

**MEETING OF THE TASK FORCE ON  
FINANCIAL INTERMEDIATION SERVICES INDIRECTLY MEASURED (FISIM)**

Hosted by the IMF

March 3 & 4, 2011

IMF Headquarters 1 (HQ1)  
Room 2-530, 700 – 19<sup>th</sup> Street N.W., Washington D.C.

**Terms of Reference of  
ISWGNA Task Force on FISIM**

To be presented by Herman Smith, Chief, National Accounts Section, United Nations

# **Terms of Reference of ISWGNA Task Force on FISIM**

**Meeting of the ISWGNA  
Task Force on FISIM**

**03 to 4 March 2011,  
Washington DC, USA**



# Outline of Presentation

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- SNA research agenda
- Background to FISIM issue
- Terms of Reference of ISWGNA Task Force on FISIM
- Way Forward

# 2008 SNA Research Agenda

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- Annex 4 of 2008 SNA
- ISWGNA website  
(<http://unstats.un.org/unsd/nationalaccount/research.asp>)
- Updated to reflect new items and recommendations

# Approach to SNA Research Agenda

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- How to prioritise research topic?
  - Urgency and importance in ensuring relevance of SNA to users?
  - Consequences of change and difficulty of implementation?
  - Completely new? Preparation already done?
- Selection of topic
  - Widespread consultation
  - Inclusion of compilers and users

# Approach to SNA Research Agenda

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- Coordination
  - Auspices of ISWGNA
  - Worldwide representation in deliberations
  - Proper implementation of results
- ISWGNA
  - Assesses proposals for creation of task forces/expert groups
  - Update procedure

# Approach to SNA Research Agenda

## Update Procedure

Update Stage	Editorial Amendment	Clarification beyond dispute	Interpretation	Change
Proposal	ISWGNA reviews the proposed amendment and classifies it			
Preliminary Drafting	ISWGNA	ISWGNA	ISWGNA assisted by the AEG	ISWGNA assisted by the AEG
First Discussion			Working parties or regional panels of experts	Working parties or regional panels of experts
Second Discussion				National statistical offices in all regions and where relevant Central Banks
Final Drafting			ISWGNA assisted by the AEG	ISWGNA assisted by the AEG
Approval			Member countries of Statistical Commission during 30-day period	Member countries of Statistical Commission during 30-day period
Publication	Errata Sheet	SNA News and Notes, SNA website	SNA News and Notes, SNA website	SNA News and Notes, SNA website

## 42<sup>nd</sup> Session of UNSC

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- Endorsed the update procedure
- View emissions permits and FISIM as interpretation issues
- Implication is that ISWGNA needs to consult the AEG and submit to UNSC
- May use electronic consultation with AEG and UNSC Bureau



# Background

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## Calculation of FISIM

- Refined with every SNA revision
- Financial services are defined in paragraph 4.98 of the 2008 SNA:
  - The production of financial services is the result of **financial intermediation, financial risk management, liquidity transformation or auxiliary financial activities**

# Background

## Calculation of FISIM

- Broad international consensus to investigate further :
- On 2008 SNA Research Agenda

(a)	Composition of FISIM (risk management and liquidity transformation)	Clarification
(b)	Financial instrument and unit scope of FISIM	Research
(c)	Connection between FISIM and income	Research

# Background

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## Calculation of FISIM

- ISWGNA Task Force to deal with clarification issue and focus on determining at most one reference rate per currency for calculating FISIM
- Coordination with regional Task Forces
  - European
  - Latin American

## **Terms of Reference of ISWGNA Task Force on FISIM**

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### **ISWGNA Task Force to address 4 clarification questions**

- Risk management
- Liquidity transformation
- Consistency of FISIM in international trade
- Implications for price and volume measures

## **Terms of Reference of ISWGNA Task Force on FISIM**

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**Risk management (How to characterise and reflect risk management/mitigation activities, including exchange rate risk, in FISIM?) – 2 views**

- 1<sup>st</sup> view – Include risk premium in FISIM
  - Covers risk mitigation activity
  - Do not match reference rate to risk profiles of loans/deposits
- 2<sup>nd</sup> view – Exclude risk premium from FISIM
  - Represents distributional flows, not payment for services
  - Use risk-matched reference rates

## Terms of Reference of ISWGNA ask Force on FISIM

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### Liquidity transformation (How to reflect transformation of short-term deposits into long-term loans in FISIM?) – 2 views

- 1<sup>st</sup> view – Include this element in FISIM
  - Use reference rate not matched to specific maturities of loans/deposits
- 2<sup>nd</sup> view – Exclude this element from FISIM
  - Use maturity-matched reference rates
- Question of whether FISIM should cover cost of hedging term risk arising from deposit-taking corporations lending long-term and borrowing short-term

## **Terms of Reference of ISWGNA Task Force on FISIM**

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### **Consistency of FISIM in international trade**

- How is equality of exports and imports of FISIM between economic territories affected by
  - Conversion between domestic and foreign currencies?
  - Choice of reference rate?
- Link to idea of using different reference rates for different currencies
- Need for national accounts compilers to provide exports and imports of FISIM by institutional sector (including the rest of the world) to improve coherence between national accounts and balance of payments statistics

## **Terms of Reference of ISWGNA Task Force on FISIM**

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### **Implications for price and volume measures**

- How will the clarification of above issues, including the choice of reference rate, affect price and volume measures of FISIM?



# Way Forward

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- Next meeting
  - June 2011
  - Jointly with the European FISIM TF
- ISWGNA and AEG to consider the Task Force recommendations on the clarification questions and submit to UNSC Bureau in the second half of 2011



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**Thank you**