which provide statistics for the financial sector at a more aggregate level. For more detail on these estimates, see Robert J. Kornfeld, Lisa Lynn, and Takashi Yamashita (2016), "Expanding the Integrated Macroeconomic Accounts' Financial Sector" Bureau of Economic Analysis, Survey of Current Business, January, [www.bea.gov/scb/pdf/2016/01%20January/0116\\_expanding\\_the\\_integrated](http://www.bea.gov/scb/pdf/2016/01%20January/0116_expanding_the_integrated)

Data for the current and capital accounts are available annually beginning 2001.

### S.62.a: Private Depository Institutions

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the Financial Accounts of the United States to changes in net worth calculated from the balance sheet. See the table description for table S.2.A for more information.

This sector is equivalent to the private depository institutions sector in the Financial Accounts of the United States. The private depository institutions sector includes U.S.-chartered depository institutions, foreign banking offices in U.S., banks in U.S.-affiliated areas, and credit unions.

Some of the activities of this sector are not included in the current and capital accounts because of limitations of source data. The current and capital accounts exclude data for banks in U.S.-affiliated areas and for branches of foreign banks that do not file Call Reports.

Total nonfinancial assets on the balance sheet include only the replacement cost of structures as well as equipment and intellectual property products. The value of land is not included.

In contrast to the treatment in the Financial Accounts of the United States, in the IMA tables, the market value of corporate equity is shown as a liability on the balance sheet as per SNA guidelines. In the Financial Accounts, the market value of corporate equities is excluded from balance sheet liabilities and thus, net worth is the market (or replacement) value of assets, less liabilities (which excludes equity capital).

Note: In theory, the difference between a sector's net savings less net capital transfers paid in the capital account (NIPA) equals net savings in the financial account. In practice, however, there is a difference for the private depository institutions sector. Specifically, NIPA treats payments made to private depository institutions by the federal government under the financial stabilization program as capital transfers, whereas these capital transfers are considered capital losses in the financial accounts.

The current and capital accounts for this sector are based on new prototype estimates from the Bureau of Economic Analysis. These estimates are generally not available in the published NIPA, which provide statistics for the financial sector at a more aggregate level. For more detail on these estimates, see Robert J. Kornfeld, Lisa Lynn, and Takashi Yamashita (2016), "Expanding the Integrated Macroeconomic Accounts' Financial Sector" Bureau of Economic Analysis, Survey of Current Business, January, [www.bea.gov/scb/pdf/2016/01%20January/0116\\_expanding\\_the\\_integrated](http://www.bea.gov/scb/pdf/2016/01%20January/0116_expanding_the_integrated)

Data for the current and capital accounts are available annually beginning 2001.

### S.63.a: Insurance Companies

The integrated macroeconomic accounts (IMA) present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the Financial Accounts of the United States to changes in net worth calculated from the balance sheet. See the table description for table S.2.A for more information.

This sector aggregates the property-casualty insurance companies sector and the life insurance companies sector from the Financial Accounts of the United States. Note: Except for the nonfinancial assets in the balance sheet account, all insurance company accounts in the IMAs exclude insurance brokers. The published NIPAs, however, also include insurance brokers.

Total nonfinancial assets on the balance sheet include only the replacement cost of structures as well as equipment and intellectual property products. The value of land is not included.

In contrast to the treatment in the Financial Accounts of the United States, in the IMA tables, the market value of corporate equity is shown as a liability on the balance sheet as per SNA guidelines. In the Financial Accounts, the market value of corporate equities is excluded from balance sheet liabilities and thus, net worth is the market (or replacement) value of assets, less liabilities (which excludes equity capital).

The current and capital accounts for this sector are based on new prototype estimates from the Bureau of Economic Analysis. Data for the current and capital accounts are available annually beginning 2001. For more detail on these estimates, see Robert J. Kornfeld, Lisa Lynn, and Takashi Yamashita (2016), "Expanding the Integrated Macroeconomic Accounts' Financial Sector" Bureau of Economic Analysis, Survey of Current Business, January, [www.bea.gov/scb/pdf/2016/01%20January/0116\\_expanding\\_the\\_integrated\\_macroecomic\\_accounts\\_financial\\_sector.pdf](http://www.bea.gov/scb/pdf/2016/01%20January/0116_expanding_the_integrated_macroecomic_accounts_financial_sector.pdf).

### S.64.a: Pension Funds

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the Financial Accounts of the United States to changes in net worth calculated from the balance sheet. See the table description for table S.2.A for more information.

This sector aggregates the private pension funds, federal government employee retirement funds, and state and local government employee retirement funds sectors from the Financial Accounts of the United States.

The current and capital accounts for this sector are based on NIPA table 7.20 “Transactions of Defined Benefit and Defined Contribution Pension Plans” produced by the Bureau of Economic Analysis. For more detail, see Robert J. Kornfeld, Lisa Lynn, and Takashi Yamashita (2016), “Expanding the Integrated Macroeconomic Accounts’ Financial Sector” Bureau of Economic Analysis, Survey of Current Business, January, [www.bea.gov/scb/pdf/2016/01%20January](http://www.bea.gov/scb/pdf/2016/01%20January)

Total nonfinancial assets on the balance sheet include only the replacement cost of structures as well as equipment and intellectual property products. The value of land is not included.

Data for the current and capital accounts are available annually beginning 2001.

### S.65.a: Other Financial Business

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the Financial Accounts of the United States to changes in net worth calculated from the balance sheet. See the table description for table S.2.A for more information.

This sector represents the aggregation of the following financial subsectors from the Financial Accounts of the United States: money market funds, mutual funds, closed-end funds, exchange-traded funds, government-sponsored enterprises, agency- and GSE-backed mortgage pools, issuers of asset-backed securities, finance companies, equity real estate investment trusts (REITs), mortgage REITs, security brokers and dealers, holding companies, and other financial business.

Total nonfinancial assets on the balance sheet include only the replacement cost of structures as well as equipment and intellectual property products. The value of land is not included.

In contrast to the treatment in the Financial Accounts of the United States, in the IMA tables, the market value of corporate equity is shown as a liability on the balance sheet as per SNA guidelines. In the Financial Accounts, the market value of corporate equities is excluded from balance sheet liabilities and thus, net worth is the market (or replacement) value of assets, less liabilities (which excludes equity capital). Please note, this sector includes all closely held financial business equity issuance.

The current and capital accounts for this sector are based on new prototype estimates from the Bureau of Economic Analysis. These estimates are generally not available in the published NIPA, which provide statistics for the financial sector at a more aggregate level. For more detail on these estimates, see Robert J. Kornfeld, Lisa Lynn, and Takashi Yamashita (2016), “Expanding the Integrated Macroeconomic Accounts’ Financial Sector” Bureau of Economic Analysis, Survey of Current Business, January, [www.bea.gov/scb/pdf/2016/01%20January/0116\\_expanding\\_the\\_integrated](http://www.bea.gov/scb/pdf/2016/01%20January/0116_expanding_the_integrated)

Data for the current and capital accounts are available annually beginning 2001.

### S.7.a: Federal Government

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the financial accounts to changes in net worth calculated from the balance sheet (see table S.2.A for more information). These accounts are based on international guidelines and terminology spelled out in the System of National Accounts 2008. For more detail on these accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead (2007), “Integrated Macroeconomic Accounts for the United States,” Bureau of Economic Analysis, Survey of Current Business, February, pp. 14-31, [www.bea.gov/scb/pdf/2007/02%20February/0207\\_macro\\_accts.pdf](http://www.bea.gov/scb/pdf/2007/02%20February/0207_macro_accts.pdf).

The integrated accounts for the federal government cover the same governmental units that are included in the federal government sector for both the NIPA and the financial accounts (see table F.106 or L.106 for a description of this sector). The accounts exclude federal government retirement funds (included on tables F.119 and L.119).

The treatment of one item on this table is worth noting. Total nonfinancial assets on the balance sheet include only the replacement costs of structures as well as equipment and software. The value of land and nonproduced nonfinancial assets is not included.

Note: In theory, the difference between a sector's net savings less net capital transfers paid in the capital account (NIPA) equals net savings in the financial account. In practice, however, there are a few differences for the federal government sector. In contrast to the capital account, the financial account measure excludes federal government life insurance reserves and pension fund reserves of the Railroad Retirement Board and the National Railroad Retirement Investment Trust as well as contributions for government social insurance from U.S.-affiliated areas. Additionally, the NIPA treats federal government payments made to financial corporations under the financial stabilization program as capital transfers, whereas these capital transfers are considered capital losses in the financial accounts. The sum of these adjustments and the sector's statistical discrepancy constitute most of the difference between net lending or net borrowing in the capital and financial accounts.

### **S.8.a: State and Local Governments**

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the financial accounts to changes in net worth calculated from the balance sheet (see table S.2.A for more information). These accounts are based on international guidelines and terminology spelled out in the System of National Accounts 2008. For more detail on these accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead (2007), "Integrated Macroeconomic Accounts for the United States," Bureau of Economic Analysis, Survey of Current Business, February, pp. 14-31, [www.bea.gov/scb/pdf/2007/02%20February/0207\\_macro\\_accts.pdf](http://www.bea.gov/scb/pdf/2007/02%20February/0207_macro_accts.pdf).

The integrated accounts for the state and local governments cover the same governmental units that are included in the state and local governments sector in both the NIPA and FFA (see table F.107 or L.107 for a description of this sector). The accounts exclude state and local employee retirement funds (included on tables F.120 and L.120).

The treatment of one item on this table is worth noting. Total nonfinancial assets on the balance sheet include only the replacement costs of structures as well as equipment and software. The value of land and nonproduced nonfinancial assets is not included.

Note: For this sector, there is no difference between net savings less net capital transfers paid in the capital account (NIPA) and in the financial account. The sector's statistical discrepancy constitutes the difference between net lending and net borrowing in the capital and financial accounts.

### **S.9.a: Rest of the World**

The integrated macroeconomic accounts present a series of accounts that relate production, income and saving, and capital formation from the national income and product accounts (NIPA) and financial transactions and asset revaluations from the financial accounts to changes in net worth calculated from the balance sheet (see table S.2.A for more information). These accounts are based on international guidelines and terminology spelled out in the System of National Accounts 2008. For more detail on these accounts, see Charlotte Anne Bond, Teran Martin, Susan Hume McIntosh, and Charles Ian Mead (2007), "Integrated Macroeconomic Accounts for the United States," Bureau of Economic Analysis, Survey of Current Business, February, pp. 14-31, [https://apps.bea.gov/scb/pdf/2007/02%20February/0207\\_macro\\_accts.pdf](https://apps.bea.gov/scb/pdf/2007/02%20February/0207_macro_accts.pdf).

The data presented in the integrated accounts for the rest of the world are the mirror image of data shown in the U.S. international transactions accounts published by the Bureau of Economic Analysis. This sector is the same as the sector for the rest of the world in the Financial Accounts of the United States (see table F.133 or L.133 for a description).

This table contains two noteworthy features:

1. The balance sheet excludes nonfinancial assets, including nonproduced nonfinancial assets.
2. In theory, the rest of the world's net lending or net borrowing in the capital account should equal that of the total domestic economy. In practice, however, the difference between these two measures is equal to the discrepancy between the income and product sides of the NIPAs.

Note: For this sector, there is no difference between net savings less net capital transfers paid in the capital account (NIPA) and in the financial account. The sector's statistical discrepancy constitutes the difference between net lending and net borrowing in the capital and financial accounts.