

**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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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:*

<p>1        These comments relate to the proposed treatment of special purpose entities (SPEs) used by banks for the securitisation of balance sheet assets. Specifically, the Bank of England questions the universal designation of such entities as separate institutional units (4.48-4.51), arguing that many of these constructs lack both the autonomy of action and the degree of risk separation implied by this status. The legal and operational form of securitisation vehicles can vary considerably both within and between jurisdictions. Within the United Kingdom, an alternative designation as Artificial Subsidiaries to be recorded as an integral part of the parent corporation (4.52-4.54) often appears more appropriate, not least because the securitised assets now commonly fail the IFRS tests for derecognition from the balance sheet of the</p>
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originating institutional unit. We propose a new condition for such alternative designation of SPEs which would draw upon business accounting standards on derecognition of assets and consolidation of subsidiaries.

2 The designation of these subsidiaries is of particular analytical interest due to the consequences for the calculation of the monetary aggregates. For the present, the provisional nature of these comments is emphasised: the Bank of England believes that further debate on definitional issues relating to monetary aggregates, particularly in relation to how these may be affected by continuing rapid innovation in financial markets, is warranted and would be welcomed by users and by other monetary statistical authorities. Pending a widely agreed treatment, it is hoped that the SNA Rev1 text can be drafted in a way which can readily accommodate the diversity of structures used for this type of operation.

3 For ease of reference, we attach a self-standing paper which develops these comments in more detail.

## 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	
4.11	
4.12	

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	
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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	This paragraph does not define artificial subsidiaries by reference to the definition of institutional units in paragraph 4.2. We believe that the distinction between certain of the examples discussed in 4.52 and the discussion of special purpose vehicles used for securitisation purposes, in paras 4.48 to 4.51, is unclear. Please see separate paper.
4.53	It may be helpful also to retain by analogy the provision which applies to ancillary corporations in the 1993 SNA, that in the case of non-resident artificial subsidiaries should be recognised as units and classified to the non-resident sector. Please see separate paper.
4.54	Please see separate paper.

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?

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4.70	
4.71	
4.72	
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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?

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4.90	

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?

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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	
4.119	

### **Part III. Other specific comments**

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comment directly on the PDF of the draft chapter.

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>