

**Comments on draft SNA chapter:  
Chapter 17: Cross-cutting and other special issues  
Deadline for comments: 1 September 2007  
Send comments to: [sna@un.org](mailto:sna@un.org)**

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Submission date:	August 3, 2007

This three-part template allows you to record your comments on draft chapter 17 easily and, at the same time, makes it easy for us to use your comments in considering revisions to the draft chapter. You may complete any one, any two, or all of the three parts of the template.

There is no file comparing existing text with draft text for this chapter because the draft is all new text.

Save this template and send it as an attachment to the following e-mail address:  
[sna@un.org](mailto:sna@un.org)

**Part I: General comments**

In the space below, please provide any general comments, such as about the clarity with which the new recommendations were incorporated (30 words or less).

*Comment:*

On the whole, the text is clear. See comments below.
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**Part II: Comments on specific draft paragraphs or passages**

In your review of draft chapter 17, you may wish to devote particular attention to the passages listed below. For ease of reference, we have identified the relevant paragraphs. For each passage, a Word table is provided for you to use in making your comments. There is a row for general comments at the top of the table. Thereafter please use a separate row for each paragraph on which you wish to make detailed comments.

Chapter 17, Part 1: The treatment of insurance and social insurance other than pensions  
 Part 1 is based loosely on annex IV of the 1993 SNA, but includes several passages that introduce changes. Some of these are identified below.

1. A refined treatment of non-life insurance is introduced in paragraphs 17.37-17.39 to prevent the variation in claims made each year from affecting output. A different treatment is permissible when the claims are exceptionally large and beyond expectation (17.50). Are these paragraphs clear?

General Comment	<u>Para 17.14 (iii) reads “an employer makes a contribution (actual or imputed) to the scheme on behalf of an employee, whether or not the employee also makes a contribution” while the first sentence in Para. 17.15 “those participating in social insurance schemes make contributions to the schemes and receive benefits” gives the impression that contributors alone receive the benefits.</u>
17.37	
17.50	

\* Insert rows in this Word table for each paragraph on which you wish to comment.

2. The simplification in the SNA whereby direct insurance and reinsurance transactions were consolidated was seen to be causing errors especially in countries where all reinsurance was carried out with non-resident corporations (as is often the case). Is the description of how and why to treat direct insurance and reinsurance separately sufficiently clear (paragraphs 17.54-17.60)?

General comment	OK
17.54	
*17.61	Typo in Line 17. Add “net” before premiums as there is an approximate equality between net premiums (and <i>not premiums</i> ) and net claims.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

**Item 4** “Other life insurance” in the 1993 SNA on page 577 is replaced by “individual life insurance” here. But Paragraphs 17.80 Line 11 and 17.81(c) use the terminology “Other life insurance”.

3. A treatment for annuities as a form of life insurance is introduced in Rev. 1. This is desirable in itself and because it is how regular payments in retirement under defined contribution pensions are recorded. Paragraphs 17.90-17.97 describe this treatment. Are the paragraphs clear?

General comment	OK
17.90	Click here and start typing.

*	Click here and start typing.
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\* Insert rows in this Word table for each paragraph on which you wish to comment.

Chapter 17, Part 2: The treatment of loan guarantees in the System

Rev. 1 distinguishes three classes of loan guarantees. The first is composed of those guarantees provided by means of a financial derivative (described in chapter 11). The second is composed of the sorts of guarantees where large numbers of very similar guarantees are issued. Another is described as one-off guarantees, where each guarantee is tailored to specific circumstances.

4. The second class is called standardized loan guarantees. A treatment of such guarantees is introduced in paragraphs 17.106-17.111. It resembles the treatment of insurance in several respects. Is the description clear and comprehensive?

General comment	OK
17.106	Click here and start typing.
*	Click here and start typing.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

Chapter 17, Part 3: The treatment of pensions in the System

Part 3 describes the treatment of pensions. It does so in some detail, in part because the means by which pensions are provided to persons in retirement varies considerably from country to country.

5. Rev. 1 incorporates a number of changes in the treatment of defined benefit pension schemes. After distinguishing between defined benefit and defined contribution schemes in paragraphs 17.141-17.146, the text describes the transactions recorded for a defined benefit scheme and provides a numerical example. This text begins in paragraph 17.147 and continues through paragraph 17.166. Is the text clear and comprehensive?

General comment	See comments below.
17.125	It would be better to avoid describing a defined contribution scheme in terms of the benefits – the real points is that the benefits are undefined and depend entirely on the success of the invested assets and the risk therefore falls on the employee.
17.147	The phrase “current service increase in the employee’s pension entitlements” is not clear. The use of the word “service” is confusing. We can say simply “current increase in the employee’s pension entitlements” or “increase in the value of Pension entitlement the employees have earned in the period in question” Similar use of the word “service” appears elsewhere and is confusing.

17.151	This paragraph does not read well. The sentence” The increase in the present value of the entitlements of continuing employees represents the investment income distributed to the employees” is not clear. 17.160 The numerical example is OK except showing change in pension entitlement under Use of income will be confusing to the readers.
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\* Insert rows in this Word table for each paragraph on which you wish to comment.

6. Paragraphs 17.183-17.193 describe the proposed supplementary table that gives flexibility to countries not to include all liabilities for pensions in the main accounts while still providing the information for analysts. Is the table clear?

General comment	OK
17.183	Click here and start typing.
*17.191	AEG noted the <i>possibility</i> of countries not including the liabilities for pensions of government employees in the core account but of including them together with the liabilities for social security schemes in supplementary table. The text is in line with this recommendation. But some countries might have already recognized this part in their core account. Canada has done it. It will be advisable to leave only social security schemes in “grey”
Table 17.10	Click here and start typing.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

Chapter 17, Part 4: The recording of flows associated with financial assets and liabilities

Part 4 describes the flows associated with financial assets and liabilities more extensively than in annex III of the 1993 SNA text, including the services associated with them.

7. The introduction, paragraphs 17.194-17.204, provides an overview of financial services that is wider than the traditional view of financial intermediation as applied to only deposits and loans. Is this wider perspective on financial services comprehensive and is the material presented in a helpful manner?

General comment	OK.
17.194	Click here and start typing.
*	Click here and start typing.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

8. A new table summarizing the types of flows that relate to each instrument is given in table 17.11, which is introduced in paragraph 17.205. Is this table helpful?

17.205	Click here and start typing.
Table 17.11	Click here and start typing.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

Chapter 17, Part 5: Contracts, leases and licences

The 1993 SNA did not have a comprehensive, coherent discussion of contracts, leases and licences. Part 5 brings together the material on the subject discussed under several of the 44 agreed Update issues.

9. Paragraphs 17.261-17.269 describes the three kinds of leases, including a description of resource leases, which are introduced in Rev. 1 in paragraph 2.269. Is the description of resource leases clear? Is the greater clarification of the distinction between operating and financial lease clear?

General comment	See comments below
17.261	
*17.62	The definition of operating lease is not clear. It says the lessor “receives the economic benefits from the asset by using it in a productive activity...” In fact, the owner leases out an asset to another party for use it in a productive activity. The 1993 SNA defines it “ The activity of renting out machinery or equipment which are shorter than the total expected service lives of the machinery and equipment is termed operating leasing” (1993 SNA Para. 6.115)

\* Insert rows in this Word table for each paragraph on which you wish to comment.

10. Paragraphs 17.301-17.305 describe how to record in balance sheets the benefits for each party corresponding to a shared asset. Are these paragraphs clear?

General comment	OK.
17.301	Click here and start typing.
*	Click here and start typing.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

11. Paragraphs 17.306-17.311 describe the treatment of permissions to undertake a specific activity. Is it clear when a permit is to be treated as a tax and when it can simultaneously become an asset?

General comment	Click here and start typing.
17.306	Click here and start typing.
*17.308	This paragraph requires fine tuning. The first sentence contains two different concepts. For multi-year permits, only the portion representing the current year is a tax. This appears in the generation of income account. The remainder is a financial asset of the purchaser and a liability of the government (in the financial accounts). This would be case if the government has an obligation to refund the unused part of the license. Otherwise the whole amount would be recorded as tax at the time it is paid.

\* Insert rows in this Word table for each paragraph on which you wish to comment.

### Part III. Other specific comments

You are welcome to make other comments. Please do so by using Adobe Acrobat Version 6 or 7 to comment directly on the PDF of the draft chapter.

If you don't have Adobe Acrobat Version 6 or 7 and would like to make detailed comments, please send a message to [sna@un.org](mailto:sna@un.org) requesting a version of the draft chapter that permits you to comment. To optimize your commenting tools, please download Adobe Reader 7.0 for free from <http://www.adobe.com/products/acrobat/readstep2.html>

#### Paragraph 17.88

For ease of reading, the illustrative tables should show use and resource on the same page. Further, the tables should have the standard institutional sectors (rather the present varying groupings). Reference to specific cases can be made in the text The present presentation does not add to clarity as has been claimed.

17.103 and 17.111 (c)

When the guarantor obtains an effective claim on the guarantee holder, 17.103 indicates that a transaction is to be recorded between the guarantor and the guarantee. However, in 17.111 c it indicates that in all cases calls are to be a payable for the guarantor and a receivable for the lender.

17.111 would seem to suggest that the funds flow directly form the guarantor to the lender but this would not be the case if the condition at the end of 17.103 exists as a

transaction passes via the guarantee. If the claim on the guarantee is not equal to the full value of the call, the value would have to be split into two – transaction with guarantee and capital transfer to lender.

17.110 indicates that a fee paid by a household would always be final consumption. However, 17.200 notes that in the case of a household financial services could be final consumption or intermediate input to a unincorporated enterprise. Would this not also apply to 17.110?

17.196 indicates that all financial intermediation is carried out by financial institutions but 17.218 notes that FISIM should be calculated on loans (credit card balances) by retailers, non-financial institutions.

17.245 should also refer to the reinvested earning on investment fund shares.

Radio spectra ownership by a non-resident would also require the creation of a notional unit (17.279 – 17.282).