

## Comments on the draft version of SNA Volume 2

**Para 21.63** (p.39) on the co-operation between statisticians and accountants: the wording “it would be advantageous for the national accounts fraternity to take greater interest ....” sounds somewhat inappropriate in a manual. Apart from the possibly sexist word “fraternity” – there are female statisticians in national accounting – a manual is not the place for “wishful thinking”. The wording should be replaced by something like “*the NA community shall (or will) therefore engage more intensively in the three stages .....*”

**Para 22.23** (p.43): The sentence “In particular, if the non-resident unit borrows abroad, it is regarded as ending the same amount to government and on the same term” should probably read “lending” instead of *ending*.

Referring to **chapter 24** (The households sector) we have the following comments:

- 1.) We would recommend to elaborate **more in detail** the distinction on the one hand between own-account workers (regardless if they have employees or not and treated as quasi-corporations) and corporations included in sector S.11 and on the other hand assets held by private households via private trusts (mainly for tax reasons).
- 2.) As outlined in the draft version the sub-sectoring of households is made on a top-down approach, which we support from the viewpoint of full-coverage in terms of the sequence of national accounts. Nevertheless the proposals on sub-sectoring do not mention the problem that especially for the holdings of financial assets the household sector is treated as residual sector when compiling financial accounts. This "residual approach" hampers the possibility to make further breakdowns. On the other side the draft version of the SNA contains a lot of problems to use survey data, which in principle is the only direct source. Therefore we would like to suggest amending the draft version with more guidance to solve the trade-off between the residual compilation routine and proposal on sub-sectoring.
- 3.) We would recommend including also the financial behaviour of households apart from the function of households as consumer or producer, especially because the net (financial) wealth plays an important role in the flow of funds between household sector and other domestic sectors and sectors abroad.
- 4.) Referring to **par. 24.46** the first two sentences should be amended in the following way: "In economies, where a large number of households live in dwellings the size of the rental market may be very small and may be confined to some areas, for example urban areas. For countries with a high proportion of the rental markets different approaches are available to calculate the imputed wealth"
- 5.) Referring to **par. 24.69** we do not agree on the fact, that for many households the main assets are houses and accumulated pension entitlements. The sentence should be amended, that depending on the different pension schemes (pay as you go or funded) the accumulated pension entitlements play an important role. Furthermore it should be mentioned that financial assets including shareholding in unlisted private corporations may represent a high proportion.

**Para 26.84** (p.100): From an FDI point of view direct investments can take the form of equity or “other capital” which includes e.g. loans, trade credits, securities, and excludes “financial derivatives”. Table 26.6 seems to propose to include **insurance technical reserves** and similar positions of insurance companies as possible form of FDI. Please note what the OECD benchmark has to say with respect to technical reserves:

*341. One complex area involves the treatment of non-life insurance company technical reserves (actuarial reserves against outstanding risks, prepayments of premiums, reserves for with-profits insurance, and reserves against unsettled claims). Normally, these reserves **should not be included in the direct investment** equity position, because these are amounts that are considered to be set aside for eventual payment of claims to policyholders. In the special case of a captive insurance affiliate, however, the policyholder may be affiliated with the insurance enterprise. Businesses may establish or acquire a*

*'captive insurance company, in order to obtain insurance coverage for unusual types of risk, or for lower premiums than may be available commercially. In this case, a 10% or more ownership level often is reached, and the captive insurance company then meets the criteria for treatment as a direct investment enterprise. (OECD BENCHMARK DEFINITION OF FOREIGN DIRECT INVESTMENT - 4th edition).*

In order to harmonise guidelines one should at least remove the first and the second x of the four "x"es from the first column of Table 26.6 under the heading "Insurance". By the way, is there a reason for using small and capital letter X'es in parallel?

**Para 26.88** (p.101): There is a typo in the sentence "Reinvested earnings on foreign direct investment in the SNA have the same scope as **tin he** balance of payments (although "foreign" is not used because it is redundant in the context of the international accounts)." Please use "in the" instead of "**tin he**".

Referring to **chapter 27** (Links to monetary statistics and the flow of funds) we have the following comments:

- 1.) The reference to the Monetary and Financial Statistics Manual in **par. 27.4** should be treated with caution, because the MFSM is not updated at present and therefore any link to the manual incorporates a link to the SNA 1993.
- 2.) Referring to **par. 27.7** in principle the basic accounting rules, concept of residence, time of recording and the classification of financial assets and liabilities should be consistent between SNA 2008, BPM6 and the revised MFSM. Nevertheless the possible differences in the valuation of stocks and the different opportunities to record accruals should be mentioned in this paragraph.
- 3.) Referring to **par. 27.12** it should be mentioned that the breakdown of financial instruments in the MFSM are build to measure "broad money aggregates" whereas the SNA 2008 focus on the split of instrument based on their degree of liquidity and ownership.
- 4.) Referring to **par. 27.18** we do not agree with the proposal to aggregate the sectors outside the financial sector. The financial behaviour of households, the government sector and the non-financial corporations sectors differ and therefore their financial interactions with the financial sector are different.
- 5.) We would recommend opening the possibilities for the breakdown of deposits for the compilation of "broad money". Apart from the proposed breakdown into transferable and other deposits a variety of concepts like the breakdown by Euro Area countries into overnight deposits and other deposits are used (see also the paper of the Bank of England "Influences on broad money growth", box on "broad money aggregates in UK, Australia, Canada, and the United States").
- 6.) In **Table 27.2** the breakdown of the financial instrument "equity and investment fund shares" into "equity" and "investment fund shares" according to the proposal in the revised ESA is preferred. Additionally we have some concerns to split the memorandum item direct foreign investment into the sub-categories as proposed. Instead we would recommend to incorporate in chapter 26 (The rest of the world accounts) a bridging-table between the functional categories in the BPM6 and the financial instruments in the SNA.
- 7.) Referring to **Table 27.3** we have problems to understand why the category "goods and services" is incorporated.
- 8.) Referring to **par. 27.25** we have some doubts that investment fund shares play an important role for the financing of non-financial corporations.
- 9.) Referring to **Table 27.4**. (also in **par. 27.34**) we would recommend to split "equity and investment fund shares" into the two sub-categories and the sub-category "equity" into all sectors and not only into residents and non-residents.
- 10.) The paragraph on stocks accounts should elaborated further. We would suggest including e.g. a link between flow of funds transactions and related stocks.