

**16<sup>th</sup> Meeting of the Advisory Expert Group on National Accounts,  
12-14 July 2021, Remote Meeting**

**Agenda item: 8.3**

**F.6 Capturing Non-bank Financial Intermediation in the System of National  
Accounts and the External Sector Statistics<sup>1</sup>**

*This guidance note proposes changes to the System of National Accounts (SNA) and the Balance of Payments and International Investment Position Manual (BPM) to better capture non-bank financial intermediation. This involves introducing further breakdowns of financial subsectors and financial instruments, striking a balance between what is required from a users' perspective and what is feasible from a compilers' perspective. The proposal is to implement (some of) the institutional sector and financial instrument breakdowns as have been agreed upon as part of the G20 Data Gaps Initiative (DGI) in the updated SNA and BPM.*

**SECTION I: THE ISSUE**

---

BACKGROUND

- 1. The 2008 financial crisis has led to an increased interest in developments within the financial world, particularly non-bank financial intermediation and its impact on economic and financial risk and sustainability.** Non-bank financial intermediation (previously referred to as “shadow banking”) can be defined as “credit intermediation involving entities and activities outside the regular banking system” (Financial Stability Board [FSB] 2011), providing an alternative to bank funding, but, as the financial crisis revealed, also posing a source of risk to financial stability if it involves liquidity, maturity, and credit risk transformation, as well as leverage.
- 2. The current sectoral and instrument breakdowns in the System of National Accounts (SNA) and external sector statistics (ESS) may not be sufficient to capture the phenomena in the financial world.** This asks for a reflection on the current categorization, assessing where further breakdowns in institutional sectors and financial instruments may be needed to provide users with relevant information to assess important trends in the financial world and to assess specific risks and vulnerabilities from a macroeconomic perspective.

---

<sup>1</sup> Prepared by Jorrit Zwijnenburg (OECD) and Joji Ishikawa (IMF), with inputs from Anna Maria Agresti (ECB), Meraj Allahrakha (IMF), Barend de Beer (South African Reserve Bank), Branimir Gruic (BIS), Andreas Hertkorn (ECB), Esti Kemp (FSB), Brian Kwok Chung Yee (IMF), Patrick McGuire (BIS), Jose Carlos Moreno-Ramirez (IMF), and Benson Sim (United Nations).

3. **The statistical community already explored how to better capture non-bank financial intermediation in macroeconomic statistics as part of Recommendation II.5 of the G20 Data Gaps Initiative (DGI-II).**<sup>2</sup> For this purpose, the Organization for Economic Co-operation and Development (OECD) developed a proposal for more granular breakdowns of the financial corporations sector as included in the institutional sector accounts as well as a proposal for some additional subcategories in the financial instruments breakdown (OECD, 2017). This was done in consultation with the FSB and in close cooperation with other international organizations.

4. **Although the recommendation specifically deals with non-bank financial intermediation, the analysis was broadened to also look at other relevant trends in the financial system bearing in mind that it is not only important to be able to describe past events, but also to provide data that are able to capture new phenomena and future developments in the financial world.** The proposed breakdowns are in line with the templates for sector accounts (encouraged and more advanced items) developed in the context of the G-20 DGI recently. The proposal was endorsed by the G20 economies in the summer of 2018 (as more advanced ambitions<sup>3</sup>) and the relevant information has already been included (as voluntary series) in the OECD collection templates for institutional sector accounts in 2020 (OECD, 2020), and will be included in the ECB and Eurostat collection templates in 2021.

5. **Fintech is also a new trend in the financial system, and non-bank entities may provide financial intermediation through Fintech.** However, Fintech often simply refers to new ways of providing financial products, services, technologies, and access modes to products already available on the market. It is not linked to specific institutional sectors and could be used across institutional sectors including deposit-taking corporations. Therefore, this Guidance Note (GN) does not recommend identifying entities that are involved in Fintech as a separate institutional sector. The GN F.7 *Impact of Fintech* is considering implications from Fintech comprehensively.

## ISSUES FOR DISCUSSION

### ***Issue 1: Further Institutional Sector Breakdowns in the SNA***

6. **Chapter 4 of the 2008 System of National Accounts (2008 SNA) describes the main institutional sectors and subsectors that can be distinguished in the economy from a macroeconomic perspective.** This classification constitutes the starting point for the various collection templates based on the system of national accounts, the level of detail depending on the specific data request.

---

<sup>2</sup> For details about the DGI-II and implementation status per country, see the [G20 Data Gaps Initiative](#). There are other global statistical initiatives on specific activities of non-bank financial intermediaries. For example, the [Standards and Processes for Global Securities Financing Data Collection and Aggregation](#) define the data elements for repos, securities lending and margin lending that national/regional authorities are asked to prepare national aggregates for financial stability purposes and provide them to BIS/FSB for [global aggregation](#). Here grouping of non-bank financial intermediaries does not necessarily follow ESS/SNA sectorization requirements.

<sup>3</sup> “More advanced ambitions” were introduced in the second phase of the DGI to take into account the different stages of development in the national statistical framework across G20 economies. Economies at more advanced implementation stages of relevant recommendations are encouraged to make progress beyond the target requirements, to also implement the “more advanced ambitions” (see IMF and FSB, 2016).

7. **The work in the context of the DGI showed that more granular breakdowns would be needed within the financial corporations sector to properly distinguish the various groups of institutional units involved in non-bank financial intermediation.**<sup>4</sup> This will provide the opportunity to include these more detailed breakdowns in a harmonized way in dedicated collection templates to obtain more insight into non-bank financial intermediation. The further breakdown has been carefully discussed as part of the DGI work and is presented in Annex I.

#### **Issue 2: Further Institutional Sector Breakdowns in the ESS**

8. **The sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)* lists the following institutional sectors as standard components: (i) central bank, (ii) deposit-taking corporations, except the central bank, (iii) general government, (iv) other sectors, which has two further breakdowns—(iv-a) other financial corporations (OFCs) and (iv-b) nonfinancial corporations, households, and nonprofit institutions serving households (NPISHs).**<sup>5</sup> It would be relevant to assess whether some of the breakdowns as distinguished in the DGI proposal should also be adopted in the update of the *BPM6*, to obtain more insight into the impact of non-bank financial intermediation on cross-border flows and positions. This would mainly concern a further breakdown of the OFC sector, where most of non-bank financial intermediation takes place. At the moment, the *BPM6* does not list further breakdowns for OFCs as standard components and selected supplementary items in Appendix 9.<sup>6</sup>

9. **The following are the sub-sectors of OFCs in the ESS (in line with the SNA):**

- **Money Market Funds (MMFs):** These funds are highly liquid and invest in short-term assets. They may be liable to a run and to leverage problems giving rise to systemic risk.
- **Non-MMF Investment Funds:** They are involved in credit intermediation with possible maturity and/or liquidity transformation and/or leverage.<sup>7</sup>
- **Insurance Corporations:** Insurance companies are involved in non-bank financial intermediation to the extent that they are involved in the facilitation of credit creation.
- **Pension Funds:** They usually combine long-term liabilities with long-term investments, but dependent on their investment strategy (also dependent on the regulatory restrictions), some of them may be involved in maturity transformation. Furthermore, through their activities, they may be strongly

---

<sup>4</sup> The proposal also suggests some breakdowns for subsectors that may not directly be involved in non-bank financial intermediation, but for which further breakdowns would still be very relevant to obtain more insight into specific types of risks and into possible spill-over effects. The GN F.1 *More Disaggregated Institutional Sectors and Financial Instruments* will examine the issues comprehensively, taking into account the discussions beyond non-bank financial intermediation.

<sup>5</sup> The methodological descriptions of institutional sectors are in line with the *2008 SNA*.

<sup>6</sup> Table 4.2 of the *BPM6* (page 61) lists further breakdowns for OFCs; however, the list is not presented in Appendix 9 of the *BPM6* (pages 301–312) nor in the data reporting template to the IMF.

<sup>7</sup> Please note that equity funds (which are part of non-MMF investment funds) are not involved in credit intermediation in a strict sense. However, these types of entities may still be involved in activities that create systemic risk (for example in relation to private equity funds), so it is still considered relevant to take them into account when analysing the vulnerability of the financial sector.

interconnected with banks and other financial intermediaries, making them vulnerable to systemic risk.

- **Other Financial Intermediaries:** This subsector consists of a broad range of financial corporations involved in various kinds of credit intermediation (among them securities and derivatives dealers, financial corporations engaged in lending and financial vehicle corporations). Entities within this subsector may be involved in loan provision that is dependent on short-term funding, in intermediation that is dependent on short-term funding or on secured funding of client assets, and in securitization-based credit intermediation and funding of financial entities.
- **Captive financial institutions and money lenders** include trusts, estates, agencies accounts, holding corporations, or conduits that qualify as institutional units and raise funds to be used by their parent corporation, and units which provide financial services exclusively with own funds or funds provided by a sponsor to a range of clients. In general, as most of either their assets or liabilities are not transacted in the open market, these entities are not regarded as being engaged in financial intermediation.
- **Financial auxiliaries** are principally engaged in serving financial markets, but are usually not involved in financial intermediation as they do not take ownership of financial assets and liabilities they handle. This for example covers insurance and pension consultants, loan and security brokers, corporations providing infrastructure for financial markets, and foreign exchange bureaus.

### ***Issue 3: Additional Breakdowns for Financial Instruments in the SNA and the ESS***

10. **Not only institutional sectors but also additional instrument breakdowns would provide useful information on non-bank financial intermediation.** Whether entities are involved in non-bank financial intermediation depends on the degree of risk they incur as a consequence of their role in maturity and liquidity transformation, imperfect credit risk transfer, and leverage.

11. **The work in the context of the DGI showed that the current financial instrument breakdown is sufficient, but that specific “of which” items under loans would help in providing more insight into the degree of risk caused by non-bank financial intermediation.** These additional “of which” items have been carefully discussed as part of the DGI work.

## **SECTION II: OUTCOMES<sup>8</sup>**

---

### ***Issue 1: Further Institutional Sector Breakdowns in the SNA***

12. **The co-authoring team of this GN proposes to include the further breakdowns of the financial corporations sector as agreed upon as part of the DGI work in the updated version of the SNA.<sup>9</sup>** Please see **Annex I** for an overview of the breakdowns. Furthermore, see OECD (2020) for a

---

<sup>8</sup> The feasibility of compiling further breakdowns in the financial corporations sector and for financial instruments according to the proposal as included in this GN could be tested before finalizing the recommendations for inclusion in the updated SNA and BPM.

<sup>9</sup> This concerns Chapter 4 Institutional units and sectors of the 2008 SNA.

detailed description of the new subsectors. Including the breakdowns in the updated SNA will ensure that compilers apply the same classification of financial sub-sectors and the same definitions when aiming to provide more detailed insights into the financial corporations sector.<sup>10</sup>

13. **The further breakdowns of the financial corporations sector can be compiled in economies for which they are relevant** (they should not be interpreted as breakdowns to be compiled by all countries). In that regard, it is not proposed to make the additional breakdowns part of the standard SNA collection templates.<sup>11</sup> Their inclusion in specific data requests by international organizations should depend on the aim of the specific data collection and should be the result of a careful cost-benefit analysis.<sup>12</sup>

**Issue 2: Further Institutional Sector Breakdowns in the ESS**

14. **The co-authoring team of this GN agreed that the best approach to capture non-bank financial intermediation in the ESS is to introduce the following subsector breakdowns for OFCs (Table 1).** They would provide information on cross-border transactions and positions by type of entity involved in non-bank financial intermediation.

**Table 1. Proposed Further Breakdowns for Other Financial Corporations**

|   |
|---|
| <b><i>Money market funds (MMFs) (S123)</i></b>  |
| <b><i>Non-MMF investment funds (S124)</i></b>   |
| <b><i>Insurance corporations (S128)</i></b>   |
| <b><i>Pension funds (S129)</i></b>  |
| <b><i>Other financial intermediaries (S125)</i></b><br><b><i>Of which: Central clearing counterparties</i></b>      |
| <b><i>Captive financial institutions and money lenders, and financial auxiliaries<sup>13</sup> (S127+ S126)</i></b> |

<sup>10</sup> The subsectors of the financial corporations sector (i.e., S121–S129) will remain unchanged. This GN is recommending further breakdowns of some of the subsectors.

<sup>11</sup> The inclusion of the proposed additional breakdowns in the updated SNA, as the main macro statistical framework, will ensure the proper reflection of the substructure of the financial corporations subsectors, allowing other statistical frameworks to choose most relevant subsectors for their needs (e.g., the most detailed list for monetary and financial statistics, and a more aggregated list for ESS as proposed in this GN). This will also ensure better consistency among countries in terms of financial subsectors and will allow countries to choose additional breakdowns as applicable to them.

<sup>12</sup> Also, lower data quality standards should be allowed for these further breakdowns to mitigate the increase in compilation burden.

<sup>13</sup> These institutional sectors are combined, given that they are not regarded as being involved in financial intermediation. However, they can be separately identified in the countries where they have large cross-border transactions and positions.

15. **Central clearing counterparties (CCPs)** are engaged in financial intermediation, taking financial risks on their own account in clearing and settling transactions in securities and financial derivatives. Data for CCPs could be compiled as an “of-which” item for countries that have large cross-border transactions and positions related to CCPs.

16. **The co-authoring team proposes to introduce these breakdowns as supplementary items (i.e., these breakdowns can be compiled if they are relevant to the economy) for the ESS.**<sup>14</sup> This is because these detailed breakdowns may not be very relevant in terms of cross-border flows and positions for some economies at this stage, and the compilation burden could increase significantly to introduce these detailed breakdowns. Also, these further sectoral breakdowns would not have to be introduced for financial instruments that are not relevant for non-bank financial intermediation (e.g., trade credit).

### ***Issue 3: Additional Breakdowns for Financial Instruments in the SNA and the ESS***

17. **For consideration by the authors of the GN F.1 *More Disaggregated Institutional Sectors and Financial Instruments*, the co-authoring team of this GN proposes to include the following “of which” items under loans in the updated version of the SNA<sup>15</sup> and the BPM as agreed upon as part of the DGI work (see paragraph 11 of this GN).** These items provide more information on respectively liquidity risk and leverage, and on credit risk in lending activities.<sup>16</sup>

Loans (AF.4), including:

- a. *Of which: Repurchase agreements, securities lending with cash collateral, and margin lending.*
- b. *Of which: Non-performing loans.*

18. **Repurchase agreements, securities lending with cash collateral, and margin lending can be used to obtain short-term financing.** This was frequently applied in the build-up towards the Great Financial Crisis, where these funds were often used to increase the leverage of specific entities (using the liquid funds to buy assets that **could** then be used as collateral to raise more liquid funds, etc.) (see OECD [2017]). For that reason, it is important to have separate information on these types of loans, assessing their impact on liquidity measures and analyzing the degree to which financial corporations sectors are involved in liquidity transformation and in creation of additional leverage.<sup>17</sup>

---

<sup>14</sup> The *BPM6* categorizes its items in the following three types: standard components (compilers are required to compile these items), memorandum items (additional presentation—compilers are required to compile these items), and supplementary items (compilers can compile these items if they are relevant to the country).

<sup>15</sup> This concerns Chapter 11 The financial account, Chapter 12 The other changes in assets accounts, and Chapter 13 The balance sheet of the *2008 SNA*. See OECD (2020) for a detailed description and definitions of these “of which” items.

<sup>16</sup> This GN focuses on the most relevant “of which” items for non-bank financial mediation as discussed in the DGI. Exposures with regard to financial derivatives and contingent liabilities (as included in OECD [2020]) are out of the scope of this GN. The collection of further additional details in financial instruments should be considered comprehensively (i.e., covering beyond the non-bank financial intermediation) in GN F.1.

<sup>17</sup> For details about repurchase agreements and securities lending with cash collateral see the GN [F.3 Reverse Transactions](#). The GN F.3 discussed the importance of separate identification of reverse transactions although it did

19. **Non-performing loans provide more insight in the credit risk as run by entities.** As loans are recorded at nominal value, combining this with information on the amount of loans that are likely not going to be repaid, provides a better view on the financial position and financial health of specific sectors in the economy. Please note that they are currently included as memorandum item in the 2008 SNA (see paragraphs 13.66–13.68).<sup>18</sup>

20. **The updated BPM should consider including *non-performing loans* as an “of which” item in the main presentation (i.e., the list of standard components and selected supplementary items) along with *repurchase agreements, securities lending with cash collateral, and margin lending*.** Currently, the *BPM6* includes loans at fair value as a memorandum item and non-performing loans at nominal value as a supplementary item (or memorandum if fair value of loans is unavailable) at the end of the section for international investment position as additional items with very limited guidance on their presentation (page 312). These items are not included in the report forms to the IMF, given that they are not in the main presentation. Including *non-performing loans* as well as *repurchase agreements, securities lending with cash collateral, and margin lending* as “of which” items in the main presentation could give more importance to the compilation of these items.

21. **As the GN F.9 *Valuation of Loans (Fair Value)* is considering several options for loan valuations (e.g., replacing nominal value with fair value), the authors for the GN F.1 *More Disaggregated Institutional Sectors and Financial Instruments* should take into account input from relevant GNs and finalize additional breakdowns for financial instruments.**

22. **FITT members showed strong support for introducing further subsector breakdowns to capture non-bank financial intermediation in the updated SNA and BPM.** They also mentioned the challenges in compiling these breakdowns and underlined that the compilation of these additional breakdowns should be on a voluntary basis. FITT members also broadly supported the usefulness of additional breakdowns in financial instruments for consideration of the authors for GN F.1. However, members also showed concerns, indicating challenges in compiling data (e.g., varying definitions of non-performing loans among countries as well as reporting and compilation burden).

**Questions for Discussion:**

1. *Does the AEG agree to include further subsector breakdowns of the financial corporations sector proposed in Annex 1 of this GN in the updated SNA?*
2. *Does the AEG agree to introduce further breakdowns of other financial corporations as proposed in Table 1 in this GN as supplementary items in the updated BPM?*

---

not recommend introducing a table that comprehensively captures reverse transactions including underlying assets that are lent/collateralized but not recorded in the SNA and the ESS. Instead, this GN proposes to introduce the above of which item to separately identify transactions and positions related to reverse transactions focusing on loans and deposits, which are already recorded in the SNA and the ESS.

<sup>18</sup> Loans are recorded on a gross basis (i.e., not netted with provisions) in the 2008 SNA and the *BPM6*. Paragraph 7.50 of *BPM6* includes the definition of non-performing loans. It also recommends referring to the *Financial Soundness Indicators Compilation Guide* for more information on non-performing loans.

3. *Does the AEG agree to the proposal that “of which” items under loans in this GN be considered in the forthcoming GN F.1 More Disaggregated Institutional Sectors and Financial Instruments for inclusion in the updated SNA and BPM?*



## **Annex I. Further Breakdowns of Financial Corporations and Financial Instruments as Agreed in the DGI-II (Additions to the SNA Sectoral Breakdown in *Italic*)**

The breakdown as agreed upon as part of the DGI includes further breakdowns of the following financial subsectors (additions in *italic*):

- Money Market Funds (MMFs) (S123), into:
  - *Constant Net Asset Value MMFs*
  - *Variable Net Asset Value MMFs*
- Non-Money Market Funds (non-MMFs) (S124), into:
  - *Open end funds*
    - *Real estate funds*
    - *Equity funds*
    - *Bond funds*
    - *Mixed or balanced funds*
    - *Hedge funds*
    - *Other open end funds*
  - *Closed end funds*
    - *Real estate funds*
    - *Equity funds*
    - *Bond funds*
    - *Mixed or balanced funds*
    - *Hedge funds*
    - *Other closed end funds*
- Other Financial Intermediaries (OFIs) (S125), into:
  - *Financial vehicle corporations engaged in securitisation transactions*
  - *Financial corporations engaged in lending (FCLs)*
  - *Security and derivative dealers*
  - *Specialised financial corporations*
  - *Other OFIs*
    - *of which central clearing counterparties*
- Captive financial institutions and money lenders (S127), into:
  - *Trusts, estate and agency accounts*
  - *Corporate groups' captive financial entities*
    - *Of which: Foreign owned SPE-type captives*
  - *Other captive finance companies and money lenders*
- Insurance corporations (S128), into:
  - *Non-life insurance corporations*
  - *Life insurance corporations*
- Pension funds (S129), into:
  - *Defined benefit pension funds*
  - *Defined contribution pension funds*

## **Annex II. Supplementary Information**

### **EUROPEAN SYSTEMIC RISK BOARD (2018), “EU SHADOW BANKING MONITOR”**

---

[www.esrb.europa.eu/pub/pdf/reports/esrb.report180910\\_shadow\\_banking.en.pdf](http://www.esrb.europa.eu/pub/pdf/reports/esrb.report180910_shadow_banking.en.pdf)

### **FINANCIAL STABILITY BOARD (2011), “SHADOW BANKING: STRENGTHENING OVERSIGHT AND REGULATION”**

---

[https://www.fsb.org/wp-content/uploads/r\\_111027a.pdf?page\\_moved=1](https://www.fsb.org/wp-content/uploads/r_111027a.pdf?page_moved=1)

### **INTERNATIONAL MONETARY FUND AND FINANCIAL STABILITY BOARD (2016), “SECOND PHASE OF THE G-20 DATA GAPS INITIATIVE (DGI-2): FIRST PROGRESS REPORT”**

---

<https://www.imf.org/external/np/g20/pdf/2016/090216.pdf>

### **OECD (2017), “STUDY ON CAPTURING TRENDS IN FINANCIAL WORLD WITHIN SNA”.**

---

<https://community.oecd.org/docs/DOC-157792>

### **OECD (2020), “COLLECTION OF DATA ON NON-BANK FINANCIAL INTERMEDIATION AND OTHER RELEVANT TRENDS IN THE FINANCIAL WORLD IN THE NATIONAL ACCOUNTS: GUIDE FOR COMPILERS AND USERS”**

---

<https://www.oecd.org/statistics/data-collection/Guidelines-on-Non-Bank-Financial-Intermediation.pdf>

### **OECD/EUROSTAT/ECB (2013), “FINAL REPORT BY THE TASK FORCE ON HEAD OFFICES, HOLDING COMPANIES AND SPECIAL PURPOSE ENTITIES”**

---

[https://ec.europa.eu/eurostat/documents/737960/738007/Final\\_Report\\_Task\\_Force\\_SPEs.pdf/9390b392-62d3-45b4-a4ee-fd9ed7a78da2](https://ec.europa.eu/eurostat/documents/737960/738007/Final_Report_Task_Force_SPEs.pdf/9390b392-62d3-45b4-a4ee-fd9ed7a78da2).