



EUROPEAN MONETARY INSTITUTE

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OPINION OF THE EUROPEAN MONETARY INSTITUTE

at a request of the Council of the European Union under Article 109 f (6) of the Treaty establishing the European Community (“the Treaty”) and Article 5.3 of the Statute of the EMI on a Draft Proposal for a Council Regulation on the allocation of the financial intermediation services indirectly measured (FISIM) within the European system of national and regional accounts (ESA) (COM(97) 50 final) (“the Draft Regulation”)

CON/97/23

1. The present opinion was requested in a letter dated 18 March 1997 from the Council of the European Union which, for this purpose, transmitted to the EMI document “COM(97) 50 final” containing the Draft Regulation and its explanatory memorandum. The EMI is competent for this consultation, by virtue of Articles 109f (6) of the Treaty and Article 5.3 of the Statute of the EMI.
2. The objective of the Draft Regulation is to introduce the system for breaking down the FISIM, in accordance with Article 2(3) of Council Regulation (EC) No 2223/96 of 25th June 1996 on the ESA (“the ESA 1995 Regulation”)¹, and, if appropriate, to adopt the necessary measures for the implementation thereof. Breaking down the FISIM allows the services provided by financial intermediaries to households, the rest of the world, general government and non-profit-making institutions to be reflected in GDP. These services are currently recorded by convention as intermediate consumption, to the extent that they are not directly charged to customers. This might distort GDP, and affect cross-country comparisons to the extent that direct invoicing of customers by financial intermediaries varies from one Member State to any other.
3. In July 1996 the EMI set out the statistical requirements for Stage Three of Monetary Union and specified the prospective requirements in the field of national accounts statistics.² These statistics are the prime responsibility of the Commission (Eurostat) at European level, and of statistical institutes at national level. The EMI takes a close interest as a current user of such statistics and in view of its responsibility to enable the ESCB to carry out its function in Stage Three. More specifically, national accounts statistics provide essential background data for the assessment of the economic situation in the Member States. Moreover, from the start of Stage Three in January 1999 the focus of the single monetary policy will move to the euro area as a whole. Against this

¹ OJ No L 310, 30 November 1996, page 1.

² Implementation Package (Statistical Requirements for Stage Three of Monetary Union), EMI, July 1996.

background, the implementation at Community level of the allocation of the FISIM is expected to be a further step to enhance the accuracy and comparability of GDP. The EMI may accept test periods as a practical way forward for those aspects where general agreement or decisions are not possible at present. The EMI would also like to emphasise the importance of defining as meaningful reference rates as possible for this purpose of the calculation. The EMI would further note that statistical compilers may need to co-operate, at national and international level, to ensure that consistent assumptions are made.

4. The EMI is aware that the Commission (Eurostat) has carefully considered data availability in the preparation of its proposals. The explanatory memorandum of the draft Regulation states that Member States already collect some information on the breakdown of FISIM and that the implementation of the allocation of FISIM will entail the collection of supplementary information and changes in concepts and classifications used. However, the implications may strongly diverge from one Member State to the other depending on the existing collection and compilation systems, including those for which central banks are responsible in the Member States. Also, estimation procedures may be required to a varying extent from one Member State to the other, and over time. Estimation may be a useful way of keeping down compliance costs, provided estimation methods are appropriate and avoid serious distortion to comparability among Member States.
5. The EMI notes that, following the decision to allocate FISIM, flows of interest will be shown in the national accounts after deduction of FISIM. The EMI considers it important that the new method of recording should not imply the loss of data on flows of interest before the deduction of FISIM, particularly data on interest paid and received by financial intermediaries.
6. Against the background of the interests of the ECB and the national central banks mentioned above, the EMI proposes that, after all key decisions have been taken, the necessary measures for the application of this Regulation shall be taken by the Commission after consultation of the Committee on Monetary, Financial and Balance of Payment Statistics.
7. This opinion will be published in the Official Journal of the European Communities.

16 October 1997