

**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**

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Submission date:	2007-08-30

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

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:

<p>We appreciate the draft of this new chapter of the SNA. The text is clear in general and the numerical examples are helpful.</p> <p>With regard to the treatment of standardized guarantee schemes, we would prefer a more prudential approach.</p> <p>We welcome the supplementary table presented in part 3, which will provide new information on the whole set of pensions. However, there are still problems left. For instance, in some cases it seems difficult to draw a proper line between pensions provided by social insurance or social assistance.</p>

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	Yes, they are clear. At first, output is defined in a proper way independently from the stochastic occurrence of claims. Secondly, exceptional damages like 9/11 or hurricanes do not any longer produce strange results in NA.
17.37	
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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	The non-consolidated treatment of direct insurance and reinsurance transactions is theoretically correct and preferable.
17.54	
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* Insert rows in this Word table for each paragraph on which you wish to comment.

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	The description is clear. In our view the treatment of annuities is only a specific version of the general formula for calculating insurance output.
17.90	
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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	The proposed treatment of standardized loan guarantees is an imputation, which differs from the actual transactions known later. This will imply to correct the imputed transaction 10 to 30 after the issuance of a guarantee (ie. adjustment to the actual calls). Therefore we would prefer to treat the imputed calls as a memory item. A second best solution would be to treat the imputed calls as a financial transaction.
17.106	Please introduce the words “Standardised loan guarantee schemes” at the beginning of this paragraph.
*	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	The text is quite clear. Perhaps a small glossary explaining some actuarial terms would be helpful to some users.
17.147	
17.148	For the second sentence we suggest to cut it into two sentences.
17.177	We prefer that promotions are to be treated as a transaction in both recording methods (ABO and PBO). To treat them as revaluation seems not appropriate, because revaluations concern assets accumulated in the past. We consider the promotion as an economic transaction of the current year.

* 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	The table is clear, but it will be challenging to fill the table.
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comment	We suggest to elaborate a bit more on the types of other economic flows, ie. revaluations (e.g. change of discount rate) as well as other changes in volume (e.g. change of the pension system design/ law).
17.183	
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Table 17.10	We suggest to show black cells in column G an H in the row “assets held by pension schemes at year-end”. Row number 7 exists two times. There are two typos in the first row 7.

* 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	This introduction presents a very problematic view of the functioning of a monetary economy. In essence it is argued that some existing deposits originating from saving are lend out by banks to others units. Therefore banks are called “intermediaries” in this context. However, where does the money come from which is deposited with the bank? This money was created by the banking system giving a loan in terms of money against interest payments to a client (purchase of an asset by the banking system is neglected here). Vice versa the banking system receives a specific claim on an asset (“collateral”) of the client. This claim expires when the loan is paid back and the money disappears. People do so, because this money created by the banking system is the only legal means of payments wheras the specific claim on an asset of the client is not. In other words, the banking system converts such specific claims which can be accepted or not by others into unspecific claims which must be accepted by everyone. This has two consequences: Firstly, loans are prior to deposits, secondly loans can be given by banks without deposits before. In any case, the present banking / subprime crises in the USA shows, that a loan does not require deposit before.
17.194	
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* 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	
Table 17.11	

* 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	We wonder if it could be useful in the part on “licences and permits to use a natural resource” to highlight a fundamental difference between inland water (not the open sea!) land and timber on the one side and radio spectra, fish and mineral deposits on the other side. The fundamental difference between both is the origin of the power of disposal over them. For the first group (timber etc.) the legal ownership is stipulated by civil law. For the second group (radio spectra etc.) the sovereign right anchored in public law is the basis. It is clear that government can be engaged in both categories. But in the case of radio spectra, fish in the open sea and mineral deposits government (one can easily add the permissions) neither government nor anybody else can be considered as “owner”. What the sovereign can do is to give a permission (if necessary against a fee) to do something. This does not contradict the fact, that such a governmental permission once chartered and transferable can be object of transaction under private law lateron.
17.261	
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* 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	Click here and start typing.
17.301	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.

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	
17.306	
17.308*	We suggest to mention as well, that in the case of not just limiting the number of units the payment for a permission is treated as providing a service.

* 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 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>