

**Comments on draft SNA chapter:
Chapter 4: Institutional units and sectors**

**Deadline for comments: 1 September 2007
Send comments to: sna@un.org**

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This three-part template allows you to record your comments on draft chapter 4 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.

Especially when providing comments in Part III of the template, you are encouraged to focus on the new passages of the draft text. To facilitate this process, a file comparing the existing text and the draft text is available on the website under the following link: <http://unstats.un.org/unsd/sna1993/projectmanagement/drafts/Chapter4dv2cdv0.pdf>

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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>The chapter seems generally in good shape.</p> <p>The dividing lines between Special Purpose Entities (SPEs), artificial subsidiaries, and ancillary units could be further worked out, as well as the reasons why they are treated differently. These types of entities/units should be discussed generally, rather than just in relation to corporations. It would be appropriate to deal with entities that are not institutional units in a subsection directly following the definition of an institutional unit.</p> <p>The text should use consistent descriptions of what market units and economically significant prices are.</p> <p>Bold-typing should be more consistently applied to highlight the chapter's definitions.</p> <p>The issue of Public Private Partnerships (PPP) should be mentioned in the section on general government.</p>

Part II: Comments on specific draft paragraphs or passages

In your review of draft chapter 4, you may wish to devote particular attention to the passage listed below. For ease of reference, we have identified the relevant paragraphs. Please use the space provided to the right of the paragraph number to make your comment.

1. Section A, paragraphs 4.10 – 4.12:

The definition of ‘residence’ was slightly changed in the 1993 SNA Rev.1 by introducing ‘predominant’ before “economic interest.” Because residence is principally a BOP term, the text in paragraphs 4.10 – 4.12 has been taken from *BPM* 6. Do you consider the definition appropriately described? Is it clear to a national accountant?

4.10	Text is OK.
4.11	Text is OK.
4.12	Text is OK.

2. Section A, paragraph 4.20:

A decision tree allocating units to institutional sectors and sub-sectors has been added as figure 4.1. It is first referred to in paragraph 4.21 to the 1993 SNA Rev.1. Do you think it is useful?

4.21	The decision tree is very helpful.
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3. Section B, paragraphs 4.52 – 4.54:

The expression ‘ancillary corporation’ in the 1993 SNA did not fit neatly with the discussion on ancillary activities discussed in draft chapter 5 of the 1993 SNA Rev.1. Therefore the term ‘artificial subsidiary’ has been introduced. Do you agree with this new terminology?

4.52	We agree with the new terminology. As already indicated in our general comments, the same rules apply more broadly: the "parent" could be a government unit, household, or even NPISH. Why are SPEs mentioned in para. 4.48 not considered artificial subsidiaries?
4.53	We are very happy with this rule, which promises to be helpful in dealing with SPEs. Both in 4.51 and 4.53 we would expect a better differentiation between entities created domestically and those abroad. The latter always lead to recognizing separate institutional units, which should be mentioned in the section that gives the definition of institutional units. In addition, the difference between ancillary corporations and the units mentioned in

	para. 4.106 needs further explanation, because at first sight 4.106 seems inconsistent with both the concept of artificial subsidiaries and with the decision tree included in Figure 4.1.
4.54	A fuller discussion would be appreciated on the distinction, if any, between artificial subsidiaries and subsidiaries exclusively performing ancillary activities.

4. Section B, paragraphs 4.64 – 4.72 and section C, paragraphs 4.82 – 4.83
Material from draft chapter 21 (public sector) of the 1993 SNA Rev.1 on control of corporations and of NPIs by government has been brought together. Do you consider this useful?

4.64	Text is OK.
4.65	Text is OK.
4.66	Text is OK.
4.67	Text is OK.
4.68	When exactly government acts as a fiduciary is difficult to judge. We would suggest to take this paragraph out.
4.69	Text is OK.
4.70	Text is OK.
4.71	Text is OK.
4.72	Text is OK.
4.82	Text is OK.
4.83	Text is OK.

5. Section D, paragraphs 4.89 – 4.90:
NPIs are distinguished as a sub-sector of the non-financial corporate sector in the 1993 SNA Rev. 1. Other units in the sector have been labeled 'For Profit Institutions' (FPIs). Do you agree with the new terminology introduced in paragraph 4.89? Do you agree with the full sub-sectoring introduced in paragraph 4.90 and shown in table 4.1?

4.89	The label "For Profit Institutions" is unsatisfactory. For instance, public non-financial corporations produce for market, but are not always profit oriented. The
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	distinction the text makes between NPIs and FPIs is essentially a legal one and not based on economic criteria.
4.90	The top row and the bottom row of Table 4.1 contain the same information: one can be deleted.

6. Section E, paragraph 4.94:

The new sub-sectoring of the financial corporations sector, including again by NPIs and FPIs, has been introduced in paragraph 4.94. Do you agree with the new classification?

4.94	The category of Other depository corporations includes all financial corporations that issue deposits or close substitutes for deposits. The category of Other financial intermediaries excludes all financial corporations that issue liabilities in the form of deposits or close substitutes. However, some financial corporations that issue deposits or close substitutes are more appropriately classified as Other financial intermediaries because their activities are dissimilar from the activities of commercial banks.
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7. Section F, paragraphs 4.118 – 4.119:

Do you consider the clarification of the role of social security funds in paragraphs 4.118 – 4.119 consistent with the GFSM? Paragraphs 4.118-4.119 set out the role of social security funds while trying to stay in line with text in the *GFSM* and draft chapter 21 of the 1993 SNA, Rev. 1. Is the text appropriate and clear?

4.118	
4.119	The paragraph should start with the words "When social security schemes are separately organized from the other activities of government units and hold their assets and liabilities separately from the latter and engage in financial transactions on their own account, they qualify for being institutional units and are called social security funds."

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>