

MINUTES

ISWGNA TELECONFERENCE JULY 25, 2007

Participants

Eurostat: G.Gueye, J. Verrinder

IMF: K. Zieschang (Chair)

OECD: C. Aspden

UNSD: G. Singh, M. Csizmadia, A. Becker (minutes)

1993 SNA Update project: C. Carson (Project Manager), A. Harrison (Editor)

1. Posting of new chapters (3 and 16)

The Editor reported that the draft of chapter 3 on Accounting Rules will be ready by today. Upon receipt of the draft chapter and the corresponding template UNSD will post the documents on the website. Furthermore, the Editor reported that draft of chapter 16 will be ready by Monday, July 30. Based on the proposal by the Editor the ISWGNA agreed that there will be no comparisons file for chapter 16 due to the large amount of changes necessary in chapter 16.

2. Note by the Editor on Employer stock options (ESOs)

The ISWGNA discussed the note prepared by the Editor to clarify the correct treatment of ESOs and financial derivatives.

- How are ESOs classified?

The Editor proposed that ESOs should be recorded as a separate financial asset with the same name from grant date through exercise date with no conversion from one category of financial asset to another at vesting date. The ISWGNA agreed to that proposal.

- How are ESOs valued?

The Editor noted that at present an inconsistency exists between paras 13.90 and 7.52 with para 13.90 being correct. The ISWGNA agreed that para 7.52 needs to be adjusted to bring it in line with para 13.90. The ISWGNA also agreed that it would be useful to clarify that the market value of the ESO at vesting date may include a premium that is what a willing buyer would pay to be able to purchase the stocks in question at the strike price in the period between vesting and exercise date. Only if the exercise date is very close to the vesting date then the market price of the option will be very close to the difference between market price of the share less strike price.

- When are ESOs recorded?

The Editor stated that there is currently an inconsistency on the recording of ESOs between the AEG recommendation (ESOs to be recorded on an accrual basis between grant date and the vesting date) and BMP 6 (ESOs should be recorded at vesting date). The ISWGNA agreed that the recording in the BMP 6 needs to be adjusted to overcome this ambiguity.

- ESO “orphans”

The Editor noted that some “orphan text” needs inserting somewhere about the use of stock options as a means of paying for goods and services or as contributions to the

pension fund. Given the need to ensure that the whole treatment of ESOs is complete and consistent and that it is a new topic for the updated SNA, she proposed that it would be good to add a further small section to chapter 17 covering all aspects of ESOs including the “orphans” and reduce the text on ESOs in other chapters. The ISWGNA agreed to that proposal. The additional section, once available, will be posted as Add.1 to chapter 17 for world-wide comments.

- First recording of Financial derivatives
The ISWGNA agreed that all financial assets that come into existence via a transaction should “appear” directly in the financial account. This includes financial derivatives, on which a question about where they "appear" had been posed as one of the Update clarifications. Only financial assets that appear “some other way” should be recorded in the other changes account. This would affect only monetary gold.

To the question as to whether the add-on relating to social transfers in kind should be included in chapter 8 or chapter 9, the ISWGNA agreed to the proposal of the editor that she would prepare add-ons for both chapters and circulate to the ISWGNA to decide. The Project Manager proposed how the AEG would be notified of changes to AEG decisions (see item 4 below).

3. Issue-by-Chapter matrix

The Project Manager reported that steps have been taken already to make a number of changes to the issue-by-chapter matrix. The revised matrix will distinguish between the two deliverables of the updated SNA for the UNSC in 2008 and 2009. A note will be added, stating that the updated list of chapters for the second deliverable is forthcoming. All Add-ons to already posted chapters will have their own column to accommodate a separate commenting.

The Editor proposed to provide the ISWGNA with Add-ons for chapters 8 and 9 for further decision.

The Project Manager, the Editor and UNSD will further discuss the format of the revised issue-by-chapter matrix to accommodate the additional Add-ons.

4. Overview of the months ahead

The Project Manager proposed to prepare an informal newsletter to the AEG containing updates on the drafting of the *1993 SNA Rev.1* as well as changes made by the ISWGNA to chapters 15 and 16. The Project Manager will draft the newsletter and circulate it to the ISWGNA.

Due to the anticipated End-September deadline for world-wide comments on the forthcoming chapters 3 and 16 the Project Manager recommended to postpone the face-to-face meeting of the ISWGNA originally planned for the last week of September 2007. The ISWGNA agreed. A new date for the meeting will be set at a later time.

5. Next meetings

The meeting decided to have the next teleconferences on August 9 and September 10.

6. To-do list

Action	By when	Responsible	Status
Plan for delivering a set of revised codes to the Editor by end-September	End-August 2007	Christian Ravets (Eurostat) Charles Aspden (OECD) Kim Zieschang (IMF) Ivo Havinga (UNSD)	In progress
Chapter 6: Disposition of comments on treatment of central bank output	End-August 2007	Kim Zieschang (IMF)	Pending
The Project Manager will prepare a draft letter to the ECB about ECB's comments on the mapping of taxes from the classification in the GFSM and the OECD's Revenue Statistics	End-July 2007	Carol Carson (Project Manager)	Pending
Chapter 12: Follow up on comments on paragraph 12.44 from IMF and others on whether creation of a financial derivative (and specifically a forward) is an other change in volume or a transaction.	Mid-July 2007	Kim Zieschang (IMF)	Done
Chapter 12. Draft text on the properties of the "general price index" for distinguishing real and nominal holding gains in the holding gains and losses account for the research agenda.	End-September 2007	Ivo Havinga (UNSD) Kim Zieschang (IMF)	Pending
Update of the Full Set of Consolidated Recommendations (44 issues document) to incorporate changes and UNSC decisions	When possible	Anne Harrison (Editor)	Pending
Add-ons to draft chapters 6, 7, 8, 9 and 17	End-July 2007	Anne Harrison (Editor)	Pending
Post draft chapters 3 and 16	End-July 2007	Anne Harrison (Editor) and others	Pending
Check status of text on employee stock options	20 July	Gallo Gueye (Eurostat)	Done
Revise Chapter-by-Issue matrix	Mid-August 2007	UNSD Carol Carson (Project Manager) Anne Harrison (Editor)	Pending

Items marked as 'Done' in this to-do list will be omitted in the following to-do list.