

Steven Keuning  
*Director General  
Statistics*

Mr Paul Cheung  
Director  
Statistics Division/DESA  
Two United Nations Plaza  
Room DC2-1656  
New York, NY 10017

13 September 2008

STC/2008/137

Contact person: Mr. R. Mink

Ext.: 7639

E-mail: [reimund.mink@ecb.int](mailto:reimund.mink@ecb.int)

Dear Paul,

**Ninth consultation on the updating of the 1993 SNA (draft chapters 18, 19, 22 and 26)**

We would like to congratulate you with the approval of Volume 1 of the updated 1993 SNA. We welcome the modified definition of the reference rate to be used for the calculation of financial intermediation services indirectly measured (FISIM) in paragraph 6.166 and the treatment of exceptional losses of non-life insurance corporations as capital transfers, as also proposed by the ECB.

Nevertheless, we would like to raise two important points at this stage. First, we attach high importance to the proposed coding structure for the new SNA and would appreciate receiving some feedback on our comments on this subject. It could have implications for the currently well-established coding system used in the context of the 1995 ESA Transmission Programme and of ECB Regulations in the field of monetary and financial statistics. We have seen that this issue is also on the proposed agenda of the sixth AEG meeting in Washington DC from 12 to 14 November 2008.

Concerning chapter 27 'Links to monetary and financial statistics', you mention in your letter that this chapter has already passed through the world-wide review and received comments. In that context, we would appreciate if a new draft of this chapter is posted on the website taking into account the substantial comments provided by the ECB and other national central banks in 2007.

Please find attached the ECB comments on the generally well-written SNA draft chapters 18 (Elaborating the accounts), 19 (Population and labour inputs), 22 (The general government and public sectors) and 26 (The rest of the world accounts). The comments have been shared with the members of the Statistics Committee (STC) of the European System of Central Banks (ESCB).

Kind regards,

*[Signed]*

Steven Keuning

*Encl.:*

Four forms with comments on the draft SNA chapters 18, 19, 22 and 26

- Cc: a) Members of the Statistics Committee  
b) Permanent Representative of the ECB at the IMF  
c) Members of the ISWGNA

*Ms. Lucie Laliberté  
Acting Director General  
Statistics Department  
International Monetary Fund  
700 19<sup>th</sup> Street, N.W.  
Washington, DC 20431*

*Ms. Shaida Badiee  
Director  
Development Data Group  
The World Bank  
1818 H Street, N.W.  
Room MC2-747  
Washington, D.C. 20433  
Fax: (1 202) 522-3645*

*Mr. Enrico Giovannini  
Director  
Statistics Directorate  
Organisation for Economic Cooperation and Development  
2 Rue André Pascal  
75755 Paris, Cedex 16  
France  
Fax: (33 1) 44 30 63 22*

*Mr. Walter Radermacher  
Director-General  
Statistical Office of the European Communities  
European Center  
P.O. Box 1907  
Luxembourg  
Fax: (352-430) 13 30 15*

- d) Project manager and Editor

*Mr. Paul McCarthy  
Project manager  
1993 SNA Revision Project*

*Mrs. Anne Harrison  
Editor  
1993 SNA Revision Project*

*e) Website “Comments on 1993 SNA updating issues”  
Mr. Ivo Havinga  
Chief of the Economic Statistics Branch  
Statistics Division/DESA  
Two United Nations Plaza*

*Room DC2-1656  
New York, NY 10017 United Nations Statistics Division  
sna@un.org  
Fax (1 212) 963-1374*

**Comments on draft SNA chapter:  
Chapter 26: The rest of the world accounts**

**Deadline for comments: 26 September 2008**

**Send comments to: [sna@un.org](mailto:sna@un.org)**

Your name:	Reimund Mink
Your country/organization:	European Central Bank
Contact (e.g. email address):	<a href="mailto:reimund.mink@ecb.int">reimund.mink@ecb.int</a>
Submission date:	<a href="#">Click here and enter your submission date</a>

his template allows you to record your comments on draft SNA chapter 26 “The rest of the world accounts” and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any or all parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is largely new text.

Save this template and send it as an attachment to the following e-mail address:

[sna@un.org](mailto:sna@un.org)

**Part I: General comments**

In the space below, please provide any general comments. This may cover e.g. the structure of the chapter, issues missing and (lack of) consistency with other chapters of the 2008 SNA.

*General comments:*

General comment	<p>This chapter is too long (see also the very short appendix 7 on the relationship of the SNA accounts for the Rest of the World to the International Accounts of BPM6). It entails many repetitions on units, residence or functional categories. All these items are either described in other chapters of the SNA or in the BPM6. It would be sufficient to refer to the corresponding paragraphs or handbooks.</p> <p>On the other hand, it would be very useful to provide reconciliation tables between relevant external accounts of the SNA and corresponding items in balance of payments accounts and the international investment position as tables A.II.1 – A.II.9 in the current SNA93.</p> <p>It is not clear to me whether the term ‘<i>international accounts</i>’ is commonly in use. At least the title of the BPM6 is <i>Balance of Payments and International Investment Position Manual</i> and not International Accounts which is somewhat misleading.</p> <p>Reference is made in different paragraphs to <i>enterprises</i>. I would prefer to use the term <i>corporations</i> which are linked to institutional units.</p>
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**Part II: Comments on specific draft paragraphs and sections**

All comments on specific draft paragraphs are welcome. They can be about e.g. scope, content and clarity. Proposing a concrete alternative text or table is also possible. For the paragraphs in separate sections, separate forms are used for providing and collecting comments (see below).

**A. Introduction (paragraphs 26.1-26.6)**

General comment	Click here and start typing.
26.2	No reference is made to the OCIVA as part of the other flow accounts.
*	Click here and start typing.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

**B. Accounting principles (paragraphs 26.7-26.34)**

General comment	Click here and start typing.
26.7	As other reduced accounting systems (like in monetary statistics, money issuers vis-à-vis money holders or, in government finance statistics, general government versus non-government units) the balance of payments is seen as a quadruple-entry accounting system. Insofar, the first sentence should be modified as the balance of payments also considers the counter entries in the non-resident accounts (see, for instance, monetary presentation of the balance of payments).
26.10	References in chapters 3, 14 and 15 may give room to different interpretations on the valuation principles to be followed in 2008 SNA and BPM6 in the case of exports and imports of goods (namely, §3.146, §14.70, §14.162, and §15.154).  As such, this paragraph should be redrafted in such a clear and straightforward way that there is no room for misinterpretations and that <i>Imports and exports of goods are recorded in the SNA at border values. Total imports and exports of goods are valued free-on-board (FOB, that is, at the exporter’s customs frontier)</i> (as in §3.146). This way, the reconciliation between the valuation principles of SNA and “international accounts” will be fully ensured.  Paragraph 26.40 could be introduced after this paragraph as an exception.
26.11	According to §10.24 and §10.26 there is a case where general merchandise is not recorded at the time of the change of ownership, which we think should be mentioned here.  “10.24 Transactions involving general merchandise should be recorded at the time of the change of ownership of the goods, except for high-value capital goods produced over a long period.”  “10.26 When a contract of sale is agreed in advance for the construction of such products, progressive change of ownership occurs for the work-in progress, rather than the change of ownership occurring at completion. When the contract calls for stage payments (progress payments), the transaction values may often be approximated by the value of stage payments made each period.”  Additionally, some reference to leasing operations and processing of goods could also be introduced here.

26.22 26.24	– We would suggest inserting a paragraph elaborating on the <i>Flexible corporate structures with little or no physical presence</i> , in line with paragraphs 4.47 – 4.49 of BPM6.
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\* Insert rows in this Word table for each paragraph on which you wish to comment.

### C. Structure of the international accounts (paragraphs 26.35-26.66)

General comment	Check numbering.
Table 26.3	The value of net lending/ net borrowing is missing.
26.59	Please include ‘... <i>an understanding of international financing and financial investment</i> ...’ and substitute <i>instruments</i> by <i>financial asset categories</i> .
26.62	Not sure whether the definition of debt instruments (= debt?) is so clear cut. There is still some discussion whether financial derivatives are part of debt or not.
26.63	It should be emphasised the fact that information on the basis of remaining maturity is only supplementary.
26.64	I would prefer to use, in the second sentence, <i>functional categories</i> instead of <i>instruments</i> and, in the third sentence, <i>financial asset categories</i> instead of <i>instruments</i> . See also 26.70, 26.79
*	Click here and start typing.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

### D. International accounts functional categories (paragraphs 26.67-26.84)

General comment	Check numbering.  We suggest the insertion of a new paragraph in line with paragraph 6.24 of the BPM6 to reflect also the fact that, according to the update on the revision of the OECD Benchmark definition of foreign direct investment, investments “in” and investments “by” collective investment institutions where they meet the threshold of 10% ownership of the voting power should be treated as direct investment.
26.68	<i>Financial assets and liabilities</i> instead of <i>instruments</i>

\* Insert rows in this Word table for each paragraph on which you wish to comment.

### E. Special international accounts considerations (paragraphs 26.85-26.94)

General comment	Check numbering.
26.85	Click here and start typing.

* Click here and start typing.
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\* Insert rows in this Word table for each paragraph on which you wish to comment.

**Part III. Other specific comments**

You are welcome to make other specific comments. To assist you in doing so, the following points are provided as a guide to the types of points on which you might wish to comment. Note, though, that you are not restricted to commenting on only these points.

- 1. Is the consistency between BPM6 and the SNA sufficiently emphasised?

No comments.

- 2. Is the description of the functional classification in BPM6 useful and clear to non balance of payments specialists?

This part could be shortened with reference to BPM6.

- 3. Are tables 26.1 and 26.2 helpful?

No comments.

*Specific comments:*

Specific comments	Click here and start typing.
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You are also welcome to comment directly on the PDF file of the draft chapter. Please do so by using Adobe Acrobat Version 6 or 7.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to [sna@un.org](mailto:sna@un.org) requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>