

**BALANCE OF PAYMENTS TECHNICAL EXPERT GROUP (BOPTTEG)**

**OUTCOME PAPER (BOPTTEG) # 7**

**JUNE 2004**

(1) Topic: **Institutional Sector Classification**

(2) Issues – see BOPTTEG Issues Paper #7

(3) Recommendations:

(i) The group supported the harmonization of the *BPM5* institutional sector classification with that of the *SNA*. The existing *BPM5* classification was considered undesirable in that the “other” sector included both financial and nonfinancial units; as well, the shorter classification was unsuitable for users who wished to relate data to monetary, financial, and national accounts statistics. However, some members noted that some countries would not be able to adopt the full *SNA* breakdown.

(ii) The group was evenly divided on whether the *SNA* format should be used (as in Table 4.1A in the *Annotated Outline*) or the *BPM5*-compatible version (as in Table 4.1B). The benefits of the Table 4.1A presentation were its more complete harmonization and more logical structure, while the advantage of the 4.1B presentation is compatibility with previous data. There was general agreement that even if 4.1B were adopted, it would be a transitional solution, heading toward the *SNA* standard in the future. Some members favored the 4.1B presentation also because it contained fewer details.

(iii) The group agreed that the new manual should mention possible additional subsectors discussed in the *Annotated Outline* as supplementary items, on the basis of what is relevant and practical for each economy. (The subsectors were for monetary authorities, public nonfinancial corporations (i.e., publicly owned), public financial corporations, a central/state and local split of general government, collective investment schemes, holding companies, entities for holding and managing wealth, and international organizations. The use of a subsector for holding companies is discussed in more detail in Outcome Paper #9.) It was noted that the distinction between public and private sectors is important for positions data, particularly for analyzing the balance sheets relationship of these sectors.

(iv) The group considered that, in the case of international organizations, the new manual should specify the distinction between financial and nonfinancial international organizations.

(4) Rejected Alternatives:

The meeting concluded that none of possible additional subsectors mentioned in 3(iii) above should be standard components.

(5) Questions for the Committee:

*(i) Does the Committee agree that the new manual should move toward an institutional sector classification that is harmonized with the SNA? See 3(i) above.*

*(ii) Does the Committee prefer the SNA format or the BPM5-compatible format? See 3(ii) above.*

*(iii) Does the Committee agree that additional sector splits should be mentioned in the new manual, but as supplementary (optional) items? Does it have views on the public/private split for positions data? See 3(iii) above.*

*(iv) Does the Committee have any views on how international financial organizations be defined? If so, how? See 3(iv) above. (It is planned that the IMF will prepare a draft set of criteria and/or list of organizations for consideration by the Committee.)*