

Explanatory notes on the table “German contribution to the consolidated balance sheet of the euro area monetary financial institutions (MFIs)”

The **German contribution to the consolidated balance sheet of the euro area MFIs**, which has been published in the Deutsche Bundesbank’s *Monthly Report* since March 1999, is not comparable with the table “Consolidated balance sheet of the banking system” which previously appeared in the *Monthly Report*. Changes have been made to some of the item components and maturity structures as well as to the reporting population (MFIs). In addition, an extended definition of the “home country”, which no longer covers Germany alone but includes the entire euro area, is now used as the basis for drawing up the German contribution to this consolidated balance sheet. The reason for extending the “home country” definition is that this emphasises the contribution made by the German figures and preserves consistency with the consolidated balance sheet of euro area MFIs established by the European Central Bank.

Germany’s contribution to the consolidated balance sheet of the euro area MFIs is derived from the aggregate balance sheet of the German MFIs. This is no longer done – as it was before 1999 – by eliminating only the German interbank items (now inter-MFI items) but also by offsetting the assets and liabilities of German MFIs against those of MFIs in the rest of the euro area. Consequently, since January 1999 the item “Excess of inter-MFI liabilities” (included here in the “Other liabilities” item) also contains the net position (with a plus or minus sign depending on the balance) of the German MFIs vis-à-vis the MFIs in other euro area countries after this offsetting procedure has been undertaken.

The stocks of bank debt securities and of money market fund shares outstanding held by German MFIs and issued by MFIs in the entire euro area (ie in Germany and in the other member states of the European monetary union) have been subtracted from the total amount. The stocks of bank debt securities (with maturities of two years or less) issued by MFIs in the euro area but held outside the euro area and those of money market fund shares are likewise deducted from the respective aggregate outstanding.

As euro banknotes and coins are legal tender throughout the euro area, the item “Currency in circulation” established for Germany in the consolidated balance sheet has not been shown as Germany’s own liability item since 2002 but merely as part of the

"Other liabilities" item. The Bundesbank's share of euro banknotes in circulation is not measured in terms of the volume it actually puts into circulation; instead, an 8% share of the total value of euro banknotes in circulation is allocated to the ECB monthly in accordance with the accounting procedure chosen by the Eurosystem for the issue of euro banknotes. The counterpart of this correction is shown as an "Intra-Eurosystem liability/claim related to banknote issue". The remaining 92% of the value of euro banknotes in circulation are likewise distributed among the NCBs on a monthly basis, and each NCB states in its balance sheet the share of euro banknotes in circulation that corresponds to its paid-up share in the ECB's capital. The difference between the value of the euro banknotes allocated to an NCB in accordance with the above-mentioned accounting procedure and the value of the euro banknotes put into circulation by that NCB is shown as "Intra-Eurosystem liability/claim related to banknote issue". The Bundesbank currently has a 27.8215% share of the total value of euro banknotes in circulation. For the purposes of the consolidated balance sheet, the amount of euro cash held by German MFIs is subtracted from the "virtual" currency in circulation which was established in this way and which also includes the euro coins manufactured by the German mints and put into circulation.

The **German contributions to the monetary aggregates of the euro area** are determined by aggregating the shorter-term liabilities of German MFIs shown in their consolidated balance sheet – in line with the definition of the monetary aggregates of the euro area – to non-MFIs in the euro area. However, these are not to be interpreted as independent German monetary aggregates and are not comparable with the monetary aggregates established for Germany up to the end of 1998. Germany's contributions to the monetary aggregates of the euro area (excluding currency in circulation as explained above) consist of the following components:

German contribution to M1 = euro area non-MFIs' overnight deposits at German MFIs¹

¹ Excluding euro area central governments' overnight deposits.

German contribution to M2 = M1 + deposits with an agreed maturity of two years or less held by euro area non-MFIs at German MFIs² + deposits redeemable at up to three months' notice held by euro area non-MFIs at German MFIs³

German contribution to M3 = M2 + German MFIs' repo agreements with euro area non-MFIs⁴ + (net) issues of debt securities with a maturity of two years or less held by German MFIs, including money market paper + (net) issues of money market fund shares of German money market funds

² Excluding deposits with an agreed maturity of two years or less held by euro area central governments.

³ Excluding deposits redeemable at up to three months' notice held by euro area central governments.

⁴ Excluding repurchase agreements with euro area central governments.