I. INTRODUCTION

3.1. Chapter 3 identifies institutional units and groups them into institutional sectors in their role as holders and issuers of financial assets, and focuses consequently on the classification and sectoring of their accounts for compiling monetary and financial statistics. The definition of institutional units and their grouping into sectors follow closely the 2008 SNA, the BPM6, and the GFSM 2014. In addition, this chapter expands on issues that are relevant for compilers of monetary statistics and discusses special cases where sectoring is not straightforward.

3.2. The chapter first presents the concept and characteristics of institutional units, and the two main types of units that may qualify as institutional units. The chapter focuses then on the concept of residence, which determines the foreign/domestic breakdown of assets and liabilities of the financial corporations (FCs). Finally, the grouping of resident institutional units into institutional sectors and subsectors allows the presentation of the FCs’ claims on and liabilities to the different sectors of the domestic economy. This sectoring is one of the foundations for constructing the analytical aggregates on broad money and credit described in Chapter 6.

II. INSTITUTIONAL UNITS

3.3. An institutional unit is an economic entity capable, in its own right, of owning assets, incurring liabilities and engaging in economic activities and in transactions with other entities.

3.4. Institutional units, as owners of financial assets and issuers of liabilities, constitute the structural building blocks for monetary and financial statistics. They hold financial assets in the form of currency, deposits, debt securities, investments in mutual funds, life insurance policies, etc. They have liabilities in the form of loans from depository corporations (DCs) and other FCs (OFCs), extensions of trade credits, their issuances of debt securities, and other financial obligations.

3.5. The 2008 SNA lists the following four main attributes of institutional units: (1) they are entitled to own goods or assets in their own right; (2) they are able to take economic decisions and engage in economic activities; (3) they are able to incur liabilities on their own behalf; and (4) they either have a complete set of accounts, including a balance sheet of assets and liabilities, or it would be possible and meaningful to compile such a set of accounts, if required.

3.6. Two main types of units may qualify as institutional units: persons or group of persons in the form of households, and legal or social entities.

A. Households

3.7. A household is a group of persons who share the same living accommodation, pool some, or all, of their income and wealth and consume certain types of goods and services collectively, mainly housing and food.
3.8. A household may consist of an individual or more than one person. Many assets are owned, or liabilities incurred, jointly by two or more members of the same household, while the income of individuals may be pooled for the benefit of all household members. Many expenditure decisions, especially those relating to the consumption of food, or housing, may be made collectively for the household as a whole. It is meaningful to compile transactions accounts or balance sheets for the entire household unit, and not for individuals belonging to the same household. The individual members of multi-person households are not, therefore, treated as separate institutional units, but the household as a whole must be treated as one institutional unit.

3.9. Economic activities undertaken by households—such as production and selling of goods and services—are treated as an integral part of the households, unless legal entities are created separately from the households or the definition of quasi-corporation (see paragraphs 3.16) is satisfied.

B. Legal or social entities

3.10. The second type of institutional unit is a legal or social entity that engages in economic activities and transactions in its own right. A legal or social entity is one whose existence is recognized by law or society independently of the persons, or other entities, that may own or control it. Such units are responsible and accountable for the economic decisions or actions they take, although their autonomy may be constrained to some extent by other institutional units.

3.11. The 2008 SNA identifies three categories of legal or social entities constituting institutional units: (1) corporations; (2) nonprofit institutions (NPIs); and (3) government units. The status of an institutional unit cannot always be inferred from its name, and it is necessary to examine its economic objectives, functions, and behavior.

Corporations

3.12. The 2008 SNA uses the term corporation more broadly than in just a legal sense. It covers legally constituted corporations, but also includes cooperatives, limited liability partnerships, notional resident units, and quasi-corporations. Corporations are defined as entities that are: (1) capable of generating a profit or other financial gain for their owners; (2) recognized at law as separate legal entities from their owners who enjoy limited liability; and (3) set up for purposes of engaging in market production.

Types of corporations

Legally constituted corporations

3.13. A legally constituted corporation is a legal entity, created for the purpose of producing goods or services for the market, which may be a source of profit or other
financial gain to its owner(s). It is collectively owned by shareholders who have the authority to appoint directors responsible for its general management.

Cooperatives, limited liability partnerships, etc.

3.14. Cooperatives are set up by producers for purposes of marketing their collective output. The profits of such cooperatives are distributed in accordance with their agreed rules and not necessarily in proportion to shares held, but effectively they operate like corporations.

3.15. Partnerships whose members enjoy limited liability are separate legal entities that behave like corporations. In effect, the partners are at the same time both shareholders and managers.

Quasi-corporations

3.16. Quasi-corporations are unincorporated enterprises that function in all (or almost all) respects as if they were incorporated. For purposes of sectoring and subsectoring, they are treated as institutional units (corporations) separate from the units that own them.

3.17. For a quasi-corporation to exist, it must be possible to develop a full set of accounts, including balance sheets, to distinguish it from its owners. The business-related assets and liabilities of the quasi-corporation must be separate from the personal assets and liabilities of its owners. Moreover, it must be possible to identify flows of capital and income occurring between the quasi-corporation and its owners. The intent is to separate from their owners those unincorporated enterprises that are sufficiently self-contained and independent that they behave in the same way as corporations.

3.18. The 2008 SNA recognizes three main kinds of quasi-corporations: (1) unincorporated enterprises owned by government units engaged in market production and operated in a similar way as publicly owned corporations; (2) unincorporated enterprises, including unincorporated partnerships or trusts, owned by households that are operated as if they were privately-owned corporations; and (3) unincorporated enterprises that belong to institutional units resident abroad, referred to as “branches.”

Groups of corporations

3.19. It is common for corporations to own shares in other corporations. A corporation is a subsidiary of another corporation when the latter is able to exercise control over the former either by control of more than half of the shareholders’ voting power or the right to appoint or remove a majority of the directors. A corporation is an associate of another corporation when the latter is able to exercise a significant degree of influence over the former, but not control. A significant degree of influence is determined to exist if one corporation owns between 10 and 50 percent of the voting power of another corporation so that the former has some influence over the corporate policy and management of the latter.
3.20. Large groups of corporations, or conglomerates, are created whereby a parent corporation controls several subsidiaries, some of which may control subsidiaries of their own. Even if for certain purposes it may be desirable to have information on the group as a whole, each individual corporation should be treated as a separate institutional unit.

3.21. Conglomerates owning subsidiaries or branches in other countries are usually described as multinational corporations.

Government control of corporations

3.22. A corporation is a public corporation if a government unit, another public corporation, or some combination of government units and public corporations control the entity, where control is defined as the ability to determine the general corporate policy of the corporation. The ability to determine general corporate policy does not necessarily include the direct control of the day-to-day activities or operations of a particular corporation.

3.23. In determining control by government, the following indicators will be the most important factors to consider: (1) ownership of the majority of the voting interest; (2) control of the board or other government body; (3) control of the appointment and removal of key personnel; (4) control of key committees of the entity; (5) golden shares and options; (6) regulation and control; (7) control by a dominant public sector customer or group of public sector customers; and (8) control attached to borrowing from the government.

Control by a nonresident unit

3.24. In general, a nonresident unit controls a resident corporation if the nonresident unit owns more than 50 percent of the equity of the corporation. Branches of nonresident corporations are always under foreign control.

Special purpose entities

3.25. Special purpose entities (SPEs) are typically created to carry out a single, well defined, and specific activity. Normally, they are created to raise funds in open markets to be used by their parent corporations, hold and manage wealth for individuals or families, and issues debt securities on behalf of related companies. Although there is no common definition of SPEs, they share some of the characteristics described below.

3.26. Often, SPEs have no employees and no non-financial assets. They may have little physical presence beyond a “brass plate” confirming their place of registration. They are always related to another corporation and are often resident in a territory other than the territory of residence of the related corporations. In the absence of any physical dimension to an enterprise, their residence is determined by the territory of incorporation or registration.

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1 For more details see GFMS 2014, Box 2.2, Government Control of Corporations.
3.27. SPEs are commonly managed by employees of another corporation, which may or may not be a related one. The unit pays fees for services rendered to it and in turn charges its parent or other related corporation a fee to cover these costs.

3.28. Independent of the specific characteristics and denominations, units described as SPEs are allocated to sector and industry according to its principal activity, unless they fall into one of these three categories: (1) captive financial institutions; (2) artificial subsidiaries of corporations; and (3) special purpose units of general government.

3.29. An SPE that raises funds in the open market for its parent corporation is one example of a captive financial institution. Another example is a holding company that simply holds the assets (owning controlling-levels of equity) of its subsidiaries and whose principal activity is owning the group. Other units also treated as captive financial institutions are units with characteristics of SPEs used for holding and managing wealth for individuals or families and issuing debt securities on behalf of related companies.

3.30. When defining artificial subsidiaries of corporations, the term corporation is used in a legal sense. A subsidiary corporation, wholly owned by a parent corporation, may be created to provide services to the parent corporation or other corporations in the same group, often for tax purposes or to minimize liabilities in the event of bankruptcy. In general, these corporations do not satisfy the definition of an institutional unit in the SNA. They are thus not treated as separate institutional units, but as integral part of the parent corporation and their accounts are consolidated with those of the parents unless they are resident in an economy different from that where the parent is resident.

3.31. General government may also set up special units, with characteristics and functions similar to captive financial institutions and artificial subsidiaries of corporations. Such special purpose units of general government (see also paragraphs 3.232–3.234) do not have the power to act independently and are restricted in the range of transactions they can engage in and do not bear the risks and rewards associated with the management of the assets they hold. If they are resident, these units are treated as an integral part of the general government subsector that has established them and not as separate units. If they are nonresident, they are treated as separate units and any transactions carried out by them abroad are reflected in corresponding transactions with government.

Nonprofit institutions

3.32. Nonprofit institutions are legal or social entities created for the purpose of producing or distributing goods and services, whose status does not permit them to be a source of income, profit, or other financial gain for the units that establish, control, or finance them.

3.33. The motives leading other institutional units—whether households, corporations, or government—to create NPIs include: (1) to provide services for the benefit of the households or corporations who control or finance them; (2) to provide goods or services to other persons in
need for charitable, philanthropic, or welfare reasons; (3) to provide health or education services for a fee, but not for profit; and (4) to promote the interest of pressure groups in business or politics.

3.34. The distinction between NPIs engaged in market production and NPIs engaged in non-market production is used in determining the sector of the economy to which an NPI belongs.

**NPIs engaged in market production**

3.35. Although they are not a source of profit to other institutional units, NPIs can be market producers if they provide services for which they charge economically significant prices. *Economically significant prices are prices that have a significant effect on the amounts that producers are willing to supply and on the amounts purchasers wish to buy.* NPIs engaged in market production sell their output at prices that are economically significant, but any surpluses generated must be retained within the NPIs.

3.36. NPIs engaged in market production are classified as corporations. Those predominantly engaged in the production of financial services (such as credit cooperatives operated by members) are classified in the FCs sector. Some NPIs such as schools, colleges, universities, clinics, or hospitals, may charge fees for their services that are based on production costs; they are classified as nonfinancial corporations. Also included in the nonfinancial corporations sector are institutions that under their status as “nonprofit institutions” raise additional funds from donations by households, corporations, or government and thus are able to charge fees at below average costs.

3.37. Other market NPIs restrict their activities to serving a particular subset of other market producers. Such NPIs are created by associations of the enterprises whose interests they promote. They include chambers of commerce, agricultural, manufacturing, or trade associations, employers’ organizations, research and testing laboratories, or other organizations or institutes engaged in activities that are of mutual interest or benefit to the group of businesses that control and finance them. These NPIs are financed by contributions or subscriptions from the group of enterprises concerned. The subscriptions are treated not as transfers but as payments for services rendered and these NPIs are, therefore, classified as market producers and allocated to the nonfinancial corporations sector. When chambers of commerce or similar organizations are intended for the benefit of enterprises and are controlled by government units, they are classified as a non-market NPI and allocated to the general government sector.

**NPIs engaged in non-market production**

3.38. The majority of NPIs in most countries are non-market producers that provide most of their output free or at prices that are not economically significant. NPIs engaged mainly in non-

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2 For a more detailed discussion of economically significant prices, see the *Public nonfinancial corporations* section in this chapter.
market production fall into two main groups: (1) those NPIs controlled by government; and (2) those NPIs that are not. The latter group is the NPIs serving households (NPISHs) which constitute a separate sector of the economy.

3.39. Non-market NPIs that are controlled by government are included in the general government sector. NPIs are considered to be controlled by government3 when: (1) the government has the right to appoint the managers of the NPI; (2) other provisions exist enabling the government to determine significant aspects of the policy or program of the NPI; (3) a contractual agreement exists between a government and an NPI allowing the government to determine key aspects of the NPI’s general policy; (4) an NPI is financed mainly by the government; or (5) a government is exposed to all, or a large proportion of, the financial risks associated with the NPI’s activities.

3.40. Such government-controlled NPIs may engage in research and development, for example, for the benefit of producers, such as farmers. They may also be concerned with the setting or maintenance of standards for health, safety, the environment, accounting, finance, education, etc. Government-controlled NPIs are allocated to the general government sector, regardless of the types of institutional units that benefit mainly from their activities. Certain legal entities created by government units may be formally designated as corporations, even though they have the characteristics of NPIs controlled and mainly financed by government. Such entities should be treated as NPIs whatever their names.

3.41. NPISHs consist of non-market NPIs that are not controlled by government. They provide goods and services to households free or at prices that are not economically significant.

**Government units**

3.42. Government units are unique kinds of legal entities established by political processes that have legislative, judicial, or executive authority over other institutional units within a given area. Their principal functions are (1) to provide goods and services to the community as a whole on a non-market basis and to finance their activities primarily out of taxation or other compulsory transfers; (2) to redistribute income and wealth by means of transfer payments; and (3) to engage in non-market production.

3.43. Government units may own unincorporated enterprises engaged in the production of market goods and services. If these enterprises are managed in a way similar to a corporation, with their own set of accounts, they are treated as quasi-corporations. If they do not meet these requirements, they remain part of the parent government unit.

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3 For more details see *GFSM 2014*, Box 2.1, Government Control of Nonprofit Institutions.
III. RESIDENCE

3.44. The concept and coverage of residence for monetary and financial statistics are identical to those in the 2008 SNA and BPM6. The delineation between resident and nonresident units is a fundamental dichotomy that facilitates the estimation of the external position of the FCs sector. The key concepts for defining the residence of an institutional unit are economic territory and center of predominant economic interest. Residence is not based on nationality of the account holder, or on the currency of denomination of accounts.

A. Economic territory

3.45. An economic territory can be any geographic area or jurisdiction for which statistics are required. The most commonly used concept of economic territory is the area under the effective economic control of a single government. It includes special zones, even if for some of the government’s own statistical purposes those zones are excluded or shown separately. Economic territory may be larger or smaller than the physical or political borders of a country, for example a currency or economic union, or part of a country.

3.46. The economic territory includes: (1) the land area; (2) airspace; (3) territorial waters, including areas over which jurisdiction is exercised over fishing rights and rights to fuel or minerals; (4) islands that belong to a marine territory; and (5) territorial enclaves in the rest of the world, such as embassies, consulates, military bases, scientific stations, information and immigration offices, aid agencies, and central bank representative offices with diplomatic immunity.

3.47. Economic territory has the dimensions of physical location, as well as legal jurisdiction, so that corporations created under the law are part of that economy. The concepts of economic territory and residence are designed to ensure that each institutional unit is a resident in one economic territory, determined by its center of predominant economic interest. Exceptions may be made for multi-territory enterprises, as explained later in this chapter.

B. Residence

3.48. The residence of each institutional unit is the economic territory with which it has the strongest connection, expressed as its center of predominant economic interest.

3.49. An institutional unit has a center of predominant economic interest in an economic territory when there exists, within the economic territory, some location, dwelling, place of production, or other premises on which or from which the unit engages and intends to continue engaging, either indefinitely or over a finite but long period of time, in economic activities and transactions on a significant scale.

3.50. Two aspects need to be highlighted for corporations: (1) the economic unit must maintain at least one production establishment in the country; and (2) it should plan to operate
that establishment for at least one year. Although the choice of a specific period of time is somewhat arbitrary, it is adopted to avoid uncertainty and facilitate international consistency.

**Resident units**

3.51. *An institutional unit is considered a resident if it has already engaged in economic activities and transactions on a significant scale in the territory for one year or more, or if it intends to do so.* Ownership of land and structures within the territory is not a sufficient condition to define a center of economic interest, because the owner can be a resident of another territory, having a center of predominant economic interest in the latter.

3.52. A household is a resident in the economic territory in which the household members maintain or intend to maintain a dwelling or succession of dwellings treated and used by members of the household as their principal dwelling. The residence of individual persons is determined by that of the household of which they form part and not by their place of work. All members of the same household have the same residence as the household itself, even though they may cross borders to work or otherwise spend periods of time abroad (see also paragraphs 3.56–3.57).

3.53. Corporations and NPIs may be expected to have a predominant center of economic interest in the economy in which they are legally constituted and registered. Corporations may be resident in economies different from their shareholders and subsidiaries may be resident in different economies from their parent corporation. As a general principle, an enterprise is resident in an economic territory when it is engaged in a significant amount of production of goods or services from a location in the territory. They must maintain at least one production establishment in the territory and plan to operate it indefinitely or over a long period of time (usually one year or more). Additional factors to consider are the maintenance of a set of accounts covering local productive activities, and being subject to the income tax system in the economy in which it is located. Unincorporated enterprises that are not quasi-corporations are not separate institutional units from their owners and, therefore have the same residence as their owners.

3.54. When a nonresident has ownership of land and buildings, and natural resources other than land, the assets are deemed to be owned by a notional resident institutional unit in the economy of location. All land, buildings, and natural resources other than land are, therefore, owned by residents.

3.55. Apart from these general definitions, there are special cases where individuals or productive units should be considered residents of the territory, and their accounts incorporated in the domestic assets and liabilities of the FCs. Further information is provided in Chapter 4 of the *BPM6*. 
Cross-border workers

3.56. Individuals who cross international borders to work remain residents of their home territories. In some cases, these workers regularly cross the frontier (daily or weekly) to work in a neighboring country. Also included are seasonal workers, who cross the border for particular periods, such as the harvest or tourist season to attend a place of employment and then return to their households. Other short-term employment may occur for a particular task, such as construction projects, repairs, delivery of advice, and so on. In each case, the residence of the concerned person is based on the principal dwelling, rather than the territory of employment.

3.57. If these workers engage in substantial and sustained economic activity abroad, earn income, consume, maintain regular residence abroad, and return only briefly or infrequently to their original household, they cease to be considered a member of that household and, therefore, are no longer considered a resident in the country in which the household is resident. In this case, these individuals have a center of predominant economic interest where they work and consume.

Highly mobile individuals

3.58. Some individuals have close connections with two or more territories; they may have dwellings in more than one territory where they spend significant amount of time. For individuals who do not have continuous actual or intended presence in any one territory for one year, the territory of the principal dwelling they maintain is the key consideration.

Staff of international organizations and technical assistance personnel

3.59. Although international organizations (see paragraph 3.92) are, by definition, residents of the rest of the world (that is, nonresidents of the country where their enclaves are located), employees of these organizations are residents of the local economies where they have lived continuously for more than one year.

3.60. Technical assistance personnel on long-term (more than one year) assignment should be treated as residents of the countries where they work. Employees of international organizations on long-term assignment in a country different from the location of the headquarters of the organization are residents of the country where they perform their duties. If the assignment is shorter than one year, they are considered residents of the economy in which they reside on a longer-term basis.

Locally recruited staff of diplomatic representations

3.61. Locally recruited staff of embassies and other diplomatic representations continue to have their center of predominant economic interest in the country where they live and in which the embassy (or representation) is located. They should, therefore, be considered residents of their home country.
**Crew members of vessels or aircrafts**

3.62. Crew members of vessels or aircrafts continue to be residents of the countries where they have their principal dwelling (even if they are outside the country for long periods of time) and not of the economies in which they stop or layover but are not living.

**Refugees**

3.63. No special treatment is adopted for refugees. Their residence will change from their home territory to the territory of refuge, if they have stayed or intend to stay in their place of refuge for one year or more, even if that residence is involuntary or transient, and its future status is unclear.

**General government**

3.64. General government includes operations outside the home territory, such as embassies, consulates, military bases, and other enclaves of foreign governments, including those providing training and other forms of assistance. Usually, these operations are not separate institutional units, but even if they were, they are residents of their home territory, rather than the host territory where they are physically located. An entity created by a government under the laws of the host jurisdiction is a nonfinancial corporation resident in the host economy, and not part of the general government sector in either economy.

**Subsidiaries or branches of multinational conglomerates**

3.65. Subsidiaries of a multinational corporation should be treated as units separate from the parent company, because they have their own balance sheets and retain legal responsibility for their corporate actions, and, therefore, are residents of the economy where they operate. Branches of a multinational corporation should be treated as units separate from the parent company when resident in another economy.

**Construction projects**

3.66. Construction companies operating in a foreign territory (for instance, for the construction of major projects like roads or dams) must open a site office in the economy where the project is undertaken. Although the site office may have no separate legal identity, it may, nevertheless, be treated as a quasi-corporation and resident of the territory where the project is located. This is applicable particularly to large-scale projects with completion times of several years.

3.67. If the construction project will be finished in less than a year, the construction site can be considered an enclave outside the territory in which the company has its headquarters. Consequently, the accounts of the site office should be recorded as accounts of nonresidents for the territory where the project is located.
Units operating mobile equipment

3.68. Mobile equipment can consist of ships, aircrafts, drilling rigs and platforms, railway rolling stock, etc. The same principles of the residence of an enterprise must be applied to an enterprise operating mobile equipment outside the economic territory where the enterprise is a resident. If the operations take place in international waters or airspace, the unit has a predominant center of economic interest where the operator maintains the base of its operations. If operations take place in another economy outside of the home base and are substantial enough to meet the criteria to be classified as a branch, then the branch is considered a resident in the host economy. Otherwise, production is attributed to the base of the operations of the operator.

Offshore enterprises, offshore banks, and offshore financial centers

3.69. Sometimes a government has a separate physical or legal zone that is under its control, but to which, to some degree, separate laws are applied, such as free trade zones or offshore financial centers. These special zones are part of the economic territory under the control of the government and consequently the enterprises located there are treated as resident units of that economic territory.

3.70. Offshore units engaged in manufacturing processes (including assembly of components manufactured elsewhere) are residents of the economies in which the offshore enterprises are located. This treatment applies even if the units are located in special zones exempted from custom duties or regulations (free trade zones).

3.71. Similarly, offshore banks are considered residents of the country where they are incorporated or registered.

3.72. Offshore financial centers are jurisdictions in which the majority of the financial transactions are made by FCs located therein and are on behalf of clients who reside outside the offshore financial center. Some offshore financial centers are islands, others are on the mainland. Offshore financial centers have adapted to increased competition resulting from liberalization of financial regulations in advanced economies and account for a significant share of global financial flows. Offshore financial centers should compile data from all corporations incorporated or registered in their jurisdictions.

Pension funds of international organizations

3.73. Separately constituted pension funds of international organizations are not treated as international organizations, but regarded as FCs. They are residents of the economic territory in which they are located or, lacking a physical presence, residents of the economy where they are incorporated or registered.

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4 See also BPM6, paragraphs 4.27–4.28.
Ancillary corporations, holding corporations, and special purpose entities

3.74. Domestic ancillaries are treated as an integral part of the parent corporation, rather than as separate institutional units. Ancillary corporations located in a country different from their parent corporations are, however, treated as separate units, and considered residents of the country in which they are legally established (see also 3.153).

3.75. Holding corporations and SPEs are often constituted outside the country where their parent corporation resides, either for tax purposes or because of legal or accounting considerations. Even if these holding corporations and SPEs are bare trustees, not bearing any market or credit risk, they are treated as separate units and considered residents of the economic territory where they are incorporated or registered.

Nonprofit institutions

3.76. An NPI is a resident of the country under whose laws and regulations it was created and in which its existence as a legal or social entity is officially recognized and recorded. When an NPI engages in charity or relief work on an international scale, it is necessary to specify the residence of any branches it may maintain in dispensing relief in individual territories. If an NPI maintains a branch or unit for one year or more in a particular country, that branch or unit should be considered a resident of that economy.

Currency union central banks

3.77. A currency union central bank (CUCB) is a regional financial institution that acts as a central bank for the member countries of a currency union. The CUCB is an institutional unit in its own right, owning assets and liabilities on own account. The CUCB is nonresident of any currency union economy, but when compiling monetary statistics for the entire currency union, the CUCB is a resident institutional unit. More detailed information on CUCBs is provided later in this chapter (see paragraphs 3.111–3.115).

Multiterritory enterprises

3.78. Some enterprises may operate as a seamless operation over more than one economic territory. Although the enterprise has substantial activity in more than one economic territory, it is run with no separate accounts and no separate branches can be identified.

3.79. Particular cases of multiterritory enterprises are binational (or multinational) public entities established to construct and operate hydroelectric projects on river borders, and bridges, tunnels, or undersea cables that cross borders. Such enterprises may also include shipping lines, airlines, or pipelines.

3.80. Governments usually require separate entities or branches to be identified in each economic territory, but multiterritory enterprises may be exempted from such requirements. In the case of multiterritory enterprises, it is preferable that separate institutional units are
identified for each economy. If that is not feasible, it is necessary to prorate the total operations of the enterprise into the individual economic territories. The factor used for prorating should be based on available information that reflects the contributions to actual operations, such as equity shares, equal splits, wages, or tonnage.

Nonresident units

3.81. **Institutional units that have their center of predominant economic interest outside the economic territory are nonresidents.** Their accounts are recorded as part of foreign assets or foreign liabilities, irrespective of the nationality of the account holder and of the currency of denomination of the accounts. In the monetary statistics, the most common type of nonresident accounts are correspondent accounts held in overseas depository corporations (DCs), loans due to FCs located outside the territory, and accounts of international financial institutions, including the IMF.

3.82. In addition to cases in which it is easy to identify the accounts of nonresidents, there are several cases in which it is not clear-cut that the account holder is a nonresident of the economy as discussed in the remainder of this section.

Migrant workers

3.83. Migrant workers that earn income, consume, and maintain their principal dwelling abroad for one year or more and who return only briefly or infrequently to their original households are no longer considered part of the household in their home country, but rather are residents of the country where they work as this is where they have a predominant center of economic interest. Even if individuals continue to be employed and paid by an enterprise that is resident in their home country, those persons should be treated as residents of the host country if they maintain their principal dwelling continuously for one year or more in the host economy.

3.84. Very often, migrant workers maintain deposit accounts in their country of origin for savings purposes or to have access to funds when they visit their country. Because migrant workers are nonresidents of their home countries, their accounts should be reported as nonresident accounts and, therefore, as foreign liabilities of the DCs subsector in their home country. Similarly, any loan granted to a migrant worker in his or her country of origin should be reported as a loan to a nonresident. For DCs, it is often difficult to identify accounts of migrant workers as nonresident accounts, because they are opened by providing a national identification and a national address. In countries with a substantial proportion of their population who live and work abroad, special instructions should be issued to DCs with a view to identifying the accounts of migrant workers.

3.85. If the account opened by a migrant worker in the home economy is a joint account with a resident of that economy, or if the account holder authorizes a resident of the home economy to withdraw funds from such an account, then the account should be considered as belonging to a resident and should be reported under domestic liabilities.
**Students**

3.86. People who go abroad for full-time study generally continue to be resident in the economy in which they were resident prior to studying abroad, even though their course of study may exceed one year. Accounts that they open with FCs in the economy where they study should be reported, therefore, as accounts of nonresidents. If they develop an intention to continue their presence in the territory of study after the completion of the studies, they should then be considered as residents in the host territory.

**Medical patients**

3.87. People who go abroad for the purpose of medical treatment maintain their predominant center of interest in the territory in which they were resident before they received the treatment, even if they stay longer than one year. As with students, the movement is considered to have a temporary motivation and these patients remain members of households in their home territories.

**Foreign diplomatic representations**

3.88. Embassies and other diplomatic representations are enclaves of their governments in the host economy and part of the economic territory of the represented government. Their accounts in the financial system of the host economy are reported as accounts of nonresidents.

3.89. Employees, including members of their household, sent by a government to work in its diplomatic representations continue to have a center of predominant economic interest in their home country, irrespective of the length of their assignment in the foreign country. They continue to be residents in their home economy even if they live in dwellings outside the enclaves. Their accounts in the financial system of the host economy are classified as accounts of nonresidents.

**Government entities resident abroad**

3.90. If a government uses an entity that is resident in the economic territory of another government to carry out general government activities (i.e., fiscal activities rather than as a public corporation producing goods and services for the market), that entity is not included as part of the general government in either its economy of residence or the economy of the government that uses the entity. Such entities are not treated in the same way as embassies and other territorial enclaves if they are created and operate under the laws of the host economy.

**Military personnel**

3.91. Military personnel stationed abroad in an enclave of their home country (a military base) or in peace-keeping missions, as well as the military base itself, continue to have their center of predominant economic interest in their home economy, irrespective of the length of
duty of their assignment. They and members of their household are considered nonresidents of the territory where they are serving.

**International organizations**

3.92. International organizations have the following characteristics:

(a) The members are either national states or other international organizations whose members are national states.

(b) They are entities established by formal political agreements between their members that have the status of international treaties; their existence is recognized by law in their member countries.

(c) International organizations are created for various purposes:

- International financial institutions (IFIs)—these entities conduct financial intermediation at an international level (i.e., channeling funds between lenders and borrowers in different economies). Examples are the IMF, World Bank Group, BIS, and regional development banks; and

- Other international organizations—these entities provide nonmarket services of a collective nature for the benefit of their member states, such as peacekeeping, education, science, policy issues, and other research.

3.93. The economic territory of an international organization consists of the territorial enclave(s) over which the organization has jurisdiction. Each international organization is an economic territory in its own right, covering operations from all its locations. International organizations are not considered residents of any national economy and, in particular, are not residents of the economy in which they are located or conduct their affairs. They are treated as extra-territorial (that is, nonresident) by that economy. All accounts that these organizations have with the FCs of that territory are treated as nonresidents’ accounts.

**IV. Institutional Sectors**

3.94. Institutional units are allocated to different institutional sectors according to the nature of the economic activity they undertake. Sectoring of resident institutional units is a key element in the compilation and presentation of monetary and financial statistics. In the monetary statistics described in Chapters 6 and 7, it is necessary to delineate the FCs sector and its subsectors, to identify money-issuing and money-holding sectors, and to identify FCs’ claims on each of the other resident sectors and on nonresidents. It is recommended that the institutional units in monetary and financial statistics be sectored in accordance with the 2008 SNA, which groups similar kinds of institutional units according to their economic objectives, functions, and behavior.
3.95. In the 2008 SNA, the resident institutional units of the economy are grouped into five mutually exclusive sectors: (1) FCs; (2) nonfinancial corporations; (3) general government; (4) households; and (5) nonprofit institutions serving households (NPISHs). These sectors are divided into subsectors, as shown in Box 3.1. The additional groupings of FCs subsectors into DCs, ODCs, and OFCs for the purpose of monetary and financial statistics are discussed in more detail later in this chapter. All resident institutional units are allocated to only one institutional sector. A unit engaged in activities belonging to more than one sector and not having a separate set of accounts for each activity must be classified entirely in a single sector, based on the most prominent activity in which it engages.5

3.96. Dividing the total economy into sectors and subsectors enhances the usefulness of the accounts for purposes of economic analysis. Institutional units with similar objectives and types of behavior are grouped together. Corporations, government units, households, and NPISHs differ with respect to their economic objectives, functions, and behavior. Corporations are created for the purpose of producing goods and services for the market; government units provide nonmarket goods and services to the community and redistribute income and wealth. Corporations are distinguished from households which also may engage in production for the market, because households are motivated by different economic objectives, including final consumption.

5 The 2008 SNA (Figure 4.1, page 64) and the GFSM2014 (Figure 2.4, page 33) provide decision trees to allocate institutional units into different sectors based on whether they are residents or nonresidents, households or legal entities, whether the latter are market or non-market producer, whether they are controlled by government or not, and whether they produce financial services, or goods or nonfinancial services.
**Box 3.1 Main Sectors and Subsectors of the Domestic Economy**

<table>
<thead>
<tr>
<th>Financial corporations (FCs)</th>
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<tbody>
<tr>
<td>Depository corporations (DCs)</td>
</tr>
<tr>
<td>Central Bank</td>
</tr>
<tr>
<td>Other Depository corporations (ODCs)</td>
</tr>
<tr>
<td>Deposit-taking corporations (DTCs) except the Central Bank</td>
</tr>
<tr>
<td>Money market funds (MMFs)</td>
</tr>
<tr>
<td>Other financial corporations (OFCs)</td>
</tr>
<tr>
<td>Non-MMF investment funds</td>
</tr>
<tr>
<td>Other financial intermediaries except insurance corporations and pension funds</td>
</tr>
<tr>
<td>Financial auxiliaries</td>
</tr>
<tr>
<td>Captive financial institutions and money lenders</td>
</tr>
<tr>
<td>Insurance corporations (IC)</td>
</tr>
<tr>
<td>Pension funds (PF)</td>
</tr>
<tr>
<td>Non-financial corporations</td>
</tr>
<tr>
<td>Public nonfinancial corporations</td>
</tr>
<tr>
<td>National private nonfinancial corporations</td>
</tr>
<tr>
<td>Foreign-controlled nonfinancial corporations</td>
</tr>
<tr>
<td>General government¹</td>
</tr>
<tr>
<td>Central government</td>
</tr>
<tr>
<td>State government</td>
</tr>
<tr>
<td>Local government</td>
</tr>
<tr>
<td>Households</td>
</tr>
<tr>
<td>Nonprofit institutions serving households (NPISHs)</td>
</tr>
</tbody>
</table>

¹ Social security funds are allocated to the general government subsectors, on the basis of the level at which they operate. Alternatively, social security funds can be combined into a separate subsector of general government.

A. Financial corporations

3.97. The FCs sector consists of all resident corporations and quasi-corporations that are principally engaged in providing financial services, including insurance and pension fund services, to other institutional units. It is usually the case that units providing financial services do not produce other goods and services and financial services are not provided as secondary production.⁶ The 2008 SNA provides a distinction of FCs in three broad classes: financial intermediaries, financial auxiliaries, and captive financial institutions and money lenders.

(a) Financial intermediaries, including insurance corporations and pension funds (ICPFs), incur liabilities on their own account for the purpose of acquiring financial assets by

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⁶ A common exception is postal offices, which are nonfinancial corporations but may provide financial services as a secondary activity.
engaging in financial transactions on the market. Some characteristics of financial
termediation include: (1) incurrence of liabilities to raise funds for lending;
(2) transformation of financial instruments with respect to maturity, interest rate,
currency of denomination, etc.; and (3) acquisition of credit and financial risks.

(b) Financial auxiliaries engage in serving financial markets, but do not take ownership of
the financial assets and liabilities they handle.

c) Captive financial institutions and money lenders provide financial services where most
of their assets or liabilities are not transacted on open financial markets.

3.98. FCs are distinguished from nonfinancial corporations at the first level of sectoring,
because FCs are engaged principally in providing financial services which are inherently
different from other types of productive activity. Key factors in deciding if an institutional unit
is part of the FCs sector are the incurrence of credit and financial risks, the existence of a
separate set of accounts for the financial intermediation activities, and the predominance of the
provision of financial services within the total production of goods and services of the unit. The
following institutional units are not included in the FC sector: (1) corporations or quasi-
corporations which mainly sell goods or nonfinancial services and provide credit directly to
their customers—for example, manufacturers or retailers that extend consumer credit under
their own credit plans; and (2) individuals or households that make loans or buy and sell foreign
currency, if they do not have separate and complete sets of accounts for their financial
activities.

3.99. For purposes of monetary statistics, a distinction is made between FCs that issue
liabilities included in broad money (known as DCs), and OFCs that intermediate in financial
assets, or engage in activities closely related to financial intermediation, but do not issue
liabilities included in broad money. The DCs subsector comprises the central bank, deposit-
taking corporations except the central bank, and money market funds (MMFs). The OFC
subsector of monetary statistics includes FCs other than DCs, which are classified as financial
intermediaries, financial auxiliaries and captive financial institutions and money lenders in the
2008 SNA.

3.100. Although not directly relevant for the compilation of monetary and financial statistics,
the 2008 SNA and the GFSM2014 decision trees (see footnote 5) for allocating institutional
units also distinguish between public, foreign controlled, and national private financial
corporations. Using source data for monetary statistics, this kind of grouping of FCs may be
undertaken if separate sectoral balance sheets are available for these three groups of ODCs and
OFCs.

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7 In BPM6, MMFs are included in the other financial corporations subsector.
Depository corporations (DCs)

3.101. Due to its special characteristics, the central bank constitutes a separate category within the DC subsector. When compiling monetary statistics, the accounts of deposit-taking corporations except the central bank, and MMFs are aggregated together and are presented in a consolidated form in the ODCs survey (ODCS).

Central bank

3.102. The central bank is the domestic financial institution that exercises control over key aspects of the financial system. The central bank functions generally comprise the following: (1) issuing currency,8 (2) regulating money supply and credit, (3) managing international reserves, (4) transacting with the IMF, and (5) providing credit to ODCs. In addition, central banks usually act as bankers to governments in holding central government deposits and in providing credit in the form of overdrafts, advances, and purchases of securities. Central banks in some countries also accept deposits from or provide credit to nonfinancial corporations, NPISHs, and households.9

3.103. The central bank subsector includes the following: (1) central banks, which in most countries are separate identifiable institutions subject to varying degree of government control, and have various names such as central bank, reserve bank, monetary authority, national bank, or state bank; (2) currency boards or independent currency authorities that issue domestic currency that is fully backed by foreign exchange reserves; and (3) government-affiliated agencies that are separate institutional units and primarily perform central banking functions, except those exclusively engaged in supervision and regulation of the financial system.

3.104. Many central banks act as fiscal agents of their central governments or government affiliated units. Transactions and financial positions should be attributed to the central bank when it is the principal debtor/creditor. When it acts only as an agent, the transactions or positions should be attributed to the unit that is the principal debtor/creditor. A key factor in determining the ultimate creditor/debtor is the acquisition of financial risks and the benefits from the transactions.

3.105. Many central banks also regulate and supervise deposit-takers and sometimes OFCs. If these activities are within the structure of the central bank, they are included in the central bank subsector. If the supervisory authorities are independent of the central bank, they are classified as financial auxiliaries, which are outside the central bank subsector.

3.106. Central banks usually have branches in various regions of a country. When compiling the central bank balance sheet, the accounts of all branches must be consolidated with the

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8 A few territories (Hong Kong SAR, Scotland, and Northern Ireland) have authorized private banks to issue currency, fully backed by reserves held with the central bank.

9 Some central banks offer deposit accounts and provide loans to their staff.
accounts of the headquarters. Central bank representative offices located in other economies are classified as resident financial auxiliaries in that economy. Such overseas representative offices with diplomatic immunity, however, are considered as part of the economic territory in which the central bank itself is located.

3.107. In many countries, the central bank performs all central banking function defined in paragraph 3.102. In some countries, however, certain central banking functions are performed wholly or partly by the central government. These functions might include currency issuance, the holding of international reserves, and conducting transactions with the IMF. In such situations, consideration could be given to compile, in addition to the central bank survey, a more expanded set of accounts, referred to as the monetary authorities accounts (described in more detail in Chapter 7). In these accounts, all data relating to central banking functions performed by the central government should be included along with the central bank’s data. This compilation framework represents the so-called functional approach, which groups stock positions and flows according to the functions or objectives they serve, as opposed to the institutional approach adopted in this Manual and in the 2008 SNA. Specifically, if the central government holds part of the international reserves, they are included in the monetary authorities accounts together with the reserves held by the central bank.

Currency boards

3.108. Currency boards are independent monetary authorities that issue national currency usually fully backed by foreign exchange reserves, at a fixed exchange rate vis-à-vis some major international currency. Although not engaged in all central banking functions, currency boards are part of the central bank subsector.

Government-affiliated agencies

3.109. In some countries, government-affiliated units perform certain central bank functions such as the issuance of coins and/or currency notes, the holding of international reserves, operation of exchange stabilization funds, or having financial relationships with the IMF. When the agencies undertaking such monetary authorities functions are institutional units separate from the central government (except those exclusively engaged in supervision and regulation of the financial system), they should be included in the central bank subsector.

3.110. However, if these units remain financially integrated with and under the direct control and supervision of the government, they cannot be treated as separate institutional units, and any monetary authority functions carried out by the government should be recorded in the central government subsector.

Currency unions and currency unions’ central banks

3.111. A common currency area, or a currency union, consists of more than one economy and has a CUCB with the authority to issue the legal tender of the area. To belong to this area, an
economy must be a member of the CUCB. Member countries of the currency union share a common currency and may have a single monetary and foreign exchange policy. Two kinds of currency unions are identified. (Box 3.2. See also BPM6, Appendix 3).

3.112. In the centralized model, the currency union has a CUCB owned by the governments of the member economies with the common currency issued by the CUCB and the central bank operations in each economy carried out by national directorates or agencies of the CUCB. This model is of the type observed in the Banque centrale des États de l’Afrique de l’Ouest (BCEAO), the Banque des États de l’Afrique centrale (BEAC), and the Eastern Caribbean Central Banks (ECCB). In a centralized currency union, in each member economy the central bank functions are deemed to be carried out by a national (resident) directorate or agency of the central bank. This institutional unit acts as the central bank for that economy and must be treated for statistical purposes as an institutional unit that is separate from the headquarters of the CUCB. In these currency unions, not all transactions carried out and positions held by the CUCB can be allocated to individual member countries. Transactions and positions that are conducted on the own account of the CUCB and cannot be allocated to member countries (in particular, international reserves) remain at the CUCB headquarter level and are taken into account, together with the allocated transactions and positions, only when monetary statistics are compiled at the currency union level.

3.113. The decentralized model was developed by the euro area through the creation of the European Central Bank (ECB). In the decentralized model, the currency union comprises a CUCB and currency union national central banks (CUNCBs) of the member economies, with the CUCB owned by the CUNCBs. The monetary policy decisions are taken by the decision-making body of the CUCB, which also coordinates the implementation of the decisions, a primary responsibility of the CUNCBs. In each economy, monetary activities with residents of the currency union are carried out by CUNCBs having their own assets and liabilities, and these activities are recorded in the national data.
Box 3.2 Currency Unions and Regional Central Banks

<table>
<thead>
<tr>
<th>Centralized Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>Banque centrale des États de l’Afrique de l'Ouest (BCEAO)</em></td>
</tr>
<tr>
<td>Benin, Burkina Faso, Côte d’Ivoire, Guinée-Bissau, Mali, Niger, Sénégal, Togo</td>
</tr>
<tr>
<td><em>Banque des États de l’Afrique centrale (BEAC)</em></td>
</tr>
<tr>
<td>Cameroon, Central African Republic, Chad, Republic of Congo, Equatorial Guinea, Gabon</td>
</tr>
<tr>
<td><em>Eastern Caribbean Central Bank (ECCB)</em></td>
</tr>
<tr>
<td>Anguilla, Antigua and Barbuda, Dominica, Granada, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Decentralized Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><em>European Central Bank (ECB)</em></td>
</tr>
<tr>
<td>Austria, Belgium, Cyprus, Estonia, Finland, France, Germany, Greece, Ireland, Italy, Latvia, Luxembourg, Malta, Netherlands, Portugal, Slovakia, Slovenia, Spain</td>
</tr>
</tbody>
</table>

3.114. The economic territory of a currency union consists of the economic territory of the currency union economies, plus the CUCB. The currency union needs to compile monetary statistics for the union-wide area, consolidating the accounts of the CUCB headquarters and the accounts of the CUNCBs, respectively. Foreign assets and liabilities of the CUCB will reflect its claims on and liabilities to nonresidents of the currency union. To support the compilation of the union-wide data, the sectoral balance sheets and surveys for economies in a currency union should have a two-way classification of claims on and liabilities to nonresidents: those vis-à-vis residents in other economies of the currency union, and those vis-à-vis nonresidents of the currency union.

3.115. When compiling the central bank balance sheet of a currency union economy, a crucial task is to allocate the liability for currency issuance amongst the countries’ central banks. The BCEAO and BEAC delegate the currency issuance to their member countries, and the banknotes are marked to show the country of issuance. As an estimate of currency in circulation, each country reports the currency it has issued less currency in deposit-taking corporations’ vaults. In the euro area, banknotes are placed in circulation by each CUNCB, and coins are placed in circulation at the national level. The amount of banknotes in circulation in each country is allocated every month in proportion to each CUNCB’s share of the ECB’s capital, with 8 percent of the banknotes allocated to the ECB itself, and coins are allocated on the basis of the national circulation (see also Annex 6.1).
Other depository corporations (ODCs)

3.116. For monetary statistics purposes, all FCs (other than the central bank) that incur liabilities included in broad money are classified as ODCs. (The definition of broad money is presented in Chapter 6.)

Deposit-taking corporations except the central bank

3.117. Deposit-taking corporations except the central bank have financial intermediation as their principal activity. To this end, they obtain funds from the public through the acceptance of deposits or other financial instruments (such as short-term certificates of deposits) that are close substitutes for deposits. Deposit-taking corporations may also issue bills, bonds, other debt securities, or other financial instruments.

Commercial banks

3.118. Commercial bank is the most common designation of an FC in this subsector. The range of activities in which a commercial bank can participate varies widely among countries, depending on national banking regulations and practices, and the sophistication of the financial system in each country. The most common services provided by commercial banks are accepting deposits and granting business and personal loans. In many countries, they are required to place reserve requirements at the central bank in a certain proportion to their deposit liabilities.

Other deposit-taking corporations

3.119. Many other types of financial intermediaries accept deposits and/or issue other types of liabilities that are close substitute for deposits and therefore are included in the definition of broad money. Other deposit-taking corporations have various names, depending on their principal activities and the national naming conventions.

3.120. Among the corporations and quasi-corporations that may be classified as other deposit-taking corporations are the following: (1) merchant banks; (2) savings and loan associations, building societies, and mortgage banks; (3) credit unions, and credit cooperatives; (4) municipal credit institutions; (5) rural banks and agricultural banks; (6) discount houses; (7) traveler’s check companies engaged mainly in financial activities; and (8) post office giro institutions.

3.121. This list is neither exhaustive nor prescriptive. Compilers of monetary statistics should investigate the characteristics of an FC’s liabilities to determine whether the liabilities should be included in broad money, which determines whether such FC should be covered in the ODC survey or not. (For more details see Chapter 6.)

3.122. Merchant banks specialize in financial activities that facilitate trade and commerce, typically dealing in international financing, long-term lending, and underwriting of securities.
They also have banking relationships with multinational and other large corporations but usually do not offer banking services to the general public.

3.123. Savings and loans associations, building societies, and mortgage banks specialize in long-term lending for purchases of real estate. Traditionally, building societies and savings and loans associations were organized as mutual associations—that is, individuals who provided funds or borrowed were association members who had voting rights and control of the institutions. Legal and regulatory changes have relaxed the rules governing these institutions in many countries. Building societies raise funds in commercial money markets, and savings and loans associations undertake functions similar to commercial banks.

3.124. Credit unions are NPIs owned and controlled by their members. By opening a deposit account at a credit union, an individual becomes a member—and partial owner—of the credit union, participating in its equity. Credit unions accept deposits (technically, these may be designated as shares) and grant various types of loans to their members. Regulation and reporting requirements vary from country to country.

3.125. Municipal credit institutions are independent, locally managed savings banks that concentrate their business activities on customers in the region. In general, they are not profit oriented. Their shareholders are usually located in one city or several cities in an administrative district.

3.126. Rural banks and agricultural banks are small community banks that provide financial services in rural areas. Due to the economic characteristics of their clients, they tend to specialize in micro-financing of rural activities. Collecting data from rural banks can be problematic: (1) in some countries, rural banks are not supervised by the central bank and do not have a legal obligation to report their data; (2) inadequate communication infrastructure in remote areas of the country may hinder regular reporting (although improvements in communication technology is reducing this problem); and (3) sufficient staff resources for timely and accurate compliance with reporting requirements may be lacking.

3.127. Discount houses raise funds primarily to finance investments in money-market instruments (for example, government bills, bankers acceptances, and certificates of deposits), and they purchase securities from individual banks for rediscounting with the central bank. If they issue liabilities included in the broad money, they are classified in the ODCs subsector; otherwise they should be classified as OFCs.

3.128. Traveler’s checks companies sell negotiable instruments that can be directly used in making third-party payments. A corporation that issues travelers’ checks should be classified as an ODC if it is an FC and if the traveler’s checks are included in broad money. Traveler’s checks which have characteristics of both currency and liquid deposits are included in broad money if it is expected that most of the checks will be used for domestic market transactions; they are excluded if most are expected to be used for foreign travel.
3.129. **Post offices** in some countries accept transferable and savings deposits, either on their own account or on behalf of third parties (e.g., the treasury or another financial corporation). Account holders in post office giro institutions may make third-party payments or may withdraw funds from their savings accounts at other post offices of the country. If this financial activity of the post office has a separate set of accounts, it should be included in the ODC sector. If the deposit-taking and transfer services are not separated from the accounts of the nonfinancial operations, the postal system in its entirety is classified as a nonfinancial corporation. Data on transferable and other deposits accepted by the postal system should be collected for inclusion in broad money (see also paragraph 6.55).

3.130. **Electronic money institutions** are entities authorized to issue electronic money, which is a payment instrument whereby monetary value is electronically stored on a physical device or remotely at a server (see paragraphs 4.34–4.38). Electronic money can usually be used for third-party payments and is, therefore, a close substitute for transferable deposits. An electronic money institution should be classified as an ODC if it is an FC and if the electronic money issued is included in broad money (see paragraph 6.30). Monetary value stored on pre-paid instruments does not represent electronic money when the instruments are designed to address specific needs only and can be used only in a limited way.10

**Offshore banks**

3.131. **Offshore banks** is a term for deposit-taking corporations established in jurisdictions that provide legal and fiscal advantages, such as low or no taxation and less stringent regulations in terms of reserve requirements or foreign exchange restrictions. They engage in various types of financial transactions, including deposit taking and the extension of loans denominated in currencies other than the currency of the economy in which they are located. They may be restricted from accepting deposits from residents of the economy in which they are located.

3.132. Offshore banks engaged in trade and finance are residents of the economies in which they are located. For the purpose of monetary statistics,11 it is recommended that offshore banks are included in the DCs subsector if they transact with residents of the economy in which they are located and issue liabilities included in broad money. If they do not issue such liabilities, they should be classified as OFCs. Because of the special characteristics of offshore banks, their data should be identified separately within the subsector.12

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11 The *BPM6* (paragraph 4.72) includes all offshore banks in deposit-taking corporations, regardless of whether they are in the money-issuing sector or not, and recommends that the money issuing sector be identified on a supplementary basis to assist in reconciliation with monetary data.

12 Separate identification of offshore banks or units will also allow reconciling monetary and financial statistics with the national accounts and balance of payments.
3.133. Given that offshore banks are often subject to less stringent regulations than onshore financial corporations, data collection from offshore units is sometimes difficult. If the central bank does not regulate the activities of offshore banks, it will need to negotiate the provision of data from the offshore units, or to seek special legal powers, to obtain reporting compliance.

Banks in liquidation

3.134. Because of financial difficulties, some deposit-taking corporations may operate under the control of receivers or regulators and others may have been closed. The deposit-taking corporations continue to exist until a formal bankruptcy or reorganization has taken place. Until such corporations are liquidated or reorganized, their deposits may be frozen. It is unclear as to whether depositors and other creditors will be able to recover all or part of their deposits or other funding and, if so, the length of time before creditors are reimbursed.

3.135. The deposit-taking corporations in liquidation or reorganization continue to have claims on various sectors of the economy which may be transferred to a restructuring agency or may be acquired by other depository corporations. Reorganization, sale, or merger of such depository corporations may result in all or part of the funds eventually becoming available to depositors and possibly or other creditors.

3.136. To avoid distortion in the monetary statistics during the restructuring process, it is recommended that banks in liquidation continue to be included in the ODCs subsector as long as they own financial assets and liabilities, but their liabilities be excluded from broad money as the depositors’ withdrawal demands cannot be met (see paragraph 6.42). Separate data on their accounts should be presented as memorandum items accompanying the ODC sectoral balance sheet. In practice, however, it is usually difficult to get data on the accounts of banks in liquidation reported on a regular basis.

Money market funds

3.137. **Money market funds (MMFs) are collective investment schemes that raise funds by issuing shares or units to the public.** The proceeds are invested primarily in money market instruments, MMF shares or units, transferable debt instruments with a residual maturity of not more than one year, bank deposits, and instruments that pursue a rate of return that approaches the interest rates of money market instruments. **For an investment fund to be recognized as an MMF, there needs to be: (1) a certain degree of capital certainty (reliable store of value); and (2) the possibility to withdraw funds immediately or on short notice.** If the conditions above are not met, the institution is not classified as an MMF but as a non-MMF investment fund.

3.138. Some MMFs may offer the facility to withdraw funds from shareholder accounts through checks payable to third parties or other means of direct third-party payment. These third-party transfers may be limited with respect to minimum amount or number of checks that can be written in a specified period.
MMF shares and units—whether or without third-party payment features—are highly liquid and very close substitutes for transferable and other deposits. MMF shares and units are thus included in broad money and all MMFs as defined in paragraph 3.136 are classified as ODCs.

Other financial corporations (OFCs)

3.140. OFCs comprise the following 2008 SNA subsectors: non-MMF investment funds, other financial intermediaries except ICPFs, financial auxiliaries, captive financial institutions and money lenders, insurance corporations, and pension funds.

3.141. FCs in the OFCs subsector may be supervised and regulated by official agencies at the state or national level rather than by the central bank, or not at all. Close collaboration between monetary statistics compilers and the agencies supervising the various types of OFCs is required in collecting and compiling monetary and financial statistics.

Non-MMF investment funds

3.142. Non-MMF investment funds, like MMFs, are collective investment schemes that raise funds by issuing shares or units to the public. They can be run under several denominations, such as mutual funds, investment pools, investment trusts, unit trusts, or institutions for collective investment. The proceeds are invested in a range of assets that can vary considerably, from highly liquid investments in short-term financial instruments (usually for a small percentage of their total assets, enough to ensure that requests to redeem shares or units are met without delay) to long-term investments in equity shares, mortgage loans, and real estate. Shares or units issued by non-MMF investment funds are not close substitutes for deposits because of the following reasons: (1) they are not transferable by means of checks or other means of third-party payments, and (2) their price can fluctuate according to market conditions and so they are not a reliable store of value. Consequently, shares or units issued by non-MMF investment funds do not meet the definition of broad money, as defined in Chapter 6, and are not included therein.

3.143. It is possible to distinguish between open-ended and closed-ended non-MMF investment funds. Open-ended investment funds issue and redeem shares on a continuous basis: each time a new investment is performed, new shares or units are created; when shares are redeemed, an investment must be sold to match such redemption. Closed-ended investment funds are open for subscription only during a specified period at the launch of the scheme; thereafter, investors can acquire shares only by buying them on a secondary market from other investors.

3.144. Depending on the investment strategy, different kinds of non-MMF investment funds can be identified as follows: (1) equity based investment funds; (2) security based investment funds; (3) real estate investment funds, which invest in debt and equity securities of companies
that purchase real estate; (4) mortgage real estate investment trusts (REITs),\textsuperscript{13} which provide money to real estate owners and operators either directly in the form of mortgages or other types of real estate loans, or indirectly through the acquisition of mortgage-backed securities; (5) index funds, which are index-tracking funds that mirror the performance of a specific group of shares; (6) exchange-traded funds, which are a subset of index funds that are priced continuously throughout the trading day, therefore trading like a stock; (7) funds of funds, which hold a portfolio or other investment funds shares rather than investing directly; and (8) hedge funds involving high minimum investments and light regulation, which invest in financial derivatives, take long and short positions in securities, and may sell over-the-counter derivative contracts.

\textit{Other financial intermediaries except insurance corporations and pension funds}

3.145. \textit{Other financial intermediaries except ICPFs consist of FCs that are engaged in providing financial services by incurring liabilities, in forms other than currency, deposits or close substitutes for deposits, on their own account for the purpose of acquiring financial assets.} It is a feature of a financial intermediary that transactions on both sides of the balance sheet are carried out in open markets.

3.146. FCs in the other financial intermediaries subsector generally raise funds on wholesale financial markets, and usually not in the form of deposits, and uses the funds to extend loans and acquire other financial assets. The intermediaries often specialize in lending to borrowers in particular sectors of the economy and for specialized financial arrangements. Some of the types of units classified as other financial intermediaries are described in the next paragraphs.

3.147. \textbf{Finance companies} extend credit mainly to nonfinancial corporations and households. They are less regulated than units in the ODCs subsector and often are subject to fewer reporting requirements. Finance companies offer such services as consumer loans, credit cards, small business loans, mortgage loans, economic development loans, and purchases of bankers’ acceptances and trade receivables. If finance companies accept deposits included in broad money, they should be classified in the ODCs subsector.

3.148. \textbf{Financial leasing companies} engage in financing for the purchase of tangible assets. The leasing company is the legal owner of the financed goods (airplanes, automobiles, machine-tools, mainframe computers, etc.); ownership is in effect conveyed to the lessee who incurs the benefits, costs, and risks associated with ownership of the assets.

3.149. \textbf{Central clearing counterparties (CCPs)} provide clearing and settlement of market transactions in securities and derivatives. Clearing refers to the process of offsetting obligations and entitlements vis-à-vis counterparties to transactions so that settlement—which involves the actual exchange of securities, derivatives, and funds—can occur more efficiently on a net basis.

\textsuperscript{13} Equity REITs are not considered as financial intermediaries and, thus, are not part of the FCs sector; they specialize in owning and managing real estate.
The CCPs involve themselves in the transaction and mitigate counterparty risk through what is called tri-party repo. CCPs are FCs—but not money issuers as they do not collect deposits from money-holding sectors. CCPs should, therefore, be classified as other financial intermediaries except ICPFs.

3.150. **Investment banks** assist corporations in raising funds in equity and debt markets and provide strategic advisory services for mergers, acquisitions, and other types of financial transactions. In addition to assisting with the raising of funds for their corporate clients, investment banks invest their own funds directly in the securities offerings of their clients. Other channels of funding include through individual investors (private equity) and hedge funds dedicated to direct investments in corporations (venture capital). Investment banks do not usually have liquid deposit liabilities included in broad money.

3.151. **Underwriters and dealers** specialize in securities market activities, operating through public exchanges, over-the-counter markets, and privately negotiated deals. They assist firms in issuing securities through the underwriting and market placement of new securities issues, and may trade in new or outstanding securities on their own account. Only underwriters and dealers that act as financial intermediaries are classified in this category. Securities brokers and other units that arrange trades between securities buyers and sellers but do not purchase and hold securities on their own account are classified as financial auxiliaries.

3.152. **Financial derivative intermediaries** consist of units that engage primarily in issuing and/or taking positions in financial derivatives.

3.153. **Securitization vehicles** are created to raise funds by selling securities backed by specific assets or income streams. Securitization is the practice whereby an asset or a pool of cash flow-producing assets is converted into marketable securities. For example, an originating mortgage lender could sell a portfolio of loans to a special purpose vehicle that issues securities to investors. The originator may continue to provide administrative services, but the vehicle is the legal owner of the portfolio. Such vehicles are included in “other financial intermediaries, except ICPFs” if the entity is the legal owner of a portfolio of assets, sells a new financial asset that represents an interest in the portfolio, and has, or it would be possible and meaningful to compile a full set of accounts. When the portfolio is not transformed, or the vehicle does not bear market or credit risks, then it should be combined with its parent (if resident in the same economy) or treated as a captive intermediary (if in a different economy to that of its parent).

3.154. **Specialized financial intermediaries** are a diverse group of highly specialized intermediaries such as: (1) export/import finance firms, which offer a broad range of financial and documentary services associated with international trade; (2) factoring companies, which acquire accounts receivables from commercial enterprises, extend credit by rediscounting the receivables, and provide guarantees that cover late or defaulted payments; (3) venture capital

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14 For a description of tri-party repos see Chapter 4, paragraph 4.91.
funds which pool funds of third party investors in start-up companies; and (4) mezzanine companies which provide short-term financing for corporate mergers and acquisitions.

3.155. **Asset management companies (AMCs)** and **bank restructuring agencies** are created to address the workout of nonperforming loans (NPLs) or other impaired financial assets through the acquisition, management, and disposal of the impaired assets, often in the context of a banking crisis. These entities can function as fast-disposal units for selling loans and/or other impaired financial assets, medium-term corporate restructuring agencies, warehouses for holding the NPLs for extended periods, and as hybrid units performing multiple functions. Most bank restructuring agencies have been established by governments as public institutions, but AMCs have also been created as subsidiaries of FCs to facilitate the management of their own NPL portfolios. For AMCs that are subsidiaries of ODCs and resident in the same economy as their parent, their balance sheets are consolidated with the balance sheets of their parent ODCs unless they meet all the criteria of an institutional unit (see paragraph 3.5).

3.156. If the entity is government-controlled, the extent to which it is engaged or not in financial intermediation will determine whether it is classified as a general government unit or an FC. The following criteria should be considered in determining whether the entity is an FC or part of general government, given that the market/nonmarket output criteria are usually insufficient for this purpose:

(a) An entity is more likely to be included in the general government sector if it (1) serves only government or primarily government; (2) it sells or buys financial assets at a value other than market values; and/or (3) it takes low risks because it has strong public financial support;

(b) An entity should be classified in the FCs sector if it (1) is a genuine holding company controlling and managing a group of subsidiaries; and/or (2) it borrows on the market at its own risk to acquire financial or nonfinancial assets that it actively manages.

3.157. If the government-controlled entity is considered to be operating as an FC, it is sectored as an FC according to the nature of its operations, usually in the subsector other financial intermediaries except ICPFs. Otherwise, it should be classified as a general government unit, with its transactions, assets and liabilities consolidated with those of the government.

**Financial auxiliaries**

3.158. **Financial auxiliaries consist of FCs 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.** Financial auxiliaries do not act as intermediaries. Some of the most common types of financial auxiliaries are described in the next paragraphs.
3.159. **Public exchanges**, **securities markets**, and **clearing houses** provide facilities in which commodities, debt and equity securities, and financial derivatives are transacted and/or settled. An exchange is often responsible for ensuring the qualifications of its members, guaranteeing the completion of transactions, clearing and netting transactions, arranging payments, resolving disputes, and guarding against fraud. Depositories and electronic clearing systems operated by FCs fall into this subsector, as do national self-regulatory organizations that regulate or supervise exchanges and related units. The subsector includes the exchange and a number of entities such as securities depository companies, accounting and clearing offices, other specialized providers of securities trading services, and non-governmental organizations that regulate or supervise exchanges and securities markets. Exchanges are identified as such if they (1) are legally determined to be exchanges by regulators or courts; (2) act as counterparties in trades; (3) maintain insurance or capital reserves; (4) exercise control over the trading of exchange members; and (5) operate a margining system or collect collateral.

3.160. **Brokers** and **agents** are individuals or firms that arrange, execute, or otherwise facilitate client transactions in financial assets. Included are brokers and agents who handle the purchase and sale of securities or other financial contracts for their clients, as well as providers of financial advisory services to brokers and their clients. Brokerage firms are distinguished from underwriters and dealers that are classified as other financial intermediaries. Only brokers and agents that clearly specialize in brokerage and related activities and do not take their own positions in financial assets should be included in this subsector.

3.161. **Foreign exchange companies**, or **bureaux de change**, are units that buy and sell foreign exchange in retail or wholesale markets. In many countries, foreign exchange corporations are licensed and regulated, and high quality data on their activities can be collected. In economies with foreign exchange controls, individuals or enterprises such as travel agencies engage in informal foreign exchange trade, complicating the measurement of overall activity. Commercial banks have departments that trade in foreign exchange and include this activity in their reported balance sheets.

3.162. **Insurance and pension funds auxiliaries** include agents, adjusters, and salvage administrators. The unique nature and the large scale of their activities in some countries justify the separate identification of these units.

3.163. **Financial derivative corporations** facilitate the issuance of financial derivative contracts, without issuing the financial derivatives or taking financial positions in them. Although these units may have financial assets, they are not classified as other financial intermediaries, because they do not intermediate by incurring liabilities in order to acquire financial assets. These financial derivative corporations are distinguished from financial derivative intermediaries that issue or take positions in financial derivatives, and which are classified as other financial intermediaries.
Representative offices of foreign banks that do not accept deposits or extend credits are classified as resident financial auxiliaries, even though they promote and facilitate transactions of the nonresident parent company.

Corporations primarily involved in the operation of electronic payment mechanisms are classified as financial auxiliaries, if they can be separately identified as institutional units, are primarily engaged in this specialized activity, and do not incur liabilities against the electronic payment instruments. If they incur liabilities against the issuance of electronic money, they are included in the ODCs subsector (if the electronic money is included in broad money).

Third-party payment processors, which provide banks with a payment platform, are classified as financial auxiliaries. Examples include online payment corporations, prepaid card corporations, and financial payment corporations.

Supervisory agencies and regulatory bodies that regulate or supervise FCs are sectored as financial auxiliaries if they are independent units, even if they are agencies affiliated with the government. When the regulation is exercised by the central bank through one of its departments, such regulatory activities are subsumed within the central bank. Regulatory bodies may become involved in extending emergency credits, or acquiring assets and liabilities of FCs during bankruptcies or reorganizations. When holdings of financial assets and liabilities become substantial, the unit should be reclassified as other financial intermediary except ICPF.

Managers of pension funds and of mutual funds are responsible for implementing the fund’s investment strategy and managing its portfolio trading. They are paid a fee for their services, which is normally a percentage of the fund’s average assets under management. The fund’s managers are allocated to the financial auxiliaries subsectors; the funds they manage are sectored either as MMFs, non-MMF investment funds, or pension funds.

Head offices of FCs that are engaged principally in controlling FCs or groups of FCs, but that do not themselves conduct financial intermediation are sectored as financial auxiliaries. Only if all or most of their subsidiaries are FCs are they classified as financial auxiliaries; otherwise they are allocated to the nonfinancial corporations sector.

Solicitor nominee companies are bare trusts that receive funds from private sources for lending secured by property. The nominee company holds the asset in its own name, but the holding is on behalf of the lenders, who are the beneficial owners of the loan.

Captive financial institutions and money lenders consist of institutional units providing financial services other than insurance where most of either their assets or liabilities are not transacted on open financial markets. It includes entities transacting within
only a limited group of units or subsidiaries of the same holding corporation, or entities that extend loans from own funds provided by only one sponsor.

3.172. Captive financial institutions are corporate subsidiaries that act as financial agents for their parent corporations, raising funds for lending to their parent corporations or for purchase of parent corporations’ accounts receivables. Captive financial institutions are sometimes operated by deposit-taking corporations for engaging in specialized activities or for regulatory reasons. If they are not treated as units separate from their parent corporations they are subsumed within the balance sheets of the parent corporations. They are classified in the OFC subsector if they can be treated as separate institutional units. Captive insurance companies and pension funds that serve their owners are not included in this subsector.

3.173. Holding companies are units that hold the assets of a group of subsidiary corporations and whose principal activity is owning the group. Such holding companies do not provide any other service to the enterprises in which the equity is held (i.e., they do not administer or manage other units). Such units are always allocated to the FCs sector and treated as captive financial institutions, even if all the subsidiary corporations are nonfinancial corporations.

3.174. Trusts are arrangements that provide for legal control of financial assets and liabilities and specify the use of the portfolio holdings and the income generated thereby. Personal trusts control portfolios of assets owned by individuals, and assets within personal trusts are treated as part of the direct holdings of the households that control the trust. Similarly, many pension funds are organized as trusts. In general, trusts are not recognized as separate institutional units and are consolidated within the units that control or benefit from them. Only in two circumstances trusts are treated as separate institutional units—that is quasi-corporations: (1) if they are constituted in a different economy to that of any of the beneficiaries; or (2) otherwise satisfy the definition of a quasi-corporation. For instance, trusts established for some types of financial intermediation (e.g., securitization, collateralized security issuance, investment pooling) may be recognized as separate units if (1) they act like financial intermediaries, and (2) no other unit can reasonably be considered as controlling the portfolio. Data on trusts administered by DCs that are located in the same economy as their parent should be reported together with the accounts of the parent corporations.

3.175. There are units that 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. The following units can be included in this group, provided that they qualify as quasi-corporations: (1) money lenders (persons or groups) that offer small personal loans at high rate of interest; (2) corporations engaged in lending from funds received from a sponsor such as a government unit or a NPI specialized in providing student loans, import/export loans, and other types of loans; (3) pawnshops or pawnbrokers that extend loans to individuals who use personal property as collateral.
3.176. SPEs are classified as captive financial institutions, provided that they are separate institutional units. In this regard, it is essential to establish whether the SPE has a full set of accounts, and is acting as a financial intermediary, such that it bears financial risk, otherwise its accounts are consolidated with those of its parent. Accounts that SPEs hold at financial institutions should be classified in the same sector as their parent units, if the SPEs are not treated as separate corporations. An SPE established in a different economy to its parent is always treated as a separate unit and sectored as other financial intermediaries in the economy in which it is incorporated.

3.177. Sovereign wealth funds (SWFs) are created and owned by the general government to hold, manage, or administer assets to achieve financial objectives. They employ a set of investment strategies, which include investing in foreign financial assets. The funds are commonly established out of balance of payments surpluses, official foreign currency operations, privatization proceeds, fiscal surpluses, and/or receipts resulting from commodity exports. The establishment of an SWF thus raises the issue of whether it is a separate institutional unit of the OFC subsector or part of the general government. As with SPEs, the decision will depend on whether the SWF actively manages its portfolio and provides financial services on a market basis to government or simply acts as a passive holder of the government’s assets.

3.178. Sometimes, the SWF engages the central bank as an agent to handle its transactions in foreign assets, but retains all investment decisions and the risks and rewards associated with them. In such cases, the accounts of the SWF should be kept by the central bank off-balance sheet. On other occasions, the SWF constitutes deposits with the central bank, which represent the value of the fund; with the central bank bearing all risks and rewards associated with managing those assets. In such cases, the deposits of the SWF are recorded by the central bank on its balance sheet as a liability to the SWF, and the corresponding assets are recorded as part of total central bank assets.

3.179. If the fund is an entity incorporated abroad or a quasi-corporation located abroad, it is treated as a separate institutional unit in the FCs sector of the economy in which the entity is legally incorporated or domiciled.

**Insurance corporations**

3.180. Insurance corporations consist of incorporated, mutual, and other entities whose principal function is to provide life, accident, fire, or other forms of coverage to individual institutional units, or reinsurance services to other insurance corporations. Captive insurances, which are insurance companies that serve only their owners, and reinsurance corporations are also included in this subsector. Insurance corporations may also operate pension plans, as indicated in the next section.

3.181. Life insurance corporations invest premiums to build up portfolios of financial assets to be used to meet future claims. Non-life insurance corporations provide financial benefits to
policy holders in the event of accidents, fire, property loss, health-related expenses, etc., spreading current risk or expenses among clients. Some individual insurance corporations sell both life and non-life insurance, in which case they are called composite insurance companies.

3.182. Some corporations create captive insurance subsidiaries to handle their insurance needs. Captives are units separate from their parents and are included in this subsector. Captives collect premiums from their parent corporation, then reinsure themselves or invest their assets to build up reserves against future claims of the parent corporation. Some captives also provide insurance for unaffiliated units.

3.183. Reinsurance corporations insure the insurance policies written by other insurance corporations in exchange for insurance premiums. Insurance corporations purchase reinsurance to offset policy risk, thereby capping the net loss incurred if the insured event occurs.

3.184. Financial guarantee corporations, including national deposit guarantee schemes and similar deposit protection arrangements, insure customers against financial loss on specific securities or other contracts, or against losses from collapse of financial institutions. Deposit insurers, issuers of deposit guarantees, and other issuers of standardized guarantees that are separate entities and function like insurers by constituting reserves and charging premiums proportional to the cost of the service provided, are sectored as insurance corporations. Very often, guarantees on financial instruments are provided by banks, securities brokers, and other financial intermediaries as secondary activities. Guarantee corporations that do not act like insurance corporations and do not take risks on to their own books should be classified within financial auxiliaries. In borderline cases where it is not easy to distinguish between financial guarantee corporations and insurance corporations, the units should be classified as insurance corporations.

**Pension funds**

3.185. Pension funds are established to provide retirement benefits for specific groups of employees. Governments sometimes organize pension plans for their employees, which are independent of the social security system. Pension plans can be established on a voluntary basis, or they can be compulsory with mandated contributions from the employee, employer, or both. Pension schemes may be operated by a separately constituted pension fund, or a fund that is operated by the employer.

3.186. Pension plans may be **funded** or **unfunded**. Funded plans have separate pools of financial assets, or reserves, assigned for the payment of benefits. Unfunded plans are operated by employers who do not create specific pension-fund reserves for the payment of benefits. By definition, unfunded pension schemes have no assets.

3.187. There are three types of funded pension plans: (1) those operated by insurance corporations; (2) those operated as autonomous pension funds; and (3) those operated as
nonautonomous pension funds. All three types of pension funds hold reserves dedicated to the payment of pensions and other retirement benefits to the employees or other beneficiaries.

3.188. **Autonomous pension funds are separate funds (i.e., separate institutional units) established for purposes of providing incomes on retirement for specific groups of employees which are organized, and directed, by private or public employers or jointly by the employers and their employees.** Nonautonomous pension funds are not separated from the entity who has organized them, and so their assets and liabilities are reflected in the accounts of that entity.

3.189. **The pension fund subsector consists of only autonomous pension funds.** These pension funds have their own separate sets of pension-fund assets and liabilities, with specific obligations to their contributors.

3.190. Depending on how the benefits are determined, pension plans may operate as **defined benefit plans** or **defined contribution plans**. Under a defined benefit plan, the future retirement benefits are determined by an actuarial formula related to participants’ lengths of service and salaries, expected retirement ages, mortality rates, etc. Under a defined contribution plan, the benefits to be received by a participant are based on the participant’s contributions to the pension fund and the investment performance of the fund.

3.191. Excluded from the pension fund subsector are nonautonomous pension funds managed by the employer, state-sponsored pension systems funded through wage taxes (pay-as-you-go schemes), and arrangements organized by non-government employers and for which the reserves of the fund are simply included among the employer’s own resources or are invested in securities issued by that employer. All assets, liabilities, transactions, and other events of nonautonomous pension funds are combined with the accounts of the employer who operates the scheme and are classified in the same institutional sector as the employer.

**B. Nonfinancial corporations**

3.192. **The nonfinancial corporations (NFCs) sector encompasses corporations and quasi-corporations whose principal activity is the production of market goods or nonfinancial services.**

3.193. The NFCs sector is composed of the following resident institutional units: (1) all resident nonfinancial corporations, regardless of the residence of their shareholders; (2) the branches of nonresident enterprises that are engaged in nonfinancial production in the economic territory on a long-term basis; and (3) all resident NPIs that are market producers of goods or nonfinancial services.

3.194. Some nonfinancial corporations or quasi-corporations may have secondary financial activities—for example, producers or retailers of goods that provide consumer credit directly to their customers. Such corporations are classified as belonging entirely to the nonfinancial corporations sector, provided that their main activities are nonfinancial.
3.195. Two classification criteria are used in the 2008 SNA to subsector the NFCs. One criterion is to show NPIs separately from other units in the sector. Units other than NPIs may be described as for profit institutions (FPIs). The second criterion is that of control, to show: (1) public nonfinancial corporations, (2) national private nonfinancial corporations, and (3) foreign controlled non-financial corporations. For monetary and financial statistics, the resident NFCs sector is split into only two subsectors—public nonfinancial corporations and other nonfinancial corporations.

3.196. The criteria for control of corporations and NPIs by government and nonresident units are described in the subsection Legal or social entities above. Corporations controlled by government are described as public nonfinancial corporations (PNFCs), while corporations controlled by nonresidents are described as being foreign controlled.

Public nonfinancial corporations

3.197. Public nonfinancial corporations (PNFCs) consist of resident NFCs and quasi-corporations that are subject to control by government units, another public corporation, or some combination of government units and public corporations (see the definition in paragraph 3.22). To be sectored as a public nonfinancial corporation, rather than as a government unit, a corporation must be a market producer of goods or nonfinancial services (i.e., charge economically significant prices as defined in paragraph 3.35).

3.198. In practice, it may be difficult to determine whether the prices charged are economically significant. Although there is no prescriptive numerical relationship between the value of sales (excluding taxes and subsidies) and the production costs, one would expect the value of the sales by PNFCs to average at least half of the production costs over a sustained multiyear period.

3.199. For instance, public railway and urban transportation systems may generate losses, but the fares for their service are high enough to produce sizable revenue for the corporation and to influence the public’s decisions to use or not use the system. Some government services are, however, provided for nominal fees that are so low that the fees do not ration the use of the facilities and do not produce enough revenue to contribute significantly to the financing of the operations.

3.200. A government-controlled publishing office that is an institutional unit and sells its publications at prices that cover at least half of its production costs should be classified as a PNFC. However, a national statistical office will be considered part of the central government, even if its publications are sold to the general public, because this activity produces only a modest amount, and is not the main source of revenue.

3.201. The distinction between market and nonmarket producers should be made on a case-by-case basis. Once a government-controlled unit is classified as a market—or a nonmarket—
producer, it should be reclassified only if a change in pricing holds for several years or is expected to hold for several years.

3.202. A government-controlled entity that is an internal service organization such as a transportation pool, a supply depot, or a munitions factory that sells its output to other government units is treated as an ancillary and its activities are consolidated with the other activities of the government unit that controls it.

3.203. For a market producer corporation (or quasi-corporation) controlled by government to exist and be grouped with public corporations, the government must allow considerable discretion with respect to the management of production and the use of funds. The corporation must be able to maintain its own working capital and finance some or all of its capital formation, either from own resources or by borrowing. The ability to distinguish flows of income and capital between a corporation and the government unit that owns it implies that the operating and financing activities of the corporation are not fully integrated with the parent unit’s corresponding activities, even if the corporation is not a separate legal entity. Market producers that do not satisfy the requirements to be recognized as a corporation or quasi-corporation are integrated with the general government unit that controls them.

3.204. It is important to distinguish between public and private nonfinancial corporations, and between government units and units that are PNFCs. The starting point in achieving a proper subsectoring should be the development of an official and comprehensive list of institutional units belonging to the PNFCs subsector. This list should be distributed to the central bank, ODCs, and OFCs, to ensure a uniform subsectoring of these units. The list should be periodically reviewed and updated. Some countries have introduced an identification code (linked to the tax system) for each institutional unit, which would lead to inclusion of each unit in its appropriate sector/subsector.

Other nonfinancial corporations

3.205. Other nonfinancial corporations include all resident nonfinancial corporations that are not controlled by government. Within this category, the 2008 SNA (but not this Manual) distinguishes national private nonfinancial corporations from foreign-controlled nonfinancial corporations. For monetary and financial statistics, the national private and foreign-controlled nonfinancial corporations are combined into the category of Other non-financial corporations.

National private nonfinancial corporations

3.206. National private nonfinancial corporations include all resident nonfinancial corporations that are not controlled by government or by nonresident institutional units.

3.207. Some private nonfinancial corporations may produce goods or services for the government (that is, public goods or public services) or goods or services for which production is subsidized by the government. Even if the goods or services are not being produced for the
market, corporations that produce the goods or services and charge economically significant prices should be classified as private nonfinancial corporations.

3.208. This subsector also includes NPIs that produce goods or nonfinancial services for the market, such as units engaged in providing education or health services on a fee basis, or trade associations serving enterprises.

**Foreign-controlled nonfinancial corporations**

3.209. Foreign controlled nonfinancial corporations comprise all resident nonfinancial corporations that are controlled by nonresidents. The classification is based on majority control (more than 50 percent of the shares) and is therefore not identical to the balance of payments concept of direct investment enterprises, which includes associated firms (those with 10–50 percent ownership by nonresidents). This subsector includes: (1) subsidiaries (but not associates) of nonresident corporations; (2) corporations controlled by nonresident units that are not corporations, such as a corporation controlled by a foreign government, or by a group of nonresident units acting in concert; and (3) branches or other unincorporated entities controlled by nonresidents that engage in significant amounts of production in the economic territory on a long-term basis and therefore are treated as resident quasi-corporations.

**Special cases**

**Unincorporated enterprises within households**

3.210. Household unincorporated market enterprises are created for the purpose of producing goods or services for sale or barter on the market. They can engage in any kind of productive activity, and can range from individuals working as street vendors with no capital or premises of their own, to manufacturing, construction, or service enterprises with several employees. These enterprises also include unincorporated partnerships in which the partners belong to different households.

3.211. If these unincorporated enterprises have their own sets of accounts, independent of the households, and their owners do not bear unlimited liability for the debts of the business, they are treated as quasi-corporations and are classified in the nonfinancial corporations sector. Otherwise, they are classified as part of the household sector.

**C. General government**

3.212. Government units are unique kinds of legal entities established by political process that have legislative, judicial, or executive authority over other institutional units within a given area. Viewed as institutional units, the principal functions of government are to assume responsibility for the provision of goods and services to the community on a non-market basis, to redistribute income and wealth and to finance their activities out of taxation or other compulsory transfers.
3.213. The general government sector consists of all government units and all non-market NPIs controlled by government units. Depending on the administrative and legal arrangements, more than one level of government exists within a country, but not all countries have all levels of government. The 2008 SNA and the GFSM2014 provide two principal methods for delineating the subsectors of general government. The first method divides general government into: (1) central government; (2) state governments; (3) local governments; and (4) social security funds. The second method, which is the recommended method in this Manual, subsumes the social security funds within the general government subsectors—central, state, or local government—in which the social security funds operate.

3.214. A government unit is not limited to a specific geographic location, given that ministries and government departments may be dispersed throughout a country, and branch offices and agencies may be maintained in various locations. Despite their separate locations, these government offices are part of a single institutional unit of government.

**Central government**

3.215. The political authority of a central government extends over the territory of the country. The central government has the authority to impose taxes on all resident and nonresident units engaged in economic activities within the country.

3.216. The central government is a large and complex subsector. It is composed of a central group of departments or ministries, plus autonomous units under the authority of the central government. The departments (or ministries) are sometimes deliberately dispersed throughout the country, but they nevertheless remain part of the central government. Similarly, if the central government maintains branch offices or agencies in different parts of the country to meet local needs, including military bases or installations that serve national defense purposes, these must also be counted as part of the central government. For instance, a Ministry of Health may maintain a network of hospitals in different parts of the country. The accounts of the hospitals are classified as part of central government, rather than treated as part of local government.

3.217. Entities such as health or education ministries maintain establishments (hospitals, schools, universities, etc.) for the provision of general public services that are free of charge or require payment of fees which are not economically significant. The accounts of these entities should be reported within central government.

3.218. If the units such as hospitals and schools charge economically significant prices for their services and receive revenue that is the main source of financing of their operations, are managed autonomously and own assets and incur liabilities for their own account, they may be considered to be market NPIs, and their accounts included in the public nonfinancial corporations subsector.
3.219. Compilers need to be provided with a comprehensive list of agencies and other entities that belong to the central government (as well as lists of entities within state and local government), based on the definitions of this Manual and other statistical manuals. Responsibility for providing this list should reside with a single government agency such as the ministry of finance or the general accounting office. The list should be periodically reviewed and updated.

3.220. In some countries, the central government may include units that engage in financial activities that are undertaken by central banks in other countries, such as issuance of currency, holding of international reserves and operation of exchange stabilization funds, and/or a financial relationship with the IMF. When such units remain financially integrated with central government and under direct control and supervision of central government, their activities are recorded in the central government subsector. Nonetheless, analytic importance is attached to compiling a single set of accounts that cover all monetary authority functions performed by the central bank and the central government, as explained in the subsection on central bank above.

**Non-market NPIs**

3.221. Non-market NPIs controlled by the central government, although legally non-government units, should be classified as part of the central government sector. Governments may choose to use NPIs rather than government agencies to carry out some government policies. Government NPIs take the form of research and development institutes, standard setting agencies, environmental protection agencies, etc.

3.222. An NPI primarily financed by the central government through the national budget should be considered a central government agency, even if it charges fees for its services or has a significant source of income through the sale of its products. For instance, it is common for standard-setting agencies to charge for the issuance of certificates of quality, or for research and development institutes to copyright and sell their discoveries. However, these proceeds are not their main sources of income, and they continue to primarily rely on government transfers to finance their activities.

**Autonomous agencies**

3.223. Within the central government sector are numerous units created for special purposes and which enjoy substantial administrative autonomy in terms of policy setting and budget management. Nevertheless, these should be classified as part of the central government, because they are funded mainly through the national budget.

3.224. Special agencies may have separate legal identity and discretion over the volume and composition of their expenditures, and may have a direct source of revenue in the form of earmarked taxes. Such agencies are often established to carry out specific functions such as road construction or the non-market production of health or education services.
3.225. **Market regulatory agencies** act on behalf of a government (or a regional organization with governments as its members), and influence the market for specific goods or services directly and/or indirectly. The nature of these market regulatory agencies may differ, and should be investigated to decide the sector classification. If the agencies merely distribute subsidies, or have solely administrative, advisory or price setting functions, they should be classified in the general government sector. Those agencies with principal activity to buy, hold, and sell goods or services at economically significant prices should be classified in the nonfinancial public corporations sector. Those market regulatory agencies that meet the definition of an international or regional organization are classified as residents of the rest of the world.

3.226. **Sinking funds** are separate accounts, which may be institutional units or not. They are made up of segregated contributions provided by the units that make use of the funds (the “parent” units) for the gradual redemption of the parent units’ debt. Sinking funds may also be established to provide for major repairs or replacements. Public sector sinking funds are classified to sectors according to whether they are separate institutional units and, if so, whether they provide their services at economically significant prices or not. Sinking funds that are separate institutional units and provide services as market producers are classified as public financial corporations. Sinking funds that are separate institutional units and provide services as nonmarket producers are classified as general government units. Sinking funds that are not separate institutional units are classified with the unit that controls them.

3.227. **Agencies that manage internationally financed development projects** such as those financed by multilateral organizations (e.g., the World Bank) or donor agencies (e.g., USAID), normally have the power to hire staff, acquire goods, and contract work for project implementation. These managing agencies open special accounts, either at central banks or at commercial banks, for the project funds. These agencies enjoy autonomy, but their expenditures are project-related. They are usually classified as part of the central government. The central government (generally the ministry of finance or the ministry of development) negotiates the loans or grants with the international organizations and assumes the financial liabilities for the project. For analytical purposes, separate identification of the government accounts related to projects financed by international agencies is recommended.

3.228. **National universities** are a special case of units providing education services. Even if they are incorporated into the ministry of education and receive most of their funding through the national budget, they enjoy a much greater degree of policy and financial autonomy than primary or secondary schools. If the universities are controlled by a central government unit (e.g., the ministry of education) and their main source of funding is the central government, their accounts should be part of the central government accounts, even if the universities can freely spend the funds provided by the central government after transfer to their accounts. If controlled at the state level, the university is part of the state government subsector.

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15 In some cases, the loans or grants are extended to a lower level of government or to a financial institution that manages the funds. In these cases, the accounts opened to administer the projects are classified within the corresponding sector (state or local government, or FCs).
3.229. Political parties are normally part of the NPISH sector. In single-party states, the relationship between the central government and the government party may determine that the party should be classified within the central government subsector.

Public-private partnerships

3.230. Public-private partnerships (PPPs) are long-term contracts between two units, whereby one unit acquires or builds an asset or set of assets, operates it for a period, and then hands the asset over to a second unit. Such arrangements are usually between a private enterprise and government, but other combinations are possible, with a public corporation as either party or a private NPI as the second party. These schemes are described variously as PPPs; Private Finance Initiatives (PFIs); Build, Own, Operate, Transfer schemes (BOOTs); and so on.

3.231. PPP arrangement may or may not result in a creation of a separate institutional unit. When a separate institutional unit is established (a joint venture) as a result of an PPP arrangement, its sector classification is determined by which unit has economic control of the unit based on the market/nonmarket output criteria, given the nature of the unit. If the PPP operates as a nonmarket producer, then government is in effective control and it is classified as part of the general government sector. If the PPP is a market producer, sectoring as a public nonfinancial corporation or other nonfinancial corporation will depend on the control (whether it is controlled by a government unit or a private corporation). Relevant for monetary statistics compilers is the sectoring of FCs’ claims on and liabilities to PPP units.

Special purpose entities of general government

3.232. Governments may set up SPEs that may be involved in fiscal or quasi-fiscal activities, such as securitization of assets or borrowing. Resident SPEs that function only in a passive manner relative to general government and that carry out fiscal and quasi-fiscal activities, do not satisfy the criteria to be institutional units and are therefore treated as part of government, regardless of their legal status.

3.233. Resident SPEs acting independently, acquiring assets and incurring liabilities on their own behalf, accepting the associated risk, are treated as separate institutional units and classified to a sector according to their principal activity.

3.234. SPEs that are resident in a different country than their controlling government are always classified as separate institutional units in the economy where they are established. A government may create nonresident SPE to undertake government borrowing or incur government outlays abroad for fiscal purposes. Even if there are no actual economic flows recorded between the government and the SPE related to these fiscal activities, flows and stock

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positions should be imputed in the accounts of both the government and the rest of the world to reflect the fiscal activities of the government undertaken by the SPE.

State, provincial, or regional governments

3.235. State, provincial, or regional governments exercise some of the functions of government at a level below that of central government and above that of the governmental institutional units existing at a local level. This subsector consists of state, provincial, or regional governments that are separate institutional units plus those nonmarket NPIs that are controlled by state, provincial, or regional governments.

3.236. A state, province, or region is the largest geographical area into which a country may be divided for political or administrative purposes. The legislative, judicial, and executive authority of a state government extends over the entire area of an individual state, which usually includes numerous localities. The autonomy, powers, and responsibilities of states vary widely among countries, depending on their political and historical circumstances. In some countries, individual states do not exist.

3.237. A state government usually has the fiscal authority to levy taxes on institutional units that are resident in, or engage in economic activities or transactions within, its area of jurisdiction. It must also be entitled to spend or allocate some, or possibly all, of the taxes or other revenue that it receives according to its own policies. It should also be able to appoint its own officers, independently of external administrative control. If a regional unit is entirely dependent on funds from central government, and if the central government also determines the ways in which these funds are to be spent, for statistical purposes the unit should be treated as an agency of the central government rather than as a separate level of government.

3.238. The principal departments and ministries of a state government will constitute a single institutional unit similar to the core unit of the central government. In addition, there may be agencies that operate under the authority of a state government and have separate legal identity and enough autonomy to form additional institutional units. The same considerations that apply to the central government regarding non-market NPIs, autonomous agencies, and SPEs are applicable to determination of whether these units are part of the state government subsector or some other sector. State governments may own or control corporations or have other units that engage in market production and which are classified as quasi-corporations.

3.239. The authority over some institutional units may be shared by two or more states. Such units are included in the state government subsector.

Local governments

3.240. The local government subsector consists of local governments that are separate institutional units plus those nonmarket NPIs that are controlled by local governments. The legislative, judicial, and executive authority of local government units is restricted to the
smallest geographic areas distinguished for administrative and political purposes. The scope of their authority is less than that of the central or state governments, and such governments may or may not be entitled to levy taxes on institutional units or economic activities in their areas.

3.241. Typical sources of revenue for local government are taxes on real estate and automobiles and fees for collective services (e.g., trash collection). Local governments are typically dependent on grants and transfers from higher levels of government. In some countries, local governments are able to raise funds by issuing bonds. Local governments are entitled to own assets, raise funds, and incur liabilities on their own account and must also have some discretion over their expenditures and should be able to appoint their own officers independent of external administrative controls.

3.242. Local governments provide a wide range of services to local residents. Typical functions include: (1) educational establishments for which users’ fees are small in relation to the cost of providing the service; (2) hospitals and social welfare establishments, such as kindergartens, nurseries, and welfare homes; (3) public sanitation and related entities, such as water purification systems and plants, refuse collection and disposal agencies, cemeteries, and crematoria; and (4) cultural, leisure, and sports facilities, such as theaters, concert halls, museums, art galleries, libraries, parks, and open spaces. Local governments may provide these services directly, or may subcontract with a private corporation.

3.243. The principles for classifying units at the central and state government level also apply to the local government subsector. Units, such as municipal theaters, museums, swimming pools, etc., that satisfy the criteria to be a quasi-corporation should be classified in the nonfinancial corporations sector if the services are supplied on a market basis. Units supplying services, such as education or health on a non-market basis, remain an integral part of the local government unit to which they belong.

3.244. Statistics for local government may cover a wide variety of governmental units, such as counties, municipalities, cities, towns, townships, boroughs, school districts, and water sanitation districts. Local government units with different functional responsibilities often have authority in the same geographic area. For example, separate government units representing a town, a county, and a school district may have authority over the same areas. Two or more contiguous local governments may jointly organize a government unit with regional authority that is accountable to the local governments. Such units should also be included in the local government subsector.

3.245. Government units serving both a state and one or more local governments are included at the level of government that accounts for the largest share of their operations and financing. In some countries, other levels of government exist between the central government and the lower levels of government. These intermediate levels of government are grouped together with the level of government, either state or local, with which they are most closely associated.
Social security funds

3.246. A social security fund is a particular kind of government unit that is devoted to the operation of one or more social security schemes. Social security funds can be found at all government levels (central, regional, local). To be treated as independent institutional units, they must be organized separately from the other activities of the government, hold their assets and liabilities separately and engage in financial transactions on their own account.

3.247. Social protection schemes are systematic government interventions intended to relieve households and individuals of the burden of a defined set of social risks. Typical social risks covered by these schemes are: (1) old age; (2) invalidity; (3) death; (4) sickness and maternity; (5) work injury; and (6) unemployment. The government provides the relief in the form of social benefits which are transfer payments (in cash or in kind) provided in a collective arrangement. Social protection schemes cover the community as a whole, or large sections of the community and generally involve compulsory contributions by employees and/or employers. The terms under which benefits are paid to recipients are determined by the government.

3.248. Social security funds can be very large and play an important role in government policies and the mobilization of financial resources of the entire community. Because the government can vary social security benefits as part of its overall economic policy, no liabilities are associated with social security schemes. In some countries, social security funds may become so closely integrated with the other finances of the government as to bring into question whether they should be treated as a separate subsector of the general government. Even if they are separately constituted, this Manual recommends combining the accounts of social security funds with the level of government at which they operate.

3.249. Social security funds are distinguished from autonomous pension schemes provided by employers and which have benefits that are linked to employment. These schemes, operated privately or by the government, are included in the OFC sector.

D. Households

3.250. A household is defined as a group of persons who share the same living accommodation, pool some or all of their income and wealth, and consume certain types of goods and services (mainly housing and food) collectively. In general, each member of a household should have some claim upon the collective resources of the household. Unattached individuals are also considered households.

3.251. Households often coincide with families, but members of the same household do not necessarily have to belong to the same family as long as some sharing of resources and consumption exists. Households may be of any size and take a wide variety of different forms in different societies or cultures, depending on tradition, religion, climate, geography, and other socioeconomic factors.
3.252. Domestic staff that live on the same premises as their employer do not form part of their employer’s household, even though they may be provided with accommodation and meals as remuneration in kind. They have no claims upon the collective resources of their employer’s households, and the accommodation and food they consume are not included with their employer’s consumption. They should be treated as belonging to a separate household.

3.253. Persons living in institutions and who are expected to reside in the institutions for long, or indefinite, periods of time are treated as belonging to a single household if they have little or no autonomy of decision making or action in economic matters. Some examples of persons belonging to institutional households are (1) members of religious orders living in monasteries, convents, or similar institutions; (2) long-term patients in hospitals, including mental hospitals; (3) prisoners serving long sentences; and (4) persons living permanently in nursing or retirement homes.

**Households as producers**

3.254. Households may engage in various kinds of economic activity, not merely consumption. Members of households play a major role in production through the operation of their own unincorporated enterprises (often referred to as ‘sole proprietors’) or through the supplying of labor as employees of unincorporated or corporate enterprises. A household-owned enterprise that is not a corporation or quasi-corporation constitutes an integral part of the household itself.

3.255. Household sector production takes place in enterprises that are directly owned and controlled by members of households, either individually or in partnership with others. Producer units within the household sector are all unincorporated, meaning that the producer unit is not a separate legal entity from the household itself and the household is liable, without limit, for all debts or other obligations incurred in the course of production.

3.256. Households’ unincorporated enterprises may produce for the market or for their own final use. Some household enterprises are created solely for the purpose of producing goods or services for sale or barter on the market. Other household enterprises operate primarily for production of goods or services for own final use, such as the activities of subsistence farmers, and households engaged in the construction of their own dwellings.

3.257. Unincorporated enterprises owned by households and engaged in market production are classified in the household sector. If these enterprises qualify as quasi-corporations, they are included in the nonfinancial corporations sector.

**E. Nonprofit institutions serving households**

3.258. NPIs are allocated to the financial or nonfinancial corporations sector when they are engaged in market production and to the general government sector if they are engaged in nonmarket production and subject to government control. However, the majority of NPIs are
likely to be nonmarket producers that provide goods or services to their members, other households, or the community as a whole, either free or at prices (or fees) that are not economically significant. Non-market NPIs that are not financed and are not controlled by government units are called NPIs serving households (NPISHs) and constitute a separate institutional sector.

3.259. NPISHs are mainly financed from contributions, subscriptions from members, and earnings on their holdings of financial and nonfinancial assets. The NPISH sector includes two major categories: (1) trade unions, professional or learned societies, consumers’ associations, political parties (except in single party states), churches or religious societies (including those financed by the government), and social, cultural, recreational, and sports clubs; and (2) charities and relief or aid organizations financed by voluntary transfers (in cash or in kind) from other institutional units.

3.260. Compilers may need to consider borderline cases or misleading designations in deciding whether a unit should be classified as a NPISH or a nonfinancial corporation. For example, recreational and sports clubs are classified as NPISHs if they are not-for-profit and are organized as civil associations. However, sports clubs that are organized as private enterprises are classified in the nonfinancial corporations sector. Professional associations can be borderline cases for which it is necessary to determine if they serve households (and therefore are NPISHs) or serve corporations.

3.261. For monetary statistics, households and NPISHs are combined in the category of Households and NPISHs. It is recommended that compilers identify a memorandum item “of which: households.”