GUIDE FOR THE COMPLETION OF THE C11 PARTICIPATION BOND SCHEME FORM

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SOUTH AFRICAN RESERVE BANK

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1. Introduction

The purpose of this guide is to explain the interpretation of each line item and column in the C11 form. Guidance is provided on the classification of resident institutional sectors as well as the delineation between residents and non-residents. Guidance is also provided on general issues such as accounting conventions, maturity and the format of values.

2. Guidelines

2.1 Participation bond schemes

A participation bond scheme is a collective investment scheme established in terms of the Collective Investment Schemes Control Act 45 of 2002. Participation bond schemes channel investors' funds to borrowers in the form of mortgage loans.

2.2 Purpose of the C11 form

The SARB is responsible, in terms of both national and international obligations, to produce high-quality statistics for economic policy. In line with this, the purpose of the C11 form is to collect statistical data of participation bond schemes registered in South Africa. The required data are used to compile macroeconomic statistics which are guided by international agreed-upon statistical manuals.

2.3 Accounting conventions

In general, the information required to generate statistical data for the C11 form is sourced from financial accounting data of the company surveyed. The format of the C11 data has various similarities with that of financial reporting – which is based on International Financial Reporting Standards (IFRS) – but there are some specific differences of how it should be applied for statistical reporting, based on statistical guidelines and methodology.

The statistics required are based on **accrual accounting**. The assets and liabilities should be reported on a **gross basis** (i.e. should not be netted). **Balances** (stocks at a certain point in time) and **transactions** (flows) should be recorded at the **time of the transaction** and not at the settlement date. The look-through approach **should not** be followed when completing the C11 form.

2.4 Reporting date and period

All monetary values should be reported in thousands of rand and fields that are not applicable must be empty and not zero. **Balances** (stock values) should be as at the **end of the quarter** (the last calendar day of the quarter). **Transactions** reported on table 3 (columns 2 and 3) of the form must be the total of all transactions **for the quarter, not the cumulative amount**. The **balances** (liabilities and assets (line items for columns 1 and 2) as well as type of property mortgaged (line items for columns 1 and 4) should reflect information for the **previous (last) quarter** and **this (current) quarter**.

2.5 Valuations

Assets and liabilities should be **valued at market prices**, where applicable, on the date to which the form relates. If the market price is not available, **fair value estimates** should be used. Cash and deposits as well as mortgage loans should be valued at **nominal value**, including accrued interest. Accounts receivable/payable should be valued at **nominal value**.

2.6 Maturity

Mortgage loan statistics are required in **original maturity**. Original maturity should reflect the time between the issue and maturity date of a loan. **Remaining maturity**, referred to at the '**of which**' line items under mortgage loans is defined as the time left until a loan matures. The remaining maturity of mortgage loans should be split into short term (one year or less) and long term (more than one year).

3. Institutional units

An institutional unit is an entity that can:
- own assets and engage in transactions;
- incur liabilities and enter into contracts on own behalf;
- make economic decisions; and
- generate a set of accounts, including assets and liabilities.

3.1 Resident and non-resident

An **institutional unit** is classified as a **resident** of South Africa when it has a predominant centre of economic interest in South Africa, that is, when it has premises within the economic territory of South Africa where it engages or intends to engage in economic activity. There is a difference between an institutional unit and a legal entity. For example, overseas branches or parent companies may be considered part of the legal entity, but should be classified as a separate institutional unit.

The classification of an **institutional unit** as a **non-resident** is based on the concept of residency. The institutional sector counterpart of a financial instrument should be classified as a non-resident if the address/residency of the issuer is outside the borders of South Africa. Even if the entity has a subsidiary in South Africa, but the non-resident entity issues the instrument in its own name, the instrument is still issued by a non-resident entity.

The **residence of the issuer** rather than the country or currency of issuance of the financial instrument determines residency, as shown in the table below.

Determining residency

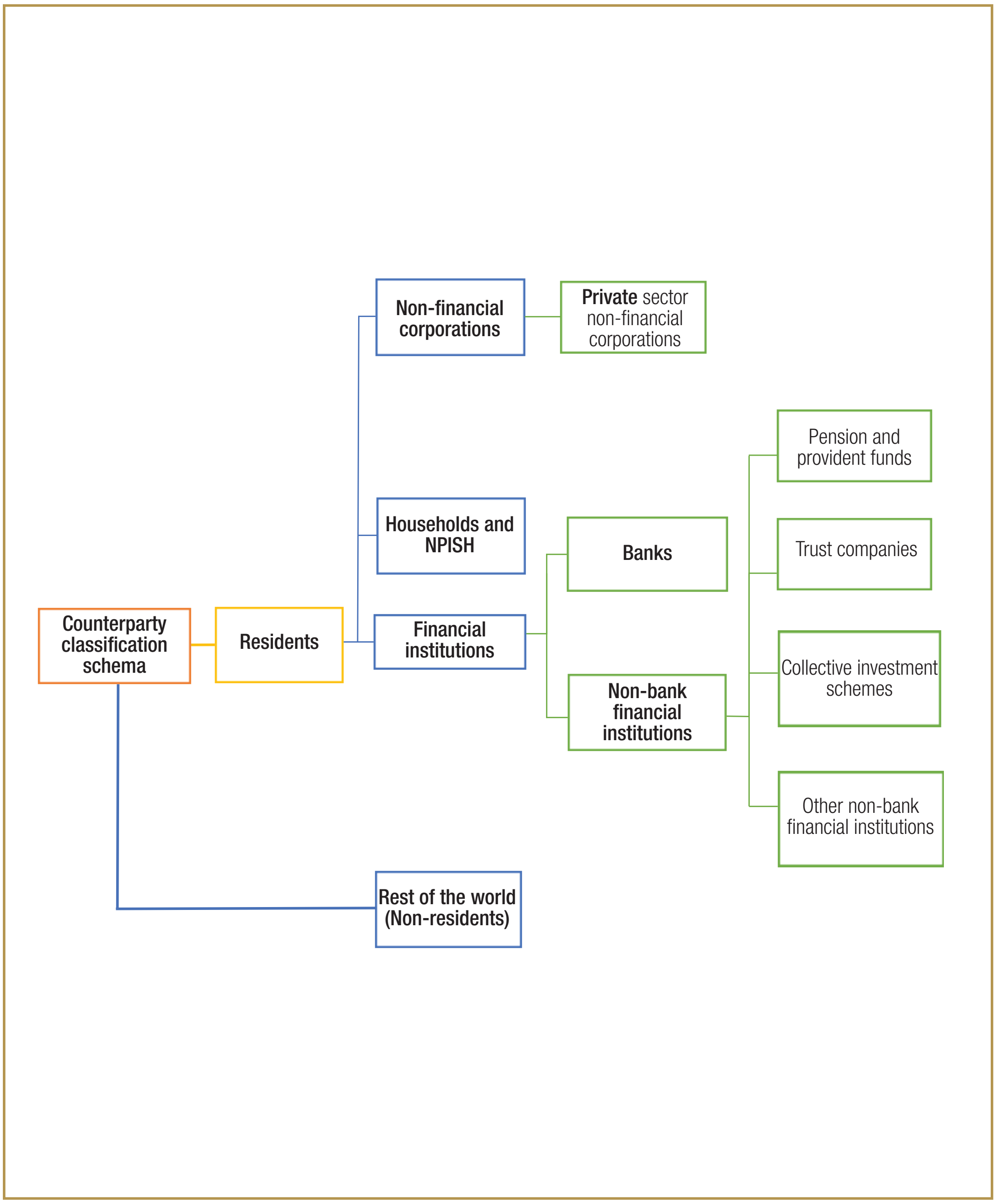
	Issued into the South African market	Issued into a foreign market
Issued by a resident unit	*Resident*	*Resident*
Issued by a non-resident unit	*Non-resident*	*Non-resident*

3.2 Classification of institutional sector counterparties

Institutional units are grouped into **institutional sectors** with similar characteristics.

Institutional sector counterparties are required for both financial asset and liability balances. **Residents** are disaggregated into **institutional sectors** and **non-residents** are reported in aggregate as non-resident (foreign) sector. For example, under liabilities, a South African household (individual) will be reported in the household sector, while a non-resident household (individual) should be reported in the non-resident sector.

Classification of selected institutional sector counterparties relevant to the C11 Form



4. Institutional sectors

The latest SARB *Institutional Sector Classification Guide* should be used as a basis to classify institutions. It is available on the SARB website (https://www.resbank.co.za/en/home/publications/guides/institutional-sector-classification-guide-for-sa).

4.1 Private sector non-financial corporations

A private non-financial corporation is a **resident privately-owned entity** whose primary activity is to produce market goods as well as non-financial services at market prices. These corporations are registered under the Companies Act 71 of 2008 (Companies Act), and operate with the intention to make a profit. A list of private sector non-financial corporations listed on the JSE Limited (JSE) is available on the SARB website (https://www.resbank.co.za/content/dam/sarb/what-we-do/statistics/guides/guides-for-the-completion-of-c-forms/List%20of%20private%20sector%20non-financial%20corporations%20listed%20on%20the%20JSE.pdf).

4.2 Households and non-profit institutions serving households

The household sector comprises individuals and unincorporated businesses (e.g. one-man businesses or sole proprietorships). Households should be grouped together with non-profit institutions serving households (NPISH). Individuals, friendly societies and personal trusts should also be included in the household sector.

4.3 Financial institutions/corporations

These comprise non-bank financial institutions and banks, either private or publicly owned.

4.3.1 Non-bank financial institutions

Non-bank financial institutions are institutions whose main function is to intermediate financial assets and liabilities or engage in activities closely related to financial intermediation. These institutions comprise linked investment service providers, collective investment schemes, trust companies, finance companies, financial auxiliaries, insurers, pension and provident funds, and public sector financial corporations.

4.3.1.1 Pension and provident funds

Pension and provident funds are independent pension and provident funds managed by institutional units. Official pension and provident funds are managed in terms of own statutes, while private pension and provident funds were established under the Pension Funds Act 24 of 1956 (Pension Funds Act).

4.3.1.2 Trust companies

A trust company is an entity that holds or administers assets for the benefit of individuals (households) or other institutional units. As such, these entities administer trusts and manage assets and estates that belong to the beneficiaries.

4.3.1.3 Collective investment schemes

Collective investment schemes have been established in terms of the Collective Investment Schemes Control Act 45 of 2002 and comprise money market unit trusts, non-money market unit trusts, participation bond schemes and hedge funds.

4.3.2 Other financial institutions

Other financial institutions include banks and non-bank financial institutions not already shown in separate line items (sectors) in the C11 form. These include, among others, insurers, financial auxiliaries and finance companies.

4.3.2.1 Banks

A bank is a company (Limited) registered under the Banks Act 94 of 1990 (Banks Act). A list of registered private banks is available on the SARB website (https://www.resbank.co.za/en/home/what-we-do/Prudentialregulation/sa-registered-banks-and-representative-offices). Public sector banks include Ithala Bank, the Land and Agricultural Development Bank of South Africa (Land Bank) and Postbank.

4.3.2.2 Insurers

An insurer (or insurance company) is an entity whose primary business is to provide short-term and long-term insurance to individuals (households) or other institutional units, or to provide reinsurance services to other insurers. A list of all registered insurers is available on the SARB website (https://www.resbank.co.za/content/dam/sarb/what-we-do/prudential-regulation/pa-registered-insurer/List%20of%20registered%20insurers.pdf). Insurers also include public sector insurers, namely Escap SOC, Export Credit Insurance Corporation of South Africa SOC, Khula Credit Guarantee SOC, Land Bank Insurance SOC, Land Bank Life Insurance Company SOC and Sasria SOC.

4.3.2.3 Financial auxiliaries

Financial auxiliaries are financial institutions that engage in serving financial institutions and markets, but do not take ownership of the financial assets and liabilities. Financial auxiliaries include brokers and agents, clearing houses and stock exchanges.

4.3.2.4 Finance companies

A finance company is an entity that obtains funds in various forms such as loans, bonds, debentures or notes, with the sole objective of investing or lending these funds in the form of instalment sale finance, financial leases, mortgage loans and other loans.

4.4 Non-residents

Non-residents comprise any institutional unit whose centre of predominant economic interest is outside South Africa's economic territory. These units are therefore residents of foreign countries.

To ensure the institutional sector counterparty remains accurate over time, compilers should make reasonable efforts to verify the classification of institutions.

5. Column descriptions (Table 1): Liabilities

5.1 Balance at end of previous quarter (Column 1)

This refers to the **value** of the outstanding stock of a financial instrument at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

5.2 Balance at end of this quarter (Column 2)

This refers to the **value** of the outstanding stock of a financial instrument at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

6. Financial instruments: Liabilities

6.1 Investor funds

This refers to funds received by the participation bond scheme from investors.

6.2 Accounts payable

Accounts payable include unsettled investment transactions and retirement benefit obligations. Accounts payable are measured at nominal value.

6.3 Other liabilities

Other liabilities are financial obligations that have not been specified in the balance sheet liability line items of the C11 form. Other liabilities include provisions.

7. Column descriptions (Table 2): Assets

7.1 Balance at end of previous quarter (Column 1)

This refers to the **value** of the outstanding stock of a financial instrument at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

7.2 Balance at end of this quarter (Column 2)

This refers to the **value** of the outstanding stock of a financial instrument at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

8. Financial instruments: Assets

8.1 Mortgage loans

This refers to loans granted by the participation bond scheme to debtors, which are used to finance property. Loans are valued at the nominal value of the outstanding claim, including accrued interest.

8.2 Domestic money market unit trusts

A money market unit trust is a collective investment scheme which pools investors' money with a manager for investment, on their behalf, in assets mostly consisting of money market instruments. These money market instruments have an original maturity of one year or less.

8.3 Cash and deposits

Cash and deposits comprise transferable and other deposits. **Money market instruments** are not part of cash and deposits and should not be reported here. Cash and deposits should be reported at nominal value including accrued interest.

8.3.1 Transferable deposits

Transferable deposits are deposits that are directly transferable on demand to make payments without incurring penalties or restrictions. These deposits include transactional accounts such as cheque accounts, as well as credit and debit payment facilities.

8.3.2 Other deposits

Other deposits are non-transferable deposits with an agreed maturity (fixed-term), where early withdrawal is subjected to a penalty. These deposits include time (fixed) and saving accounts. Other deposits also include call deposits.

8.4 Accounts receivable

Accounts receivable are financial assets that are created where there is a timing difference between transactions and corresponding payments. Examples of accounts receivable are unsettled sales of financial instruments, as well as interest receivables. Accounts receivable are measured at nominal value.

8.5 Other assets

Other assets are asset types not specified in the balance sheet line items of the C11 form.

9. Column descriptions (Tables 3): Type of property and land mortgaged

9.1 Outstanding balance at end of previous quarter (Column 1)

This refers to the **value** of the outstanding mortgage loans at the end of the previous (last) quarter. This balance is therefore the opening balance of this (current) quarter.

9.2 Loans paid out this quarter (Column 2)

This refers to the **value** of loan payments and re-advances made by the participation bond scheme to mortgagors in this (current) quarter. All financial transactions should be recorded on a gross basis, therefore loans paid out should not be netted against loans repaid.

9.3 Loans repaid or reduced during this quarter (Column 3)

This refers to the **value** of loans that have been repaid by mortgagors to the participation bond scheme in this (current) quarter. All financial transactions should be recorded on a gross basis, therefore loans repaid should not be netted against loans paid out.

9.4 Outstanding balance as at end of this quarter (Column 4)

This refers to the **value** of the outstanding mortgage loans at the end of this (current) quarter. This balance will therefore be the closing balance of this (current) quarter.

Notes pertaining to the above columns:

- The values in column 1 plus column 2 minus column 3 should equal column 4.
- The property mortgaged should be classified according to the major source of gross income.

10. Balances of participation bond schemes: Type of property and land mortgaged

10.1 Commercial properties

This refers to real estate that is used or occupied in order to generate income, through profit (capital gain) or through renting the property out for use in commercial activities.

10.1.1 Industrial

This refers to property that is used for industrial activities such as warehouses and factories designed to store or produce goods.

10.1.2 Offices

This refers to property that is used for administrative activities.

10.1.3 Retail

This refers to properties that are used for retail activities such as shopping centres.

10.1.4 Other

This refers to other commercial properties not specified in the line items above.

10.2 Residential properties

This refers to property or buildings that are used for dwellings such as houses or flats.

10.3 Other properties

This refers to properties other than commercial or residential properties. These include farms, churches and schools, among others.

10.4 Vacant land

This refers to vacant land that may be developed at a future date for commercial or residential uses.

10.4.1 Residential

This refers to vacant land that will be used for residential development such as dwellings (houses or flats) in the future.

10.4.2 Business

This refers to vacant land that will be used for commercial development in the future.

10.4.3 Other

This refers to any types of vacant land that are not defined in the C11 form.