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 – 19th Street N.W., Washington D.C.

Terms of Reference of
ISWNGA 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

- SNA research agenda
- Background to FISIM issue
- Terms of Reference of ISWGNA Task Force on FISIM
- Way Forward
2008 SNA Research Agenda

- Annex 4 of 2008 SNA
- ISWNGNA website (http://unstats.un.org/unsd/nationalaccount/research.asp)
  - Updated to reflect new items and recommendations
Approach to SNA Research Agenda

- 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

- 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

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

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

<table>
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<th>(a)</th>
<th>Composition of FISIM (risk management and liquidity transformation)</th>
<th>Clarification</th>
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<td>(b)</td>
<td>Financial instrument and unit scope of FISIM</td>
<td>Research</td>
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<tr>
<td>(c)</td>
<td>Connection between FISIM and income</td>
<td>Research</td>
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</tbody>
</table>
Background

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
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

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

- 1st view – Include risk premium in FISIM
  - Covers risk mitigation activity
  - Do not match reference rate to risk profiles of loans/deposits

- 2nd view – Exclude risk premium from FISIM
  - Represents distributional flows, not payment for services
  - Use risk-matched reference rates
Liquidity transformation (How to reflect transformation of short-term deposits into long-term loans in FISIM?) – 2 views

- **1st view** – Include this element in FISIM
  - Use reference rate not matched to specific maturities of loans/deposits
- **2nd 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
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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
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

- 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
Thank you