

**8th Meeting of the Advisory Expert Group on National Accounts,
29-31 May 2013, Luxembourg**

Conclusions

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The Advisory Expert Group on National Accounts:

1. Complimented the Task Forces and Working Groups for their work to get a better understanding of the various topics which they have examined. Specifically acknowledged the contribution by countries to testing the impact of different reference rates for the estimation of FISIM and to all other substantial work.

Financial Intermediation Services Indirectly Measured

2. Considered the report of the FISIM task force and agreed on the following:

(a). To request the FISIM task force to rephrase, in consultation with the IMF and UNSD, the wording of the draft report in relation to the costs of funds approach, and the treatment of FISIM for money lenders, credit card issuers, financial leasing companies and pawnshops.

(b). For estimating imports and exports of FISIM, FISIM should be calculated by at least two groups of currencies (national and foreign currency).

(c). The reference rate for a specific currency need not be the same for FISIM providers resident in different economies. Although they should be expected, under normal circumstances, to be relatively close. In this respect, encourage national statistical agencies to use partner country information or other relevant information, where national estimates are not available.

(d). Liquidity transformation services should remain part of FISIM and a single reference rate should be used to determine FISIM.

(e). The calculation (definition) of the reference rate should be determined according to national circumstances, using preferably any of the following approaches:

(i) a reference rate based on a single observable exogenous rate for a specific instrument, such as interbank lending rates;

(ii) a reference rate based on a weighted average of observable exogenous rates of maturities with different terms (weighted by the stock of loans and deposits in each maturity); or

(iii) a weighted average of the endogenous interest rates on loans and deposits.

(f). Considerable care should be taken in determining FISIM estimates during periods of volatile movements in reference rates and when liquidity markets begin to dysfunction. These periods may be characterised by negative FISIM estimates, particularly for depositors, but also for borrowers. In this respect, encouraged countries to review the applicability of the underlying reference rate for that period to calculate FISIM when such incidences occur.

(g). Volume measures for FISIM should be calculated as follows:

- (i) using a deflated stocks approach (with weights based on types of loans and deposits) in view of its simplicity;
- (ii) deflating stocks of loans and deposits using a general price, which should itself exclude FISIM;
- (iii) using domestic price indices for exports, while for imports the appropriate country price indices should be used; and
- (iv) output indicators could also be used to calculate volume measures of FISIM. Double counting for explicitly charged services should be avoided.

3. Could not reach an agreement on the conceptual merits of either excluding or including credit default risk (CDR) in the calculation of FISIM and recommended that research continues in this area, both to further develop the conceptual arguments to either include or exclude CDR in the calculation of FISIM, and in the case of the excluding CDR to develop methods and data that could support a possible exclusion of CDR in the future.

4. Agreed on the following topics for further research in FISIM:

- (a). developing more clarity regarding FISIM (-related) references in the 2008 SNA, especially in relation to treatment of risk and definition of financial services;
- (b). further develop the conceptual arguments to either include or exclude CDR in the calculation of FISIM and in the case of excluding CDR to develop methods and data that could support a possible exclusion of CDR in the future;
- (c). consider possible hybrid approaches to price and volume measurement;
- (d). further develop the 'costs of funds' approach to determine the reference rate, and further develop possible alternative approaches (vintage reference rate);
- (e). consider the financial instruments and units scope of FISIM; and
- (f). the connection between the recommendations on implementing FISIM and the definition of income.

5. Agreed that in setting up the FISIM research agenda the first three items (paragraph 4 (a), (b) and (c)) can be considered as clarifications of the 2008 SNA.

Institutional sub-sectors and the delineation of head offices, holding companies and special purpose entities (SPEs)

6. Confirmed that for head offices (HOs), holding companies (HCs) and similar SPE-type of entities the standard SNA criteria for an institutional unit should always be applied.

7. Reiterated the SNA treatment that entities owned by non-residents are always to be considered as institutional units; and, in this respect, agreed that “downstream consolidation” of a holding with its subsidiary/-ies should not be done.

8. Agreed that for entities wholly owned by a single resident unit, “no employees and no compensation of employees” is not a sufficient criterion to determine the lack of institutional independence; however it can be used as an indicator to consider units for further investigation on its lack of independence.

9. Agreed that having multiple parents/shareholders is a sufficient qualification for a unit to be considered an institutional unit.

10. Agreed that head offices are always to be considered as separate institutional units.

11. Reiterated that the kind of economic activity is the determining factor for identifying HOs and HCs; and, in this respect, agreed that an entity having at least 50% of its assets consisting of equity vis-à-vis its subsidiaries can be considered as a practical indicator for identifying entities as being either HOs or HCs.

12. Agreed that in case of employment thresholds being used as a practical indicator for the delineation between HOs and HCs, this indicator should be applied taking into account national circumstances. In particular, national legislative requirements for the number of employees of HCs should be considered. In general, employment of three or more persons could be considered as a first indicator for a unit being a head office.

13. Agreed that in arriving at a clear definition of SPEs such units could have non-financial assets on their balance sheets.

14. Suggested as a general rule not to reroute the ownership of assets of SPEs and acknowledged that further clarification is needed on the (economic) ownership and the subsequent recording of certain assets of SPEs. In this respect, the AEG requested the Task Force on Global Production to put forward more concrete proposals.

15. Agreed that, for SPE-type of entities engaged in financial activities on the market, following commonly applied approaches for the measurement of output and value added seems to be feasible. In relation to captive SPEs, measurement of output and value added following the sum of costs approach is considered a practical alternative. For SPEs engaged in holding non-financial assets that provide services in the form of rents, royalties and licences, the AEG agreed

that this issue is related to the question of (economic) ownership, and that further reflection is needed.

Global production

16. Agreed that factoryless producers — supplying intellectual property capital and marketing services, and controlling the production process while using contract manufacturers to produce goods — are to be considered goods producers and should not be classified in distributive services.

17. Recommended that factoryless producers producing manufacturing type of goods should be identified separately within manufacturing, but that this need not be taken to a greater level of detail within subclasses of manufacturing.

18. Supported the classification criteria proposed by the Global Production Task Force on defining the boundary between goods production and distribution services based on intellectual property products (IPP) inputs and other inputs of goods and services.

Pension entitlements

19. Supported the further development of a table on the assets of households specifically related to retirement.

20. Recognized that further work needs to be done to determine the scope of the assets to be included; and expressed reservations concerning the inclusion of social assistance schemes in the table.

21. Requested the group working on the issue of pension entitlements to come up with a proposal on the recording of accrued interest on the assets/liabilities of the sponsor of a pension scheme, related to the over-/underfunding of the relevant pension scheme.

22. Agreed that the group should draft a more detailed paper to be discussed, in the first instance, at the 2013 OECD Working Parties on Financial Statistics and National Accounts, on the basis of which the ISWGNA would decide on possible follow-up work.

23. Recalled its conclusion, at its meeting in 2012, that the nature of investment income related to pension funds and investment funds should be further investigated, without addressing the broader issues of income, and requested the ISWGNA to establish the appropriate mechanism for this purpose.

Stability fees

24. Agreed that no distinction should be made between new schemes and long-standing schemes.

25. Agreed that to determine whether payments to stability schemes should be classified as a tax or as a payment for an insurance-type of transaction, the criterion of proportionality between

payments and the provision of an insurance-type of services (including payments for the risk element) should be examined on a case by case basis. The existence of a fund functioning on insurance rules and with a full set of accounts may indicate proportionality. On the contrary, if the payments are not put aside, or can be used for other purposes, this would be an indication to treat the payments as a tax.

26. Discussed the different aspects of the appropriation of the assets of financial corporations and the compensation of depositors (shortfalls or excess of assets) and concluded that many different arrangements may exist.

27. Agreed that there was a need to have more information on the more common practices, in this respect, in order to be in a position to provide practical guidance.

28. Noted that these complex issues will be examined by the Eurostat FAWG in June 2013, requested that the conclusions of the AEG be shared with that group, and that insights gained by that group be reported back to the AEG.

Land and other non-financial assets

29. Expressed the view that the valuation of government owned land should be done in accordance with the general principles of the 2008 SNA, and as such that the valuation principles should not differ from land owned by other sectors.

30. Recognised the practical difficulties concerning the valuation of government owned land and subsequent measurement, and looked forward to further proposals of the Task Force on land and other non-financial assets.

31. Agreed with the proposal of the Task Force on the content of the proposed compilation manual, and the proposed time schedule to complete the manual.

The treatment of freight and insurance in the 2008 SNA

32. Noted that both the 2008 SNA and BPM6 recommend recording imports and exports of goods at Free on Board (FOB) value; and recognised that the 2008 SNA does not fully reconcile the FOB principle for the valuation of exports with the principle of output valuation at basic prices.

33. Agreed that the recommendations of the 2008 SNA and BPM6 on the principle agreed for the recording of cross border trade transactions should be implemented.

34. Agreed that in the longer term, the change of ownership principle should be applied across the SNA, BPM and Foreign Trade Statistics with the full involvement of all these partners; and requested Canada, as Chair of the Friends of the Chair Group on Internationalization, to bring this issue to the attention of this Group.

SDMX initiative

35. Supported the work done in relation to the further development of SDMX for the transmission of national accounts data.

36. Requested the ISWGNA to look into the possibilities for an improved involvement of developing countries.

The compilation of manuals and handbooks

37. Took note of the current set of completed handbooks, publications in progress and the planned publications.

38. Took note of the newly planned handbooks, namely, on land and other non-financial assets (Eurostat and OECD); Balance of Payments Compilation Guide; and External Debt Guide (IMF).

39. Made no additional proposals for the development of handbooks or guidance material.

Research and development

40. Took note of the report on research and development.

Sectoral accounts and balance sheets

41. Took note of the report on developing sectoral accounts and balance sheets.

Eurostat/OECD Expert Group on Disparities in National Accounts

42. Took note of the report of the Eurostat/OECD Expert Group on Disparities in National Accounts.

Trade in Value Added

43. Took note of the work by OECD and WTO on developing a database on trade and value added.

Research agenda

44. Agreed that the following issues should be investigated:
- The FISIM issues reflected in paragraphs 3 and 4 of this report
 - The (economic) ownership and the subsequent recording of certain assets of SPEs, including possible consequences for the measurement of output and value added (as reflected in paragraphs 14 and 15 of this report)
 - Global production (as reflected in paragraphs 16 to 18 of this report)
 - Pension entitlements (as reflected in paragraphs 19 – 23 of this report)

- Investment income related to pension funds and investment funds (as reflected in paragraphs 21 and 23 of this report)
- The appropriation of the assets of financial corporations and the compensation of depositors (shortfalls or excess of assets) (as reflected in paragraphs 26 – 28 of this report)
- Land (as reflected in paragraph 30 of this report)

Other business

45. Noted that issues papers for discussion at the AEG should address issues in two stages. The first is a clear analysis of the conceptual treatment according to SNA concepts. Any requirement for clarification of the SNA should be identified in this stage. The second stage is to describe practical issues in the implementation of the concept. This should highlight data availability and difficulty of measurement. The meeting agreed that a template was needed to guide contributors, and requested the ISWGNA, in consultation with the AEG, to develop such a template.

Next meeting

46. Agreed that the second quarter of 2014 is the most appropriate time for scheduling the next physical meeting of the AEG.