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Summary Record of the 2005 Working Party on Financial Statistics (WPFS)

Held on 10-11 October 2005

Tour Europe, Paris La Défense

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**SUMMARY RECORD OF THE 2005 WORKING PARTY ON FINANCIAL STATISTICS (WPFS)
10-11 OCTOBER 2005¹**

(NOTE BY THE OECD SECRETARIAT)²

The Chair of the Working Party on Financial Statistics – WPFS (Patrick O’Hagan, Statistics Canada) welcomes delegates and makes some introductory remarks before giving the floor to Michèle Chavoix-Mannato (OECD Secretariat), Secretary of the WPFS, who states some introductory remarks regarding the organisation of the meeting for the following days.

During the first day of the meeting, some items, mainly dealing with the STD financial databases, are for discussion and decision (Items 2, 3, 4, 5, 8 and 9), while the other items, most of them related to the SNA review, are for information and discussion.

Item 1: Adoption of the draft agenda [STD/NAES/FA/A(2005)1]

The Group is invited to adopt the Draft Agenda for the sessions of the day of 10th October. You or Delegates may wish either to permute some items (not always or necessary possible) or add a contribution to a specific item

Item 2: Election of the Bureau (Patrick O’Hagan, Statistics Canada)

As a subordinate body of the Committee of Financial Markets (CMF), WPFS Delegates have to elect the Bureau and the Chairperson for the next three years.

Michèle Chavoix-Mannato (OECD), after asking Delegates whether any of them wants to participate in the Bureau, proposes to maintain the Bureau as it is (Patrick O’Hagan, Statistics Canada, Susan Hume McIntosh, US Federal Reserve System and Beatriz Sanz, Bank of Spain) and invites Delegates to vote “à main levée”: as a result, the previous Bureau is re-elected and Patrick O’Hagan remains the Chairperson of the WPFS and as such continues to chair the meeting.

Patrick O’Hagan says a few words concerning the WPFS management: the responsibility for the Working Party on Financial Statistics is under the auspices of the Statistics Directorate (STD); however, the WPFS continues to have to report to the Committee for Financial Markets which is managed by DAFPE.

He then presents the main sessions of the meeting: during the first day, WPFS delegates will be informed of the work undertaken by the Secretariat since October 2004, while the second day, which is

¹ These minutes only refer to interventions of delegates. They do not summarise presentations as all papers and power point presentations are available on the OECD web site:
http://www.oecd.org/document/31/0,2340,en_2649_34245_34870815_1_1_1_1,00.html

² Minutes takers for the Secretariat include François Lequiller, Charles Aspden, Michèle Chavoix-Mannato, Isabelle Ynesta and Anne Durand.

common with the WPNA meeting, and is a joint OECD/UNECE session, will be devoted to the SNA review.

Item 3: Approval of the draft summary record of the 58th WPFS meeting

No written comments have been received by the Secretariat on the record of the 58th session (STD/NAES/FA/M(2004)1).

The WPFS approves the record of the 58th session.

Item 4: Progress report on the OECD Financial Accounts database (Michèle Chavoix-Mannato, OECD/STD/NAFS) [STD/NAES/FA(2005)3]

This session is for decision.

Presentation

The main objectives of the document STD/NAES/FA(2005)3 are:

- To inform delegates to the Working Party on Financial Statistics (WPFS) on the situation concerning the Financial Accounts Database since the October 2004 meeting;
- To discuss possible developments and certain methodological aspects in order to improve the quality of this new database.

Six recommendations are made to the Member countries in order to help the Secretariat improve the statistics, and to supplement methodological information regarding the financial accounts (flows) and financial balance sheets (stocks).

Delegates to the Working Party are asked four questions, the answers to which will help guide future developments to the database.

Recommendation 1:

All OECD Member countries are invited, each year, to submit all of the data requested of them in connection with the joint Eurostat/OECD questionnaire (non-consolidated data and consolidated data).

Recommendation 2:

Member States for which OECD does not receive consolidated accounts, like Canada, the Czech Republic, Japan and the United Kingdom are invited to make a particular effort to be able to transmit financial accounts consolidated in the near future.

Recommendation 3:

All OECD Member countries are requested to check their data prior to submission to the OECD, and to follow the instructions they are given in order to avoid protracted and difficult exchanges of e-mail to sort out inconsistencies or errors in the figures. They are also invited to provide the information the Secretariat needs to process the files it receives with full knowledge of the contents.

Recommendation 4:

Member States of OECD are highly invited to reply to the collection of the information required in table 2600 in order to enable the Secretariat to publish summary tables on the whole wealth of institutional sectors and to analyze them and establish international comparisons.

Recommendation 5:

To reduce at the same time the workload of the European Union country and that of the OECD Secretariat, the Working group on the Financial Statistics (WPFS) asks Eurostat to transmit to the OECD the answers to *the questionnaire on the development of the financial accounts*, established by Eurostat that it received from its Member States.

Recommendation 6:

OECD Member countries that have not yet responded to the special survey on the consolidation of their financial accounts are invited to do so as soon as possible, and to provide as exhaustive information as possible.

Question 1:

Are the delegates of the WPFS favourable to the collection and the publication of quarterly financial balance sheets by OECD? Are they ready to transmit information relating to financial stocks at the end of the quarter, for sectors S13 and S14-S15 and for instruments AF1 to AF7, within a time which does not exceed three months after the end of each quarter?

Question 2:

Are OECD Member countries favourable to the convention of recording the asset F1 (*Monetary gold and Special Drawing Rights*) of the S1 sector in the active side of the financial account (transactions) of the sector S2 (even value but opposite sign)?

Question 3:

Do OECD Member countries agree not to report the asset AF1 (*Monetary gold and Special Drawing Rights*) of the S1 sector in the S2 sector, in the financial balance sheet (stocks), neither in the active nor in the passive side?

Question 4:

Are delegates in favour of adding a column to the questionnaire on financial accounts and financial balance sheets whereby countries that cannot allocate GDP measurement errors through a series of transparent adjustments could present them separately without including them by convention in one of the other institutional sectors?

Discussion on question 1:

Canada can submit data on a quarterly basis to the OECD for both the financial accounts and balance sheet accounts as requested.

There are two advantages to this: (1) it may help ease the workload at the OECD in terms of reducing bottleneck coming from the fact that countries have different period of revisions through their cycle of

annual production of their financial accounts and balance sheets; (2) it may harmonise the OECD annual revision with the revisions of member countries.

Moreover, there is a high demand in Canada for quarterly financial accounts and balance sheets data.

Belgium agrees to transmit quarterly financial accounts data to the OECD. They can send data for the general government sector with a delay of 3 months while for the households sector that is a residual sector, the delay will be of 110 days.

Germany is not satisfied with the fact that:

1. they have to send data to Eurostat, then to ECB, to the OECD and to BIS and
2. they cannot be sure that due to technical problems all data stored in each international organisation are correct.

The ECB Monetary Union Financial Accounts (MUFA) Working Group has agreed a time lag of 110 days to transmit quarterly financial accounts data to the OECD.

Furthermore, according to the new guidelines starting in April 2006, all EMU countries have to send the complete set of quarterly data to the ECB. Nevertheless, there is much derogation until end of 2008; so maybe, the OECD will not receive in 2006 a complete set of quarterly financial data for the government and the households sectors from EMU countries. The OECD should discuss that with the MUFA working group.

France can submit quarterly financial data to the OECD. However, France agrees with Belgium and Germany on the delay of 110 days. The MUFA working group has already reduced the transmission delay from 130 to 110 days that represents a huge constraint and there will be much derogation.

Nevertheless, quarterly data for the general government sector can be provided within 90 days, as the European Regulation requires it. Data for the households sector will not be available before 110 days.

Czech Republic (the Czech statistical office) has derogation until 2008 for the annual consolidated financial accounts. Regarding quarterly financial accounts, the Czech statistical office co-operates with the Czech national bank and is responsible for the general government sector.

The Central bank compiles quarterly financial accounts and balance sheets accounts for the other sub sectors and sectors. Both institutions can provide these data within a delay of three months.

Switzerland is about to publish annual financial accounts data for the first time in November 2005, but there is no plan to publish quarterly data.

They suggest that the OECD concentrates their limited resources (1) on the collection of annual data and (2) on methodology to provide international comparisons and to ensure the quality of the delivered statistics.

Italy (Bank of Italy) is publishing quarterly financial accounts data since the beginning of the nineties with a delay of 130 days. In April 2006, they will reduce this delay to 110 days as requested by the ECB MUFA Working Group. The delay of 90 days is too short for both sectors S13 and S14_S15. There is a trade off between good quality of data and their frequency.

Italy suggests that the OECD finds an agreement with the ECB regarding the use of the Italian quarterly data sent to ECB. It will avoid repeating the transmission of these data.

The Netherlands already complies with all recommendations and agrees with all questions. However, Netherlands would like to see Eurostat, the ECB, the OECD and the IMF as one entity so that

they can transmit their data only once and in one format. They want a co-operation between those institutions as much as possible.

They can provide the OECD with quarterly financial accounts data after they have transmitted it to the ECB. In the future, it could be with a delay of 90 days.

The United States can supply the OECD with quarterly financial accounts data. However, they ask whether they can send the same matrix that they send on an annual basis on a quarterly basis.

They support the point of view of the Dutch delegate who said that having a uniform type of data sent to all these international organisations is highly desirable. The SDMX project could be the solution.

Spain can supply the OECD with quarterly financial accounts data with a delay of 110 days.

The data of the households' sector are estimated once the accounts of all the other sectors are ready. In that case, providing quarterly data for the S14 only is not a simplification at all.

Korea can provide the OECD with quarterly financial accounts data with a delay of 90 days for the general government sector and for the combined sector S14_S15.

ECB informs the Group that, for the time being, the data transmitted to the ECB by the European countries are input data for compiling euro area financial accounts. They are available at the ECB after 130 days. The new guidelines will reduce this delay to 110 days.

The issue whether these data could also be transmitted to the OECD and to other institutions should be discussed within the MUFA Working Group. These data are provided only for the compilation of the euro area account and not for publication.

Concerning the common transmission for all international organisations, it has been discussed for years and it is not easy to find a solution.

Portugal has a doubt regarding the quality and the usefulness of quarterly financial accounts data of the households' sector as it is a residual sector that is revised every quarter significantly.

However, the data will be available only 110 days after the end of the quarter.

Austria agrees with its colleagues of the countries of the Euro zone. Nevertheless, Austria has two remarks:

1. Concerning the publication of quarterly general government sector data, there is a huge debate at least in Europe on the development of net lending/net borrowing derived from national accounts or from real investment data. If the OECD publishes these data from the financial accounts side separately, many discussions will arise on this issue.
2. Austria is compiling households sector separately on a quarterly basis without compiling the complete set of quarterly financial accounts with a delay of 92-95 days.

Summary of the president:

There is a mixed support for this proposal. The delay of 90 days for quarterly financial accounts and financial balance sheets is probably too short for many countries. There is a question of resources in the member countries.

The president proposes to work towards quarterly data and perhaps to undertake a test exercise at least for those countries who can submit quarterly information on a voluntary basis.

The president would like to know if the OECD intent to the collection of quarterly financial data is to facilitate the production process mainly or to publish these data out of the OECD financial accounts database.

OECD (Michèle Chavoix-Mannato) notes that a majority of countries is favourable of a quarterly data collection of the general government sector in a delay of 110 days.

The Secretariat understands that the countries cannot easily provide the OECD with quarterly data for the sector of households before the other sectors because this is a residual sector.

To that end, the Secretariat proposes as a test exercise to collect quarterly stock data for the sector S13 only in a delay of 110 days after the end of the quarter.

The OECD requests these data because users are interested in it. In particular, the OECD Economic Directorate that makes forecasts needs quarterly data for the general government sector.

However, it is not envisaged for the moment to publish it.

It is true that the transmission to four international organisations at the same time is problematic if some revised data are transmitted to one organisation and not to the others. In that case, the published data will be different from an organisation to another one.

Regarding the issue of the European countries that need an authorisation from the ECB to transmit quarterly data to the OECD, the Secretariat ensures that nothing will be published without their permission and will welcome any comments on that issue after the meeting.

OECD (François Lequiller) takes notes of the strong message from the European countries saying that the OECD should agree with the ECB on that issue. Therefore, the first step of this quarterly exercise is to have an agreement at the MUFA Working Group.

Austria is not sure that the proposed test exercise is a good solution. From an analytical point of view, it is useful receiving data from the households sector (S14) although the data are available after 110 days. Austria supports the quarterly data collection of the sector S14. They even suggest a quarterly data collection for the other sectors (S12, S11...) if the OECD explains in which way these data are going to be used.

ECB thinks that, if countries are compiling a full set of financial accounts, it does not make sense to send only one sector. It might be preferable to ask for the all set of quarterly financial accounts data. It would enable the comparison between quarterly and annual data and check if these two sets are consistent.

The United States support what ECB and Austria said. Moreover, for doing analysis and forecasts, it is better to have quarterly information on the general government sector but also on the households and non-financial business corporate sectors. Therefore, it would be better to send the complete set of quarterly financial accounts data.

OECD (Michèle Chavoix-Mannato) states that, of course, it would be better to collect the complete set of quarterly financial balance sheets accounts. However, the problem is the resource, which is why we limit the data collection to the sector S13.

Without any supplementary resources, the OECD will not be able to collect the all set of quarterly data.

Canada, as the United States, would prefer to keep one standard submission based on the annual one, and then, the OECD will simply extract the sectors that interest users.

OECD (François Lequiller) has received the message that countries would like to submit the same table on quarterly basis as on annual basis. The Secretariat will analyse further this issue.

Discussion on the recommendation 4:

The United States want to know if this request is addressed to the WPFS or to the WPNA.

OECD (Michèle Chavoix-Mannato) specifies that this table 2600 belongs to the national accounts questionnaire but interests the financial accounts experts and the OECD financial accounts unit too. However, the Secretariat will not ask two different institutions in a country to complete and to send twice this table.

There are two options:

1. The institution that uses to provide the OECD with the national accounts questionnaire, sends the table 2600.
2. The institution that sends financial accounts data to the OECD, provides this table and the financial accounts unit will transmit it to the national accounts one.

Canada informs that, in Canada, there is a substantial demand for non-financial assets in order to increase the level of analysis at the sector account level. Canada currently produces quarterly non-financial assets for the full coverage of institutional sectors. They suggest that the OECD collects both non-financial assets and non-financial investments for the same institutional sectors.

Australia supports this initiative and can provide this table through the annual national accounts questionnaire.

OECD (François Lequiller) confirms that the priority at the OECD is to have annual data on non-financial assets. It will enable the Secretariat to analyse households' wealth.

Presently, this table is sent to non-financial experts. Nevertheless, the OECD can also send it to the financial network, which is composed of the members of the WPFS, asking them to coordinate with the others.

Of course, the OECD does not want to receive two sets of data for the table 2600 coming from two different institutions of a country.

Regarding non-financial investments, this is already collected through the non-financial network. At this stage, it is quite satisfactory.

The United Kingdom has the information but there is a lack of coordination.

The United States (The Federal Reserve) will contact people from BEA responsible for national accounts data to coordinate their sending of the table 2600 to the OECD. Their priority is to integrate the national accounts with the financial accounts and they expect to release a joint publication in September 2006. Therefore, they are going to work very closely with the BEA on that topic.

Summary of the president:

There is a general support for this recommendation.

The OECD Secretariat should address the table 2600 to both networks (financial accounts and national accounts), asking them to co-operate and to send back to the Secretariat only one complete table.

Discussion on the recommendation 5:

The United States support this recommendation and are ready to use the template that the European countries are filling out.

Canada supports the idea of a standard format for sources and methods.

OECD (François Lequiller) states that the co-operation between the OECD and Eurostat is not at the best regarding the monitoring of financial accounts. The same unit in Eurostat has to deal with financial accounts and with the Excessive Deficit Procedure. Therefore, they are overburdened.

However, there is a need for more co-operations from Eurostat.

The chair (Patrick O'Hagan) asks Eurostat to support this recommendation and to increase the co-operation with the OECD.

Discussion on the recommendation 6:

The chair (Patrick O'Hagan) strongly supports this recommendation. This is the third year where the issue of consolidation has been on the agenda and no progress has been made.

There seems to be standards for European countries to submit consolidated and non-consolidated data. This is not really the case for non-European countries.

Canada reminds delegates of the three levels of consolidation.

1. The first level is the most important. Countries that collect data on a top-level enterprise basis (as opposed to a legal entity basis) produce estimates that are, to a significant extent, consolidated in the industries/sub-sectors for which data are collected. This is the case in Canada. Canada collects data at the level of the statistical enterprise as opposed to the legal entity, where data are largely non-consolidated.
2. The second level is when all intra-sector transactions can be consolidated within the same industries/sub-sectors. It is impossible in Canada to eliminate all intra-sector transactions, as this requires a detailed *to-whom from-whom* information database. The response burden associated with compiling this level of detail precludes it. Canada is not in favour of using *netting* of financial instruments to crudely approximate the consolidation of all intra-sector transactions.
3. The third level is the aggregation over sectors. The question is whether it should be simply aggregated over the sectors or it should be consolidated. Data for General Government can be consolidated for the OECD Financial Accounts (FA) and Balance Sheet Accounts (BSA), but Canada wonders whether it is useful to have some sectors consolidated and others not. For the financial sector, they cannot produce a fully consolidated sector. To relate the banking sector to the insurance and pension companies sector and try to consolidate those positions and transactions is simply not possible.
4. In Canada, they do produce some degree of consolidated data but not all levels of consolidation. Therefore, it is difficult to answer the question asked by the OECD if Canadian financial accounts data are consolidated or not.

United States support what Canada explained. It is also true in the United States.

They do not consolidate the financial corporations sector while they consolidate the Federal government in the State and Local government for the IMF.

They ask the OECD Secretariat to re-send them the survey.

Australia thinks that, perhaps, the real issue is to determine what policy makers are expecting to see in the data and then best practices will have to be defined in terms of consolidation methods.

France has already sent a detailed document on consolidation methods to the Secretariat two years ago. This document is still up to date.

France just drew the attention to the fact that the consolidation of mutual funds shares, shares and bonds is difficult.

The United Kingdom supports the remark of Australia concerning the need of having better information on what people are using in this information.

The issue of consolidation is tricky, and the idea of having a short and practical guide on what is the consolidation would be very useful for the compilers and for the users too.

In the United Kingdom, they could do more to consolidate their data if they have resources and time to spend on their decrepit processing system. They have improved it across the whole office with national accounts as a top priority. Once this system will be more efficient, they will be able to do a lot more with consolidated data, perhaps, in two or three years.

OECD (François Lequiller) states OECD internal users are mainly interested by two sectors: the general government and the households. Furthermore, they need rather consolidated data than non-consolidated data.

Therefore, as households' data are automatically consolidated, the priority will be to have consolidated data for the general government.

Finland adds the non-financial corporations sector could also be important regarding the issue of consolidation.

The gross debt of non-financial corporations to GDP can be very different depending on whether data are consolidated or not.

Summary of the president:

Firstly, a key issue of the consolidation is the use of the data. In the government sector, there is a use and a need for consolidated data while across the other sectors, it is not so clear.

Secondly, it is necessary to clarify the issue of consolidation and to establish a practical definition to help in the compilation of the OECD financial accounts.

The president proposes to create an EDG specifically related to a clarification on consolidation with a view to coming forward next year to the WPFS at this time with some practical recommendations.

This EDG could report to the Advisory Expert Group. The consolidation is not an SNA review item but it may provide some clarifications and support a redraft of the SNA93 with respect to discussion on consolidation.

Austria, the United Kingdom and Switzerland support the idea of an EDG on consolidation.

ECB informs that the forum for clarification issues is still opened. Therefore, this issue could be brought to the ISWGNA for the SNA update.

Discussion on the questions 2 and 3:

Germany follows the Eurostat's recommendation. The consequence is the discrepancy between net financial assets of domestic sectors and net financial assets of the rest of the world.

Australia prefers a symmetrical solution that gives a balanced view between the rest of the world and the domestic sectors. The consistency between the transactions and the stocks is important.

The WPFS should take into account what has been reported for international investment position data and national accounts data more generally.

Moreover, Monetary gold and SDRs have been discussed within the Balance of payments framework for the update of the Balance of Payment Manual and the SNA. Perhaps, the WPFS can get some clarification that comes out of the SNA and the discussions there.

France can change their convention according to the purpose of the data. However, they are in favour of a single convention but it is not easy to implement.

IMF admits that, from a flow of funds statistician point of view, a symmetrical presentation of the data is preferable.

However, within the Balance of payment's world, there is no intention to recognise monetary gold and SDRs as liabilities. Therefore, there is no counterpart in the balance of payment to reflect symmetry with the financial and national accounts system.

Belgium used to apply the symmetrical approach. Nevertheless, after some discussions with Eurostat and ECB, they have changed their convention and now, follow the recommendation of Eurostat.

Italy applies Eurostat's recommendation.

Spain moved, last year, toward the Eurostat's recommendation. The ECB is also happy with this method.

Therefore, the OECD Secretariat should follow this convention too.

Finland also moved toward the recommendation of Eurostat.

The United States are doing what Eurostat is recommending.

Canada does not follow the SNA93 recommendation on this item. However, they support it in principle. The restatement of the non-resident sector in the financial accounts and balance sheets is simply the reversal of Canada's own balance of payment and international investment position. In addition, in those two statements, Canada clearly regards monetary gold and SDRs as assets only.

However, Canada appreciates the need at the OECD to have a sort of a common convention across the OECD countries. Therefore, the solution that Canada reached with the OECD in a short term is to submit the data as usual and the OECD can adjust the Canadian accounts.

ECB proposes to have an agreement on a treatment that is clearly a state in the SNA and in the balance of payment manual. It would make the data much more comparable.

The United States thinks that the OECD Secretariat should follow the recommendation of Eurostat, as European countries will have to follow it and represent the majority. The United States propose to take a vote as to what most countries think the best convention should be.

OECD (Michèle Chavoix-Mannato) confirms that the OECD Secretariat is obviously in favour of a common convention. If all European countries support and apply the Eurostat convention, and if the non-European countries accept it as well, then the OECD will of course adopt it.

Summary of the president:

There is a general support for the questions 2 and 3.

Discussion on the question 4:

Canada states that the non-allocated sector enables statisticians in many countries to balance the accounts. The various discrepancies that cannot be allocated to a specific institutional sector are put in this sector. Canada does think that it is useful to show discrepancies in the national and financial accounts to fully reflect the reality faced by the compilers in OECD countries.

The United States support the idea of a non-allocated sector even if there is nothing there for countries that do not use it.

UNSD proposes not to show these discrepancies explicitly in a column called “non-allocated sector” but rather explain it in the metadata.

Moreover, an effort should be made to reduce the discrepancies to zero in the accounts.

Australia is in favour of a “non allocated sector” added in the financial accounts. Countries will decide whether they fill in it or not. However, the quality of some countries accounts might be brought to question because they are showing some amounts in a non-allocated sector whereas other countries decide to allocate it into some sectors deliberately.

Canada does not see a problem of quality because the countries that have already adopted this unallocated sector already publish these discrepancies. Therefore, Canada suggests accepting the introduction of a non-allocated sector in order to balance the OECD accounts.

The United States do not think this unallocated sector brings into question the quality of their data particularly. In fact, it helps them to focus on where there are issues that they need to deal with.

The United Kingdom raised the issue of the aggregation of discrepancies across a number of countries and its interpretation. It is going to be difficult as the discrepancies are based on different compilation methods.

The United States do not envisage the aggregation across the countries.

Summary of the president:

This proposal is a way to accommodate the different realities across the financial accounts and balances sheets accounts at the various OECD countries. It allows for a transparent accounting of measurement errors in those countries, which show them explicitly. That would be an improvement to the OECD tables.

There are no significant objections to this unallocated sector, so this is accepted.

Item 5: Progress report on the new OECD requests on financial and non-financial assets of Households and Institutional Investors (Michèle Chavoix-Mannato, OECD/STD/NAFS) [TD/NAES/FA(2005)5]

This session is for decision.

Presentation

The document STD/NAES/FA(2005)5 presents the results of the data collection of financial and non-financial assets of Households and Institutional Investors.

Discussion

Canada strongly supports the inclusion of the new information on households sector. However, there is one shortcoming, which is the lack of information on the liabilities side.

Therefore, Canada suggests adding some additional detail on the liabilities of the households sector.

Austria makes two remarks:

1. Data starts only in 1995 because the OECD requests consolidated data for the totals of investment funds and insurance companies. These data are only available in the financial accounts as a whole, which start in 1995.
2. In most countries, it seems to be easier to compile detailed data for investment funds than for net equity of households in pension funds.
3. Therefore, Austria would like to re-open the discussion to request such detail in technical reserves in pension funds if the majority of the countries do not have the data for this classification.

OECD (François Lequiller) states two points:

1. In the standard tables of financial accounts, there is information on liabilities of households. This point was further discussed in the task force, which prepared these new tables on households. The task force decided not to go beyond the detail that is requested in the standard tables.
2. The OECD is asking the producers of financial accounts various data but, in few months, the Secretariat will allow the producers to use these data for international comparisons. Indeed, the OECD has developed a data warehouse called OECD DotStat, which contains several datasets including the financial accounts and the new tables on households in the coming months. A priority access to this database will be given to delegates.

ECB notices that, in the table 7HA, the breakdown of net equity of households in pension funds deviates from the current SNA93 or ESA95 classification because there are four subcategories in this new table instead of two.

ECB wonders whether it is an extension of pension assets and liabilities compared to the SNA or the ESA.

Canada wants to know if for some countries it was difficult to fill out this new questionnaire and to harmonise the institutional investors' submission with the balance sheets accounts data.

Australia has some problems to fill out this new table concerning the integration of foreign assets and liabilities of the households sector. Understanding an asset profile for an entity is very difficult.

Canada does not compile Investment fund shares, as requested in table 7HA, by type of fund but by type of assets. Therefore, in order to fill out this new questionnaire, they have to do some additional calculations to come up with approximation of bond fund shares, equity fund shares, mixed fund shares etc...

Canada underlines that going beyond SNA93 with respect to pension funds is not a bad thing if there is an analytical need.

Overall, it was not too difficult for Canada to fill out this new table. They appreciate that unfunded pension plans were noted in the table as an item AF614.

The Unites States adds two comments:

1. They handle the breakdown of the mutual funds assets differently than Canada did. They have less work to do. They collect the data by asset category and then, they took all the bond assets and put them on the bond line in the table 7HA etc...
2. They also make a submission on pension funds to another committee at the OECD. The United States try to make sure that they harmonise their data submissions between the two.

Item 6: The use of household balance sheet data for analysis

- **The experience in Canada** (Patrick O'Hagan) [STD/NAES/FA(2005)6]
- **The experience in USA** (Susan Hume McIntosh, US Federal Reserve System)

This session is for information.

Presentation

The experience in Canada (Patrick O'Hagan)

This presentation focuses on the structural changes taken place in the households sector from 1990 onwards.

Conclusion of the presentation:

The capital gains on both financial and non-financial investments have strongly influenced the households' sector financial position over the last fifteen years, in light of the downward trend in personal saving. To further explore these effects, Canada would like (1) to break out more information on pension assets, and (2) to start publishing more detail on lines of credit and credit cards.

Another emerging issue for Canada is the impact of the aging baby-boom generation on the saving ratio. Therefore, they need more information on pension savings and inflows and outflows out of pension by type of instrument whether these are individual plans or group plans. To respond to those needs, Canada has a two-year project to develop a pension satellite account.

The experience in USA (Susan Hume McIntosh, US Federal Reserve System)

The goal of the presentation is to give the type of statistics that the public and the policy makers look at when evaluating the economic health of the households sector in relation to the macro economy.

Summary of the presentation:

The broad prospective provided by the flow of funds accounts enables analysis of the build up in households' debt, the gross of both financial intangible assets and the process by which wealth and the composition of wealth affect households sector behaviour.

Thus, the households' balance sheet as one component of the flow of funds accounts combined with the national income and product data, survey of consumer finance data and market data is an essential tool for studying the effects of combined changes in assets and debt on the economic growth.

Discussion:

Austria uses the financial accounts data as Canada and the United States do but with less experience.

They try to identify the change in the structure of financial instruments on a very detailed basis. They collect data on debt securities and quoted shares and for investment funds, they collect data on a security-by-security basis. This enables Austria to determine the role of the revaluations in the households' wealth.

Austria publishes two times a year a financial stability report that includes developments of prices changes of financial assets of households.

Australia has done a similar work as Canada and the United States have done.

They have worked on the impact of the real capital gains as opposed to looking at total capital gains.

OECD (François Lequiller) informs the group that a room document of the Working Party of National Accounts deals with issues and concerns that are closed to the ones discussed under this item 6. It is a study done by both the OECD Economic and the OECD Statistics directorates on alternative measures of saving rates. The purpose of this study is to see whether other measures of saving rates could reduce the differences in the levels of saving rates between essentially North America, Australia and Continental European countries.

An important thing to mention is the difficulties to obtain such statistics except for Canada, the United States and the countries that have complete balance sheets.

Germany has three comments:

1. Germany does similar analysis on households using financial accounts and balance sheets accounts data. They publish in a monthly report, analysis on households and on corporations according to the national accounts and the financial accounts data.
2. It is important to look at the distribution of financial and fixed assets and of debt. In Germany, they have a very detailed survey but the problem is that categories of assets are not totally in line with the financial accounts.
3. Regarding the aging of the population, the traditional view was up to now that the saving ratio will decline if a society becomes older. However, because of the growth of life expectancy, older people can save more. Therefore, the trend of the saving ratio is not as obvious as it was a few years ago.

Canada published a negative saving rate for the last two quarters: whether that will continue or not is one matter. However, it is clear that retirees will start to use sources of funds rather than income. In this way, the project of a pension satellite account will enable to add information to the accounts, which will facilitate forecasting economic activity.

Canada supports the plan of having distributional information or household's survey information to support the national accounts. They re-launched a new households' survey on assets and debt in 2000

taking care that the results of the survey can tie in to the national accounts. The plan is to conduct this kind of survey every five years.

The United States already publish the alternative saving measures in their accounts based on their financial accounts data. They compare it to the saving rate out of the national accounts.

Regarding pensions, the United States has additional tables in their accounts to show defined benefit and defined contribution. They have been working extensively with the Census Bureau to try to collect data on defined contribution in state and local governments, which are not in their accounts.

The United States has spent many resources on the pension market because it is going to be a priority as population gets older.

Item 7: Modifications of classification and terminology in the SNA (Reimund Mink, ECB) [STD/NAES/FA(2005)2] and [STD/NAES/FA(2005)1]

ECB (Reimund Mink) presents a first version of the draft AEG issue papers on the proposed changes of the SNA regarding:

- the Classification and terminology of financial corporations in the updated SNA and
- the Classification and terminology of financial assets/liabilities in the updated SNA

These papers are presented for information, however discussions are welcome.

Comments on the first document [STD/NAES/FA(2005)2]

Canada supports the paper and agrees that it is always possible to improve what is in SNA1993. He has one question, and one comment:

- Reimund Mink's proposals with respect to changes in SNA93 are a sort of clarification item which ties nicely with some of the other items under review. He is curious as to the process to put these proposals forwards.
- he is a little concerned about the *Miscellaneous financial intermediaries*: he wonders whether it would not be useful under *miscellaneous* to identify special types of financing vehicles versus holding companies.

IMF (John Joyce) only makes preliminary comments and needs to have further follow up when his colleagues have had a chance to review it. The only point he has relates to the investment funds. He used to be in favour of a separate category for *Investment funds*, but is now less enthusiastic, mainly because of the difficulty to define them. Also the BOP Committee raised difficulties at its June meeting: there was clearly quite a big different nature of what they considered being investment funds and how they would in fact capture the data. In that regard, hedge funds themselves very much represent a part of a grey area which he is concerned about. His question is what would be the analytical value of all these funds put together.

Austria would like to know how to treat and classify certain types of corporations, in particular holding corporations.

His second point relates to private foundations: do they have to be identified along or similar to holding corporations or as a residual item in NPISH?

The last point concerns the grey area of hedge funds and he personally doubts if it is very easy to find any definition: when does a fund become a hedge fund?

OECD (François Lequiller) strongly supports the clarification proposed in this paper, in particular the creation of a specific category on *Investment funds*, as it corresponds to the OECD request for Institutional Investors, and thinks it should be flagged in the new SNA even if the borderline sometimes is difficult.

He also welcomes the clarification of the current existing category S123, and insists on the usefulness of having a clear list of institutions which are part of each category to avoid any misinterpretation, particularly for the new S124 '*Miscellaneous financial intermediaries*' which should be clarified in the line that Patrick proposed previously.

The Netherlands has a more conservative point of view. He thinks that changing the classification is more a matter of aesthetics: he would prefer in a new SNA only the existing ESA95 classification or may be more detailed subdivisions of these already existing classifications, mainly for practical reasons, and to avoid miscommunication and misconception implied by all these changes.

UNSD also rejects the new classification and does not see any interest for changes, which he thinks not significant, in particular in terms of coding. Concerning *Investment funds* which are becoming a sizeable category in the financial vehicles, while OECD would have good reasons to put them separately, he does not think that they should indeed be treated as a totally separate category but rather as a subcategory of other financial intermediaries. Finally, in a previous meeting on units in New York, the description of words like SPV or SPE was discussed but nobody knows exactly what it is. The argument is where it is not possible to define words like SPV, which are very difficult to define, do not introduce the words. There are already institutions like hedge funds which have to be defined.

Belgium supports the proposal to present *Investment funds* separately, but also agrees with the Netherlands point of view because the problem of adaptation of the database must not be neglected and, for technical reasons, it could be very time-consuming to change the classification. His proposal is to split only the *Other Financial Intermediaries* sector, S123, between *Investment funds*, which could be compiled on a compulsory basis, and the other sub-entities to compile on a voluntary basis. With that, the present classification, which is easier to manage, is respected.

ECB (Reimund Mink) confirms that the idea is to bring this paper as a clarification issue to the AEG which will meet in January/February 2006 and discuss further on how it will be integrated in the forthcoming SNA. He also replies to each intervention:

- *miscellaneous financial intermediaries*: the proposal was not to split this sub-sector into sub- sub-sectors but to specify explicitly what should be in these different sub-sectors;
- *investment funds*: the OECD (as well as the ECB) has now a classification of these different types of funds. It might be useful to find a further classification of these funds.
- *hedge funds*: it is quite difficult to specify the different types of these funds and to collect data from these funds; they should be in the sub-sector *Miscellaneous*.
- *holding corporations*: they were also discussed in New York last week. The bulk of these institutions should be classified in the sector *Miscellaneous Financial Intermediaries*. There are ongoing questions and discussions: how to classify them; how to define whether they are non financial holdings; have holdings to be assessed only by resident or also by non-resident subsidiaries?
- *private foundations*: ECB has to classify these foundations. There is no conclusion yet.
- *current S123*: it might not be a big issue to split it between two sub-sectors, investment funds and others; and it should be seen as a recommendation which goes in the SNA, but at the end everybody could go deeper.

As François comments, it would be important not only to clearly show what is included in the different sub-sectors, but also for the compilers to give them assistance on how to do this.

Comments on the second document [STD/NAES/FA(2005)1]

Canada makes few observations:

- the split between *Currency* and *Deposits* : that is a certainly useful information; however in Canada, it is only available on the liability side but not on the asset side;
- link between *Deposits* and *Loans*, he is glad that the AEG did not support that: for the most part, deposits and loans are very distinct instruments.
- *Investment funds*: he would like to see the investment funds detailed by type of fund.
- *Financial derivatives*: he has no difficulties regarding the split between forwards and options but he is not certain that *Employee stock options* fit the current SNA definition of financial derivatives, which are defined according to two criteria which do not apply to *Employee stock options*; therefore, it might be worth clarifying a little further.
- concerning *Non-performing loans*, he does not agree with the conclusion of paragraph 18 of the paper: while he supports the definition, his recollection is that the AEG did not come to the same conclusion.

IMF will send written comments. However, he makes few initial reactions on various instruments:

- *Money market mutual fund* to be treated as deposits: it raises some problems in as much as they would be institutional units without any ownership. He reports that the BOP Committee also discussed the whole issue about the treatment of *Mutual funds* and concluded that it should be left to individual countries to do what they wanted to do.
- *Quoted versus Unquoted shares*: the BOP Committee also discussed this and found some concerns for confidentiality issues when it comes to direct investment.
- *Employee stock options*: he echoes Canadian comments that they don't really fit the current definition of financial derivatives and think they should be shown separately because, compared with futures and options, they are quite different and distinct instruments.
- breakdown of *Forwards* and *Options*: it was discussed by the BOP and it was decided that they should not be part of the core but would be an option for countries.
- *Banknotes and coins*: he does not see what is gained by changing *Currency* to *Banknotes and coins* and therefore recommends that when there is no significant change, it is better not to change.
- *Deposits and loans*: there is a difficulty making a distinction, but the distinction is important and should be made.
- breakdown of *Deposits and loans*: split them between short and long term using an original term to maturity may cause some conflict with the BOP position, in particular with the external debt guide which is moving towards a residual classification rather than an original classification.
- *Holding companies*: the BOP did make a definitive outcome on that particular issue. It would be very distorting to the analysis to say that all these funds are now going into the financial sector when in fact they are going through the holding company vehicle in order to be invested in a non-financial activity.

Austria makes remarks to the proposed classification:

- *Banknotes and coins*: he agrees with the IMF.
- *Deposits and loans*: in the euro zone, there is no choice: banking statistics do not divide between deposits and loans: on the asset side they classify the loans, on the liability side they classify the deposits. In the BOP statistics, there is a distinction between deposits and loans depending on the counterpart sector.
- *Securities, other than shares*: he totally agrees with the reclassifying and renaming of *Securities, other than shares* because *Debt securities* make it easier to understand.
- *Insurance technical reserves*: he expresses some doubt regarding the inclusion of *Reserves for call on standardised guarantees* because of the problem of how to value these assets from the viewpoint of the creditor.
- *Trade credits*: it might be useful to distinguish trade credits along with the classification of loans between short-term and long-term, especially on trade credits where the debtor is the Government (for example, for military equipment where trade credits are very similar to long term loans).
- *Memorandum item*: from the analytical point of view, in Austria there is this *Memorandum item* for non-financial corporation sector to have an information on equity loans because a huge part of cross-border loans are related to direct investment. It would also be interesting to have information on loans between companies within the same country which is equivalent to cross-border direct investment.

Anne Harrison (editor of SNA) makes three observations:

- what is said on valuation in paragraph 18 is incorrect: the AEG did not agree that the valuation basis for *Non-performing loans* should be changed to market equivalent. It agreed that there should be a memorandum item and that the memorandum item valuation should be the market value.
- *NPLs* and *FISIM*: that is an issue still outstanding: the action is in hand to pursue the matter to decide whether *FISIM* should be calculated for non performing loans and if it is who pays for the service.
- *Employee stock options*: in Canberra 2 meeting on non-financial assets, it was decided to look again at the whole of the heading and see whether it is possible to have a single definition or whether a further refinement is needed.

France has the same remarks as Austria:

- *Short-term and long-term deposits*: France depends very much on data given by the suppliers. The possibility given to define long-term deposits not only as deposits with a maturity of one year or more but also with a maturity of two years or more is interesting and important.
- *Financial derivatives*: the split between *Forwards* and *Options* depends on sources, especially on the BOP statistics, and it is not evident that France can have this split with BOP.

United-Kingdom makes a comment on *Financial derivatives*: he is not convinced that there is an analytical value in using the *Forwards* versus *Options* split within the National Accounting framework and would prefer to split these instruments looking at the nature of the risks that underlie them: according to a market risk versus a credit risk.

Switzerland asks the question of the necessity to specify the mention 'households' in the name of the sub-instruments of *Insurance technical reserves*, because these instruments can also be on the asset side of insurance companies.

UNSD would like a clearer outcome out of the consultation with this particular group. Hearing the expert group on these particular issues regarding these instruments, he wonders whether it would be possible to change the status of this issue as far as it comes to the AEG deliberations from an issue for change to an issue of clarification. He thinks that using the term debt security is the most important outcome out of these deliberations.

ECB (Reimund Mink) thanks all participants for their comments and confirms that many of them are valid and will be taken on board, as best as possible. He will circulate to WPFS members a revised version, before forwarding it to the ISWGNA/AEG. He replies on each financial instrument:

- *Currency* (now called *Banknotes and coins*) and *Deposits*: the reason to have both together in the past was that it could be difficult to get currency holdings;
- *Deposits and loans* split: it might be an option to put them together in a category but show them explicitly as sub-categories but is not very clear on that;
- *Financial derivatives*: it has been decided at the AEG that *Derivatives* and *Employee stock options* should be shown up in the title. Another distinction by risk might be an option, but the data situation for derivatives is rather poor;
- *Quoted and Unquoted shares*: at least for the residents, this breakdown is quite relevant in the analysis;
- *Non-performing loans*: he will change paragraph 18;
- *Residual maturity*: he will stick on the original maturity, with a possible memo item on residual maturity;
- *Insurance technical reserves*: there was clear indication that *Reserves for calls on standardized guarantees* should be shown up; as for the mention 'households', there is no sense to drop it.
- *Trade credits*: he agrees that this could be split between short-term and long-term trade credits.

As for the problem raised by the UNSD - is it an issue for clarification or for change? it cannot be his decision but rather discussed within the ISWGNA.

Canada wonders if, in the new breakdown, it might be useful to distinguish between required items and recommended items that would solve some of the concerns the countries have had, in particular regarding the classification of interest accruals (paragraph 27).

Item 8: Progress report on the collection and dissemination of Bank Profitability data (Anne Durand [OECD/STD/NAFS])

There is no paper.

OECD (Anne Durand) presents a PowerPoint document summarizing the progress report on the Bank Profitability database. She announces that the electronic version of the publication was already available on internet, and that the paper publication will be published within one month. For the next round, the secretariat would like to improve the coverage of the data and to revise the methodological notes.

Austria mentions that countries who are members of the Euro-zone provided the ECB with a set of data called Consolidated Banking Data and encourages the OECD to use this existing data, if possible, both for Bank Profitability and Financial Soundness Indicators.

Item 9: Can the OECD Bank Profitability Database satisfy data needs for Financial Soundness Indicators? (Michèle Chavoix-Mannato, OECD.STD/NAFS and Paolo Poloni, IMF) [STD/NAES/FA(2005)4]

The document STD/NAFS/FA(2005)4 is a joint note prepared by Paolo Poloni and Phousnith Khay (IMF) and Michèle Chavoix-Mannato (OECD). This paper identifies the current gaps in the OECD Bank Profitability database that constrain the compilation of Financial Soundness Indicators and investigates the improvements necessary for the OECD database to be able to compile the IMF's "core set" of FSIs. It is presented for decision.

Question 1: Are there Delegates who do not agree that the OECD should adapt its Bank Profitability database to increase its usefulness, relying on the work undertaken by the IMF on Financial Soundness Indicators (FSI) so that it better meets the requirements for the compilation of FSI?

Germany thinks it is a good idea the OECD investigates the usefulness of taking the IMF Compilation Guide as a benchmark, but it is confusing how this task would be done in practice. There are two possible interpretations, either the OECD takes the IMF Compilation Guide as a benchmark for its own data collection and countries, in the future, transfer their data according to the Guide, or the countries transfer time series underlying the FSI to the OECD and the OECD compiles and publishes indicators (at least the core indicators). Whereas the first interpretation is a good idea, the second one might create a duplication of work because, as, in the future, the publication of these indicators will be included in the SDDS (Special Data Dissemination Standard), the work of compilation and publication of FSIs is close to being undertaken by countries. As a conclusion, Germany generally agrees on the proposal but suggests that OECD should be more precise in this paper about the way of adapting the Bank Profitability, for instance including a time table for the next steps forward.

Netherlands agrees with the issues and questions raised in the note, but points out that the cross border consolidation approach is a problem for most European countries. Moreover, there are three parties collecting banking data, namely the IMF, the OECD and the ECB. So the Dutch central bank suggests it would be more efficient if only one party, for example the ECB for European countries, collects these data.

Switzerland thinks that the IMF should publish these data on an annual basis, and complete its FSIs with sufficient basic data and metadata. Because it does not cover emerging market economies, OECD collecting these data is only a second best solution. Switzerland wonders what the IMF plans are for the future.

Austria agrees with the comments made by both Germany and Netherlands, and recommends to streamline data requests in order to lighten the compilation burden, in particular for countries in the Euro zone.

United-Kingdom was delighted to see this paper on the agenda, and is now extremely concerned that bringing the Bank Profitability database into line with the FSI compilation Guide is a massive investment at a time when much of the data are untested as the CCE is not yet completed and the compilation difficulties are known to be considerable. The United Kingdom would like to ask Paolo Poloni whether in his experience at the IMF the consolidation approach looks feasible for CCE participating countries. It is clear that the Bank Profitability publication is used and valued despite a rather irregular timing of publication, and the United-Kingdom thinks there is a real risk that we could damage the usefulness of the existing publication if we use the IMF methodology now before the results of the pilot exercise next year have had a chance to be analysed and tested. It was noted that OECD was no longer the only source of banking data as new other sources of financial soundness information are starting to emerge.

France agrees with the principles which are exposed, and underlines the flexibility offered by the FSI compilation Guide when it is not possible to stick exactly to its definitions. However, France would like to wait before fully answering the questions raised by the note since different persons are involved in the FSI project, and the FSIs themselves are under review.

Spain shares the UK's opinion. As the Bank Profitability publication suffers from big time lags and a lack of homogeneity, Spain welcomes the joint IMF-OECD initiative to make the Bank Profitability figures more in line with the kind of information needed for the FSI. However, the implementation of the Guide's recommendations is too ambitious and it should be delayed by one year.

United States think that being lined up with the Guide is a good idea, but the CCE regional meetings showed that very few countries could follow the Guide's recommendation on the deconsolidation issue. They agree with the United Kingdom and recommend waiting another year, to see the issues that will come up at the second regional meeting next spring.

Canada (Chair) generally supports the idea of adapting Bank Profitability to the IMF Guide, as it may strengthen both programs. However, the issue of consolidation has to be resolved. Another issue to clarify is whether the OECD's mandate would fit with the IMF's broader mandate, which also includes developing countries. Last point to explain is the Guide's recommendations as to the recording of both realised and unrealised gains/losses in the income and expense statement.

OECD (Michele Chavoix-Mannato) notes that delegates think it is better to wait before revising entirely the Bank Profitability database. However, as the setup of database changes takes time, it would be preferable to start thinking about the improvements of coverage and definitions as of now to be able to satisfy data needs for FSIs later on.

United States agree with that but think that the OECD should not have more input in the process while the first results of the CCE are not available and all the changes they will imply on FSIs are not yet known.

OECD (François Lequiller) thinks going to the other issues is not necessary as the general feeling seems to be that it is better to wait.

OECD (Michele Chavoix-Mannato) agrees with not changing the database now but encourages delegates to go on thinking about the improvements that have to be done on the Bank Profitability database, for example comparing data required by the IMF and those which are already available in countries.

IMF (Paolo Poloni) reminds delegates that the issue of consolidation is just one of the seven key points listed in the note, and underlines the flexibility provided by the Guide. He wants to go further on the five main gaps identified in the note, as these improvements do not need to wait for the completion of the CCE.

OECD (Michele Chavoix-Mannato) agrees with the idea of reducing time lags in order to publish and disseminate Bank Profitability data faster. For other issues, it is better to follow the working group recommendations and wait until the end of the CCE. Delegates are encouraged to spend some time before next year's meeting to think about these issues and the improvements to do so that Bank Profitability database can satisfy data needs for FSIs.

IMF (Paolo Poloni) reacts on the question whether the consolidation approach recommended by the Guide is feasible, saying that the Guide is just a benchmark, so the figures do not need to be clean from the first attempt as it will be a gradual process. On the reason why both unrealised and realised profits/losses

should be included in the income statement, it is clear that the balance sheet of deposit takers sector should be from their perspective as much as possible reflecting the market valuation of the balance sheet including those profits or losses that, so far, are hidden in a special reserve. But for the purpose of analyzing the financial help of the banking sector, users need to have the overall picture.

Item 10: Introductory remarks of the Chairman

On the second day of the meeting, which is a common day with the Working Party on National Accounts, the chair (François Lequiller, OECD Secretariat) welcomes delegates. He chairs once more this second-day meeting because the Working Party on National Accounts (WPNA) has not yet been made official by the OECD Council³.

As last year's, this year's WPNA meeting is dominated by issues linked to the revision of the SNA. Corresponding sessions are "for information" and shared with non OECD member countries of the UN-ECE region. A vice-chair (I. TvariJonaviciute, Lithuania) represents these countries. During the sessions on the revision of SNA, the chair will in no case try to summarize the global opinion of the OECD countries, in order to avoid interfering with the established procedures for decision making in the SNA review process. This is why the present minutes do not contain, for these sessions, any sentence characterizing any "majority opinion" of both Working Parties (Financial Statistics and National Account) regarding SNA review issues.

Other sessions are pure OECD sessions. Among them some are "for decision" and will be treated as such in the present minutes.

Item 11: Minutes of the previous meeting (F. Lequiller, OECD/NAES) [STD/NAES/M(2004)1]

No written comments have been received by the Secretariat on the record of the previous session.

The WPNA approves the record of the last meeting of the Working Party on national Accounts.

Item 12: Progress report on the review of the SNA (Carol Carson, project manager of the 1993 SNA update)

Ms Carson thanked the OECD for hosting this discussion on the update of the 1993 SNA, she then spoke to her presentation.

Anne Harrison (editor of SNA) noted that the deadline for submission of proposals to clarify the 1993 SNA was the end of 2005, and she invited members to write down any proposals they may have and submit them by that date.

Denmark thought that the description given by Ms Carson of the decision reached by the AEG at its meeting in July 2005 on the subject of uncollectible taxes (issue 35) needed further clarification. His recollection was that although the AEG could not agree on how they should be treated, it did agree that they should not affect the government surplus/deficit.

Carol Carson (project manager of the 1993 SNA update) responded by saying that her presentation was only a summary of what had been agreed. She said that the AEG had agreed on the general principle that taxes that had no chance of being collected should not be included in government revenue.

³ In fact, it was made official a few days after the meeting. Thus this is the last time the WPNA meeting is entirely chaired by the Secretariat.

Item 13: Pension schemes (John Ruser, USA, EDG moderator, Richard Walton, United-Kingdom, and Reimund Mink, ECB) [STD/NAES(2005)20]

John Ruser (EDG moderator, US BEA) presents a power point summarizing the conclusions of the recent task force meeting. **R. Mink** (ECB) presents his joint paper with the Bank of England (called here ECB/BE position), reflecting the position of two European Union committees (FAWP and CMFB), which contradicts the conclusions of the task force.

Germany reiterates its opposition to record unfunded pension obligations as liabilities in the core accounts and therefore supports the proposals of the ECB/BE. In particular, he does not understand why one should record, for PAYG schemes, pension liabilities but not future contributions. A recent judgment of the high-court relating to pension of civil servants ruled that, while civil servants have an institutional guarantee of pension, they have no right to a specific amount (or formula) of pension.

Canada supports in general the task force recommendations, and welcomes the clarification on unfunded *versus* underfunded pension schemes. He proposed to qualify unfunded schemes not only at those having no invested assets but also those for which no liability may be recorded, but where there is a clear commitment on the part of the employer. Canada already applies the recommendations in its core account which leads to a better measure of households' savings. In Canada, there is a funded social security scheme. Regarding the measure of output, it cautions against the use of holding gains. Canada is prepared to support the compromise proposed by the OECD, to record unfunded schemes in the core accounts but as a separate item.

Denmark's observations are directed to the ECB/BE position. It is not sound to make the recording in the SNA depend on business accounting principles which can differ between countries. Also, the argument that one should limit the amount of imputation in the core account is not convincing. The new SNA should be able to deal correctly in the core accounts with France Télécom like transactions, and this is not made possible by the ECB/BE position. Finally, Denmark could support the compromise proposed by OECD.

Spain is satisfied with the ECB/BE position which gives to users the information they need, while allowing adapting to the different institutional organisations of pension schemes between countries. Nothing is lost in having this information outside the core accounts, and comparability is improved.

Australia supports strongly the position of the task force, which improves the analytical use of the accounts, especially when there is a move from unfunded to funded schemes, or when there are transactions between systems. The main criterion to be used is whether there is indeed a liability, not the funding or unfunding. The experience in Australia has not been that there was a large volatility in the numbers, contrary to what is implied in the ECB/BE paper.

France (Banque de France) considers very important to record the liabilities of social security systems, because of their importance and because of the existence of transactions between systems. She finds dangerous to record these actuarially estimated liabilities in the core accounts, because it is difficult to describe a PAYG system only in terms of financial assets and liabilities. The question immediately arises whether there is not also a contribution asset. It is better therefore to keep this type of accounting to supplementary accounts, which should be very complete. The solution used for FISIM in the first years of SNA 93 (supplementary accounts in Europe) should inspire us for this item, in a pragmatic way.

The Netherlands is torn apart between the majority of the European position and the personal position of the delegate. Finally, personally he would support the OECD compromise. He thinks the argument of volatility is not a good one because it applies also for funded schemes. Also where is the

borderline between unfunded schemes and largely under funded schemes? Thus it is very difficult to use the criterion of funding to justify the liability. He would agree on a criterion of quality of entitlement. In particular he accepts the argument of Germany that the ruling by the high court shows that the quality of the entitlement for civil servants is not sufficient to meet the characteristics of a liability.

The OECD Secretariat states that there is no ideal criterion on which to base the existence of a pension liability: funded/unfunded is to be abandoned; direct employer contract/social security is not a clear cut criterion, in particular for multi employer scheme; legal entitlement/not legal has the shortcoming that it is not an economical criterion. This is why one has to show some pragmatism and accept a compromise that will ensure international comparability. The task force should also (1) accept the proposal to have similar accounts for social security in supplementary set of accounts, (2) address the issue of exchange of implicit pension liabilities (France Télécom case), (3) establish that government schemes for its own employees are always to be treated as employer schemes even if they are labelled as social security.

Anne Harrison (editor of SNA) states that the correct approach is to focus on liabilities rather than to assets. The value of the property income should not be affected by the source of funding. It may be that holding gains are the source of property income, but this does not mean that we introduce holding gains in production. Turning to the German civil servant scheme, she is not far from agreeing that there is no liability there. However, it is important to ensure consistency between countries, but also within countries.

Portugal sees an advantage in the ECB/BE position to record these flows in a supplementary set of accounts, but insists it should be a compulsory account. It will allow undertaking sensitivity analysis without affecting the core accounts. However, Portugal can support the OECD compromise.

Belgium cautions against treating PAYG schemes as if they were individual saving scheme. This completely changes the reference of users of national accounts. Also, GG accounts are essential for the Excessive Deficit Procedure in Europe, and this procedure does not go with too much imputations and change of concept which will lead to confusion to users. It is better to limit this treatment to supplementary tables to acquire experience.

IMF supports the idea that there should be a compromise, which should be discussed by the European countries. The task force should explore better the delineation between social security and employer schemes. There is an anomaly in the present SNA: the only situation where a liability is recognised or not depending on the existence of an asset is in the case of pension schemes. The classification of financial assets could distinguish between different types of liabilities.

The United Kingdom sees liabilities of unfunded schemes as provisions (uncertain in value and timing) and not liabilities as defined by the SNA. The status of provisions should be clarified in the SNA. We should inspire ourselves from business accounting standards. However, we should not promote accounts that allow alternative balancing items (including household saving), which could undermine the status of national accounts.

After this first round of discussions, the two presentators have the floor.

Reimund Mink (ECB) states that exchanges of implicit liabilities can be reflected in the supplementary accounts, which contain all the information needed to users. The uncertain quality of actuarial data also leads to reserve this to supplementary accounts, where sensitivity analysis could be conducted. To put them in the core accounts is incompatible with the level of accuracy which is requested in Europe for GG accounts. In some countries of Europe, the obligation is stronger for social security than for civil servant schemes. He is opposed to the OECD compromise because it still treats differently government employees' schemes and social security schemes while in many countries they have the same

characteristics. The paper to the AEG should present the two positions in a balanced way. The proposed change is a fundamental change of the SNA, and the situation is that we are split on this change, so the conclusion should be prudent and we should not make the change. European countries will go ahead with their own proposal.

John Ruser (moderator, US BEA) responds that actuarial calculations already exist in the SNA for funded defined benefits schemes, thus the argument about imputations does not hold. The current delineation between funded/unfunded is clearly to be abandoned. In the US, most defined benefit schemes are largely unfunded, so where do you classify them? The arguments about the difficulty of choosing the discount rate can be easily overcome: for government pension, the long-term government bond rate is totally adapted and acceptable by all. He insists that there is no single European position: some European countries support the task force recommendations. Finally, everybody agrees that we must use actuarial calculations; the issue is whether to have them in core or supplementary accounts. The task force made significant progress in that it clearly recommended including the new treatment in the core accounts, but it accepted a compromise of showing these data separately for unfunded schemes.

Adriaan Bloem (IMF) ensures that the issue paper to the AEG will be balanced.

Denmark takes the floor to precise that if the decision is taken not to recognise the liabilities of unfunded schemes, one should absolutely treat the case of exchange of liabilities between schemes.

Item 14: BOPCOM review, concessional debt and debt rescheduling (John Joice, IMF) [STD/NAES(2005)2] and [STD/NAES(2005)3]

John Joice (IMF) presents first the outcome of the BOP committee.

Starting from a question from Canada regarding the institutional sector of holding companies, **Ivo Havinga** (UNSD) adds some precision on the outcome of the meeting of the task force on ancillary units and holding companies. In particular, he states that the task force recommended to classify holding companies that have no significant production as “other financial corporations”. This contradicts the proposal of BOPCOM to classify these companies in the industry of its main resident subsidiary (because this allows to avoid having a loss of information in FDI statistics).

John Joice (IMF) notes that there is no mechanism to resolve contradictions between the national accounts and BOP communities. He then presents the two other papers on concessional debt and debt rescheduling.

The Netherlands has a problem with option 3 where concessional loans are valued at market value. The SNA records loans at nominal value. Even option 2, which may be adapted to international loans, poses problems for implementation in the domestic accounts.

Australia sees this as another example of where not treating loans at market value raises problems. He wonders whether these two issues are taken up by the Task Force on Harmonisation of Public Sector Accounts which is greatly concerned.

UNSD proposes to see it as a market loan which is written down.

John Joice responds that the core accounts will continue to record loans at nominal value.

Item 15: Final report of task force on financial services (Philippe Stauffer, OFS, Switzerland) [STD/NAES(2005)4]

Philippe Stauffer (moderator, OFS - Switzerland) presents the final report.

Australia makes a couple of clarifications. Regarding the recommendation to use a single rate, Australia's interpretation is to use a single rate at the institutional unit level, or more practically for a group of units, such as banks. On the issue of volume estimation, it could have been more stressed that in theory the volume of services is provided globally, thus should be estimated globally, while its payment can be either explicit or implicit. Financial institutions may be changing the mix of explicit and implicit payment, without changing the overall volume of service. Also, the estimation of the volume of insurance services should remain on the research agenda. Finally, the name of FISIM should remain as it is.

The Netherlands supports the recommendations. However, in line with the remarks of Australia, the volume of financial services should be grasped as a whole, if we do not want to make mistakes when the mix between explicitly charged and implicitly charged change.

The chair confirms that, at this stage, the recommendations of the task force are final. The comments of Australia and Netherlands will be forwarded to the AEG, which will take final responsibility for the recommendations.

Item 16: Conclusion and agenda of next WPFS

Patrick O'Hagan, chairman of the WPFS, presents the following conclusions:

OECD Financial Accounts database – Progress report and Developments

The WPFS was presented a document reporting progress during the year. Recommendations regarding the transmission of data, in particular the quality of the data provided were given to delegates.

Possible developments of the OECD database were then proposed to improve the quality and comparability of data.

1 Frequency

The OECD will implement a pilot-test with some non-European countries which would volunteer to send quarterly financial balance sheets covering all institutional sectors.

Concerning European Union's countries, the WPFS will ask the ECB MUFA Group if it agrees on the share of quarterly balance sheet information with the OECD and if so, in which conditions (institutional coverage and delay of 110 days).

2 Non-financial assets

As information on a global balance sheet is considered as very useful, Table 2600, which is included on the OECD/Eurostat questionnaire on National Accounts, will be sent to national financial accountants. Either they are able to fill in this table and they send it back to the Secretariat or they coordinate with the expert responsible of national accounts in their country to be sure that the OECD receives this information.

3 Sources and Methods

The WPFS requires that Eurostat collaborates with the OECD on this issue so that countries' replies are forwarded to the OECD, in order that the same framework is used for European and non European countries.

4 Consolidation

An EDG will be launched so that this issue is discussed and good practices are proposed to all OECD countries. Canada, Austria, United-Kingdom and Switzerland volunteered to be members of this EDG.

To launch the discussion, the Canada would prepare an issue paper and put it to the EDG, then one country which consolidates its financial accounts would explain its methods and practices (it should be Austria which is the only country among the four to compile both consolidated and non consolidated data).

Furthermore, the WPFS will ask the ISWGNA if it is possible to add a clarification on consolidation in the framework of the SNA review.

5 Monetary gold and SDRs (F1/AF1)

The OECD will apply the Eurostat's convention regarding the reporting of this asset in the financial accounts and in the financial balance sheets of the sector S2.

6 Unallocated sector

A column "Unallocated sector" will be added to the matrix of the joint OECD/Eurostat questionnaire so that countries can provide the OECD with the statistical discrepancies which cannot be distributed among institutional sectors.

Additional requests on households' and institutional investors' assets

The WPFS was presented with a progress report regarding countries' replies to the additional questionnaires on households' and institutional investors' assets. The OECD thanks all countries that have replied to these tables, even if detailed information remains unavailable, in particular for households. The OECD will try to improve the coverage of Table 7.HA and Table 7.IA through further bilateral discussions. It might be possible for certain countries, which have difficulties with completing these questionnaires, to add this as part of their program of work over the next year.

Classification issues

The WPFS was presented a first version of the draft AEG issue papers on the proposed changes of the SNA regarding the classification of financial corporations and financial assets/liabilities. Generally there was support for taking a look at the asset classification and sector classification in the SNA. Several interventions stressed the need to include more precision on the classification of holding companies, of employee stock options, of short and long term trade credits. Doubts were raised on the possibility to split financial derivatives between forwards and options. The paper could gain in distinguishing more clearly what is required from what is recommended. R. Mink confirmed that he will take into accounts all of the remarks made at the meeting, as best as possible, and will circulate to WPFS members a revised version, before forwarding it to the AEG.

Convergence of the OECD Bank Profitability with the IMF FSI guidelines

The WPFS was presented a plan to initiate this convergence. A number of countries welcomed this initiative which aims at improving the OECD database. However, there was a broad consensus amongst delegates that changes of the OECD's bank profitability data requirements towards harmonisation with the IMF Compilation Guide would be premature at this point in time. Although several delegates insisted on necessary coordination between the three international organisations that collect aggregate bank data (OECD, ECB and IMF), they stressed the need to be prudent and wait for the results of the IMF pilot exercise. Therefore the WPFS decided not to embark this year in a revision of the Bank Profitability database and to wait until conclusions can be drawn from the IMF's Co-ordinated Compilation Exercise (CCE). In the meantime, WPFS delegates are invited to think about the proposals contained in the joint OECD/IMF document.

2006 Program of work

The chairman does not comment much on agenda items for next year because many of them will depend on the work that the OECD will undertake over the coming year.

A key issue is to continue work on improving the financial accounts database. The other items on the list will consist in:

- doing a pilot test to collect and process quarterly financial balance sheets submitted by specific countries on a voluntary basis.
- collecting and processing the new data on non-financial assets
- improving the sources and methods in financial accounts: this is an important initiative
- coordinating the EDG on consolidation and working bilaterally with countries in order to improve the coverage of the new tables 7.HA and 7.IA.
- reviewing the possibility of improving the timeliness of the Bank Profitability submission. The OECD will explore the possibility of improving the coverage of table 2 (structure of the financial system) as well as achieve a better harmonisation and more complete methodological notes relating to the Bank Profitability.

He also reminds delegates that the Task Force on the Valuation and Measurement of Equity (TFVME), which will resume on 12-13 October, will continue discussions that representatives had at the first TFVME meeting in Canada in April 2005 and continue to deal with cross-cutting issues, in particular clarification of the treatment of unquoted equities, residual net worth, links between emerging standards on the valuation of direct investment equity and overall equity.

He also stresses that the TFVME is a clarification initiative; it is not meant to introduce anything new into the overall scheme of the review of SNA 1993.

Anne Harrison adds a small point on consolidation. There has been quite a long discussion about it in the context of the Task Force on Harmonisation of Public Sector Accounts, and clearly something will go into SNA in that context about consolidation and if there are more concerns that come out through this group to be added to it, then she would see no problem with that, but would urge the WPFS to get in touch with those people to make sure all are going on the same direction.

The chairman thanks the delegates for participating at two very long but quite productive days, with a lot of discussions on financial accounts issues as well as SNA review issues.