Financial services associated with acquisition and disposal of financial assets and liabilities in financial markets

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Financial services associated with acquisition and disposal of financial assets and liabilities in financial markets

- Many financial corporations may charge for their services provided in buying and selling financial instruments by having a spread between the buying and selling price
- This spread is known as the buy-sell spread
- Current-price output (service provided) to buyer is difference between selling price and mid-price at time of transaction
- Current-price output (service provided) to seller is the difference between mid-price and buying price
- Buy-sell spreads may not be easy to obtain
- As a proxy, apply an average margin (determined by consulting industry experts) to value of transactions

- Example
  - Selling price of financial instrument = 102
  - Buying price of financial instrument = 118
  - Mid-price on purchase = 100
  - Mid-price on sale = 120
  - Service charge for purchase = 102 – 100 = 2
  - Service charge for sale = 120 – 118 = 2
  - Total service charge = 2 + 2 = 4

Financial services associated with acquisition and disposal of financial assets and liabilities in financial markets

- Financial instruments which are transacted this way include
  - Foreign exchange
  - Shares
  - Debt securities
  - Financial derivatives
  - Investment fund shares…
- Financial corporations involved in such transactions include
  - Deposit-taking corporations
  - Foreign exchange bureaux
  - Security and derivative dealers…

Allocation

Bottom-up approach

- Calculate the output for each sector
- Sum up to get national value

Top-down approach

- Calculate the output at national level
- Allocate national output to user sectors using indicators such as sectoral value of transactions

Volume measures – 2 methods

- Deflate current-price output by appropriate price index
- Extrapolate base-period current-price output by change in the number of units of debt securities traded

Thank you