The production of financial corporations and price/volume measurement of financial services and non-life insurance services (issue 6a)

This is a **central issue** for Switzerland for two reasons: 1. Our country is a major financial center, with two major global players headquartered in its territory. 2. Financial markets developed drastically since the early 90s with the use of an ever wider range of financial products in the provision of financial services. These changes impact on the way financial corporations charge services to their customers.

Comments

We **fully support** the outcome of the AEG meeting which is based mainly on the recommendations of the Task force on financial services. We nevertheless have three comments and a reservation:

1. The convention by which FISIM should be restricted to loans and deposits is a good compromise, but the research agenda should take on further investigations about the impact of derivatives on this limited definition of FISIM.
2. The issue of holding gains/losses should also remain on a middle/long-term research agenda as their implication in the decision-making process is growing. The SFSO welcomes in particular the proposal by Peter Harper and Peter van de Ven to further investigate this issue.
3. Discussions at the meeting stressed that volume should not be affected by shifts between direct and indirect charges which would be linked to methodological choices. The reference to the "total output, including the direct charges" is therefore very important. However, such a feature seems difficult to achieve if the average stocks and deposits deflated by a general price indexes are to be used as a volume indicator of FISIM. We thus favor the use of a direct output indicator.
4. The AEG changed the initial recommendation of the Task Force on the reference rate. The TF proposed a risk-free reference rate that reflects the maturity structure of the financial assets and liabilities, while the AEG suggests a rate which reflects the risk and maturity structure of financial assets and liabilities. Our understanding so far was that the reference rate should be risk-free rate, and there seems to be an antinomy in the drafting. Further clarification is needed on this specific point before a formal approval is possible on our part.

Besides, we wish to express **strong support** to the proposals made for non-life insurance services.