

## Explanatory Notes on Monetary and Financial Statistics

### I. General information

#### **Methodology**

As of January 2007, monetary and financial statistics are compiled on a monthly basis, in accordance with the International Monetary Fund, the IMF "guide in money and banking statistics in international financial statistics" (December 1984). Beginning February 2007 data are compiled in accordance with the methodological framework that was described in the monetary and financial statistics manual (MFSM-2000).

#### **Key important concepts in MFSM-2000**

**Residency:** The delineation between residence institutional units and non-residence units is a key feature recommended in the monetary and financial statistics manual. The key concept for defining the residency of an economic unit is its centre of economic interest.

**Domestic or resident** - includes all individuals and legal entities with a center of economic interest in the republic of Maldives. Generally, a *resident* includes:

1. Any individual who has physically resided or is expected to physically reside in the republic of Maldives for one year or more; and
2. Legal entities (corporations, partnerships, joint ventures, etc.) With a location (i.e. Dwelling, place of production, or other premises) within the republic of Maldives from which it engages, and is expected to continue to engage, in business activities for at least the next year.

The terms specifically exclude all foreign government embassies, consulates and their staff physically located/residing in the republic of

Maldives, who, along with all other persons shall be considered "*non-residents*".

**Deposit classification:** Deposits which can be withdrawn or are transferable on demand and without notice to the account holding depository institution, at face value and without penalty or other restriction by check, draft, direct debit/credit, automatic teller machine, or other direct payment facilities are classified as *transferable deposits*.

All interest bearing deposits without a stated maturity which are not transferable by check, draft, direct debit/credit, automatic teller machine or other direct payment facilities and all deposits on which interest is paid for a fixed period of time and which cannot be withdrawn before maturity without giving notice and incurring an early withdrawal penalty are classified as *other deposits*.

### II. Institutional coverage

#### **Central Bank (CB):**

Consists of the Maldives Monetary Authority (MMA) only.

Beginning December 2001 central bank data are based on a standardized report form (SRF), which generally accords with the concepts and definitions of the IMF's monetary and financial statistics manual (MFSM), 2000.

Financial assets and liabilities denominated in foreign currency are converted to national currency units at MMA daily reference exchange rate, which is the mid-point of the weighted average buying and selling rates of all commercial banks.

Securities other than shares issued by the MMA and holdings of central government bills are valued at acquisition cost or face value rather than at current market price or fair value.

***Other Depository Corporations (ODC):***

Consist of all commercial banks that are operating in Maldives.

Beginning in January 2005, includes the government-owned Housing Development Finance Corporation (HDFC) are classified as ODC. With effect from September 2007, the HDFC was reclassified as other financial corporation as the corporation no longer issues short-term liabilities to money holding sectors. Data exclude banks in liquidation.

Beginning in February 2007, data are based on a standardized report form (SRF) for other depository corporations, which accords with the concepts and definitions of the Monetary and Financial Statistics Manual (MFSM). For other depository corporations in Maldives, departures from the MFSM methodology are explained below.

Financial assets and liabilities for which economic sectorisation is unavailable are allocated to the economic sector having the largest volume of transactions in the category.

Held-to-maturity securities are valued at acquisition cost rather than at current market price or fair value. Holdings of equity shares not traded in active markets are valued at acquisition cost rather than at current market price or fair value.

For December 2001 through January 2007, data in the SRF format are compiled from pre-SRF data not based on the MFSM methodology. Departures from the MFSM methodology are explained below.

Financial assets and liabilities for which economic sectorisation is unavailable are allocated to the economic sector having the largest volume of transactions in the category.

Accrued interest is included in other items (net) rather than in the outstanding amounts of the financial assets and liabilities.

***Depository Corporations (DC):*** Refer to section 2 (notes on central banks and other depository corporations.)

***Other Financial Corporations (OFC):***

**Finance companies**

Comprises the Maldives Finance Leasing Company (MFLC), Housing Development Finance Corporation (HDFC), insurance companies (Allied insurance company private limited, Ceylinco Insurance Company private limited, Sri Lankan insurance company, Amana Takaful (Maldives) Plc.), Solarelle Insurance Pvt Ltd, Dhivehi Insurance Company Pvt Ltd and pension fund (Maldives pension administration office) .

Beginning in January 2004 balance sheet data in new Call Report Form (CRF) is collected from finance companies which accords with the concepts and definitions of IMF's MFSM. Beginning from September 2007 HDFC was reclassified as other financial corporation as they no longer issued short-term liabilities to money holding sectors.

**Insurance companies**

Since March 2007, quarterly balance sheet data have been collected from insurance companies in pre-SRF formats until September 2012. Beginning from March 2012, Sri Lankan insurance company has been excluded from OFC coverage due to withdrawal of their license and since September 2010 onwards, Amana Takaful (Maldives) Plc. was included

in OFC coverage. Since September 2016 Solarelle Insurance Pvt Ltd was included in OFC coverage while Dhivehi Insurance Company Pvt Ltd was included in OFC coverage since October 2016.

For March 2007 through November 2012, data of OFC are compiled from pre-SRF data, which was not based on the MFSM methodology. Departures from the MFSM methodology are explained below.

Financial assets and liabilities for which economic sectorisation is unavailable are allocated to the economic sector having the largest volume of transactions in the category.

New SRF was reported from insurance companies from December 2012 through May 2013 on a quarterly basis. Whilst, beginning from June 2013 onwards insurance companies submitted monthly balance sheets based on SRF.

### **Pension funds**

With the commencement of Maldives pension act on 13 may 2009, MPAO was established for administering Maldives retirement pension scheme as a defined contribution pension scheme that is fully funded by the contributions of employers and employees.

Beginning in 2010 MPAO has become functional and since December 2010 onwards MPAO data based on SRF has been included in the OFC coverage.

### **III. Monetary aggregates**

**Broad money:** Broad money calculated from the liability data in the sections for the central bank and other depository corporations' accords with the concepts and definitions of the MFSM and is consistent with m2 described below.

### ***Money (national definitions):***

**Reserve Money (M0):** Comprises currency in circulation, transferable deposits of banks and public nonfinancial corporations with the MMA in national and foreign currency, and securities issued by the MMA held by public nonfinancial corporations. Currency in circulation refers to notes and coins issued by the MMA less the cash in the vault of the MMA. Banks deposits comprise minimum required reserves and other settlement balances with the MMA in national and foreign currency.

**Narrow money (m1):** Comprises currency outside depository corporations, demand deposits of public nonfinancial corporations with the MMA in national currency, and demand deposits of public nonfinancial corporations, other financial corporations, and private sector with commercial banks in national currency.

**Quasi money:** Comprises demand deposits of public nonfinancial corporations with the MMA in foreign currency, and demand deposits of money holding sectors (public nonfinancial corporations, other financial corporations, and private sector) with commercial banks in foreign currency and savings and time deposits of money holding sectors with commercial banks in national and foreign currency. It includes securities issued by the MMA held by public nonfinancial corporations. For January 2005 through august 2007, includes short-term securities issued by the HDFC.

**Broad money (m2):** Comprises narrow money and quasi money.

## Explanatory notes on Financial Soundness Indicators

### I. General information

#### **Methodology**

Financial soundness indicators (FSIs) are aimed at analyzing the current financial health and soundness of the financial institutions in a country, and of their corporate and household counterparts. The FSIs are calculated in accordance with the IMF Financial Soundness Indicators: Compilation Guide (IMF 2006).

The indicators are compiled using data reported to the MMA by deposit takers (commercial banks). The regulatory framework is in accordance with Maldives Banking Act (2010). In addition, the indicators complies with the guidelines of either Basel I or Basel II, represents full intra-group adjustments, valuation complies with IAS 39, time of recording and exchange rates complies with IAS 21.

### II. Main indicators

The indicators in the publication represent the main components of the FSIs system, which are the core set of FSIs for deposit-taking corporations (12 indicators) and 2 encouraged FSIs to deposit takers (capital to assets and large exposures to capital) calculated and published by the MMA on a quarterly basis. Core set of FSIs include *capital adequacy ratios, asset quality ratios, earnings and profitability ratios, liquidity ratios and sensitivity to market risk ratio*

### III. Key aspects

#### **Capital adequacy**

**Total regulatory capital** is defined as capital base which includes Tier 1 capital and Tier 2 capital less investments in and loans to unconsolidated

banking and other financial subsidiaries, investments in the capital of other banks, financial institutions licensed to do business in the Maldives, and loans or investments of a capital nature. Total regulatory capital is used as a numerator to calculate total regulatory capital to risk weighted assets ratio and as a denominator to calculate the ratios nonperforming loans net of provision to capital and net open position in foreign exchange to capital.

**Regulatory tier1 capital** is defined as core capital which includes permanent shareholders' equity, disclosed reserves, minority interests in the equity of consolidated subsidiaries, less goodwill and other intangible assets, loan loss provisions and all other asset revaluation reserves, future income tax benefits, losses carried forward, encumbered assets, and net amounts due from Head office and branches in the case of foreign bank branches and subsidiaries operating in the Maldives.

**Risk weighted assets** are defined as bank's on-balance sheet assets and off-balance-sheet exposures that are risk weighted as per the requirements of financial returns of MMA in compliance with *regulation on capital adequacy 2015/R-166*.

**Loan provisions** are defined as balance sheet account established through charges to 'provisions expense' in the income statement and against which uncollectible loans or portions thereof are written-off.

**Nonperforming loans net of provisions** are loans no longer generating income which is (nonperforming loans) less provisions.

#### **Asset quality**

**Nonperforming loans** are loans or advances where any portion of principal and interest is due and unpaid for 90 days or more; or interest

payments for 90 days or more have been capitalized, re-financed, or rolled-over into a new loan.

**Total gross loans** refer to gross loans value (including nonperforming loans) as reported on the balance sheet.

### ***Earnings and profitability***

**Total capital and reserves** refers to Capital base as reported in the financial returns of MMA. It is used as a denominator for return on equity.

**Return on assets** is calculated by dividing net income before extraordinary items and taxes by total assets. Net income before extraordinary items and taxes refers to Net Operating profit before extraordinary items and taxes.

**Interest margin** refer to net interest earnings: interest income less interest expenses.

**Noninterest expenses** refer to administrative expenses.

### ***Liquidity***

Liquid assets are defined as those assets that can be converted into cash quickly without a significant loss in value.

Short term liabilities are the short-term element of deposit takers' debt liabilities.

## **Explanatory Notes on External Sector**

### **1. External Reserves**

**Gross International Reserves (GIR):** GIR is the total Foreign Currency (FC) reserves held at MMA.

**Usable Reserves:** Usable reserve is the amount of funds from GIR that is available for foreign exchange intervention. It is calculated by deducting the short term foreign liabilities from GIR where the short-term foreign liabilities mainly comprise of FC deposits of commercial banks at MMA.

### **2. Balance of Payments**

#### **I. General Information**

The Balance of Payments (BOP) is a statistical statement that systematically summarizes economic transactions of residents of the Maldives with the rest of the world for a specific period of time.

From January 2017 onwards MMA started disseminating BOP statistics based on the Sixth Edition of the Balance of Payment and International Investment Position Manual (BPM6) methodologies of the International Monetary Fund (IMF).

#### **II. Current Account**

##### **Balance on Goods**

##### **Exports**

Exports consists of two parts; domestic exports and re-exports. This information is collected from the Maldives Customs Service (MCS) and

international airports operating in the Maldives. Re-exports is mainly jet fuel sold to foreign carriers.

For the years 2011 to 2016, actual data from MCS and international airports is used while projections for 2017 is based on past trend. Re-exports are projected based on tourist arrival, and the estimated average prices of petroleum products imported to Maldives.

## **Imports**

Imports consists of all merchandise imports into the country recorded by the MCS. For 2011 to 2016, actual data from the MCS is used. Some adjustments are made for valuation and coverage and hence it is not comparable with the trade statistics (Tables 13.1 to 13.5).

For 2017 import of major items (such as food & beverage, and petroleum products) are forecasted based on corresponding price and volume index. Prices are based on commodity prices forecasts by the IMF and the implicit price of petroleum products imported to Maldives while volume is based on tourist arrival growth. Imports of other items are forecasted based on past trends.

## **Balance on Services**

### **Export: Transportation Services**

The major components in this section are:

- Earnings of resident airlines from sale of ticket to non-residents on international routes and
- Earnings of international airports in Maldives on handling, navigation, parking and other related charges from foreign airlines.

This information is based on data collected from resident airlines operating in Maldives, Maldives Ports Limited (MPL), international

airports in Maldives, other administrative records and estimates made by MMA.

### **Import: Transportation Services**

The major component in this category is freight charges on imports. This data is collected from MCS. It also includes payments made for use of foreign sea ports and purchase of air tickets from non-resident airlines. Payment made for air tickets is estimated by MMA based on information collected from Maldivian Travelling Abroad (MTA) Survey, conducted annually.

### **Travel: Credit**

Total travel receipt is estimated by MMA based on Tourism Goods and Services Tax (TGST), Green Tax and Airport Development Fee (ADF) collected by Maldives Inland Revenue Authority (MIRA). It also includes revenue received from duty-free shops at Velaana International Airport.

### **Travel: Debit**

This includes the amount spent by residents for travel. Data is sourced from the annual MTA survey conducted by the MMA and administrative records of government's foreign payments kept at the MMA.

### **Other services**

Other components in the services account are receipts and payments made for the following services:

- Constructions services
- Insurances services
- Financial services
- Charges for the use of intellectual property

- Telecommunications, computer and information services
- Research and development services
- Professional and management consulting services
- Technical, trade-related and other business services
- Personal, cultural and recreational services
- Government goods and services

Estimates for the above are made by MMA based on administrative records of MIRA, surveys conducted by MMA and administrative records from various sources.

### **Balance on Primary Income**

The primary income account shows income flows between resident of Maldives with rest of the world. This includes:

- Income on direct investments
- Reinvested earnings and undistributed branch profits
- Other Investments: Income from investments of MMA, government, commercial banks and other sectors

The data is based on the annual Foreign Direct Investment (FDI) survey conducted by the MMA, financial statements of foreign direct investment enterprises collected by the MMA from the Ministry of Economic Development, various administrative records and information from Bank of International Settlements (BIS) database.

### **Balance on Secondary Income**

The secondary income account shows current transfers between residents of Maldives with rest of the world. Current transfers include personal and transfers consisting of:

- Cash grants received to the government
- Workers remittances
- Other transfers

Data is obtained from the administrative records kept at MMA and Ministry of Finance and Treasury (MOFT).

### **III. Capital Account**

This account includes capital grants received by the government of Maldives, including the transfer of capital assets. It also includes cash grants that are used for capital expenditure. This data is collected from the MOFT. However, from 2016 onwards capital transfers are included in secondary income account since total grants data cannot be segregated further.

### **IV. Financial Account**

The financial account records transactions that involve financial assets and liabilities and that take place between residents and nonresidents. This includes:

- **Direct investment** a category of cross-border investment associated with a resident in one economy having control or a significant degree of influence on the management of an enterprise that is resident in another economy. Generally, a non-resident investor is deemed to have control and significant

influence when they hold 10 percent or more of equity or voting rights in a company.

Direct Investment in the Maldives is based on information collected from the annual Foreign Direct Investment (FDI) survey conducted by MMA and the information collected from annual financial statements of such companies available at Ministry of Economic Development (MED) and administrative records.

- **Portfolio investment:** cross-border transactions and positions involving debt or equity securities, other than those included in direct investment. Information for portfolio investment liabilities is collected from the Coordinated Portfolio Investment Survey (CPIS) database of the International Monetary Fund (IMF).
- **Other Investment:** this covers information on other investment assets and liabilities of monetary authorities, banks and other sectors. These estimates are based on data obtained from the Monetary and Financial Statistics (MFS) database of MMA, administrative records and information of such flows available at the Bank of International Settlements (BIS) database.
- **Reserves and Related Items:** Reserve Assets reflects the change in gross international reserves. Information is sourced from the Monetary and Financial Statistics (MFS) database of MMA.

### **Note on data presentation format**

With the change in methodology from BPM5 to BPM6, the presentation of financial account is changed from directional principle to asset-liability principle. With this change, the categories of flows has been changed to “net acquisition of financial assets” and “net incurrence of liabilities”.

The balance on transactions in net assets and net liabilities is calculated by subtracting net incurrence of liabilities from net acquisition of financial assets, instead of adding credits and debits. For this reason the net balance on the financial account has the opposite sign in BPM6 compared to BPM5 (e.g. a net inflow in the financial account is represented with a minus sign in BPM6, whereas it has a positive sign in BPM5).