

**Comments on draft SNA chapter:  
Chapter 4: Institutional units and sectors**

**Deadline for comments: 1 September 2007  
Send comments to: [sna@un.org](mailto:sna@un.org)**

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Submission date:	31 August 2007

This three-part template allows you to record your comments on draft chapter 4 easily 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 one, any two, or all of the three parts of the template.

Especially when providing comments in Part III of the template, you are encouraged to focus on the new passages of the draft text. To facilitate this process, a file comparing the existing text and the draft text is available on the website under the following link: <http://unstats.un.org/unsd/sna1993/projectmanagement/drafts/Chapter4dv2cdv0.pdf>

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, such as about the clarity with which the new recommendations were incorporated (30 words or less).

*Comment:*

Overall we feel the new recommendations have been incorporated in well. We do have some specific comments the most significant being the comment on para 4.35
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**Part II: Comments on specific draft paragraphs or passages**

In your review of draft chapter 4, you may wish to devote particular attention to the passage listed below. For ease of reference, we have identified the relevant paragraphs.

Please use the space provided to the right of the paragraph number to make your comment.

1. Section A, paragraphs 4.10 – 4.12:

The definition of ‘residence’ was slightly changed in the 1993 SNA Rev.1 by introducing ‘predominant’ before “economic interest.” Because residence is principally a BOP term, the text in paragraphs 4.10 – 4.12 has been taken from *BPM* 6. Do you consider the definition appropriately described? Is it clear to a national accountant?

4.10	Click here and start typing.
4.11	We are concerned this paragraph could be misread to imply that activity in other countries should be included as long as the predominant interest is in the domestic economy. Feel that para 4.39 is clearer on this issue..
4.12	Click here and start typing.

2. Section A, paragraph 4.20:

A decision tree allocating units to institutional sectors and sub-sectors has been added as figure 4.1. It is first referred to in paragraph 4.21 to the 1993 SNA Rev.1. Do you think it is useful?

4.21	Feel that the question ‘does it produce financial services?’ should be altered to indicate that if the <u>predominant</u> output is financial services then the unit to be allocated to Financial Corporations.
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3. Section B, paragraphs 4.52 – 4.54:

The expression ‘ancillary corporation’ in the 1993 SNA did not fit neatly with the discussion on ancillary activities discussed in draft chapter 5 of the 1993 SNA Rev.1. Therefore the term ‘artificial subsidiary’ has been introduced. Do you agree with this new terminology?

4.52	We prefer the term ‘artificial subsidiary’ over the alternative.
4.53	Click here and start typing.
4.54	Click here and start typing.

4. Section B, paragraphs 4.64 – 4.72 and section C, paragraphs 4.82 – 4.83

Material from draft chapter 21 (public sector) of the 1993 SNA Rev.1 on control of corporations and of NPIs by government has been brought together. Do you consider this useful?

4.64	We consider this to be useful however we feel that there should be consistency between the indicators of control for corporations and NPIs (recognizing that some of the elements for control are not relevant to NPIs)
4.65	Click here and start typing.
4.66	Click here and start typing.
4.67	Click here and start typing.
4.68	Click here and start typing.
4.69	'degree of financing' is listed as an indicator of control for NPIs but not for corporations. (Our preference would be that it is excluded from all sectors as an indicator of control.)
4.70	Click here and start typing.
4.71	Click here and start typing.
4.72	Click here and start typing.
4.82	Click here and start typing.
4.83	Click here and start typing.

5. Section D, paragraphs 4.89 – 4.90:

NPIs are distinguished as a sub-sector of the non-financial corporate sector in the 1993 SNA Rev. 1. Other units in the sector have been labeled 'For Profit Institutions' (FPIs). Do you agree with the new terminology introduced in paragraph 4.89? Do you agree with the full sub-sectoring introduced in paragraph 4.90 and shown in table 4.1?

4.89	We agree with the new terminology
4.90	We agree with the full sub-sectoring

6. Section E, paragraph 4.94:

The new sub-sectoring of the financial corporations sector, including again by NPIs and FPIs, has been introduced in paragraph 4.94. Do you agree with the new classification?

4.94	While we agree with the new classification we are concerned that it is not explicitly defined to a sufficient degree and that it may be interpreted differently by different organizations leading to issues with international reporting.
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7. Section F, paragraphs 4.118 – 4.119:

Do you consider the clarification of the role of social security funds in paragraphs 4.118 – 4.119 consistent with the GFSM? Paragraphs 4.118-4.119 set out the role of social security funds while trying to stay in line with text in the *GFSM* and draft chapter 21 of the 1993 SNA, Rev. 1. Is the text appropriate and clear?

4.118	Click here and start typing.
4.119	Click here and start typing.

**Part III. Other specific comments**

4.35 - The definition of a legally constituted corporation precludes the inclusion of any NPISH units. This is not correct, it is possible (and not uncommon) for NPISH units to be incorporated.

4.38 - There appears to be little difference between notional resident units and the branches listed in para 4.40c. Perhaps the distinction can be made clearer? Presumably notional resident are regarded as quasi corporations?

4.41 – This para states that quasi-corporations must keep complete sets of accounts. While this would be the case for quasi-corporations owned by resident units, it will not necessarily be the case for branches of non-resident units with significant production, in which case the national accountants may be required to assemble the necessary accounts based on information provided by the branch. Furthermore, the proposed text is different to BPM where the establishment of a branch does not require a complete set of accounts – though their existence may be used as an indicator.

We would prefer that SNA and BPM be aligned on this issue, so we would like to see the sentence in 4.41 diluted to indicate that a separate set of books is not an absolute test for the creation of a quasi at least in the case of branches of non-resident corporations.

4.43 – If there are ‘difficulties distinguishing quasi-corporations owned by households’ then this suggests that the units concerned are in fact not quasi-corporations!

4.47 – We have real concerns about allocating these holding companies to the financial corporations sector even if all the subsidiary corporations are non-financial corporations. Let's say we have a steel enterprise which is owned by a holding company that is publicly listed. In this case, all equity investment in the holding company, including that by non-residents and households, will be shown as equity investment into the financial corporations sector, with subsequent equity investment from the financial corporations sector into the non-financial corporations sector. We fail to see how this could be analytically useful.

4.50 - Consideration may want to be given to the, not uncommon, situation where this type of unit charges no fees for service but rather rely on income transfers. This can lead to negative value added.

4.51 - Suggest changing 'artificial units' to artificial subsidiaries'.

4.61 - We suggest removal of the word 'conglomeration' as it has different connotations to different people and is not necessary to the discussion. Also suggest changing the wording to indicate that both the parent and its subsidiaries can be described as multinationals.

4.71 - The first sentence of the paragraph requires a qualifier such as 'usually' or 'in the majority of case' to indicate that the issue of control is not as absolute as the statement currently suggests.

4.81 – The classification of non-market NPIs that are mainly financed by government, but not controlled by government, is not clear. Our strong preference would be to classify these to the household sector.

4.88 & 4.91 - Non-financial corporations sector includes the market goods in the definition whereas this is not included in the definition of financial corporations sector (ESC). Is this to accommodate Central Banks in the financial corporations sector? What about other non-market financial corporations?

4.91 - The section on the financial corporations sector is missing the types of institutional units that may be classified to this sector. This information is shown for the non-financial corporations sector in para 4.88.

4.96 - We note that the description of central bank subsectoring is different to what has been drafted for BPM6. We would prefer to use the same descriptions where possible, and on balance prefer the BPM6 text.

4.105 - We note that the term 'captive' has a particular (and specific) use in BPM6 which is different to its use here and which may cause issues.

4.106 - Uses mixed terminology to describe the types of units that may be classified to this sub-sector. Should these be described as corporations and defined in Section B?

4.109 - The current structure/formatting of this section can give the misleading impression that 'secondary financial activities' are a 10th subsector of the financial corporations sector.

4.113 - Suggest removal of the phrase 'for which there is market failure' as it is a value-laden statement which does not add any value to the discussion.

Section G - We note the additional text around institutional households. While we appreciated that this brings the concepts more into line with those use in population statistics fully articulating would be a significant effort and there are a number of boundary issues to resolve.