Units in the 1993 SNA

Summary conclusion

Recommendations/questions

Ancillary activities

(a) Units undertaking ancillary activities should be recognised as separate establishments (ancillary units) when they satisfy the conditions to be an establishment and should be classified according to their own economic activity.

(b) Output of an ancillary unit should be valued by sum of costs plus a proportional allocation of the operating surplus of the establishments it serves. Operating surplus of establishments it serves may be allocated to the ancillary unit in proportion to indicators such as their output, value added or employment.

(c) Output of ancillary units should be allocated as intermediate consumption to establishments they serve in proportion to indicators such as their output, value added, or employment of the establishments using their services.

Outcomes

(a) The AEG agreed with this recommendation subject to some of the wording being refined, particularly in relation to the units needing to be observable for statistical purposes

(b) The AEG agreed that in deriving a value for output, costs should include the cost of the capital used by the unit. Reservations were expressed with the idea of allocating operating surplus from the establishments it serves and the AEG agreed that a degree of flexibility should be permitted in the allocation.

(c) The AEG agreed.

Ancillary corporations

Recommendations/questions

(d) Ancillary corporations should be recognized as institutional units and should be classified in their own right when they satisfy the criteria for qualifying as institutional units.

Outcomes

(d) The AEG noted that the scope of ancillary activities was limited and that lending to customers, for example, though widespread is not an ancillary activity. Units undertaking these activities are financial institutions. For purely ancillary corporations, the AEG agreed that an institutional unit always needs to be separately identified when it is non-resident.

The AEG noted the original rationale for the treatment of ancillary corporations as integral to the units they serve was when they represent artificial units created for legal or tax reasons. In these circumstances, the 1993 SNA treatment of not treating resident units conducting purely ancillary services as separate institutional units should stand.

Holding companies

Recommendations/questions

(e) Parent companies without significant production recognized as holding companies should be classified as "other financial intermediaries".

Outcomes

(e) The AEG agreed but noted this category would be described as "miscellaneous financial institutions". The ambiguity of treating a publicly controlled holding company without significant production as a separate institutional unit was noted.

NOTE: Jacques Magniez agreed to look at the implications of this terminology for the French translation.

Special purpose entities

Recommendations/questions

(f) SPEs should be treated as institutional units when they satisfy the criteria for qualifying as institutional units and their output should be valued at cost if no market valuation method is available.

(g) There is no need for a separate classification of SPEs as they undertake a range of economic activities. The activities should be examined on a case by case basis and classified by existing industrial and institutional sector classifications.

(h) The term "securitization vehicles" should be used for institutional units that undertake securitization of assets only and such institutional units should be classified as "other financial intermediaries".

(i) All flows and stock positions between the general government and the non-resident SPE should be recorded in the general government and SPE accounts when they occur.

(j) If securitization is based on a future stream of general government revenue it is not the sale of an asset, but a borrowing transaction of the government. The economic substance of this transaction is best accounted for by imputing general government borrowing from the non-resident SPE for the same value and at the same time that the SPE incurs a liability to the foreign creditor.

(k) When government creates non-resident entities, such as SPEs, to undertake government borrowing and/or incurring government outlays abroad with no economic flows between the government and the SPEs related to these fiscal activities, transactions should be imputed in the accounts of both the government and the non-resident entity to reflect the fiscal activities of the government.

Outcomes

(f) The AEG agreed with the broad thrust of the recommendation. However, the AEG felt it would be better to express the recommendation as follows:

Resident SPEs should **not** be treated as institutional units **unless** ~~when~~ they satisfy the criteria for qualifying as institutional units; their output should be valued at cost if no market valuation method is available.

(g) The AEG agreed.

(h) The AEG agreed that securing an asset against future revenue constituted borrowing by the owner of the SPV. This is a sufficiently common form of SPV that they should be termed securitization vehicles and classified within miscellaneous financial institutions.

(i) The AEG agreed.

(j) The AEG agreed with the aim of this recommendation. However, the AEG felt it would be useful to separate the statement of the principle and the application of that principle. Although this principle has general validity it will be applied only for non-resident SPEs created by government for fiscal operations.

(k) The AEG agreed with the aim of this recommendation. However, the AEG felt it would be useful to separate the statement of the principle and the application of that principle.

Trust funds and investment funds

Recommendations/questions

(l) Trust funds and investment funds that are created as legal entities, even without employment, should be treated as institutional units. Their output should be valued at cost if no market valuation of their output is available. These units should be classified, separately from securitization vehicles, in the industry classification at (section K, group 643)and as other financial intermediaries in the institutional sector classification.

Outcomes

(l) The AEG agreed.

Restructuring agencies

Recommendations/questions

(m) If the restructuring agency acts only to implement pre-specified government policy and bears no risk in the transformation of financial instruments connected with the restructuring, the agency is regarded as a non-market unit and part of the general government sector.

(n) If the restructuring agency puts itself at risk in the transformation of the assets and liabilities of the units in difficulty and if it can determine the costs it can charge for the restructuring activity, it is treated as a financial corporation. Whether it is publicly controlled or purely private financial corporation is determined using the usual criteria.

(o) When government uses a restructuring unit to channel funds to a unit in financial difficulties and the restructuring unit derives its main resources from activities other than acting as an agent of government, these funds should be shown as payable and receivable by the government and unit concerned directly and not routed via the restructuring agency.

Outcomes

(m) The AEG agreed.

(n) The AEG agreed, but with the qualification that it needs to be made clear that a public sector unit cannot put itself "at risk" in the same sense that a private sector unit can.

(o) The AEG agreed.

Output of ancillary units

Recommendations/questions

(p) Output of ancillary units should be recorded as market output when it is classified as part of the financial or non-financial corporations sector and non-market output when it is classified in the general

Outcomes

(p) The AEG agreed.