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Draft Chapters of the 1993 System of National Accounts Revision 1

Editor's Response to Comments on Interest

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Chapter 7 - Editor's response to comments on interest

The definition of interest in paragraph 11.46 of the draft BPM6 reads as follows:

Interest is a form of investment income that is receivable by the owners of certain kinds of financial assets, namely deposits, debt securities, loans and other accounts receivable for putting the financial assets at the disposal of another institutional unit. Income on SDR holdings and SDR allocation is also included in interest.

It continues:

Not all financial flows associated with financial assets are interest. Some of the flows may be commissions or fees, in which case they are charges for services and are classified as financial services (see paragraphs 10.118-134 for a discussion of financial services).

This may indeed give us a way out of the dilemma we face with the current SNA definition of interest. It also fits well with the proposed section in chapter 17 on financial services.

The 1993 SNA gives such prominence to FISIM, that it would be possible to imagine that this constituted most financial services. Further, the fact that the identification of interest on debt securities takes place in chapter 7 with no cross-referencing or little mention of them in other chapters, especially chapter 6, could lead a reader to the assumption that there are no services associated with them. This is obviously not so but oddly the 1993 SNA does not mention explicitly that financial services include the margin elements on the purchase of foreign currency, debt securities, equity etc.

It is therefore proposed that a section of chapter 17 should discuss each type of financial asset in turn, identifying exactly what sort of transaction or other flow is to be identified for each and where these flows are recorded. A schematic table is attached which gives the general idea of the incidence of type of flow by type of financial asset.

This is the reason that paragraphs 7.94 to 7.111 of the existing text have been lifted from chapter 7, not to remove them from the text altogether but to place them in the wider context of the totality of flows associated with financial assets.

	Type of transaction/flow						
	Buy/sell margin	Margins on interest	Interest	Dividends*	Investment income disbursements	Service charges	Holding gains and losses
Financial assets and liabilities							
Gold bullion	(x)						x
Unallocated gold accounts		x	x				x
SDRs		x	x				x
Currency - domestic							
Currency - foreign	x	x	x				x
Deposits							
Debt securities	x		x				x
Loans							
Equity					x		x
Investment fund shares	x					x	x
Insurance, pension and standardised guarantees schemes							
Financial derivatives and employee stock options					x	x	x
Other accounts receivable/payable					To follow		
			(x)				

* Includes withdrawals from quasi-corporations and reinvested earnings on FDI