Chapter 26: Links to monetary and financial statistics – Comments of the worldwide review - Overview

Chapter posted: **14-Dec-06**
Deadline: **12-Feb-07**

Number of comments received: 13

Comments overview:

Date	**Country/AEG member**	**Internal: format**
2/16/2007	European Central Bank	*Template, letter, PDF format, and word format*
2/14/2007	Mexico	*Word format*
2/14/2007	OECD	*Template and PDF format*
2/13/2007	Norway	*Template*
2/13/2007	UNSD	*Template*
2/13/2007	IMF	*Template and PDF format*
2/12/2007	Eurostat	*Template*
2/12/2007	Czech Republic	*Template*
2/12/2007	Johan Prinsloo (AEG)	*PDF format*
2/12/2007	Australia	*Template*
2/12/2007	Central Bank of Germany	*Template and PDF format*
2/12/2007	Israel	*Template and PDF format*
2/9/2007	Hong Kong	*Template*

Chapter 26: Links to monetary and financial statistics – Part I: General comments

Country	Comment
ECB	1. The chapter is a surprise. Extensive work was undertaken to prepare the IMF's MFSM. We would strongly suggest that this framework is used, in correspondence to a (general) flow of funds system (as explained later), including the appropriate application of the building block approach to the compilation of monetary aggregates. 2. Insofar, does this chapter work in linking (national accounts) to financial and monetary statistics? From a user perspective: no. Also the tables 26.3a and 26.3b are not seen as a general model. Therefore, a more general approach has to be used. 3. The main motivation of the chapter is in explaining to users the new classification of financial assets and liabilities and the new classification of financial corporations. Would it not be better to link this part with the chapters in which financial assets and liabilities and financial corporations are introduced in more detail? 4. Would it not be better to start and explain in detail the flow of funds system in a from-whom-to-whom context (as the general model) in this chapter (which is somewhat new compared to the SNA 93)? 5. The flow of funds model could be introduced as a subset of the more comprehensive approach of an integrated system of institutional sector accounts (ISISA) (which will have to be described in the overview chapter or in chapter 4). Starting from this, flow of funds (in a narrow sense) could be seen as the transaction accounts covering all financial assets and liabilities. Extensions of this approach would be to include also the capital account and eventually the use of income account. In an integrated framework balance sheets and the other flow accounts would have to be added as well as the from-to-whom-framework. 6. This comprehensive approach would be the common framework presented across all types of (financial) statistics which users can see as helpful in the analysis of monetary and financial developments (reference to the IMF's MFSM). 7. Linking the from-whom-to-whom flow of funds system to monetary and financial statistics means that essentially two types of presentations and analyses should be presented: (i) the link to monetary statistics (money and flow of funds: money issuer/money holder sectors; consolidation/aggregation; resident/non-resident part; monetary presentation of the balance of payments); and (ii) the link to financial statistics which is rather general.

8. Some typical examples could be specifically discussed like the relationship between money and credit, the composition and counterparts of government debt, corporate finance in a cross-sectoral framework, the development of non-financial sector debt broken down by sector, maturity, creditor sector or residency and household (financial) wealth).

9. In general, it might also be useful to provide some guidance on the treatment of monetary unions (cross-border consolidation, rules on the issuer of banknotes, sector/financial asset harmonization.

10. The four factors presented in the chapter (paragraphs 26.6 to 26.10) are not the key classification issues.

Letter: Concerning Chapter 26 parts of the draft seemed to us to be out of place here (thus much of Section B seems to belong in Chapter 11 and Section C to Chapter 4). We are puzzled also about the relationship between Section C and the last four pages headed ‘Classification of financial corporations’, on which we have however commented. As of the rest of Chapter 26, it seemed to us to be better to start with the addition of counterpart sectors to the accumulation accounts and the balance sheet (new Section B), since this is a development with wide applications in financial analysis, and then to describe in Section C how monetary aggregates may be identified in the System, since this depends on an analysis of counterparts at sub-sector level. We have however carried section C further than in the draft, to cover, as well as money stock, the so-called counterparts to money and the link between money and the balance of payments (and in balance sheet items, the international investment position). We think that this ties monetary analysis into the integrated system much more satisfactorily than hitherto.

Finally, let me add some more general remarks on the commenting on the draft chapters as a whole. This task has been rather cumbersome and difficult to follow as many changes and restructurings have been made on the paragraphs and sections. In one case, the file originally posted on the website has been substituted afterwards which has further complicated the ECB-wide review process. Comparing the original text of the SNA93 chapters with the new drafts it is obvious that more amendments/changes have been introduced than needed to comply with the AEG recommendations on the issues for discussion and for clarification. In commenting the new draft chapters it is not clear why these additional changes have been introduced. In any case they do not always contribute to a higher clarity of the text.

In general, there are not many improvements visible which lead to an increased user-friendliness of the manual (as identified as one of the clarification issues). Specifically, the various proposals made by the ECB to introduce boxes, various small tables or charts have not been taken up so far. More user-friendliness of the text could also been achieved by starting always with a definition of the key variables followed by examples. Another way of increasing the user-friendliness of the text would be to show key variables or short definitions in the margins.

	The chapters reviewed so far reveal a lot of repetitions. This could be avoided by a more frequent use of references, but also by a reordering of the chapters which might be difficult to realize at this stage. Often, the text does not comply with the corresponding tables which are unnecessarily large und complicated. Smaller text tables might be much more illustrative and user-friendly. Throughout the various chapters the term “financial liabilities” is used many times. It should be changed into “liabilities.”
Mexico	This chapter is not included in the present version of the 11993 SNA and its content is a compendium of the elements that link the System of National Accounts with the Monetary and Financial Statistics. It is considered that it is a text that will help to delimit the scopes that each statistical system sandal and thus to clarify the scope of the information that each of them generates. In the present 1993 SNA these bonds were dispersed in several chapters; the union of all the elements allows to know more accurately the links between both statistics. In addition, one has gotten up a set of characteristics in two-ways, the ones on financial assets and a set of secondary criteria that will allow to make a clearer classification of financial assets and to even explain the limits of certain aspects such as the definition of money that from the national accounting view point its explanation are reserved to the monetary statistics. The memorandum items are extended to register the foreign investment, now incorporating a subclassification of it that will allow to know the amount of portfolio investment and direct investment.
OECD	Chapter looks fine and reads well.
Norway	We have some comments on the definitions of units in sector 7. Other financial corporations, except ICPFs. We are not sure that the treatment of these units have been finalized. See other comments.
UNSD	We agree with the draft chapter.
IMF	No general comment
Eurostat	Eurostat supports the text of this chapter. However, we think that some of the general and theoretical considerations in chapter 26 (e.g. those elements taken from parts E and F of the financial account chapter in present SNA) should also be included in chapter 11. We agree both with the amended classification of financial assets and liabilities and list of sub-sectors of the financial corporation sector.
Czech Republic	No comment
Johan Prinsloo (AEG)	No template

Australia	1. Chapter heading. The chapter heading implies that the material is somewhat incidental to the national accounts, but we see flow of funds statements, which are covered in the chapter, as an integral part of the national accounts. Perhaps this could be overcome by renaming the chapter “Flow of funds and links to monetary and financial statistics”, with the flow of funds discussed first rather than later on in the chapter. 2. Theoretical context is missing The notion of a separate chapter is supported in order to assist teasing out issues not addressed in chapters 10, 11, 12, 13 on asset accounting. However, the chapter lacks a theory context which would make implementation decisions more straightforward. Our suggestion is that a box, or a couple of boxes, dealing with the theory of money and credit, and the policy uses of such aggregates, would provide that context, perhaps along the lines of: Box 1. Money: The basic notion is that there is a relationship between change in GDP and change in transaction balances. The difficulty is tracking the notion of transaction balances in a particular economy, and the possibility of changing relationships over time. Various measures money base, M1, M2, M3, broad money, all liabs (provide definitions) can be compiled from basic SNA instruments and sector aggregates, with reference to the theoretical notion. Show how.... Box 2. Credit aggregates also assist assessment of the impact of demand and supply of financial resources on the real economy. A range of defined credit measures can be constructed from SNA instrument and sector building blocks. Show how… Box 3. Policy uses of aggregates. Direct control, indicators, targets. Usefulness of SNA accounts enhanced if there is a tight conceptual and methodological linkage between uses and accounts. This would indicate to compilers how to solve a number of vexed questions like the distinction between loans and deposits, the classification of various equity-like instruments, the classification of a range of financial institutions. 2. Linkages with BPM are not teased out satisfactorily To achieve consistency of BPM with SNA, a set of fundamental building blocks are necessary to support compilation of BPM standard components (on the one hand) and SNA accounts (on the other). The discussion of reserve assets (26.10) and functional categories (26.9) should lead to this but stop short of being helpful.
Germany	Please refer to our textual amendments to the definition of Money market funds, highlighted on page 14.
Israel	The chapter is a welcome addition to the SNA, and the definitions and links between the frameworks will be very useful. See a few minor comments in PDF.

Hong Kong	Good to see some examples on the linkage to monetary and financial statistics. It is desirable to have more examples on the relevant linkages. Paragraph 26.10 suggests that reserves must be claims on non-residents only. We have reservation on totally excluding all the claims on residents from reserve assets because some of those claims are ‘readily available’ to meet a balance of payments financing need. It is preferred to adopt the “readily available” principle and items should be included in the reserve assets as long as these items can be used to meet any balance of payments financing need.

Chapter 26: Links to monetary and financial statistics – Part II: Comments on specific draft paragraphs or passages

1. Do you like the idea of a chapter showing the link to monetary and financial accounts? If so, does this chapter cover sufficient material to facilitate the link?

Country	Comment
ECB	*Template:* 1. Yes, but the link should be in a table/description showing the framework of flow of funds as described above (balance sheets, transactions and other flows). Money and particularly its flows should be defined here within the consolidated balance sheet and flows accounts of the financial corporations sector, specifically the money issuing sectors (central bank, deposit-taking corporations and eventually money market funds, but also central government). Its counterparts are described as the money holding sectors taking into consideration the resident concept of money. 2. This presentation could be extended into the monetary presentation of the balance of payments. In terms of the proposed institutional sectors chapter, these breakdowns serve in the reconciliation between the balance of payments and international investment position and the rest-of-the-world account in the financial accounts. 3. We do not agree there is not a simple definition of money for the SNA (see corresponding section in the ESA) or it is not useful analytically to draw a clear distinction between transferable and non-transferable deposits as described in paragraph 26.6. In addition, paragraph 26.7 is rather negative and has no place in the SNA. It might be more appropriate to replace with value of monetary and financial statistics for the general public and for decision-making in the analysis of monetary conditions and of the monetary transmission mechanism. 4. Finally, the aim of this chapter has to be made clearer. Our preference would be to choose a similar approach as in the chapter showing the link between the rest of the world account in the SNA and balance of payments and international investment position statistics. For that it would be useful to set the framework as outlined above and link this framework with monetary and financial statistics (the IMF's MFSM, by eventually using bridge tables). 5. For monetary and financial statistics should reference be made exclusively to the IMF MFSM or is a specific definition envisaged? Has reference to be made to monetary and financial statistics as a set of source data for national accounts? In any case, this has to be specified.

Mexico	No template
OECD	No comment
Norway	No comment
UNSD	Yes.
IMF	We feel that the discussion on financial subsectors and institutional units and sectors belongs in Chapter 4.
Eurostat	Sufficient material is presented here to facilitate the link to monetary and financial statistics but as said above we think that it should be part of the financial account.
Czech Republic	From the point of view of our statistical practise, this chapter is new for us, and it will be more the object of interest of Czech National Bank in the Czech Republic. Generally, we consider linkage between monetary and financial accounts for useful.
Johan Prinsloo (AEG)	No template
Australia	We think it is a good idea
Germany	No comment
Israel	As said above, like it very much, and the coverage seems adequate.
Hong Kong	It is good to have some discussions on the linkages of financial accounts under SNA to monetary and financial accounts. It would be desirable to extent the idea to the linkage to BoP accounts, which is particularly relevant to economies which have subscribed to the IMF SDDS.

Chapter 26: Links to monetary and financial statistics – Part III: Other specific comments (or format of template was not used)

Country	Comment
ECB	*Template:* 26.1 Financial account shows “transactions.” What does “listed” financial assets and liabilities mean? The last sentence is unclear. It would be better to give an example. 26.2 For the reader, it is not clear what monetary and financial statistics (MFS) means. 26.3 I would assume that monetary statistics refers in any way to the concept of money. Examples are the monetary survey in the IFS or the integration of money into the system of financial accounts/financial balance sheets. Reference is primarily made to the money issuers and money holders. Financial statistics covers a broader range of financial variables like financial wealth, debt, liquidity, financial stability (?), etc. Not so easy to cover. In that context the concept of financial survey in the IFS might be too narrow. One possibility would be to look at all statistics related to financial corporations as well as to stocks and flows in financial assets and liabilities of the remaining resident sectors and the rest of the world. This could be easily illustrated in a diagram. Comments on the usefulness of the SNA for international comparisons but it might be wise to include a comment on the need of having harmonized data (especially for currency unions). The sentence starting by “financial corporations, on the other hand …” should be amended at the end into something like “and timely of all institutional units.” 26.4 This paragraph and the table should be part of chapter 11 or, as explained above, of chapter on balance sheets which should precede the chapters on accumulation accounts. Otherwise, many repetitions are needed. Are transferability, negotiability, marketability and convertibility defined somewhere?

26.5 As an introductory paragraph the content is not very specific. It might be more appropriate to give an overview of the reasoning why these ‘factors’ have been chosen and not others. Insofar, the selection seems to be rather arbitrary as it is predominantly linked to the financial asset / liability classification. Again these concepts could also be easily integrated into the chapter on balance sheets and balance sheet items.

The ECB approach is to have an harmonized money issuing sector (MFIs) then certain liabilities of this sector are considered ‘money.’ The approach contained in the SNA is to define money depending on national definitions. It might be useful to seek harmonization on the money issuing/holding sectors which could facilitate the international comparisons. The ECB Monetary and Financial Statistics Manual could be helpful.

The statements that ‘the wide range of ways in which money is defined in different countries” and “few countries find a stable relationship between narrowly defined money and other target variables” should be checked with economists. These sentences should be redrafted to refer to purely statistical/national accounts issues, i.e. that the SNA does not define money because it depends on a number of country- and time-specific elements.

26.6 It is useful to deal with money in this context. However, the text in 26.6 and also in the following paragraph is rather ‘negative’. Clearly, financial innovation and technological progress has led to difficulties in precisely defining money. However, it might be more straightforward to explain how to integrate monetary aggregates into the SNA. One example is described in the 1995 ESA which could be easily adapted.

26.7 Similar reservations (repetitions) are made in this paragraph as in the previous one. The presumed instability of the boundary between transferable and non-transferable deposits might be an issue. But is this unique in the accounts? There is clearly in option to define narrow money M1. A further step could be to split other deposits further into deposits with different terms of maturity and also to consider highly liquid financial assets issued by deposit taking institutions like short-term debt securities or even money market fund shares/units. Depending on the integration or exclusion of these components and other financial corporations issuing these different types of liabilities a different specification of the money issuing sectors would have to be carried out.

As counterparts, money holding sectors would be specified and also sectors which might be issuers and holders of monetary assets (like central government). Such a specification could be easily demonstrated in a diagram as done in the 1995 ESA or illustrated in a synthesised chart. Issues should be raised like the consolidation of the money issuing sector, the specification of money as a resident concept (resident holders vis-à-vis non-resident holders), aggregation of financial assets and liabilities to money, non-monetary liabilities, credit, other assets. The to some extent different methodological concepts in monetary statistics and financial accounts should also be mentioned (accrued interest, valuation, stocks, derivation of transactions as differences of stocks minus other flows).

The last sentence refers to the approach of integrating national accounts and monetary statistics but it might be interesting to bridge the flow of funds (financial accounts) with the monetary analysis (e.g. to derive the monetary aggregates from the flow of funds). As an example is attached the bridge at the euro area between M3 and the financial accounts (as long as the actual financial assets included in the monetary aggregates may vary from country to country) (see Annex A). This can serve as an illustrative example.

It should be mentioned that the monetary aggregate components are usually valued according to the valuation criteria which could differ from the criteria used for the compilation of financial accounts. That means that differences between the monetary components and the corresponding financial asset according to SNA may occur in part caused by the different valuation criteria.

26.8 Again the argument is brought forward that financial innovation has diminished the usefulness of this criterion. It would be useful (for financial market analysis and asset yields) to introduce also the concept of residual maturity. Would it be useful to specify this refers to original maturity?

26.9 Is ‘capital account’ correct? It must be ‘financial account.’

26.10 Not sure of the value or purpose of this paragraph. Is it not part of the chapter on the rest of the world and balance of payments? Does it really refer to the issue of linking national accounts to monetary and financial statistics? What does a ‘country’s authorities’ mean?

Please use the term ‘financial corporations’ instead of ‘financial institutions’ and ‘insurance corporations’ instead of ‘insurance companies’. Not sure whether the term ‘captive financial institutions and money lenders’ has already been discussed (see table 26.2).

If already defined and described in chapter 4 it might not be necessary to have a new table 26.2.

26.13 Depository corporations or deposit-taking corporations? Use the term ‘debt securities’ instead of ‘securities’. Money market funds are not deposit-taking corporations. I would prefer monetary financial intermediaries as previously recommended which would allow combining 1, 2 and 3.

26.14 Sum of 1 to 5 is defined as financial intermediaries. Do not also insurance corporations and pension funds belong to financial intermediaries?

26.15 Is this paragraph needed? At least in two paragraphs, this relationship is described. No reference is made to this paragraph later.

26.16 Is there any specific definition of flow of funds? Does it cover only financial transactions, financial and capital, or financial, capital and some income? Refers flow of funds only to transactions? The flow of funds accounts do not necessary show from-whom-to-whom (fwtw) relationships.

26.17 What is described here as flow of funds is a fwtw framework which goes beyond flow of funds as commonly described. Strange to refer to tables 11.1 and 11.2.

26.18 A nice example would be the analysis of government financing by liability category, maturity, currency, counterpart sector and residency, etc.

26.19 It might clearer to concentrate only on financial corporations and move the sentences on government to 26.18. ‘Other resident sectors’ are HH / NPISH. Avoid the term ‘asset instruments.’

The paragraphs 26.21 to 26.24 should be reformulated taking into account developments in financial accounts in the recent decade.

26.26 As stocks have gained a lot to be a useful analytical tool for different purposes some more input should be provided (see papers presented to the IFC, ECB sector accounts, etc.). Interesting aspects could also be gained by analysing revaluation and other changes in the volume of assets accounts in a more detailed form (asset prices, distribution of wealth among sectors)

PDF file: Add: "and shares/units issued by money market or cash funds."

26.7 Deletion of comma before 'that' is significant. Does any country include liabilities of non-financial sectors in money (other of course than coins and central government deposits)?

26.8 Why to start with a negative statement?

26.9 The paragraph starts with a negative statement. Should be dropped.

Table 26.2 Deviates from sub-sectors shown in the annex.

26.19 It is not certain whether the banking sector really helps to choose asset instruments. Indeed, if they sell shares of a non-financial corporation, then this does not appear in the financial accounts as involving the banking sector.

Classification of financial corporations. General comments: Financial intermediation: The definition is broadly in line with the ESA95 para 2.32. However, the ESA95 2.32 specifies that "the assets and liabilities have different characteristics, involving that the funds are transformed or repackaged with respect to maturity, scale, risk and the like in the financial intermediation process. SNA93 (para 4.78) is slightly less precise, but still mentions that financial intermediaries "collect funds from lenders and transform, or repackage, them in ways which suit the requirements of borrowers." Both the SNA93 para 4.78 and ESA95 para 2.33 also include an additional feature of financial intermediation, i.e. that "A financial intermediary does not simply act as an agent for other institutional units but places itself at risk by incurring liabilities on its own account."

These two important features of financial intermediation are lost in the proposed new SNA. One drawback seems to be that "other financial corporations" are defined as not being active only with the market. As a result, a treasury centre playing an active economic and financial role in transforming funds obtained from the market and its group into funding to other entities of the group, will be classified outside "financial intermediaries" (except if is has the legal status of a bank, probably). This may make it easier for compilation purposes than to identify whether there is repackaging in terms or maturity or risk, but it may reduce the usefulness of the classification itself.

Financial auxiliaries: Stating that they "do not take ownership of the financial assets and liabilities they handle" is not precise enough. For instance, brokers may take ownership for some seconds of assets, which they buy and sell on the market. Maybe it could be specified that they "do not take ownership of the financial assets and liabilities they handle (except possibly for the purpose of immediate on-selling)". An alternative would be to re-introduce the reference to the fact that financial intermediaries put themselves at risk by incurring liabilities and acquiring assets, and clarify that auxiliaries do not take such risk.

[THE DEFINITION OF FINANCIAL CORPORATIONS REFLECTS THE AEG RECOMMENDATIONS. HOWEVER, THIS DECISION WAS TAKEN BEFORE AN AGREEMENT WAS MADE ON THE DEFINITION OF FINANCIAL INTERMEDIATION, WHICH THE DRAFT NOW INCLUDES. GIVEN THE DEFINITION OF FINANCIAL INTERMEDIATION, AS PROVIDED IN THE SECOND PARAGRAPH OF THE DRAFT, IT SEEMS TO INCLUDE "LIQUIDITY TRANSFORMATION", WHICH IS THEREFORE REDUNDANT IN THE DEFINITION OF FINANCIAL CORPORATIONS AND BE DELETED .]

	[IT MAY BE NOTED THAT SOME LEGAL ENTITIES, PROPOSED TO BE INCLUDED UNDER THIS SUB-CATEGORY DO NOT MEET THE DEFINITION OF FINANCIAL CORPORATIONS, AS THEY PROVIDE NO SERVICE AT ALL (BEING ONLY CREATED FOR TAX PURPOSES). WHILE IT LOOKS APPROPRIATE TO CLASSIFY THESE ENTITIES AS FINANCIAL CORPORATIONS, IT SHOULD BE STATED MORE EXPLICITLY THAT THIS IS BY CONVENTION.] [ARE THERE NOT NOW ALSO FUNDS SET UP TO MANAGE THE PENSIONS OF INDIVIDUALS, NOT ESTABLISHED BY INDIVIDUAL EMPLOYERS OR GROUPS OF EMPLOYERS? SUCH FUNDS SHOULD PRESUMABLY ALSO BE CLASSIFIED HERE] Editorial suggestions in tracking changes were included in the PDF file: http://unstats.un.org/unsd/sna1993/projectmanagement/comments/chapter26dv2ECB2.pdf Editorial suggestions in tracking changes on the classification of financial corporations were included in a separate word document: http://unstats.un.org/unsd/sna1993/projectmanagement/comments/chapter26dv2ECB4.pdf
Mexico	No specific comments
OECD	Very minor editorial suggestions were included in the PDF file. http://unstats.un.org/unsd/sna1993/projectmanagement/comments/chapter26dv2OECD2.pdf
Norway	26.9 “capital account” should be replaced by “financial account” Table 26.2 Is the name of sub sector 7 correct? It is not consistent with the name of the sector in the attached classification of financial corporations. Deviates from sub-sectors shown in the annex. 26.13 Is “possible” better than “probable”? 26.17 Sentence 3: “held” should be replaced by “acquired” 26.18 Sentences 2 and 3: The government and the financial corporation that acquire c assets or incur debt know their counterpart, but for analytical purposes for users of macro data it is interesting to know the counterpart. 26.21 Last sentence: Suggest “…by tracing the channels by which net lending reaches ultimate borrowing….” Tables 26.3a and 26.3b Short-term is repeated Classification of financial corporations. First page, second paragraph: The definition of financial auxiliary activities should be restricted to financial auxiliary activities should be restricted to financial services? MMFs. Is it a requirement that MMF shares can be transferred by cheque or other means? We suggest: “…..can often be transferred…..”

7. Other financial corporations. We support that the units in "Other financial corporations, except ICPFs" are treated in a separate sector since most of their assets or liabilities are not traded in open financial markets. In general, the units in this sector are difficult to identify, and we think that it is important the units are clearly defined.

In the paper " Full Set of Consolidated Recommendations" are issues which have not yet been finalized. We have the following comments:

Issue 25a Ancillary units. Should the principle of not treating ancillary units as separate units be changed and what are the consequences throughout the accounts? We think ancillary units should not be treated as separate units.

Issue 25b Holding companies, SPE, trusts. Should these entities be treated as ancillary and merged with their related enterprises, or should they be treated as separate units? We think they should be treated as ancillary units.

Issue 36. Public/private/government sector delineation. We support that the details on "control" and "economically significant prices" lined out by the Task Force on the Harmonisation of the Public sector Accounts should be added to the SNA text.

Printing errors 26.12 (fro mother)

UNSD

Below are some minor comments:

1. Para. 26.11. delete "proposed" at the end of the first sentence.

2. Para. 26.11. fourth line from the end. Change "fro" to "from"

3. Table 26.2. 6 Financial auxiliaries should be put at the end as this class also includes auxiliaries of ICPF. "7. captive financial institutions and money lenders" should be changed to "other financial corporations except ICPF as it is a title for item 7 in the part on classification of financial corporations. "8. insurance companies" should be " insurance corporations"

4. Para. 26.13. "institutions" should be "corporations".

5. Table 26.3 a, the part on debt securities and loans. The second group of short term should be long term (same mistake in table 26.3b). There is a typing error in the group "insurance pension,...": "and" instead of "nd"

6. last line of the second para. of the part " classification of financial corporations": "available" should be "transacted".

IMF

B.The characteristics behind the classification of financial assets and
liabilities. -In light of the reviewers' suggestions that the chapter only deal with monetary statistics, this heading is unnecessary.

26.4 This belongs in Chapter 4. Moreover, the principle of “declining degree of liquidity” as a basis for the classification is not true. The ordering of the instruments is one of convention, nothing else.

26.5 Again, as we propose that this chapter only focus on monetary statistics, we propose that this paragraph be dropped.

Table 26.1. This table belongs in Chapter 11.

26.8 IMF suggests this paragraph be included in chapter 11. Also, note that several of the “innovations” have been used in the market for over a couple of decades.

3. Functional categories suggests this be moved to the ROW chapter

4. Reserve assets. IMF suggests this be moved to the ROW chapter. The definition will need to be the same as BPM6: the process is not yet finalized.

C. The classification of financial institutions. IMF suggests all the discussion of these items be included in Chapter 11.

Financial corporations sub-sector 7 is designated as “Captive financial institutions and money lenders” in Table 26.2, but as “Other financial corporations, except ICPFs’ on page 3 of the attachment (Classification of financial corporations). [We are unclear as to which of these descriptor for subsector 7 is the latest.] Use of “Captive financial institutions” as the descriptor would not create difficulties for the monetary statistics methodology, whereas use of “Other financial corporations, except ICPFs” would cause major difficulties. In the monetary statistics methodology as first specified in the MFSM (2000), ‘Other financial corporations’ is defined as the set of all financial corporations that are not depository corporations-namely, (1) Other financial intermediaries except insurance corporations and pension funds, (2) insurance corporations and pension funds, and (3) financial auxiliaries. The use of “Other financial corporations” in a totally different context-namely, to define what is essentially a residual category of the financial corporations sector-would create a major inconsistency of terminology for the national accounts and

and monetary statistics. For several years now, the term ‘Other financial corporations’ has been an integral part of the monetary statistics framework. It is hoped that a different term can be used in the Update context. Use of the term ‘Captive financial institutions and money lenders’ would not cause problems for the monetary statistics. However, we are not sure that these units need to be separated from the financial auxiliaries sub-sector, and we are unclear about the characteristics of “moneylenders” (see comment on money lenders, page 4 of attachment).

D. Financial assets and liabilities analysed by sector of debtor and creditor. Suggest all that follows on flow of funds be added as an annex to Chapter 11.

26.18 Supervisors are not going to use flow of funds (or any statistics) for this function.

26.19 While this is certainly one of the roles of financial institutions, they play a major role in financial markets generally, assisting institutional units to (constantly) rebalance their portfolios of assets (nonfinancial as well as financial) and liabilities, to maximize the balance between risk and safety of investment, risk and return, liquidity preferences, convenience, amid constantly changing market conditions and the institutional unit's own changing preferences. As a consequence, financial institutions also serve institutional units in the lending sectors to incur liabilities as well as units in borrowing sectors to acquire financial assets.

26.21 A link to Financial Soundness Indicators would also be useful here.

26.22 One of the primary uses of flow of funds is to model shocks to the economic environment (both financial and nonfinancial) through such testing of changes to interest rates, price and exchange rates, the impact of rates of default on both the creditor and debtor sectors). Such work is usually done in conjunction with sector balance sheets: hence, the balance sheet approach.

26.23 Inasfar as the flow of funds is a matrix, time series are not easy to present -- other than as a set of separate matrices. One way to address this problem is to present each sector (or instrument) by itself.

26.26 What is stated in this paragraph is true but it helps if the nonfinancial assets (produced and nonproduced) are also included. In this manner, portfolio theory can then be fully applied, that is, adjustment to all holdings of all types of assets and liabilities, in response to changing markets conditions, as well as the individual unit's own changing preferences, can be taken into account. In this manner, costs and benefits of holding assets (nonfinancial and financial) versus liabilities, or between current consumption or future consumption, can be derived.

IMF suggests that all the following discussion on classification of financial corporations be moved to Chapter 4.

	Moneylenders (within the category of 'Captive financial institutions and moneylenders'). In our view, there is a need to define/describe the institutional units to be categorized as money lenders. For the monetary statistics, distinguishing between the formal financial sector and the financial segment of the informal economy is based on the simple criterion of reporting/non-reporting of balance-sheet data. If an institutional unit (1) primarily engages in financial activities and (2) reports balance-sheet data that can be used for statistical purposes, the unit is classified, by virtue of its reporting, as being in the financial corporations sector. If the unit does not report balance-sheet data that can be used for statistical purposes, it is considered to be in the informal economy. The scope of the monetary statistics is limited to the formal economy. The structure/activities of moneylenders need to be described, or examples need to be provided. If these units do not report and are not expected to report in the foreseeable future, then the moneylender component is a null element of sub-sector 7. We would also recommend that the Pawnshops category be qualified beyond "that predominantly engage in lending" by adding "and are required to report for statistical purposes" (which currently does not apply to many countries). Specific editorial suggestions are included in the PDF file. http://unstats.un.org/unsd/sna1993/projectmanagement/comments/chapter26dv2IMF2.pdf
Eurostat	No specific comments
Czech Republic	No specific comments
Johan Prinsloo (AEG)	6. Financial auxiliaries (j). Check font of item j, the use of semi-colons in items a to l and (l) seems to be in bold font? 7. Other financial corporations, except ICPFs. Check the use of semi-colon ,comma and full stop at the end of sentences from items (a) to (f)
Australia	26.2 and Appendix – These suggest that "captive financial institutions and money lenders" (called "Other financial corporations, except ICPFs" in the appendix) are not financial intermediaries. We disagree with this. 26.14 - This paragraph suggests that non-MMF investment funds are financial intermediaries which is not something we are comfortable with. 26.16 There can be contributions to the net errors and omissions being discussed from outside the capital and financial account (the income and use of income accounts). The flow of funds presentation moves the analysis to measurement of saving.

	26.22 The sample tables (26.3(a) and 26.3(b)), as pointed out, are examples only. The internals are not consistent with the heading, as only some instruments are disaggregated fully by debtor/creditor. This will limit their usefulness for many significant purposes. I prefer a more consistent example of disaggregation by debtor/creditor. If the analysis by type of instrument is important, a separate set of tables will be of more use than compromising the debtor/creditor tables
Germany	3. Money market funds. The existing and legally binding European definition of MMFs, as laid down in the ECB regulation 2001/13, refers to a "residual maturity of up to and including one year". A minor editorial suggestion in tracking changes is included in the PDF file: http://unstats.un.org/unsd/sna1993/projectmanagement/comments/chapter26dv2Germany2.pdf
Israel	Table 26.1 Shouldn't one-off guarantees also be a memorandum item? 1. Central bank. In SNA93 there are also regional central banks No editorial suggestions are included in the PDF file. http://unstats.un.org/unsd/sna1993/projectmanagement/comments/chapter26dv2Israel2.pdf
Hong Kong	No specific comments

Chapter 26: Links to monetary and financial statistics – Part II: Comments on specific draft paragraphs or passages

2. Would you like to see the details on financial sub-sectors in this chapter or in chapter 4 on Institutional Units and Sectors?

Country	Comment
ECB	1. It would be the preferred option to describe the financial sub-sectors in chapter 4 on institutional sectors (as also done for the detailed description of financial assets and liabilities in the financial account or, preferably, in the balance sheet chapter). 2. Possible combinations of sub-sectors could be discussed if dealing with money or other key financial variables in chapter 26. 3. We assume that there would be a rather comprehensive description and analysis of the ISISA either in the introductory chapter or in the chapter on institutional units and sectors.
Mexico	No template
OECD	Slight preference for chapter 26.
Norway	No comment
UNSD	No.
IMF	We feel that the discussion on financial subsectors and institutional units and sectors belongs in Chapter 4.
Eurostat	In our opinion, the details on financial sub-sectors should rather be presented in chapter 4 on Institutional Units and Sectors.
Czech Republic	In this concrete situation when the revised chapter 4 is not yet available, we welcome that the classification of the institutional sector of financial corporations by sub-sector has been attached to the text of the new chapter 26. For the final version, we assume that it will be a component of the chapter 4.
Johan Prinsloo (AEG)	No template
Australia	We feel this detail would be best presented in chapter 4, so that information on sectors and sub-sectors is all in the one place. Chapter 26 could refer to chapter 4 regarding the financial sub-sectors.
Germany	No comment
Israel	In the chapter on Institutional Units and Sectors.
Hong Kong	It is fine to have the details on financial sub-sectors in Chapter 4.