Building Blocks: Flows, Stocks, Accounting Rules, Residence, Institutional Units, and Sectors

APRIL 3-4, 2024

IMF Statistics Department – United Nations Economic and Social Commission for Asia and the Pacific

SNA/BPM Joint Virtual Outreach Seminar
AGENDA

BPM7 Chapter 3/2025 SNA Chapter 4. Flows, Stocks, and Accounting Rules

BPM7 Chapter 4/2025 SNA Chapter 5. Residence, Institutional Units, and Sectors
Chapter Structure and Valuation

This chapter will follow the 2008 SNA chapter structure (i.e., Chapter 3: Accounting Principles)

- Valuation
  - Concessional lending—never record a transfer element in the “central framework”
  - Except for concessional loans provided by employers to employees
- Imports and exports of goods—no change to the current standard
  - Observed transaction value conceptually preferred
  - To be introduced in the next version of the manuals (subject to further testing)
- Stocks of debt securities at nominal value—supplement to the existing market valuation
Transactions and Time of Recording

- **Transactions**
  - Partitioning of assets
    - Examples based on recording of emission trading permits
    - Potential split asset approach for natural resources

- **Time of recording of redistributive transactions**
  - Not record fine/penalty transactions until the unit issuing the fine has an “unconditional claim to the funds”; and
  - If a judgment or ruling is subject to further appeal, an unconditional claim exists “when the appeal is resolved”
Economic Ownership

- Economic ownership of (non-renewable) natural resources, biological resources, and renewable energy resources will be clarified

- Economic ownership of Intellectual Property Products (IPPs)
  - Previously produced IPP depends on the underlying arrangement
  - Decision tree from the UNECE Guide to Measuring Global Production
  - Special purpose entities (SPEs)

- Clarification on provisions—financial asset related, nonfinancial asset related, and unrelated to asset ownership
Chapter Structure and Sectoring

- This chapter follows the 2008 SNA chapter structure (i.e., *Chapter 4: Institutional units and sectors*)

- Sectoring of fintech companies clarified
  - Classify them within the existing institutional sectors/subsectors—without introducing a new sector “Fintech”
  - Countries with significant fintech activities—may introduce an “of which” category
2025 SNA Sectoring

### Nonfinancial Corporations Sector
- Non-financial corporations (S11)
  - Domestically controlled (S11DO)
    - Public nonfinancial corporations (S11001)
      - Of which: Public nonfinancial corporations which are part of domestic multinationals (S110011)
    - National private nonfinancial corporations (S11002)
      - Of which: National private nonfinancial corporations which are part of domestic multinationals (S110021)
  - Foreign controlled (S11003)
    - Of which: SPEs

### Financial Corporations Sector
- Financial corporations (S12)
  - Domestically controlled (S12DO)
    - Public financial corporations (S12001)
      - Of which: Public financial corporations which are part of domestic multinationals (S120011)
    - National private financial corporations (S12002)
      - Of which: National private financial corporations which are part of domestic multinationals (S120021)
  - Foreign controlled (S12003)
    - Of which: SPEs

**Financial Corporations Sector**—updated breakdown

**Households Sector**—subsectoring according to levels of income and wealth; and other criteria
## BPM7 Sectoring

<table>
<thead>
<tr>
<th>Sector</th>
<th>Description</th>
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<tbody>
<tr>
<td><strong>Central bank</strong></td>
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<td>Monetary authorities</td>
<td></td>
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<tr>
<td><strong>Deposit-taking corporations</strong></td>
<td>Of which SPEs</td>
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<tr>
<td><strong>General government</strong></td>
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<tr>
<td><strong>Other financial corporations</strong></td>
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<tr>
<td>Money market funds (MMFs)</td>
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<td>Non-MMF investment funds</td>
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<td>Insurance corporations</td>
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<td>Pension funds</td>
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<tr>
<td>Other financial intermediaries</td>
<td>Of which: Central clearing counterparties</td>
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<td>Captive financial institutions and money lenders, and financial auxiliaries</td>
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<tr>
<td><strong>Of which SPEs</strong></td>
<td></td>
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<tr>
<td><strong>Nonfinancial corporations (NFCs)</strong></td>
<td>Of which SPEs</td>
</tr>
<tr>
<td><strong>Households (HHs) and non-profit institutions serving households (NPISHs)</strong></td>
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</tbody>
</table>
Special Purpose Entities (SPEs)

- The term SPEs should be used only for those entities with direct and indirect foreign control
- Special purpose units of general government—general government sector
  - Non-resident are treated as separate units—introduce enhanced imputations to better reflect the fiscal operations of government controlled SPEs
- Captive financial institutions wholly owned and controlled solely by resident parent entities—not considered SPEs
- Resident-controlled affiliates should be referred according to their typology (conduits, captives, etc.)—not classified as an SPEs
Units and Control

- Head offices (HO) and holding companies (HC)
  - Guidance for determining whether a HO/HC is a separate institutional unit
  - Distinguishing HC from HO
- Ownership and control of corporations
  - Criteria for classifying the corporations controlled by non-resident—treatment consistent with BPM
  - For example, corporation B is said to be subsidiary of corporation A if corporation A holds more than 50 percent of voting power in corporation B
THANK YOU FOR YOUR ATTENTION!