Sub-sectoring the Financial Corporations sector

In all, up to nine sub-sectors could be specified, as detailed below. However, these nine plus the other full sectors of the SNA plus the ROW would give a total of 14 sectors and sub-sectors so due to/due from tables would require 196 cells for each type of instrument which is generally held to be too resource intensive to compile and too confusing to analyse. The MFSM advises that fewer categories are needed for FOF analysis than SNA shows.

If we specify the full nine sub-sectors but suggest that some aggregation would be useful, and this could be country specific depending on local conditions, I think we could get round the MMF problem. And have a proposal which would accommodate both what MFSM and ECB seem to prefer.

The nine sub-sectors are as follows:

1 Central bank, as now

2. Depository corporations other than Central bank. This corresponds to "other depository coporations" as now. The present split between deposit money corporations and other other depository corporations now seems unnecessary and could be dropped.

3. Money market funds

4 Investment funds, other than MMF

5 Other financial intermediaries except ICPF Same title as now but excludes investment funds

6. Financial auxiliaries

7. Other financial institutions, except ICPF. This is a new heading. IT would include corporate or quasi-corporate money lenders and may include some SPVs and holding companies.

8. Insurance companies (IC)

9 Pension funds (PF)

Suggested possible combinations are as follows

1 +2: Depository corporations

To this could be added some or all of 3. An MMF is organised in a way similar to other investment funds in that both represent a way of offering shares in a basket of financial instruments. However, the instruments differ between

MMFs and other investment funds; they are securities in the former case and equity (and possibly real estate) in the second. This in turn means that MMF shares may be treated as broad money and when this is so, it makes sense to include them with the central bank and depository corporations so that all units offering instruments include din broad money were grouped together. If MMF shares are not treated as broad money, there is no case to include these with depository corporations.

3 +4 could be combined if 3 is not merged with 1 and 2.

5+6+7 could be combined to sow all other financial instruments.

1+2+3+4+5 could be combined to show all financial intermediaries

6+7 could be combined

8+9 could be combined.

Whatever the chosen combination of sub-sectors, probably three (or four if the central bank is treated as a sub-sector on its own) should be sufficient. At the same time, it is probable that household and NPISHs may be combine or possibly including non-financial corporations only so that instead of 14 sectors and sub-sectors there may be only 6 or 7 featuring in the FOF.

Questions: Does the ISWGNA accept this proposal as a way forward?