



BANKA QENDRORE E REPUBLIKËS SË KOSOVËS  
CENTRALNA BANKA REPUBLIKE KOSOVA  
CENTRAL BANK OF THE REPUBLIC OF KOSOVO

# Monetary and Financial Statistics Methodology

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# **Monetary and Financial Statistics Methodology**



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## 1. Legal Basis

According to the Law no. 03 / L-074, the Central Bank of the Republic of Kosovo (CBK) is responsible for the compilation and publication of monetary and financial statistics. Within the framework of monetary and financial statistics are included statistics for the central bank, other depository corporations, insurance companies, pension funds, other financial intermediaries and financial auxiliaries. Monetary and financial statistics are compiled and published in line with international standards, respectively the IMF's Monetary and Financial Statistics Manual (IMF 2000); Monetary and Financial Statistics Compilation Guide (IMF 2008); Manual on Commercial Banks Interest Rates (ECB 2003); the System of National Accounts (SNA 2008), and the European System of National and Regional Accounts.

## 2. Institutional Units

The economy is composed of economic units, which may be defined as economic entities that have assets, liabilities and are engaged in economic activities and in transactions with other entities. The institutional units, as holders of financial assets and liabilities, comprise the main pillar of monetary and financial statistic, and they hold financial assets in form of currency, deposits, securities, investment in different funds, etc. The following four main attributes of institutional units are:

1. They are entitled to own assets on their behalf;
2. They are able to make economic decisions and engage in economic activities for which it is held responsible and accountable by law.
3. They have the right to have liabilities on their behalf;
4. They have either a complete or set of accounts (i.e. including a balance sheet).

There are two main types of institutional units: *households* and *legal or social entities*.

*Households* consisting of individuals, families, or other groups of persons who share the same living accommodation, pool some or all of their income and wealth, and consume some goods and services collectively. Assets may be held and liabilities incurred on behalf of an entire household, and the income of individuals may be pooled for the benefit of all household members. The production activities undertaken by those households that produce and sell goods and services are treated as integral parts of the households themselves and not as separate entities-unless legal entities are created or the size of operations warrants treatment as quasicorporations.

*Legal or social entities* include corporations, quasi-corporations, government units, and nonprofit institutions.

*Entitetet ligjore* përbëhet nga ato njësi institucionale që janë të angazhuara në aktivitetet ekonomike në emër të tyre. Këto entitete janë përgjegjëse për vendimet ekonomike që marrin. Ekzistojnë katër kategori kryesore të entiteteve ligjore, dhe atë:

1. A *corporation* is a legal entity created for the purpose of producing goods or services for the market. They may be organized in the form of corporations with one or more shareholders where control is exercised through voting power. Corporate control can be overall (effective) and partial (ineffective). Effective control is defined when a

shareholder has available more than 50% of the shares in the corporation (more than half of the voting power). The main features of the corporation are as follows: (i) their existence is independently recognized as a separate entity; (ii) they are created for the purpose of manufacturing material goods for the market; (iii) they are responsible and account for their activities; (iv) control is exercised by the shareholder or shareholders.

2. *Quasi-corporations* are unincorporated enterprises that function in all (or almost all) respects as if they were incorporated and have the system of accounts. For purposes of sectoring and subsectoring, they are treated as institutional units (corporations) separate from the units that own them. The three main kinds of quasi-corporations are: (1) unincorporated enterprises owned by government units engaged in market production and operated in a similar way as publicly owned corporations; (2) unincorporated enterprises, including unincorporated partnerships or trusts, owned by households that are operated as if they were privately owned corporations; and (3) unincorporated enterprises that belong to institutional units resident abroad.
3. *Government units* are legal entities established based on political processes and have legislative, legal, and executive authority. The activity of these institutional units is funded through revenues that may be tax and non-tax revenues. Their main function is (i) offering goods and services to the whole community by engaging in non-commercial (non-productive) activities, and (ii) redistributing revenues and material goods.
4. *Non profit institutions* (NPIs,) are legal or social entities, created for the purpose of producing goods and services, whose status do not permit them to be a source of income, profit, or other financial gain for the units that establish, control, or finance them.

### 3. Residency

The distinction between resident and nonresident entities is essential in monetary and financial statistics. The key concepts for defining the residence of an institutional unit are economic territory and center of predominant economic interest. The economic territory of a country is comprised of a geographically territory administered by the government within which persons, goods and capital move freely and include air, water, land, diplomatic offices, country bases abroad. One institutional unit is resident in one country if that institutional unit has a center of economic interest in a country, respectively it exists a production activity at a significant scale<sup>1</sup>.

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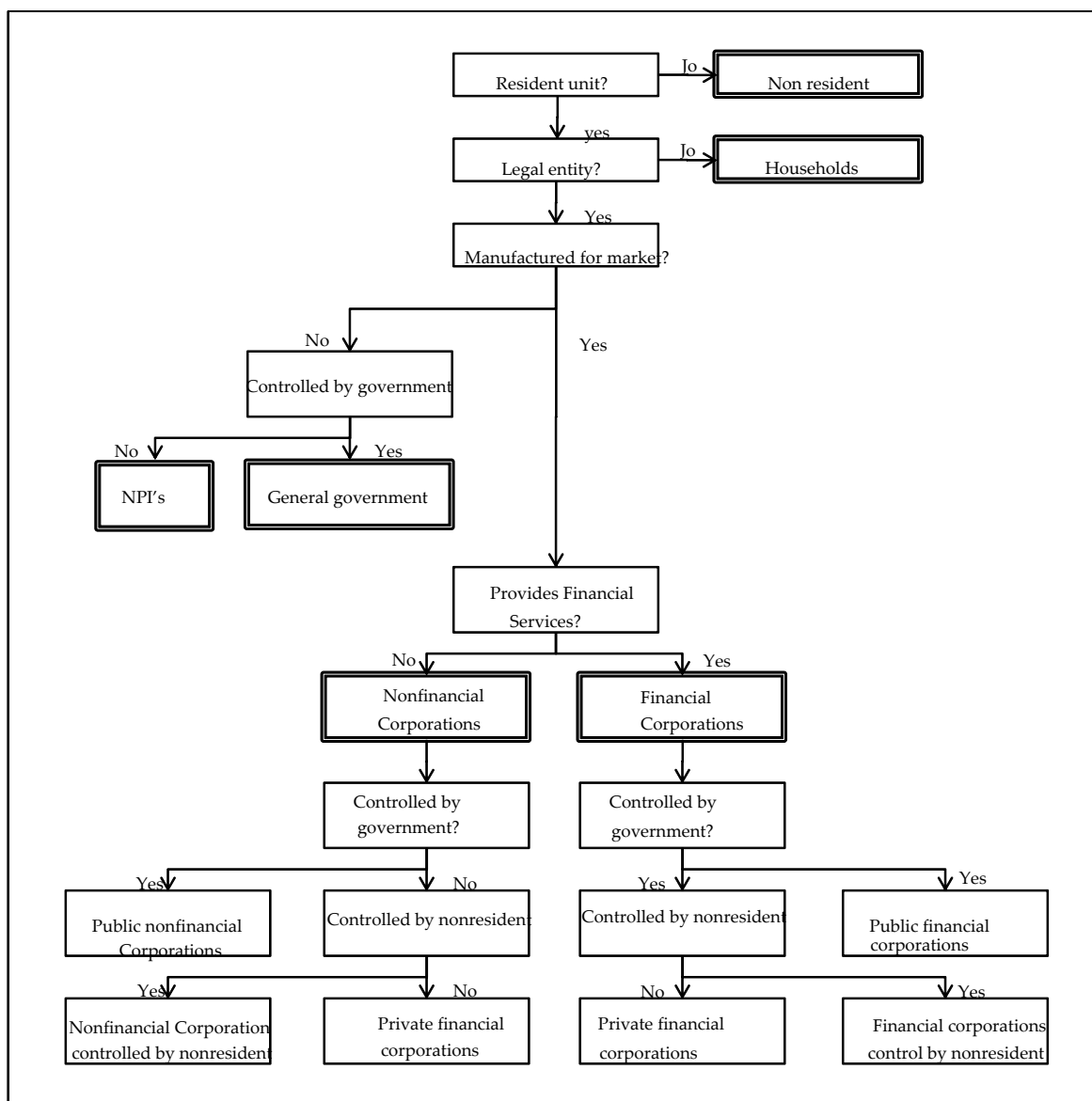
<sup>1</sup> Significant scale means that the institutional unit (in this case the corporation) has at least an activity in the country for one year or more, or it intends to do so.



## 4. Sectorisation of institutional units

Sectorization of institutional units is a key element in the compilation of monetary and financial statistics. The institutional set-up scheme is presented as follows.

Scheme 1. Sektorisation of institutional units



Source: SNA 2008

### 4.1. Financial corporations

The financial corporations sector consists of all corporations or quasi-corporations resident engaged in financial intermediation or financial support activities that are closely related to financial intermediation. Financial corporations are divided into depository corporations (central bank and other depository corporations) and other financial corporations (other

financial intermediaries, insurance companies, pension funds and financial auxiliaries). The following is the financial corporation structure in Kosovo

**Table 2. Financial corporations in Kosovo**

Subsectors	Name of the institution
Central Bank	Central Bank of the republic of Kosovo
Other Depository corporations	Banka për Biznes, Banka Ekonomike, Banka Kombëtare Tregtare, Komercijalna Banka, NLB Prishtina, ProCredit Bank, Raiffeisen Bank, Türk Ekonomi Bankasi.
Insurance companies	Croatia Osiguranje, Dardania, Dukagjini, Elsig, Insig, Kosova e Re, Sigal Drini, Sigkos, Sigma, Siguria.
Fondet pensionale	Fondi Slloveno Kosovar, Trusti i Kursimeve Pensionale të Kosovës.
Other financial intermediaries	Agency for Finance in Kosovo, Agro Business Development Unit, Atlantic Capital Partners, Besëlidhja, Ce.L.I.M., Cordaid, Crimson, Factor Leasing Kosovo, Finca, KGMAMF - Grameen Trust, Kosinvest World Vision, Kosovo Aid and Development, Kosovo Enterprise Program, Kreditimi Rural i Kosovës, Lesna Mështekna, Perspektiva 4, Raiffeisen Leasing Kosovo, Start.
Financial auxiliaries	Agimi, Agoni, Beni, D.M.TH., E-Bani, Euro, Euro Cufa, Euro Eki, Euro Exchange, Fondi Slloveno Kosovar, Gipa, Hamza, Indriti, KLM Enterprises, Mena, Monedha, NBS, Pëllumbi, Prizreni, ProCredit Bank Western Union, PTK, Raiffeisen Bank Western Union, Te Gazi, Unioni Financiar Prishtina, Valuta, Veli, Vllesa, Xeni, Ximi.

*The central bank* is the domestic financial institution that exercises control over key aspects of the financial system. The central bank functions generally comprise the following: issuing currency, the international reserves management, transactions with the IMF, crediting of the economy, provide of loans to the commercial banks. etc. Based on the Constitution of the Republic of Kosovo, the Central Bank function is performed by the Central Bank of the Republic of Kosovo. The main objectives based on the Law on the Central Bank of the Republic of Kosovo are presented below:

*“Article 5*

***Main objectives***

*CBK’s main objectives are as follow:*

- a) To promote the security, the ability to pay and the efficient functioning of the stable financial system based on market, by the encouraging the issue of secure financial instruments in the market; and*
- b) Supports general economic policies in Kosovo with aim of the contributing to the efficient allocation of resources in accordance with the principle of an open market economy.*

*Other depository corporations* consist of financial corporations and quasi-corporations resident (except central bank) engaged in financial intermediation and that their liabilities are part of broad money. Other depository corporations consist of commercial banks and other corporations who hold deposits. In the case of Kosovo, other depository corporations are commercial banks. As of June 2004, there is a methodical change regarding the compilation and publication of statistics of these corporations in the context of sectors, instruments and timeframes. This consists with starting the implementation of statistical projects: the Statistical Banking Report and the Interest Rates Report. Moreover, these statistical projects have been constantly advanced in the context of the volume of statistics, sectors, instruments and timeframes.<sup>2</sup>

*Insurance companies* consist of incorporated, mutual, and other entities whose principal function is to provide life, accident, sickness, fire, or other forms of coverage to individual institutional units or groups of units, or reinsurance services to other insurance corporations. In the case of Kosovo, insurance companies are licensed for life and non-life insurance (eg vehicle insurance, fire insurance, etc.). Statistics on insurance companies operating in Kosovo are compiled and published quarterly, including balance sheet, income statement, etc. in accordance with international statistical standards

*The pension funds* subsector consists of autonomous pension funds that are established to provide retirement benefits for specific groups of individuals. These pension funds have their own separate sets of pension-fund assets and liabilities, with specific obligations to their contributors. In the case of Kosovo, the pension fund scheme consists of the following three pillars:

- a) The mandatory basic pension, which in fact represents social security, is paid directly from the Kosovo Budget to all persons over the 65 year old;
- b) Individual pension contributions consist of funds paid by the employer (5% of the employee's salary) and the employee (5% of salary) and managed by the Kosovo Pension Savings Trust;
- c) Supplementary pension contributions, paid to workers who may be allocated by the employee to all licensed pension funds operating in Kosovo

In the case of Kosovo, the obligatory basic pension (item "a") is part of the fiscal sector, while individual pension contributions (item "b") and supplementary pension contributions (item "c") are part of the financial sector. In the case of Kosovo, the statistics on pension funds are compiled and published on a quarterly basis, in line with international statistical standards.

*Other financial intermediaries* comprise of all resident corporations engaged in financial intermediation except depository corporations, insurance corporations and pension funds. In case of Kosovo, other financial intermediaries are microfinance institutions and nonbank financial institutions. These financial institutions are engaged mainly in lending in smaller amounts compared to those of banks, mainly in rural areas, while funding is mainly provided by donors. Since of the beginning of the publication of these statistics (June 2004) until December 2007, balance sheets are compiled based on the annual accounts of microfinance institutions reported to CBK. However, starting from 2008, microfinance

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<sup>2</sup> Until now, Statistical Bank report and Interest Rate report are modified four times. The latest version is 2.0 which has started to be implemented in January 2010.

institutions report to the CBK in quarterly basis balances sheet income statement and other relevant statistics.

*Financial auxiliaries* are financial institutions that are not directly related to financial intermediation, which may be exchanges, brokers, other agents etc. In case Kosovo this subsector consists of exchange offices and money transfer agencies. Within financial assistants, data is obtained based on a sample that includes about 95% of these institutions based on the context of their assets.

#### 4.2. Nonfinancial corporations (NFC)

The NFCs sector encompasses corporations and quasi-corporations whose principal activity is the production of market goods or nonfinancial services. The nonfinancial corporation cover two kind of corporations : public nonfinancial corporations (PNFCs) and other nonfinancial corporations (ONFC). PNFCs consist of resident NFCs and quasi-corporations that are subject to control by government units, another public corporation, or some combination of government units and public corporations, a corporation must be a market producer of goods or nonfinancial services. In the case of Kosovo, PNFCs are Post and Telecom of Kosovo, Kosovo Energy Corporation, etc. While ONFCs include all private nonfinancial corporations operating in Kosovo.

#### 4.3. General government

*General government* units exercise legislative, judicial, or executive authority over other institutional units within a specified area. In the case of Kosovo, the government consists of the central government and local governments. Within the central government include the Kosovo Assembly, Ministries, Tax administration, etc., while within the local government include the Municipalities.

#### 4.4. Households

A household is a group of persons who share the same living accommodation, pool some, or all, of their income and wealth and consume certain types of goods and services collectively, mainly housing and food. In certain cases, commercial banks which are operating in Kosovo, unincorporated enterprises are classify within the legal entities that can result in inadequate sektorization

#### 4.5. Nonprofit institutions serving household

NPISHs are legal or social entities created for the purpose of producing or distributing goods and services, but they cannot be a source of income, profit. In the case of Kosovo, the NPISHs include religious institutions, charities, etc.

## 5. Financial instruments

Financial instruments comprise the full range of financial contracts made between institutional units. Financial instruments include financial assets (currency, deposits and securities) and other financial instruments. An asset is a store of value, over which ownership rights are enforced and from which their owners may derive economic benefits by holding or using them over a period of time. Most financial assets are financial claims arising from contractual relationships entered into when one to another institutional unit provides funds or other resources. This classification system is based primarily on (1) the liquidity of the asset, which subsumes other more specific characteristics such as negotiability, transferability, marketability, or convertibility, as well as divisibility; and (2) the legal characteristics that describe the underlying creditor/debtor relationship.

*Monetary gold* is a financial asset consisting of gold (monetary) held by central banks (or governments). Monetary gold is part of the international reserves, SDRs are international reserve assets created by the IMF and allocated to its members that are SDR Department participants (currently all IMF member countries) to supplement existing official reserves. SDRs are held by member countries (central banks or central governments) that participate in the SDR Department. As of June 2009, the Republic of Kosovo is a member of the International Monetary Fund. The value of allocated DSTs is 59 million DSTs, which gives the right to 840 votes, or 0.04 percent of the voting power in the IMF

*Currency* consists of notes and coins that are of fixed nominal values and are issued or authorized by central banks or governments. Currency is divided into domestic currency and foreign currency. In the case of Kosovo, the CBK does not issue currency, but uses the euro currency as the official foreign currency and as a means of payment.

*Deposits* - the category of deposits comprises transferable deposits and other deposits. Transferable deposits comprise all deposits that are exchangeable for banknotes and coins on demand at par. Other deposits comprise all claims, other than transferable deposits, that are represented by evidence of deposit. Other deposits include (non transferable) savings deposits and time deposits.

*Securities other than shares* include securities (bills and bonds), negotiable certificates of deposit, commercial paper traded in the financial markets. These types of financial assets not yet appear on the side of the financial sector obligations in Kosovo.

*Loans* are financial assets that are created when a creditor lends funds directly to a debtor, and evidenced by documents that are not negotiable and may be with different terms and different sectors, such as households and nonfinancial corporations, and so on.

*Share capital* includes share capital, retained earnings, profit / loss during the reporting period, as well as general or special reserves.

*Insurance technical reserves* are subdivided into (i) net equity of households in life insurance reserves and pension funds, (ii) premium prepayments and reserves versus unpaid claims to be paid at the beginning of the period covered by insurance, and (iii) reservations against unpaid claims.

*Other receivables / payables* consist mainly of accounts receivable and payable. The main categories within the accounts receivable / payable are: dividends receivable / payable, settlement accounts etc.

## 6. Financial corporations survey

Financial corporations surveys represent the financial position of the financial sector to other sectors of the economy (fiscal, real and external sector). Since sectoral approaches are applied to financial corporation survey, the definition of counterparts to the counterpart is of importance key. The other party in the transaction is defined as an institutional sector where the instrument holder has a claim. In the case of time deposits from non-financial corporations with the commercial bank, the corporation has a claim on the commercial bank. In the case of securities, the holder has a claim to the issuer of the security (for example, a shareholding corporation), no matter who was purchased. The financial sector and subsector applied in the case of Kosovo is presented as follows. In case of securities the holder has a request to the issuer of the securities (for example, a shareholding corporation, no matter who was bought. The financial sector and subsector financial applied in the case of Kosovo is presented as follows.

### Scheme 2. Financial corporations survey

<b>Net foreign assets (+/-)</b>
Claims by instrument
Liabilities by instrument
<b>Domestic claims</b>
Net claims on government sector
Claims on other sub-sectors
Instrument
Counterpart (institutional sector)
<b>Domestic liabilities</b>
Claims on other sub-sectors
Instrument
Counterpart (institutional sector)
<b>Shares and other equity</b>
<b>Other items (+/-), including consolidation adjustment</b>

Important issues in the financial corporations survey are the classification of claims and liabilities as to what constitutes the requirements / obligations liabilities to non-resident sector and what are requirements/obligations on nonresident sector.

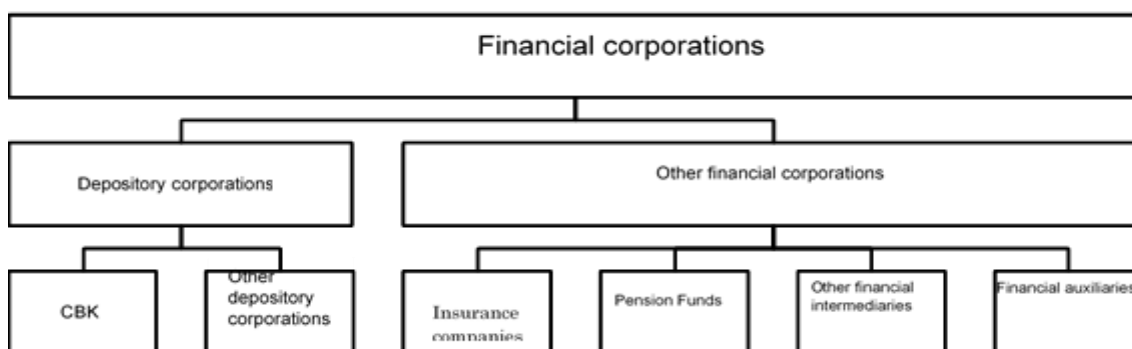
*Claims/liabilities on nonresidents* - comprise claims/liabilities of corporations (e.g. other depository corporations) on nonresidents. These claims/liabilities may be in the form of various instruments, such as: currency, deposits, loans, securities, etc. The sectoral definition of claims/liabilities should be made at the level of the central bank, other depository corporations and other financial corporations.

*Claims/liabilities on resident sectors* – have the same nature as the claims/liabilities on nonresidents, but they have to do only with domestic sectors (eg requirements / obligations on the government sector, non-financial corporations, households, and NPISH- it)

It is important to be noted that when compiling financial corporations surveys, the claims/liabilities to the external (nonresident) sector, as well as to the government sector are presented on a net basis, after deducting claims from liabilities for the particular sector. While the claims/liabilities to other sectors, either to nonfinancial corporations or households and NPISH, are presented on a gross basis.

*The consolidation adjustment* represents represents the deduction of items of the data reported by individual units on their positions and transactions with other units in the subsector. In cases when the consolidated statement is presented, it means that all the balance sheet items that have had these mutual corporations have been deducted. For example, Bank A has received a loan from bank B in the amount of 100.000 euro, then on the occasion of the presentation of the consolidated balance this value must be deducted. This means deducting Bank A's obligations with bank B. For the consolidation in Kosovo's case is based on the following scheme.

### Scheme 3. Consolidated financial corporation system



## 7. Interest rates

Interest rate statistics include rates on deposits and loans from other depository corporations. Other depository corporations in the case of Kosovo are commercial banks. Within the deposits are reported: interest rates on current accounts, time deposits and savings deposits, while loans are reported separately by purpose (investment loans, non-

investment loans, consumer credits, overdrafts, etc. Interest rates are reported only for new contracts. Interest rates are reported only for non-financial corporations and households

Interest rate statistics are compiled based on the information collected through Interest Rates Report. Since the beginning of implementation of the Interest Rate Report (IRR) in Jun 2004, with the aim to advance source data collected, four versions of IRR have been implemented. They imply also some methodical changes. For example, since January 2008, interest rates on loans include also the administrative costs that the borrower is paying when they receiving loans. Also, at the beginning of 2010, when calculating the weighted interest rate on loans, not included loans with favorable conditions (eg loans covered by cash, etc.).

Interest rates are calculated according to the annual contractual rate. The following equation presents the formula for yearly rate of contact

$$AAR = \left(1 + \frac{AG}{n}\right)^n - 1$$

where AAR is the contracted annualized rate, AG is the rate on the annual bases agreed between parties, and n is the number of capitalization periods within a year. As n = 1 when interest is paid once a year, n = 2 when the interest is paid every six months, n = 4 when the interest is paid every three months, and n = 12 when the interest is paid monthly.

The reported interest rate should reflect what the bank pays in the deposit and what the bank receives from the loans. In cases where the bank receives subsidies from a third party (e.g. a donor) for the lending, these subsidies are considered as part of the interest rate. For example, if a customer pays a 6% annual rate for a loan, where 10% is set by the bank for this loan, but a third party pays 4% interest on this loan, then a 10% rate should be reported. Similarly, in the case of a deposit, will considering what the bank pays, not what the customer receives from the payment of interest. For example, if a customer bank receives annual rate 5% from a bank deposit, where 3% is paid by bank, while the rest for 2% is pay as a subsidy from a third party which is transferred to the client through the bank, then the rate to be reported is 3%.

The criteria for the publication on interest rates are defined as follows:

- 1) Minimum three observations (variables) for each product;
- 2) Standard deviation for each product should not exceed the coefficient of 0.6 for deposits and loans;
- 3) If the second criteria is not completed, then considered participation of individual bank in the particular product, provided that this share does not exceed 30% of the total amount of deposits or credits for the relevant period.

## 8. Source of data

Source data to compile monetary and financial statistics are: CBK, commercial banks, pension funds, insurance companies, nonbank financial institutions, and financial auxiliaries.



## 9. Periodicity

The depository corporations statistics (CBK and commercial banks) started to be compiled and published since 2001 on monthly basis. While other financial corporations statistics started to be compiled and published since 2004 on quarterly basis.



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