

***BPM7 Chapter 4/2025 SNA Chapter 5.***  
**Residence, Institutional Units, and Sectors:**  
**Annotated Outline**



## **BPM7 Chapter 4/2025 SNA Chapter 5. Residence, Institutional Units, and Sectors: Annotated Outline<sup>1 2</sup>**

*This annotated outline has been prepared jointly to cover the full range of topics to be included in the chapter on Residence, Institutional Units, and Sectors. In the drafting stage, only those issues that are relevant from the external sector statistics perspective will be included in the BPM; likewise, only those issues that are relevant to national accounts will be included in the SNA.*

*The Annotated Outline mainly uses the 2008 SNA chapter structure (i.e., Chapter 4: Institutional Units and Sectors). Changes based on inputs from BPM6/other manuals and other SNA chapters are highlighted in gray and those based on guidance notes/other references are highlighted in yellow.*

### **A. Introduction**

- This chapter discusses the institutional units, sectors, and residence from the perspective of both national and international accounts. The first section (Introduction) will have the same sub-sections as in the 2008 SNA with the following changes.
- Institutional Units: It will be based on sub-section 1 of Section A.<sup>3</sup>
- Residence and Economic Territory: This sub-section will be called “Residence and Economic Territory”. This sub-section will cover general principles of residence based on 2008 SNA paragraphs 4.10–15, and BPM6 paragraphs 4.113–115. In addition, discussion on the economic territory of international organizations, special zones (free trade ones/offshore banks and offshore financial centers), changes in the economic territory, and joint zones from BPM6 paragraphs 4.7–10 will be covered.
- This sub-section will also include the definition of population and related discussion from 2008 SNA paragraphs 19.9–11.
- Specific issues associated with residence (i.e., (i) residence of different types of institutional units; (ii) assets and liabilities held by groups that include both residents and nonresidents; and (iii) change in residence of entities other than persons) will be covered in Section J.
- Sectoring and Economic Behavior: Following GN F.7, a new paragraph will be added after 4.22 to clarify that (i) fintech companies should be classified within the existing institutional sectors/subsectors depending on the economic objectives, functions, and behavior without introducing a new sector “Fintech”; (ii) depending on their statistical and analytical needs, countries with significant fintech activities could consider introducing an “of which” category.

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<sup>2</sup> Given the overarching nature of this chapter, this annotated outline (AO) presents as an overview of the main changes known at this stage, and not a comprehensive view of all the changes to be included in the update of the chapter.

<sup>3</sup> A box on “Statistical units other than institutional units and enterprises” covering establishments and local and global enterprise groups will be included in BPM7 (based on paragraphs 4.53–56, BPM6). Further, relevant links to 2025 SNA Chapter 6, Enterprises, Establishments, and Industries, will be provided.

- An Overview of Institutional Sectors: Following the description in 2008 SNA paragraphs 4.24–32, (i) SNA institutional sector classification and international accounts institutional sector classification (updated BPM6 Tables 4.1 and 4.2 based on GN F.1); and (ii) BPM6 paragraphs 4.60–61 on international accounts will be included.
- Subsectors: Following GN F.1, the 2008 SNA paragraph 4.34 heading will be revised as “Domestic and foreign control”, and description will be updated as follows: On subsectoring, it is recommended to identify those nonfinancial corporations (NFCs) and financial corporations (FCs) that are controlled domestically and those that are foreign controlled (reference to relevant paragraphs defining “control” will be provided). Domestically controlled are further split into public corporations (those controlled by government) and others (national private corporations). In addition, “of which” items for (i) domestically controlled public and private corporations (both financial and nonfinancial) that are part of a domestic multinational; and (ii) foreign controlled special purpose entities (SPEs) for NFCs (S.11) and FCs (S12), recommended. The later could be especially important for some host jurisdictions where SPEs are significant. 2008 SNA’s Figure 4.1 will be updated accordingly.
- For the purpose of reporting external sector statistics data to IMF, more disaggregated institutional sector breakdowns will be followed: (a) other financial corporations (OFCs) as supplementary items; (b) separately identify NFCs from households and nonprofit institutions serving households; and (c) introduce “of which” items for SPEs as supplementary items for deposit-taking corporations, OFCs, and NFCs sectors (as per GN F.1).
- The chapter is organized in the following sections: corporations (Section B); nonprofit institutions (Section C); the nonfinancial corporations sector (Section D); the financial corporations sector (Section E); the general government sector (Section F); the household sector (Section G); the nonprofit institutions serving households sector (Section H); the rest of the world (Section I); and specific issues associated with residence (Section J).

## B. Corporations

- This will have the same sub-sections as the 2008 SNA (types of corporations, special cases, and ownership and control of corporations) with the following changes.
1. Types of Corporations
    - In continuation to the discussion on quasi-corporations in paragraphs 4.42–46, a new sub-topic “institutional units with cross-border elements” will be introduced to cover the following items/updates based on BPM6: branches including construction projects and production delivered from base (BPM6, paragraphs 4.26–33), notional resident units for land and other natural resources owned by nonresidents (BPM6, 4.34–40), multiterritory enterprises (BPM6, 4.41–44), joint ventures (BPM6, 4.45–46), Quasi-corporations identified prior to incorporation (BPM6, 4.47), trusts (BPM6, 4.48),<sup>4</sup> and other incorporated enterprises (BPM6, 4.49).

<sup>4</sup> An Issue Note on “Trusts and Similar Type of Funds” is in the process of being prepared and may have an impact on this topic.

- SPEs: discussion in *2008 SNA* paragraphs 4.55–67 will be updated based on additional details from *BPM6* paragraphs 4.50–52 and GN G.4 (definition and recommendation in paragraph 29). It will be clarified that the term SPEs should be used only for those entities with direct and indirect foreign control and not to use it to refer to any type of financial entity that is created for a special purpose (as implied by the term).
  - ✓ For instance, captive financial institutions wholly owned and controlled solely by resident parent entities should not be treated and referred to as SPEs—include under FCs as in *BPM6* paragraphs 4.82–83. Resident-controlled affiliates should be referred according to their typology (conduits, captives, etc.) that can be analyzed within the corresponding institutional sector, but not classified as an SPE (and hence not recorded in the “of which” SPE category).
  - ✓ Special purpose units of general government to be included under Section F (general government sector), provided they are resident of the economy of the general government. If they are non-resident, they are treated as separate units (*2008 SNA* 4.67/*BPM6* 4.93). In this case, it is recommended to introduce enhanced imputations, which are considered as appropriate and sufficient, to better reflect the fiscal operations of government controlled SPEs (GN D.5). For additional details, refer to *BPM7* Chapter 8. Further, language of this sub-section will be aligned with the discussion on SPEs in paragraphs 2.136–139 of the *Government Finance Statistics Manual 2014 (GFSM 2014)*.

## 2. Special Cases

- As in the *2008 SNA*, it will discuss groups of corporations and head offices (HO) and holding companies (HC) with the following changes. Following the SNA clarification note N&N 37 (The delineation of head offices and holding companies in the national accounts), guidance will be provided for (a) determining whether a HO/HC is a separate institutional unit or not; and (b) distinguishing HCs from HOs.

## 3. Ownership and Control of Corporations

- **Subsidiary and Associate Corporations:** Consistent with the criteria applied for classifying the corporations controlled by a non-resident (i.e., treating them as subsidiary based on 50 percent of equity threshold—see below), corporation B is said to be subsidiary of corporation A if corporation A holds more than 50 percent equity in corporation B (i.e., 4.73-b will be deleted).
- **Control by a Non-Resident Unit:** Paragraph 4.81 will be updated to reflect the agreement on control based on GNs G.2 and D.10, and consistent with *BPM6* (i.e., control will be decided based on equity holding that entitles more than 50 percent of the voting power and not to be based on other criteria such as the control of the board or other governing body, control of the appointment and removal of key personnel, control of key committees of the corporations, and so on).

## C. Nonprofit Institutions

## D. The Nonfinancial Corporations Sector

- 2008 SNA paragraph 4.96 (second criteria) and the first column of SNA Table 4.1 will be updated based on GN F.1 (see below).

- 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

## E. The Financial Corporations Sector

- Updated breakdown of FCs based on GN F.1 for national accounts and external sector statistics will be added.
- This chapter in 2025 SNA will include only limited details on the subsectors of FCs (as in the 2008 SNA). Subsectors are discussed in detail in the 2025 SNA Chapter 29 Financial Corporations.
- BPM7 will continue to provide all the relevant details on subsectors of FCs (with some possible additions from the MFSMCG) from paragraphs 4.67–90. Efforts will be made to align the text on FC subsectors in BPM7 with 2025 SNA Chapter 29.

## F. The General Government Sector

- It will have four sub-sections (government units as institutional units, the general government sector and subsectors, the alternative method of subsectoring, and other issues related to government units) with the following changes from the 2008 SNA.
- Other Issues Relating to Government Units: this sub-section will have two items mainly based on BPM6: (a) government entities resident abroad (to be added from BPM6 paragraph 4.93); and (b) restructuring agencies (BPM6, paragraphs 4.94–95).

## G. The Households Sector

- Following GN WS.2, guidance will be provided for additional breakdowns of households to account for distribution of income, consumption, saving, and wealth. There is no clarity at this stage about preferred definition of income and consumption (part of testing).

## H. The Nonprofit Institutions Serving Households Sector

### I. The Rest of the World

1. International Organizations
  - It will include updates from *BPM6* paragraphs 4.103–107.
2. Regional International Organizations (including Currency Union Central Banks (CUCBs))
  - It will include updates based on paragraph 4.142, *BPM6*. It will also be added that there are two types of CUs—centralized and decentralized. Further, it will be clarified that national agencies of centralized CUs are treated as institutional units separate from the CUCB Head Quarters (with related explanation following GN B.3). For additional details refer to *BPM7* Annex 3.

### J. Specific Issues Associated with Residence<sup>5</sup>

- This section will present the following four sub-sections based on Section E, Chapter 4, *BPM6*. As these issues are mainly relevant for international accounts, they are separated from the core principles of residence discussed in Section A (applicable to both national and international accounts).
1. Residence of different types of institutional units (*BPM6*, paragraphs 4.116–144), residence of households, residence of enterprises, and residence of other institutional units.
  2. Assets and liabilities held by groups that include both residents and nonresidents (*BPM6*, paragraphs 4.145–164).
  3. Change in residence of institutional units (*BPM6*, paragraphs 4.165–167).
  4. Alternatives to the residence concept (*BPM6*, paragraph 4.168).

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<sup>5</sup> “Data by partner economy” (*BPM6*, paragraphs 4.146–164) is not included in this chapter. It will be presented as a separate annex with some additional guidance.

## Schematic Overview

A	<p>Introduction</p> <ol style="list-style-type: none"> <li>1. Institutional Units</li> <li>2. Residence and Economic Territory</li> <li>3. Sectoring and Economic Behavior</li> <li>4. The Total Economy</li> <li>5. An Overview of Institutional Sectors               <ul style="list-style-type: none"> <li>Figure 4.1: Illustrative Allocation of Units to Institutional Sectors</li> <li>Table 4.1: 2025 SNA Classification of Institutional Sectors</li> <li>Table 4.2: BPM7 Classification of Institutional Sectors</li> </ul> </li> <li>6. Subsectors</li> <li>7. The Rest of the World</li> </ol>
B	<p>Corporations</p> <ol style="list-style-type: none"> <li>1. Types of Corporations           <ul style="list-style-type: none"> <li>Legally Constituted Corporations</li> <li>Quasi-Corporations</li> <li>Institutional Units with Cross-Border Elements</li> </ul> </li> <li>2. Special Cases</li> <li>3. Ownership and Control of Corporations</li> </ol>
C	Nonprofit Institutions (same subsections as in the 2008 SNA)
D	<p>The Nonfinancial Corporations Sector</p> <p>Table xx: Subsectors of the Nonfinancial Corporations</p>
E	The Financial Corporations Sector (same subsectors as in the 2008 SNA/BPM6-changes to items within the subsectors)
F	<p>The General Government Sector</p> <ol style="list-style-type: none"> <li>1. Government Units as Institutional Units</li> <li>2. The General Government Sector and Subsectors</li> <li>3. The Alternative Method of Subsectoring</li> <li>4. Other Issues Related to Government Units</li> </ol>
G	The Households Sector (same subsections as in the 2008 SNA)
H	The Nonprofit Institutions Serving Households Sector (same subsections as in the 2008 SNA)
I	The Rest of the World (same subsections as in the 2008 SNA)
J	<p>Specific Issues Associated with Residence</p> <ol style="list-style-type: none"> <li>1. Residence of Different Types of Institutional Units</li> <li>2. Assets and Liabilities Held by Groups that Include Both Residents and Nonresidents</li> <li>3. Change in Residence of Institutional Units</li> <li>4. Alternatives to the Residence Concept</li> </ol>



## References

- Guidance Notes B.3, D.5, D.10, F.1, F.7, F.18, G.2, G.4, and WS.2. These guidance notes are posted at [Update of the Balance of Payments and International Investment Position Manual, sixth edition \(BPM6\)](#) (imf.org) or at [List of Guidance Notes for the 2008 SNA Update](#) (unstats.un.org)
- [ISWGNA clarification \(SNA News, Number 37, December 2014\) The delineation of head offices and holding companies in the national accounts](#)
- 2008 SNA Chapter 4, BPM6 Chapter 4, GFSM 2014 Chapter 2, and MFSMCG Chapter 3

## Key Stakeholders Consulted

- System of National Account and Balance of Payments Manual editors
- IMF Statistics Department Financial Institutions Division and Government Finance Division