



# **Compilation of accounts for financial auxiliaries and captive financial institutions and moneylenders**

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**United Nations Statistics Division**



# Outline of presentation

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- Financial auxiliaries
  - Overview
  - Nature of flows
  - Calculation of output
- Captive financial institutions and moneylenders
  - Overview
  - Nature of flows
  - Calculation of output
- Data sources



## Overview

- Consist of financial corporations that are principally engaged in activities associated with transactions in financial assets and liabilities or with providing the regulatory context for these transactions, but in circumstances that do not involve the auxiliary taking ownership of the financial assets and liabilities being transacted



## Nature of flows

- The financial instruments being transacted will not be recorded in the accounts of financial auxiliaries as they are not the economic owners
- Buyers and sellers of these financial instruments are the economic owners
- The transactions in financial instruments are expected to have an impact in the following accounts of buyers and sellers
  - Allocation of primary income account in the case of any property income payable/receivable
  - Financial account
  - Revaluation account
  - Balance sheet



## Nature of flows

- Example – Fund manager administers a non-MMF investment fund
  - Transactions in securities
    - Are recorded in financial account of non-MMF investment fund
    - Are recorded in balance sheet of non-MMF investment fund
  - Property income
    - Is recorded in allocation of primary income account of non-MMF investment fund
  - Holding gains/losses in securities
    - Are recorded in revaluation account of non-MMF investment fund



## Calculation of output

<b>Subsector</b>	<b>Method to compute output</b>
Insurance brokers, salvage and claims adjusters (whether employed by the insurance corporation, an independent adjuster or a public adjuster employed by the policyholder), and insurance and pension consultants	Output is the value of the explicit fees
Loan brokers, securities brokers who arrange trades between security buyers and sellers but do not purchase and hold securities on their own account, investment advisers, etc.	Output is the value of the explicit fees
Flotation corporations that manage the issue of securities	Output is the value of the explicit fees



## Calculation of output

<b>Subsector</b>	<b>Method to compute output</b>
Corporations whose principal function is to guarantee, by endorsement, bills and similar instruments	Output is the value of the explicit fees
Corporations that arrange derivative and hedging instruments (without issuing them)	Output is the value of the explicit fees
Corporations providing infrastructure for financial markets, including those providing transaction processing and settlement activities, such as for credit card transactions, as well as securities depository companies, custodians, clearing offices and nominee companies	Output is the value of the explicit fees



## Calculation of output

<b>Subsector</b>	<b>Method to compute output</b>
Managers of pension funds, mutual funds, etc. (but not the funds they manage)	Output is computed as follows: a) For managers of pension funds (i.e. pension administrators), output is the value of the explicit fees;  b) For managers of mutual funds, output is the value of fees such as management fees and distribution and/or service fees, performance fees (for hedge funds), which are calculated as a percentage of the value of the funds, and performance fees (typically for hedge funds), which are calculated as a percentage of the profits earned by the funds
Corporations providing stock exchange, insurance exchange, and commodity and derivative exchange	Output is the value of the explicit fees
Foreign exchange bureaux	Output is the difference between the buying price (or ask price) and mid-price, and the mid-price and selling price (or bid price) of the foreign currency that is exchanged



## Calculation of output

<b>Subsector</b>	<b>Method to compute output</b>
Non-profit institutions recognized as independent legal entities serving financial corporations, but that do not themselves provide financial services	Output is the value of the explicit fees
Head offices of financial corporations that are principally engaged in controlling financial corporations or groups of financial corporations, but that do not themselves conduct the business of financial corporations	Output is calculated as the value of explicit fees or the sum of costs (i.e. intermediate consumption, compensation of employees, capital costs and other taxes (less subsidies) on production)
Central supervisory authorities of financial intermediaries and financial markets when they are separate institutional units	Output is the value of the explicit fees



### Calculation of output - summary

- The methods to calculate output is mostly a combination of explicit fees or sum of costs
- The nature of activities of financial corporations in this subsector may vary from country to country
- Compiling agency will need to assess the activity of the financial corporation concerned before deciding which method to use to calculate its output



## Overview

- Consist of institutional units providing financial services, where most of either their assets or liabilities are not transacted on open financial markets
- Include entities transacting within only a limited group of units (such as with subsidiaries) or subsidiaries of the same holding corporation or entities that provide loans from own funds provided by only one sponsor



## Nature of flows

- Captive financial institutions and moneylenders are the economic owners of the financial instruments being transacted
- The transactions in financial instruments will have an impact in the following accounts of institutional units in this subsector
  - Allocation of primary income account in the case of any property income payable/receivable
  - Financial account
  - Revaluation account
  - Balance sheet



## Nature of flows

- Example - Moneylender lends to other institutional units
  - Loan
    - Is recorded in financial account as increase in financial assets of moneylender and increase in liabilities of borrowers
    - Is recorded in balance sheet as stock of financial assets of moneylender and stock of liabilities of borrowers
  - Interest
    - Is recorded as interest receivable by moneylender and interest payable by borrowers in allocation of primary income account



## Calculation of output

Subsector	Method to compute output
Units which are legal entities, such as trusts, estates, agencies' accounts or brass plate companies	Output is estimated as the sum of costs (i.e. intermediate consumption, compensation of employees, capital costs and other taxes (less subsidies) on production)
Holding corporations that hold only the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principal activity is owning the group without providing any other service to the enterprises in which the equity is held, i.e. they do not administer or manage other units	Output is calculated as the value of explicit fees or the sum of costs (i.e. intermediate consumption, compensation of employees, capital costs and other taxes (less subsidies) on production)
Special purpose entities (SPEs) or conduits that qualify as institutional units and raise funds in open markets to be used by their parent corporation	Output is calculated as the value of explicit fees or the sum of costs (i.e. intermediate consumption, compensation of employees, capital costs and other taxes (less subsidies) on production)



## Calculation of output

Subsector	Method to compute output
Special purpose government funds, usually called sovereign wealth funds, if they are institutional units and provide financial services on a market basis to the government	Output is estimated as the sum of costs (i.e. intermediate consumption, compensation of employees, capital costs and other taxes (less subsidies) on production)
Units which provide financial services exclusively with own funds or funds provided by a sponsor to a range of clients, and incur the financial risk of the debtor defaulting. They include: <ul data-bbox="156 886 923 1382" style="list-style-type: none"><li>• Moneylenders</li><li>• Corporations engaged in lending (providing student and import/export loans, for example) from funds received from a sponsor, such as a government unit or non-profit institution</li><li>• Pawnshops that predominantly engage in lending</li></ul>	Output comprises a combination of the following: <ul data-bbox="929 733 1877 1082" style="list-style-type: none"><li>a) Implicit financial services provided, which are calculated as <math>(r_L - rr) * Y_L</math>, where <math>r_L</math>, <math>rr</math> and <math>Y_L</math> represent the lending rate, reference rate and average stock of loans respectively;</li><li>b) Explicit fees</li></ul>



## Calculation of output - summary

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- Compiling agency will need to assess the activity of the financial corporation concerned before deciding which method to use to calculate its output



## Data sources

United Nations Statistics Division

- Returns to monetary and supervisory authorities
- Enterprise surveys



**Thank you**