

First Module: Special Session for EECCA, SEE and other interested countries  
Geneva, 22 May 2018

# Financial Corporations

Units and sub-sectors –  
theoretical presentation

Reimund Mink

# Financial corporations – Units and sub-sectors

## References

- 2008 SNA, Chapter 4, Institutional units and sectors
- ESA 2010, Chapter 2, Units and groupings of units
- BPM6, Chapter 4, Economic territory, units, institutional sectors, and residence
- Handbook on National Accounting: Financial production, flows and stocks in the System of National Accounts, Chapter 2, Financial corporations within the SNA 2008 framework
- Handbook on Securities Statistics, Chapter 4, Institutional units and sectors

# Institutional units, their residence and institutional sectors

## — Institutional units

- Institutional units are economic entities capable of owning goods and assets, incurring liabilities, and engaging in economic activities and transactions with other units in their own right.
- Two main types of unit
  - Persons or groups of persons (households), and
  - Legal or social entities

# Institutional units, their residence and institutional sectors

## — Residence

- The residence of each institutional unit is the economic territory with which it has the strongest connection
- This is expressed as **the center of predominant economic interest** (*BPM6*, paragraph 4.113)
- The connection of an institutional unit to a particular economic territory is determined by aspects such as its physical location and being subject to the jurisdiction of the government of the territory
- Corporations are considered to have their center of predominant economic interest in the economy where they are legally constituted and registered

# Institutional units, their residence and institutional sectors

## — Institutional sectors

- Total economy
  - Non-financial corporations
  - **Financial corporations**
  - General government
  - Households
  - Non-profit institutions serving households
- Rest of the world

# Financial corporations as providers of financial services

- **Financial corporations**
  - consist of all resident corporations
  - are principally engaged in providing **financial services**, including insurance and pension funding services, to other institutional units
  - **Financial services** are the result of
    - financial intermediation,
    - financial risk management,
    - liquidity transformation or
    - auxiliary financial activities
  - As the provision of financial services is typically subject to strict regulation, it is usually the case that units providing financial services do not produce other goods and services and financial services are not provided as secondary production

# **Classification of financial corporations**

- **Financial corporations can be divided into three broad classes namely**
  - financial intermediaries
  - financial auxiliaries, and
  - other financial corporations

# Classification of financial corporations

- According to their activity in the market and the liquidity of their liabilities, the financial corporations sector can be divided into **nine sub-sectors**.
- Depending on the **degree of control**, each sub-sector can also be divided into the following sub-sectors:
  - Public financial corporations
  - National private financial corporations
  - Foreign controlled financial corporations



# Classification of financial corporations into nine sub-sectors

The financial corporations sector and its **nine sub-sectors**

Sector and sub-sector		2008 SNA / ESA 2010 code	Publicly controlled	National private	Foreign controlled
Financial corporations		S12			
Financial inter-mediarities	The central bank	S121			
	Deposit-taking corporations except the central bank	S122	S12201	S12202	S12203
	Money market funds (MMF)	S123	S12301	S12302	S12303
	Non-MMF investment funds	S124	S12401	S12402	S12403
	Other financial intermediaries, except insurance corporations and pension funds	S125	S12501	S12502	S12503
Financial auxiliaries		S126	S12601	S12602	S12603
Captive financial institutions and money lenders		S127	S12701	S12702	S12703
Financial inter-mediarities	Insurance corporations	S128	S12801	S12802	S12803
	Pension funds	S129	S12901	S12902	S12903

# Classification of financial corporations

## – *Three papers*

- Subsectoring of Financial Corporations: Units and Data Sources (**Belstat, Republic of Belarus**)
- Financial Corporations: Units, sub-sectors and data sources (**Bank of Russia**)
- **Banco de Portugal** – Subsectoring of financial corporations

# Subsectoring of Financial Corporations: Units and Data Sources (**Belstat, Republic of Belarus**)

- Units and Data Sources will present the experience of **Belarus** in dealing with the financial corporations sector in line with the international standard, the 2008 SNA.
- It will provide short overview of the work on development and implementation of the classification of institutional units. The criteria for allocation of institutional units to the different subsectors of financial corporations using information included in the enterprise register will be explained.
- The paper will also describe the available data sources for the financial corporations sector.

# Financial Corporations: Units, sub-sectors and data sources (**Bank of Russia**)

- Units, Subsectors and Data Sources by **Bank of Russia** will provide information about the list of institutions included in the financial corporations sector of the Russian economy. In 2013 the Bank of Russia became megaregulator and, therefore, controls, registers and licenses most of the financial institutions.
- Since October 2014 using information on registered institutions and other legal records the Bank compiles the list of financial institutions by subsectors, which comply with the sector classification of the 2008 SNA.
- The presentation will also portray the main data sources for statistics on financial institutions and recent developments, which include interaction with other departments responsible for collection and processing of reports under the supervision of the Bank of Russia and expansion of the list of the registered and licensed financial organizations.

# Subsectoring of Financial Corporations (**Banco de Portugal**)

- Institutional sector classification is a shared responsibility within the Statistics Department of the Banco de Portugal
- Identification criteria by subsector
- Statistical treatment of captive financial institutions (SPEs, holdings, head offices)

# Classification of financial corporations

## – *Data sources*

- *Belarus*

- *Coverage of the enterprise register*

- *Russia*

- *List of financial corporations based on registers*

- *No data on S126, S127*

- *Large number of S125 (20.201 or 107.459)*

- *Coordination with other registers (maintained by Rosstat)*

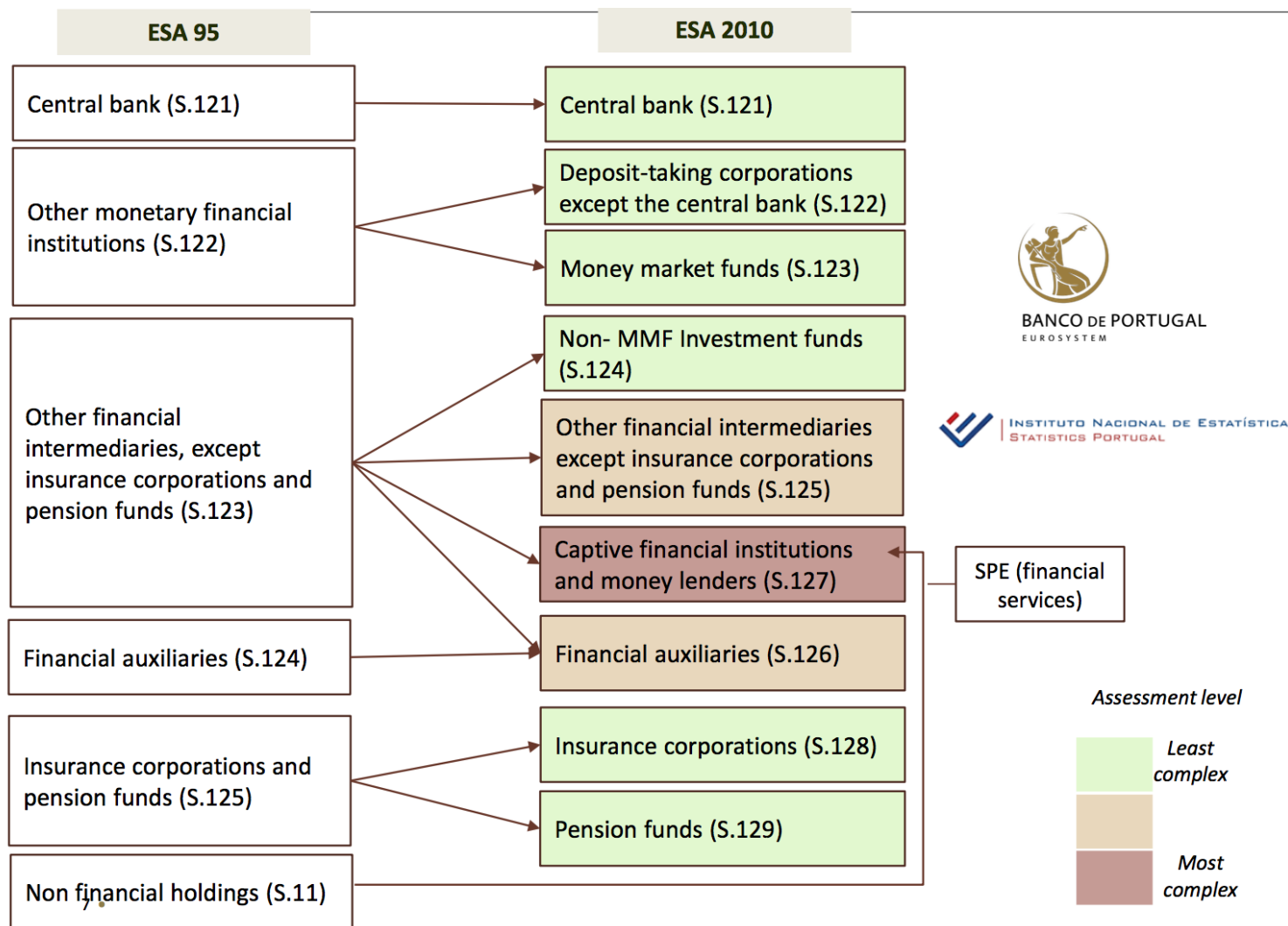
- *Portugal*

- *Move from ESA 95 to ESA 2010*

- *Split of S123 (ESA 95) into S125, S126 and S127 (ESA 2010)*

# Classification of financial corporations

*From ESA 95 to ESA 2010*



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# Financial corporations

Measuring Financial Services –  
theoretical presentation

Reimund Mink



# Financial corporations - measuring financial services

## References

- **2008 SNA**
  - Chapter 4, Institutional units and sectors
  - Chapter 6, The production account
  - Chapter 17, Cross-cutting and other special issues
- **ESA 2010**
  - Chapter 2, Units and groupings of units
  - Chapter 3, Transactions in products and non-produced assets
  - Chapter 14, Financial intermediation services indirectly measured (FISIM)
- **Handbook on National Accounting: Financial production, flows and stocks in the System of National Accounts**
  - Chapter 3, Financial production and income

# Financial corporations - as providers of financial services

## — Financial corporations

- consist of all resident corporations
- are principally engaged in providing **financial services**, including insurance and pension funding services, to other institutional units
- **Financial services** are the result of
  - financial intermediation,
  - financial risk management,
  - liquidity transformation or
  - auxiliary financial activities
- As the provision of financial services is typically subject to strict regulation, it is usually the case that units providing financial services do not produce other goods and services and financial services are not provided as secondary production

# Measuring financial services

- **Financial intermediation services (1)**
  - Are provided by **financial intermediaries** (all units except units of subsectors S126 to S129)
  - Typically comprise a major part of the services provided by the financial corporations sector
  - Are measured directly or indirectly
  - Also involve financial risk management and liquidity transformation
- Corporations engaged in these activities
  - Obtain funds, not only by taking deposits but also by issuing bills, bonds or other securities
  - Use these funds as well as their own funds to acquire mainly financial assets, not only by making advances or loans to others but also by purchasing bills, bonds or other securities

# Measuring financial services

- **Financial intermediation services (2)**

- Associated with insurance and pension schemes (S128 and S129)
- By redistributing funds between different units in the same period or between different periods for a single client
- Involve risk management and liquidity transformation

# Measuring financial services

- **Auxiliary financial activities**
  - Facilitate financial intermediation, risk management and liquidity transformation activities
- **Financial auxiliaries (S126)**
  - Typically act on behalf of other units and do not put themselves at risk by incurring financial liabilities or by acquiring financial assets as part of an intermediation service

# Measuring financial services

- **Other financial services**

- Comprise services provided by institutional units where most of their assets or liabilities are not available on open financial markets (S127).
- Tend to take place between entities transacting within only a limited group of units (such as with subsidiaries) or subsidiaries of the same holding corporation, or are undertaken by entities providing loans from own funds provided by only one sponsor

# Measuring financial services

- Financial services may be paid for **explicitly or implicitly**.
- Some transactions in financial assets may involve **both explicit and implicit charges**.
- **Four main** ways in which financial services are provided and charged for may be considered:
  - Financial services provided in return for explicit charges
  - Financial services provided in association with interest charges on loans and deposits
  - Financial services associated with the acquisition and disposal of financial assets and liabilities in financial markets
  - Financial services associated with insurance and pension schemes

# Measuring financial services

- **Financial services provided in return for explicit charges**  
(*ESA 2010 3.69*)
  - These financial services are provided for explicit charges, covering a wide range of services that may be provided by different types of financial institutions. The following examples illustrate the nature of the services charged for directly:
    - (a) Banks charge households to arrange a mortgage, manage an investment portfolio, and administer an estate;
    - (b) Specialised institutions charge non-financial corporations for organising a takeover or for administering a restructuring of a group of corporations;
    - (c) Credit card companies charge units that accept credit cards usually a percentage of each sale;
    - (d) A card holder is charged an explicit fee, usually each year, for holding the card.



# Measuring financial services

- **Financial services provided in association with interest charges on loans and deposits**

*(ESA 2010 3.70 bis 3.72)*

- In financial intermediation, a financial institution like a bank accepts deposits from units wishing to receive interest on funds for which the unit has no immediate use and lends them to other units whose funds are insufficient to meet their needs.
- The bank thus provides a mechanism to allow the first unit to lend to the second.
- Each of the two parties pays a fee to the bank for the service provided: the unit lending funds pays by accepting a rate of interest lower than the 'reference' rate of interest, while the unit borrowing funds pays by accepting a rate of interest higher than the 'reference' rate of interest.
- The difference between the interest rate paid to banks by borrowers and the interest rate actually paid to depositors is a charge for FISIM.

# Measuring financial services

- **Financial services associated with the acquisition and disposal of financial assets and liabilities in financial markets**  
(*ESA 2010 3.73*)
  - When a financial institution offers a security (e.g. bill or bond) for sale, a service charge is levied. The purchase price (the ask price) is equal to the estimated market value of the security plus a margin.
  - Another charge is levied when a security is sold, the price offered to the seller (the bid price) being equal to the market value minus a margin.
  - Margins between buying and selling prices apply also to equities, investment fund shares and foreign currencies. These margins are for the provision of financial services.

# Measuring financial services

- **Financial services associated with insurance and pension schemes** (*ESA 2010 3.74*)
  - a. Non-life insurance: Non-life insurance output is calculated as:  
Total premiums earned *plus* implicit premium supplements (equal to the property income earned on technical reserves) *less* adjusted claims incurred
  - b. Life insurance: A life insurance policy is a type of saving scheme. The output of life insurance is calculated as: Premiums earned *plus* premium supplements, *less* benefits due *less* increases (plus decreases) in life insurance technical reserves
  - c. The output of reinsurance is to be determined in exactly the same way as for non-life insurance, whether it is life or non-life policies that are being reinsured
  - d. The output of running a social insurance scheme depends on the way in which it is organized (e.g, social security scheme, own employer or multi-employer scheme, or insurance corporation on behalf of an employer)
  - e. Measuring the output of standardised loan guarantee schemes depends on the type of producer involved (market or non-market)

# Measuring financial services – an overview

- The following table provides an overview of the methods how to compile the output of the various financial corporations. Given that the nature of financial corporations may differ from country to country, the methods as described in the tables are neither exhaustive nor prescriptive.
- The compiling agency may need to investigate the nature of the financial services provided by a financial corporation before deciding how to compile its output.
- The method applied depends on various components like:
  - Whether the output is market or non-market output
  - Whether the output is for own final use
  - The type of subsector the institutional unit is in
  - Data availability

# Measuring financial services – an overview

Sub-sector of financial corporations	Market				Non market
	Fees	Margins	FISIM	Premiums minus claims / benefits	Sum of costs
The central bank	x		x		x
Deposit-taking corporations except the central bank	x	x	x		
Money market funds (MMF)	x				
Non-MMF investment funds	x				
Other financial intermediaries, except insurance corporations and pension funds	x	x	x		
Financial auxiliaries	x	x			
Captive financial institutions and money lenders	x		x		x
Insurance corporations	x			x	x
Non-life insurance				x	x
Life insurance	x			x	x
Reinsurance	x			x	
Pension funds					x

# Measuring financial services

- **Two presentations**
  - Measuring the Output, Import and Export of Financial Services ([Statistical Committee and Central Bank of Azerbaijan](#))
  - Measuring Financial Services in the National Accounts ([CBS of Israel](#))
- **Financial services of**
  - Central bank
  - Financial intermediaries
  - Insurance

# Measuring the Output, Import and Export of Financial Services (**Statistical Committee** and **Central Bank of Azerbaijan**)

- The paper is devoted to the recording of banking and insurance services in the national accounts and the balance of payments statistics of **Azerbaijan**.
- The first part of the presentation provides information on the
  - The subsectors and units of the financial corporations sector,
  - The methods and sources of information used to calculate the output of financial intermediation, central bank and insurance services.
- The second part describes
  - The fundamentals and organizational structure of balance of payments statistics,
  - information sources and basic principles for compiling data on the import and export of financial and insurance services.

# Measuring Financial Services in the National Accounts (CBS of Israel)

- The **CBS of Israel** will introduce the methods and data sources for
  - Compiling banking
  - Insurance
  - Central bank outputin Israel



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# **Measuring tourism and travel services**

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# Measuring export and import of tourist and travel services

## References

- IMF, BPM6
  - Chapter 10, Goods and services account
  - Appendix 5, Remittances
- UN and others, Manual on Statistics of International Trade in Services (MSITS)
  - Chapter III, Services Transactions Between Residents and Non-residents
- UN, World Tourism Organization
  - International Recommendations on Tourism Statistics and the Tourism Satellite Account: Recommended Methodological Framework

# Measuring export and import of tourist and travel services

## Goods and services account (BPM6, Chapter 10)

- **Goods**
- **Services**
  - Manufacturing services
  - Maintenance and repair services
  - Transport
  - **Travel**
  - Construction
  - Insurance and pension services
  - Financial services
  - Charges for the use of intellectual property
  - Telecommunication, computer, and information services
  - Other business services
  - Personal, cultural, and recreation services
  - Government goods and services

# Measuring export and import of tourist and travel services

## Goods and services account (BPM6, Chapter 10)

- **Travel**
  - Business travel
  - Personal travel
    - » Health-related
    - » Education-related
    - » All other personal travel

# Measuring export and import of tourist and travel services

## Travel (BPM6, 10.86)

- Travel credits cover
  - Goods and services for own use or to give away acquired from an economy by nonresidents during visits to that economy
- Travel debits cover
  - Goods and services for own use or to give away acquired from other economies by residents during visits to these other economies
- Coverage
  - Accommodation
  - Food-serving
  - Local transport
  - Goods
  - Other

# Measuring export and import of tourist and travel services

## Travel services

- **Data sources**
  - Direct reports of travel sector
  - Payment cards
  - Surveys
  - Indirect data (trade partner data)

# Measuring export and import of tourist and travel services

## Tourism

- **Tourism Satellite Accounts**
  - Allow measuring tourist activities
  - May be expanded to other activities like culture and environment

# Measuring export and import of tourist and travel services

- **Three presentations**
  - **Measuring the Export and Import of Travel Services**  
**(National Bank of Serbia)**
  - **Mongolian Experience in Measuring Tourist Services**  
**(National Statistical Office of Mongolia)**
  - **Measuring travel and tourism services**  
**(Banco de Portugal)**



# Measuring the Export and Import of Travel Services (National Bank of Serbia)

- The **National Bank of Serbia** will describe the way in which data for travel services are compiled in the Serbian Balance of Payments (BoP)
- The presentation will cover
  - Data sources and
  - Estimation procedures for personal and business travel,
  - Including payment card agents reports to the National Bank by type of payment card and estimation model on cash spending

# Mongolian Experience in Measuring Tourist Services (National Statistical Office of Mongolia)

- The **National Statistical Office of Mongolia** will describe the compilation of tourism statistics by the **Central Bank of Mongolia**
- The presentation will provide an overview of the data sources and elaborate on the sample surveys conducted by the **Central Bank of Mongolia**
- The approach taken by the **Central Bank of Mongolia** is to keep compatibility and to improve data quality while transitioning to BPM6
- Issues for future work will be also covered

# Measuring Travel and Tourism Services (**Banco de Portugal**)

- The **Banco de Portugal** will present the
  - Organisational structure of compiling the current and capital account
  - Methodology of travel statistics
  - Statistical sources (direct reporting, payment card)
  - Data release