GUIDE FOR THE COMPLETION OF THE C32 FINANCE COMPANY FORM

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South African Reserve Bank

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Contents

1. Introduction

The purpose of this guide is to explain the interpretation of each line item and column in the C32 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 Finance companies

Finance companies (including securitisation vehicles and micro lenders) that obtain funds in various forms such as loans and interest bearing securities with the sole objective of lending these funds in the form of instalment sale finance, financial leases, mortgage loans and other loans or investing in various assets, are required to submit the C32 form to the South African Reserve Bank (SARB). These companies are registered under the Companies Act 71 of 2008 (Companies Act).

2.2 Purpose of the C32 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 C32 form is to collect statistical data of finance companies 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 C32 form is sourced from financial accounting data of the company surveyed. The format of the C32 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 income statement as well as 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 originating from purchases and sales as well as issues and redemptions) should be recorded at the **time of the transaction** and not at the settlement date. Transactions generating income and expenditure should also be recorded at the time of the transaction. The look-through approach **should not** be followed when completing the C32 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). Income statement transactions and other **transactions** reported on all tables of the form must be the total of all transactions **for the quarter, not the cumulative amount**. The **transactions** (income and expenditure) and **balances** (liabilities (line items for columns 1 and 2) and assets (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 **loans** should be valued at **nominal values**, including accrued interest. **Transactions** should be recorded at the prevailing prices at which the transactions (purchases/sales) were conducted (i.e. transaction value), excluding service charges, fees, commissions and taxes. Accounts receivable/payable should be valued at nominal value.

2.6 Assets in foreign currency

This refers to the '**of which in foreign currency**' items and relates to **financial assets issued in foreign currency**. The foreign currency value of these financial assets should be converted to South African rand, at prevailing market exchange rates, as on the date to which the balance or transaction relates, and reported as such. For example, investments in South African government bonds issued in US dollars in international markets should be converted from US dollar to rand. The value of offshore financial instruments indexed in foreign currency should be treated as denominated in foreign currency and converted to rand.

2.7 Maturity

Interest bearing (debt) securities, loans, instalment sale finance and financial leases statistics are required in **original maturity**. Original maturity should reflect the time between the issue and maturity date of an interest bearing security. The maturity of a financial instrument should be split into short term (one year or less) and long term (more than one year). For example, a bond issued for 10 years with only one year left to maturity should be recorded according to original maturity as long term. **Remaining maturity**, referred to at the '**of which**' line items under long-term loans, long-term instalment sale finance and long-term financial leases, is defined as the time left until an interest bearing security matures.

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

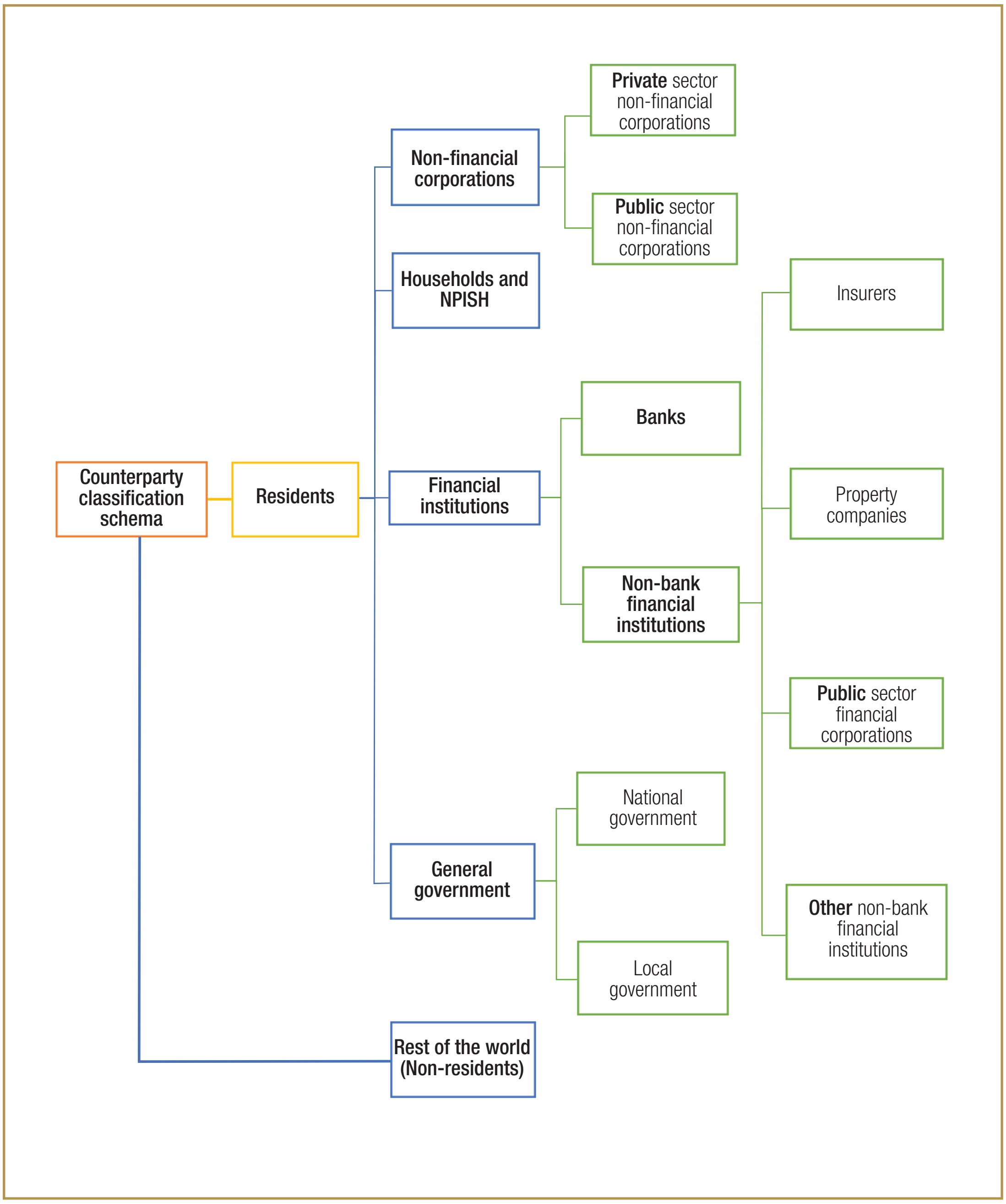
	Issued into the South African market	Issued into a foreign market
Issued by a resident unit	*Resident*	*Resident*
Issued by a non-resident unit	*Non-resident*	*Non-resident*

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 as well as transactions. **Residents** are disaggregated into **institutional sectors** and **non-residents** are reported in aggregate as non-resident (foreign) sector. For example, a resident (South African) bank will be reported in the institutional sector banks, while a non-resident (foreign) bank should be reported in the non-resident sector. Similarly, 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 C32 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 Non-financial corporations

These are **private** and **public** sector corporations whose primary activities are to produce market goods and non-financial services.

4.1.1 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). Private sector non-financial corporations with a **secondary listing on the JSE** should be reported in private sector non-financial corporations and 'of which: Companies with secondary listings on the JSE'.

4.1.2 Public sector non-financial corporations

A public non-financial corporation is a **resident state-owned entity** whose primary activity is to produce market goods as well as provide non-financial services. A list of public sector non-financial corporations 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%20public%20sector%20non-financial%20corporations.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 banks and non-bank financial institutions, either private or publicly owned.

4.3.1 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. Banks with a secondary listing on the JSE should be reported in banks and 'of which: Companies with secondary listings on the JSE'.

4.3.2 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 (comprising money market unit trusts, non-money market unit trusts, participation bonds and hedge funds), trust companies, finance companies, financial auxiliaries, insurers, pension and provident funds, and public sector financial corporations.

4.3.3 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/en/home/what-we-do/Prudentialregulation/insurers-list). 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. Insurers with a secondary listing on the JSE should be reported in insurers and 'of which: Companies with secondary listings on the JSE'.

4.3.4 Property companies

Listed property companies are companies that manage and develop commercial (industrial, offices, retail, etc.) and residential sites. A list of property companies listed on the 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%20property%20companies%20listed%20on%20the%20JSE.pdf). Investment in a listed property company with a secondary listing on the JSE should be reported in property companies and 'of which: Companies with secondary listings on the JSE'.

4.3.5 Public sector financial corporations

A public financial corporation is a **resident state-owned entity** or institution whose primary activity is to provide financial services. A list of public sector financial corporations 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%20public%20sector%20financial%20corporations.pdf).

4.3.6 Other non-bank financial institutions

Other non-bank financial institutions exclude non-bank financial institutions already shown in separate line items (sectors) in the C32 form. These include, among others, financial auxiliaries, pension and provident funds, trust companies and finance companies.

4.3.6.1 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.

4.3.6.2 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).

4.3.6.3 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.

4.3.6.4 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 General government

General government consists of the government units that produce services for individual or collective consumption, mainly on a non-market basis, and redistribute income and wealth. General government comprises the central government, which consists of national government, social security funds and extra-budgetary institutions, as well as provincial and local governments. However, only national and local governments issue interest bearing securities and are therefore separately included in the form.

4.4.1 National government

National government is principally engaged in the production and provision of non-market goods and services intended for individual and collective consumption. National government is the institutional sector counterparty for interest bearing securities (government bonds and Treasury bills) issued by the South African government. Interest bearing securities issued by state-owned companies should not be included in national government.

4.4.2 Local government

Local government is a third-tier government unit that provides a wide range of services to resident institutional units. Local government is the sector counterparty for interest bearing (debt) securities issued by municipalities. A list of local governments (metropolitans) 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%20local%20governments%20(metropolitans).pdf).

4.5 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.

4.6 Companies with secondary listings on the JSE

A secondary listing (dual listing) is when a company is listed on more than one exchange. Secondary listed shares should be reported in both the respective resident sector (line items 98 to 103) and 'of which: Companies with secondary listings on the JSE'. A list of companies with secondary listings on the 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%20companies%20with%20secondary%20listings%20on%20the%20JSE.pdf).

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): Income and expenditure

5.1 Transactions previous quarter (Column 1)

This refers to income and expenditure transactions received from or paid for the previous (last) quarter.

5.2 Transactions this quarter (Column 2)

This refers to income and expenditure transactions received from or paid for this (current) quarter.

Note pertaining to the above columns:

All income and expenditure transactions should be the total for the quarter and not the cumulative amount.

6. Income and expenditure transactions

6.1 Total income

This is the sum of all income received for the quarter.

6.1.1 Interest received

Interest income is income received by the finance company on interest bearing investments (receivables).

6.1.2 Dividends received

Dividend income is income received by the finance company on equity investments. Property income that is received from real estate investment trusts (REITs) should be reported here.

6.1.3 Service fees received

This refers to fees received by the finance company on the services provided.

6.1.4 Operating leases

This refers to rental income received from operating leases.

6.1.5 Other income

Other income is income that is not mentioned as a separate line item above.

6.2 Total expenditure

Total expenditure is the sum of all expenditure for the quarter.

6.2.1 Interest paid

This refers to interest paid by the finance company. This is interest paid to holders of interest bearing securities as well as other interest payments.

6.2.2 Salaries and wages

Salaries and wages (compensation of employees) are paid by the finance company to its employees. Salaries and wages include, among other things, severances, terminations and redundancies.

6.2.3 Employees share schemes

Employee share schemes (or employee stock options) are agreements wherein employees of a finance company are given the right to buy a specified number of shares in the finance company, at a fixed price, on a specified date, or within a reasonable period of time after the specified date.

6.2.4 Service fees paid

This refers to fees paid by the finance company for the services received.

6.2.5 Operating expenses

Operating expenses are costs related to the running and maintenance of the finance company.

6.2.6 Other expenditure

Other expenditure is expenditure that is not mentioned as a separate line item above.

7. Column descriptions (Table 2 – 4): Equity and liabilities

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: Equity and liabilities

8.1 Ordinary share capital

Share capital represents shareholders' own funds (paid-up capital). Share capital should be reported at book value.

8.2 Reserves

Company reserves are all forms of reserves that are identified as equity in the company's balance sheet.

8.2.1 Non-distributable reserves

These are reserve funds that cannot be distributed to shareholders in the form of dividends. These reserves consist of the initial share capital of the company as well as funds raised through the sale of newly issued shares or funds released due to the revaluation of assets.

8.2.2 Distributable reserves

These are reserve funds that can be distributed to shareholders in the form of dividends.

8.2.3 Other reserves

Other reserves are reserves excluding non-distributable and distributable reserves.

8.3 Long-term interest bearing securities

Interest bearing (debt) securities are securities on which interest is due to be paid, either periodically or at maturity, and with the face value repaid at maturity. A long-term interest bearing security is a financial instrument with an original maturity of **more than one year**.

Interest payable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually paid. Long-term interest bearing securities include bonds, debentures, notes and subordinated debt issued by the reporting finance company.

8.4 Short-term interest bearing securities

A short-term interest bearing security is a financial instrument with an original maturity of **one year or less**. Such securities are predominantly money-market instruments. Interest receivable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually received. Short-term interest bearing securities include debentures, notes and commercial paper issued by the reporting finance company.

8.5 Long-term loans

A loan is created when a creditor (company) lends funds directly to the reporting finance company. The value of loans on the balance sheet is made up of principal outstanding and accrued interest that has been earned but not been paid. A loan that becomes negotiable must be reclassified as an interest bearing security. Long-term loans are loans with an original maturity of **more than one year**.

8.6 Short-term loans

A loan is created when a creditor (company) lends funds directly to the reporting finance company. The value of loans on the balance sheet is made up of principal outstanding and accrued interest that has been earned but not been paid. Short-term loans are loans with an original maturity of **one year or less**. Bank overdrafts should be included in short-term loans.

8.7 Provisions

These are funds put aside by the reporting finance company to cover unexpected events.

8.7.1 Provisions: Taxation

This refers to provisions made for a tax liability.

8.7.2 Provisions: Deferred tax

This refers to provisions made for a deferred tax liability.

8.7.3 Provisions: Doubtful debts

This refers to provisions made for doubtful debts, including uncollectable receivables and impairments.

8.7.4 Provisions: Other

This refers to other provisions not specified separately.

8.8 Financial derivatives

A financial derivative is a financial instrument that is linked to another specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in their own right in financial markets. The position in financial derivatives should be recorded as the net effective exposure. If the net effective exposure is not available, the derivatives should be valued at either the amount required to buy out or to offset the contract, or the amount of premiums payable for options contracts. A **positive** net effective exposure should be recorded as an **asset** and a **negative** net effective exposure should be recorded as a **liability**.

A distinction should be made between the two categories of financial derivatives, namely (i) option contracts; and (ii) forward, futures and swap contracts.

8.8.1 Option contract

This is an agreement whereby an investor acquires the right but not the obligation to buy (call) or sell (put) a specified underlying item at an agreed strike price on a specified date. The institutional sector counterparty for JSE-traded option contacts is not available, therefore all the exchange-traded derivatives should be reported as 'Other'.

8.8.2 Forward contract

A forward contract is an unconditional agreement in the over-the-counter markets whereby two parties agree to exchange a specified quantity of the underlying item at an agreed price (the strike price) on a specified date, for example forward rate agreements. The institutional sector counterparty is banks or non-bank financial institutions.

8.8.3 Futures contract

A futures contract is a standardised contract similar to a forward contract, but traded on a stock exchange. The institutional sector counterparty for JSE-traded futures contracts is not available, therefore all exchange-traded derivatives should be reported as 'Other'.

8.8.4 Swap contract

A swap contract is a contract between two parties who agree to exchange cash flows based on the reference prices of the underlying items for a defined period. Swap contracts are traded over the counter and the institutional sector counterparty is banks or non-bank financial institutions.

8.9 Accounts payable

Accounts payable include retirement benefit obligations and taxes payable. Accounts payable are measured at nominal value.

8.10 Other liabilities

Other liabilities are financial obligations that have not been specified in the balance sheet liability line items of the C32 form. Other liabilities include unsettled acquisitions of financial instruments.

9. Column descriptions (Tables 5 – 7): Assets

9.1 Balance at end of previous quarter (Column 1)

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

9.2 Transactions: purchases and new issues (Column 2)

This refers to the **value** of securities (such as shares and interest bearing securities) that have been bought, as well as the **value** of securities that are offered for sale for the first time in the market (new issues). These financial transactions relate to the acquisition of financial assets of each type of financial instrument including corporate actions for this (current) quarter. All financial transactions should be recorded on a **gross basis**, therefore transactions for purchases and new issues should not be **netted** against transactions for sales and redemptions for all instruments.

9.3 Transactions: sales and redemptions (Column 3)

This refers to the **value** of securities (such as shares and interest bearing securities) that have been sold, as well as the **value** of the principal amount of securities that reached their maturity date and/or were redeemed. These financial transactions relate to the selling of financial assets of each type of financial instrument including corporate actions in this (current) quarter. All financial transactions should be recorded on a **gross basis**, therefore transactions for sales and redemptions should not be **netted** against transactions for purchases and new issues for all instruments.

9.4 Balance at end of this quarter (Column 4)

This refers to the **value** of the outstanding stock of a financial instrument issued 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 (previous quarter) plus column 2 minus column 3 are **not** equal to column 4 (this quarter). The difference relates to **revaluation** and **other volume changes** which could occur due to the re-classification of financial instruments.
- Where shaded (blocked), purchases and new issues, as well as sales and redemptions are not required.

10. Non-financial assets

10.1 Statistical treatment of operating leases

- It is included under non-financial assets in the C32 form.
- The lessor has the legal and economic ownership.
- Risks of using the asset are for the lessor.
- The lease term is more than 75% of the asset economic life.
- The lessee has the right to purchase the asset at market value upon contract expiry.
- Ownership is not transferred to the lessee at the end of the term.

10.2 Land and buildings

This refers to the value of land and buildings owned by the reporting company. Land and buildings include owner-occupied property as well as investment properties, but exclude investment in listed property companies.

10.3 Machinery and equipment

Machinery and equipment refers to assets other than those specified separately in non-financial assets. Machinery and equipment should be reported on a **net of depreciation** basis.

10.4 Vehicles

Vehicles consist of transport equipment such as motor vehicles of the reporting finance company. Operating leases (right-of-use asset) that relate to vehicles should be reported here.

10.5 Computer equipment

Information and communication technology (ICT) equipment consists of devices that use electronic controls and also the electronic components that form part of these devices.

10.6 Software

Software consists of computer programs, program descriptions and supporting materials for both systems and applications software of the reporting finance company.

10.7 Database

Databases consist of files of data organised in such a way as to permit resource-effective access and use of the data. Databases may be developed exclusively for own use or for sale as an entity or for sale by means of a licence to access the information contained. Databases for sale should be valued at the market price. The value of a software component should be recorded under software.

10.8 Other non-financial assets

This refers to other non-financial assets not specified separately, such as inventories, other intangible assets and other operating leases. Other right-of-use assets, which is a lessee's right to use an asset over the life of a lease, must also be reported here.

11. Financial instruments: Assets

11.1 Listed ordinary shares

An ordinary share represents equity ownership and voting rights in a listed company.

11.2 Unlisted ordinary shares

An unlisted ordinary share represents equity ownership that gives the holder voting rights in a company that is not listed on a stock exchange.

Investment in private equity funds should be included in unlisted ordinary shares. Private equity funds invest in instruments that are similar to equity instruments of unlisted companies.

11.3 Long-term interest bearing securities

Interest bearing (debt) securities are securities on which interest is due to be paid, either periodically or at maturity, and with the face value repaid at maturity. A long-term interest bearing security is a financial instrument with an original maturity of **more than one year**. Interest receivable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually received. Long-term interest bearing securities include bonds, debentures, notes (e.g. credit-linked notes), subordinated debt and asset-backed securities such as mortgage-backed bonds. Debt securities with **embedded financial derivatives** should be classified as interest bearing securities.

Equity linked notes (ELN) are typically privately placed interest bearing (debt) instruments. An ELN differs from conventional debt instruments as the principal, coupons or both are linked to the performance of an equity index or individual share. Although the return on the ELN is linked to the underlying equity, it should not be classified as equity or a derivative.

11.3.1 Characteristics of interest bearing securities

- They are negotiable and can be traded on secondary markets.

- The holder has the unconditional right to a fixed or contractually determined income in the form of coupon payments and/or a stated fixed sum on a specific date or dates, or starting from a date specified at the time of issue.

11.4 Short-term interest bearing securities

A short-term interest bearing security is a financial instrument with an original maturity of **one year or less**. Such securities are predominantly money market instruments. Interest receivable on interest bearing securities should be recorded on the balance sheet as it accrues, and not when it is actually received. Short-term interest bearing securities include debentures, notes, bills of exchange, negotiable certificates of deposit (NCD), commercial paper, promissory notes and Treasury bills. These instruments should be reported in **long-term interest bearing securities** if they have an original maturity of more than one year.

11.5 Loans

A loan is created when a finance company lends funds directly to a debtor. The value of loans granted must be reported on a **gross** basis, that is, unearned finance income must not be netted off against the gross loans (receivables). Loans are valued at the nominal value of the outstanding claim including accrued interest. A loan that becomes negotiable must be reclassified as an interest bearing security.

11.5.1 Mortgage loans

This refers to mortgage loans granted by the finance company to a debtor.

11.5.2 Long-term loans

This refers to loans granted by the finance company to a debtor other than mortgage loans. Long-term loans are loans with an original maturity of **more than one year**.

11.5.3 Short-term loans

This refers to loans granted by the finance company to a debtor with an original maturity of **one year or less**.

11.5.4 Unsecured loans

This refers to loans that are not backed by any collateral.

11.6 Long-term instalment sale finance

This refers to instalment sale finance granted by the finance company that has an original maturity of more than one year. Instalment sale finance is valued at the nominal value of the outstanding claim including accrued interest.

11.7 Short-term instalment sale finance

This refers to instalment sale finance granted by the finance company that has an original maturity of one year or less. Instalment sale finance is valued at the nominal value of the outstanding claim including accrued interest.

11.8 Financial leases

A financial lease is a contract under which the finance company (as legal owner of the asset) conveys substantially all the risks and rewards of ownership of the asset to the lessee. Financial leases are arrangements that are taken as presumptive evidence that an economic change in the ownership of goods has occurred. Financial leases are valued at the nominal value of the outstanding claim including accrued interest.

11.8.1 Statistical treatment of financial leases

- The lessor is the legal owner for the duration of the lease.
- The lessee has the economic ownership.
- Risks of using the asset are for the lessee.
- The lessee becomes the owner upon payment of the final instalment, at the end of a lease term.

11.8.2 Long-term financial leases

This refers to financial leases granted by the finance company that has an original maturity of more than one year.

11.8.3 Short-term financial leases

This refers to financial leases granted by the finance company that has an original maturity of one year or less.

11.9 Financial derivatives

A financial derivative is a financial instrument that is linked to another specific financial instrument, indicator or commodity, and through which specific financial risks can be traded in their own right in financial markets. The position in financial derivatives should be recorded as the net effective exposure. If the net effective exposure is not available, the derivatives should be valued at either the amount required to buy out or to offset the contract, or the amount of premiums payable for options contracts. A **positive** net effective exposure should be recorded as an **asset** and a **negative** net effective exposure should be recorded as a **liability**.

11.9.1 Option contract

This is an agreement whereby an investor acquires the right but not the obligation to buy (call) or sell (put) a specified underlying item at an agreed strike price on a specified date. The institutional sector counterparty for JSE-traded option contacts is not available, therefore all exchange-traded derivatives should be reported as 'Other'.

11.9.2 Forward contract

This is an unconditional agreement in the over-the-counter markets whereby two parties agree to exchange a specified quantity of the underlying item at an agreed price (the strike price) on a specified date, for example forward rate agreements. The institutional sector counterparty is banks or non-bank financial institutions.

11.9.3 Futures contract

A futures contract is a standardised contract similar to a forward contract, but traded on a stock exchange. The institutional sector counterparty for JSE-traded futures contracts is not available, therefore all the exchange-traded derivatives should be reported as 'Other'.

11.9.4 Swap contract

A swap contract is a contract between two parties who agree to exchange cash flows based on the reference prices of the underlying items for a defined period. Swap contracts are traded over the counter and the institutional sector counterparty is banks or non-bank financial institutions.

11.10 Provisions

These are funds received by the reporting finance company on provision made to cover unexpected events.

11.10.1 Provisions: Deferred tax

These are funds received on deferred tax provisions.

11.10.2 Provisions: Other

These are other provisions that are not specified separately in the C32 form.

11.11 Cash and deposits

Cash and deposits comprise notes and coin on hand, as well as transferable and other deposits. **Money market instruments** are not part of cash and deposits and should be reported in **short-term interest bearing securities**. Cash and deposits should be reported at nominal value including accrued interest.

11.11.1 Notes and coin on hand

This refers to physical bank notes and coins that are held by the reporting finance company. Notes and coins should be reported at nominal value.

11.11.2 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.

11.11.3 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.

11.12 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, retirement benefit asset as well as interest and dividend receivables. Accounts receivable are measured at nominal value.

11.13 Other assets

Other assets are asset types not specified in the balance sheet line items of the C32 form.