

**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:	29 August

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>My comments are confined to Section 4 of the chapter. They primarily concern the treatment of gold in the system where the conceptual debate on the definition of instruments has been overlaid With concerns over transparency of presentation, which is essentially a pragmatic issue.</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	
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	
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	
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	
17.106	
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* 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	
17.147	
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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	
17.183	

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Table 17.10	

* 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	
17.194	
17.200	To note that international accounting standards (IFRS) regard certain payments, for example arrangement fees for loans, as part of the cost of borrowing. Such payments are therefore amortised over the effective life of the loan and recorded as interest rather than as a fee for a service. Balance sheet positions based on IFRS may also be affected by this treatment. Thus a one year interest only loan of 100 with an arrangement fee of 2 due at inception and a quoted interest rate of 4% paid quarterly, might be recorded as having an initial value of 98 with quarterly interest accruals of 1.5 and an outstanding principal of 100 to be repaid at the end of the year. National Accounts compilers may accordingly face difficulty in collecting data in the way proposed in this paragraph.
17.206-7	The late change to the definition of monetary gold makes this section very difficult to express without introducing ambiguity. As currently drafted, 207 appears to define gold bullion in a much narrower way than would be recognised by the market. Gold bullion is a market term referring to gold bars of a given weight and purity. Anyone can hold gold bullion - if held by a CB the SNA regards it as monetary gold and if held by other sectors the SNA regards it as commodity gold. The root of the drafting problem may lie in 206 which says that monetary gold is the sum of gold bullion and unallocated gold whereas it is in fact the sum of that part of bullion held by monetary authorities and that part of unallocated gold which is held by monetary authorities and for which the counterpart issuer is a non resident! The recently agreed arrangements mean that the earlier subclassification of gold into monetary gold and commodity gold no longer holds because the former is itself made up of two very different instruments.
17.207	Here, or somewhere, you need to explain that, just as bullion held by monetary authorities needs to be reclassified through OCVA when bought or sold from/to other sectors, so too will any transfer of unallocated gold constituting part of reserves because it has to be reclassified to/from monetary gold from/to foreign currency deposits

17.206-10	Overall, what is now proposed for Monetary Gold in the system risks adding to the complexity of the accounts and undermines much of the progress which the earlier AEG decision had achieved in resolving data problems associated with the presence of an active gold market in a country. The conceptual debate on the definition of instruments has been overlaid with concerns over transparency of presentation. However, this issue is primarily for the BPM and so appropriate that SNA Rev1 remains consistent with that proposed in the BPM6.
17.212	Discussion of "charges made by a financial institution for operating a bank account" in a paragraph headed "Currency" can only compound potential confusion over the meaning of this term by implying that it may be a broader concept than notes and coin.
17.225	This paragraph is confused. It bears the heading "Valuing securities" but by the end appears concerned with the measurement of interest. Mention of the "Debtor" and "Creditor" approaches in the context of valuation is spurious. The Debtor and Creditor approaches to interest measurement both require that securities be recorded in the System at their market value. The Debtor/Creditor debate is concerned not with the value of debt securities but with the boundary between interest and holding gains/losses.
17.226-7	The illustration is correct but it should be made clear in 226 that both models recognise the uplift in market value at the point where the interest rate falls as a holding gain. This only becomes clear in 227. The point is that, following the interest rate change, the Creditor approach views the future interest stream as that which would be recognised by a new investor acquiring the bond (based on the market value) whereas the Debtor approach continues to record interest based on its rate at issue even where such a rate is no longer available to anyone acquiring the instrument.

* 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	
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	
17.301	
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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	
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* 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>