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Explanatory Notes

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S.1 TOTAL ECONOMY**S.11 NON-FINANCIAL CORPORATIONS**

Paragraph 2.45 ESA

Definition: the non-financial corporations sector (S.11) consists of institutional units which are independent legal entities and market producers, and whose principal activity is the production of goods and non-financial services. The non-financial corporations sector also includes non-financial quasi-corporations.

Paragraph 2.46 ESA

The institutional units covered are the following:

- (a) private and public corporations which are market producers principally engaged in the production of goods and non-financial services;
- (b) cooperatives and partnerships recognised as independent legal entities which are market producers principally engaged in the production of goods and non-financial services;
- (c) public producers which are recognised as independent legal entities and which are market producers principally engaged in the production of goods and non-financial services;
- (d) non-profit institutions or associations serving non-financial corporations, which are recognised as independent legal entities and which are market producers principally engaged in the production of goods and non-financial services;
- (e) head offices controlling a group of corporations which are market producers, where the preponderant type of activity of the group of corporations as a whole - measured on the basis of value added - is the production of goods and non-financial services;
- (f) SPEs whose principal activity is the provision of goods or non-financial services;
- (g) private and public quasi-corporations which are market producers principally engaged in the production of goods and non-financial services.

Paragraph 2.47 ESA

Non-financial quasi-corporations are all entities which are market producers principally engaged in the production of goods and non-financial services and which meet the conditions qualifying them as quasi-corporations.

Non-financial quasi-corporations must keep enough information to enable a complete set of accounts to be drawn up, and are operated as if they were corporations. The de facto relationship to their owner is that of a corporation to its shareholders.

Non-financial quasi-corporations owned by households, government units or non-profit institutions are grouped with non-financial corporations in the non-financial corporations sector, and not in the sector of their owner.

Paragraph 2.48 ESA

The existence of a complete set of accounts, including balance sheets, is not a sufficient condition for market producers to be treated as institutional units such as quasi-corporations. Partnerships and public producers, other than those included under points (a), (b), (c) and (f) of paragraph 2.46 and sole proprietorships - even if they keep a complete set of accounts - are in general not distinct institutional units because they do not enjoy autonomy of decision, their management being under the control of the households, non-profit institutions or governments which own them.

Paragraph 2.49 ESA

Non-financial corporations include notional resident units which are treated as quasi-corporations.

Paragraph 2.50 ESA

The non-financial corporations sector is divided into three subsectors:

- (a) public non-financial corporations (S.11001);
- (b) national private non-financial corporations (S.11002);
- (c) foreign controlled non-financial corporations (S.11003).

S.11001 Public non-financial corporations

Paragraph 2.51 ESA

Definition: the public non-financial corporations subsector consists of all non-financial corporations, quasi-corporations and non-profit institutions, recognised as independent legal entities, that are market producers and are subject to control by government units.

Paragraph 2.52 ESA

Public quasi-corporations are quasi-corporations owned directly by government units.

S.11002 National private non-financial corporations

Paragraph 2.53 ESA

Definition: the national private non-financial corporations subsector consists of all non-financial corporations, quasi-corporations and non-profit institutions which are recognised as independent legal entities and which are market producers, that are not controlled by government or by non-resident institutional units.

This subsector includes corporate and quasi-corporate direct foreign investment units not classified in the foreign controlled non-financial corporations subsector (S.11003).

S.11003 Foreign controlled non-financial corporations

Paragraph 2.54 ESA

Definition: the foreign controlled non-financial corporations subsector consists of all non-financial corporations and quasi-corporations that are controlled by non-resident institutional units.

This subsector includes:

- (a) all subsidiaries of non-resident corporations;
- (b) all corporations controlled by a non-resident institutional unit that is not itself a corporation; for example, a corporation which is controlled by a foreign government. It includes corporations controlled by a group of non-resident units acting in concert;
- (c) all branches or other unincorporated agencies of non-resident corporations or unincorporated producers which are notional resident units.

S.12 FINANCIAL CORPORATIONS

Paragraph 2.55 ESA

Definition: the financial corporations sector (S.12) consists of institutional units which are independent legal entities and market producers, and whose principal activity is the production of financial services. Such institutional units comprise all corporations and quasi-corporations which are principally engaged in:

- (a) financial intermediation (financial intermediaries); and/or
- (b) auxiliary financial activities (financial auxiliaries).

Also included are institutional units providing financial services, where most of either their assets or their liabilities are not transacted on open markets.

Paragraph 2.56 ESA

Financial intermediation is the activity in which an institutional unit acquires financial assets and incurs liabilities on its own account by engaging in financial transactions on the market. The assets and liabilities of financial intermediaries are transformed or repackaged in relation to, for example, maturity, scale, risk, etc. in the financial intermediation process.

Auxiliary financial activities are activities related to financial intermediation but which do not involve financial intermediation themselves.

Paragraph 2.57 ESA

Financial intermediaries

The financial intermediation process channels funds between third parties with a surplus and those with a lack of funds. A financial intermediary does not only act as an agent for other institutional units, but places itself at risk by acquiring financial assets and incurring liabilities on its own account.

Paragraph 2.58 ESA

In the financial intermediation process, all categories of liabilities may be involved with the exception of the liability category of other accounts payable. The financial assets involved in the financial intermediation process may be classified in any category with the exception of the category of insurance, pension and standardised guarantee schemes but including the other accounts receivable category. Financial intermediaries may invest their funds in non-financial assets including real estate. In order to be considered a financial intermediary, a corporation should incur liabilities on the market and transform funds. Real estate corporations are not financial intermediaries.

Paragraph 2.59 ESA

The function of insurance corporations and pension funds consists of the pooling of risks. The liabilities of such institutions are insurance, pension and standardised guarantee schemes. The counterparts of liabilities are investments by the insurance corporations and pension funds, acting as financial intermediaries.

Paragraph 2.60 ESA

Investment funds, hereinafter referred to as money market funds (MMFs) and non-money market funds (non-MMFs), primarily incur liabilities through the issue of investment fund shares or units. They transform such funds by acquiring financial assets and/or real estate. Investment funds are classified as financial intermediaries. Any change in the value of their assets and liabilities other than their own shares is reflected in their own funds. Given that the amount of own funds equals the value of the investment fund's shares or units, any change in the value of the fund's assets and liabilities will be reflected in the market value of such shares or units. Investment funds investing in real estate are financial intermediaries.

Paragraph 2.61 ESA

Financial intermediation is limited to acquiring assets and incurring liabilities with the general public or specified and relatively large sub-groups thereof. Where the activity is limited to small groups of persons or families, no financial intermediation takes place.

Paragraph 2.62 ESA

Exceptions to the general limitation of financial intermediation to financial transactions on the market may exist. Examples are municipal credit and savings banks which rely on the municipality involved, or financial lease corporations that depend on a parent group of companies for acquiring funds or investing funds. Their lending or their acceptance of savings shall be independent of the municipality involved or the parent group, respectively, in classifying them as financial intermediaries.

Paragraph 2.63 ESA

Financial auxiliaries

Auxiliary financial activities comprise auxiliary activities for realising transactions in financial assets and liabilities or the transformation or repackaging of funds. Financial auxiliaries do not put themselves at risk by acquiring financial assets or incurring liabilities. They facilitate financial

intermediation. Head offices, all or most of the subsidiaries of which are financial corporations, are financial auxiliaries.

Paragraph 2.64 ESA

Financial corporations other than financial intermediaries and financial auxiliaries

Other financial corporations other than financial intermediaries and financial auxiliaries are institutional units providing financial services, where most of either their assets or their liabilities are not transacted on open markets.

Paragraph 2.65 ESA

Institutional units included in the financial corporations sector

The institutional units included in the financial corporations sector (S.12) are the following:

- (a) private or public corporations which are principally engaged in financial intermediation and/or in auxiliary financial activities;
- (b) cooperatives and partnerships recognised as independent legal entities which are principally engaged in financial intermediation and/or in auxiliary financial activities;
- (c) public producers recognised as legal entities, which are principally engaged in financial intermediation and/or in auxiliary financial activities;
- (d) non-profit institutions recognised as legal entities which are principally engaged in financial intermediation and/or in auxiliary financial activities, or which are serving financial corporations;
- (e) head offices when all or most of their subsidiaries are, as financial corporations, principally engaged in financial intermediation and/or financial auxiliary activities. These head offices are classified as financial auxiliaries (S.126);
- (f) holding companies, where the main role is the holding of assets of a group of subsidiary corporations. The make-up of the group can be financial or non-financial this does not affect the classification of holding companies as captive financial institutions (S.127);
- (g) SPEs whose principal activity is the provision of financial services;
- (h) unincorporated investment funds comprising investment portfolios owned by the group of participants, and whose management is undertaken, in general, by other financial corporations. Such funds are institutional units, separate from the managing financial corporation;
- (i) unincorporated units principally engaged in financial intermediation and subject to regulation and supervision (in most cases classified as deposit-taking corporations except the central bank, insurance corporations or pension funds) are deemed to enjoy autonomy of decision and to have autonomous management independent of their owners; their economic and financial behaviour is similar to that of financial corporations. In this case they are treated as separate institutional units. Examples are branches of non-resident financial corporations.

Paragraph 2.66 ESA

Subsectors of financial corporations

The financial corporations sector is subdivided into the following subsectors:

- (a) central bank (S.121);
- (b) deposit-taking corporations except the central bank (S.122);
- (c) money market funds (MMFs) (S.123);
- (d) non-MMF investment funds (S.124);
- (e) other financial intermediaries, except insurance corporations and pension funds (S.125);
- (f) financial auxiliaries (S.126);

(g) captive financial institutions and money lenders (S.127); EN L 174/68 Official Journal of the European Union 26.6.2013

(h) insurance corporations (S.128); and

(i) pension funds (S.129).

Paragraph 2.67 ESA

Combining subsectors of financial corporations

Monetary financial institutions (MFIs) as defined by the ECB consist of all institutional units included in the central bank (S.121), deposit-taking corporations except the central bank (S.122) and MMF (S.123) subsectors.

Paragraph 2.68 ESA

Other monetary financial institutions consist of those financial intermediaries through which the effects of the monetary policy of the central bank (S.121) are transmitted to the other entities of the economy. They are deposit-taking corporations except the central bank (S.122) and MMF (S.123).

Paragraph 2.69 ESA

Financial intermediaries dealing with the pooling of risks are insurance corporations and pensions funds (ICPF). They consist of the insurance corporations (S.128) and pension funds (S.129) subsectors.

Paragraph 2.70 ESA

Financial corporations except MFI and ICPF consist of the non-MMF investment funds (S.124), other financial intermediaries, except insurance corporations and pension funds (S.125), financial auxiliaries (S.126) and captive financial institutions and money lenders (S.127) subsectors.

Paragraph 2.71 ESA

Subdividing subsectors of financial corporations into public, national private and foreign controlled financial corporations

With the exception of subsector S.121, each subsector is further subdivided into:

- (a) public financial corporations;
- (b) national private financial corporations; and
- (c) foreign controlled financial corporations.

The criteria for this subdivision are the same as for non-financial corporations (S.11001).

S.121

Central bank (public)

Paragraph 2.72 ESA

Definition: the central bank subsector (S.121) consists of all financial corporations and quasi-corporations whose principal function is to issue currency, to maintain the internal and external value of the currency and to hold all or part of the international reserves of the country.

Paragraph 2.73 ESA

The following financial intermediaries are classified in subsector S.121:

- (a) the national central bank, including when it is part of a European system of central banks;
- (b) central monetary agencies of essentially public origin (e.g. agencies managing foreign exchange or issuing currency) which keep a complete set of accounts and enjoy autonomy of decision in relation to central government. When these activities are performed either within central government or within the central bank, no separate institutional units exist.

Paragraph 2.74 ESA

Subsector S.121 does not include agencies and bodies, other than the central bank, which regulate or supervise financial corporations or financial markets. They are classified in subsector S.126.

S.122 Deposit-taking corporations except the central bank

Paragraph 2.75 ESA

Definition: the deposit-taking corporations except the central bank subsector (S.122) includes all financial corporations and quasi-corporations, except those classified in the central bank and in the MMF subsectors, which are principally engaged in financial intermediation and whose business is to receive deposits and/or close substitutes for deposits from institutional units, hence not only from MFIs, and, for their own account, to grant loans and/or to make investments in securities.

Paragraph 2.76 ESA

Deposit-taking corporations except the central bank cannot be described simply as 'banks', because they may include some financial corporations which do not call themselves banks, or some financial corporations which are not permitted to do so in some countries, while some other financial corporations describing themselves as banks may not in fact be deposit-taking corporations. The following financial intermediaries are classified in sub- sector S.122:

- (a) commercial banks, 'universal' banks, 'all-purpose' banks;
- (b) savings banks (including trustee savings banks and savings banks and loan associations);
- (c) post office giro institutions, post banks, giro banks;
- (d) rural credit banks, agricultural credit banks;
- (e) cooperative credit banks, credit unions;
- (f) specialised banks (e.g. merchant banks, issuing houses, private banks); and
- (g) electronic money institutions principally engaged in financial intermediation.

Paragraph 2.77 ESA

The following financial intermediaries are classified in subsector S.122 where it is their business to receive repayable funds from the public, whether in the form of deposits or in other forms such as the continuing issue of long-term debt securities:

- (a) corporations engaged in granting mortgages (including building societies, mortgage banks and mortgage credit institutions);
- (b) municipal credit institutions.

Otherwise, financial intermediaries are classified in subsector S.124.

Paragraph 2.78 ESA

Subsector S.122 does not include:

- (a) head offices which oversee and manage other units of a group consisting predominantly of deposit-taking corporations except the central bank, but which are not deposit-taking corporations. Such head offices are classified in subsector S.126;
- (b) non-profit institutions recognised as independent legal entities serving deposit-taking corporations, but not engaged in financial intermediation. They are classified in subsector S.126; and
- (c) electronic money institutions not principally engaged in financial intermediation.

S.12201 Deposit-taking corporations except the central bank - Public

- S.12202** **Deposit-taking corporations except the central bank - National private**
- S.12203** **Deposit-taking corporations except the central bank - Foreign controlled**
- S.123** **Money market funds**

Paragraph 2.79 ESA

Definition: the MMF subsector (S.123) consists of all financial corporations and quasi-corporations, except those classified in the central bank and in the credit institutions subsectors, which are principally engaged in financial intermediation. Their business is to issue investment fund shares or units as close substitutes for deposits from institutional units, and, for their own account, to make investments primarily in money market fund shares/units, short-term debt securities, and/or deposits.

Paragraph 2.80 ESA

The following financial intermediaries are classified in subsector S.123: investment funds including investment trusts, unit trusts and other collective investment schemes whose shares or units are close substitutes for deposits.

Paragraph 2.81 ESA

Subsector S.123 does not include:

- (a) head offices which oversee and manage a group consisting predominantly of MMFs, but which are not MMFs themselves. They are classified in subsector S.126;
- (b) non-profit institutions recognised as independent legal entities serving MMFs, but not engaged in financial intermediation. They are classified in subsector S.126.

- S.12301** **Money market funds - Public**
- S.12302** **Money market funds - National private**
- S.12303** **Money market funds - Foreign controlled**
- S.124** **Non-MMF investment funds**

Paragraph 2.82 ESA

Definition: the non-MMF investment funds subsector (S.124) consists of all collective investment schemes, except those classified in the MMF subsector, which are principally engaged in financial intermediation. Their business is to issue investment fund shares or units which are not close substitutes for deposits, and, on their own account, to make investments primarily in financial assets other than short-term financial assets and in non-financial assets (usually real estate).

Paragraph 2.83 ESA

Non-MMF investment funds cover investment trusts, unit trusts and other collective investment schemes whose investment fund shares or units are not seen as close substitutes for deposits.

Paragraph 2.84 ESA

The following financial intermediaries are classified in subsector S.124:

- (a) open-ended investment funds whose investment fund shares or units are, at the request of the holders, repurchased or redeemed directly or indirectly out of the undertaking's assets;
- (b) closed-ended investment funds with a fixed share capital, where investors entering or leaving the fund must buy or sell existing shares;
- (c) real estate investment funds;
- (d) investment funds investing in other funds ('funds of funds');

(e) hedge funds covering a range of collective investment schemes, involving high minimum investments, light regulation, and a range of investment strategies.

Paragraph 2.85 ESA

Subsector S.124 does not include:

(a) pension funds which are part of the pension funds subsector;

(b) special purpose government funds, called sovereign wealth funds. A special purpose government fund is classified as captive financial institution if it is a financial corporation. The classification of a 'special purpose government fund' either as part of general government sector or as part of the financial corporation sector shall be determined according to the criteria concerning special purpose units of general government;

(c) head offices which oversee and manage a group consisting predominantly of non-MMF investment funds, but which are not investment funds themselves. They are classified in subsector S.126;

(d) non-profit institutions recognised as independent legal entities serving non-MMF investment funds, but not engaged in financial intermediation. They are classified in subsector S.126.

S.12401 Non-MMF investment funds - Public

S.12402 Non-MMF investment funds - National private

S.12403 Non-MMF investment funds - Foreign controlled

S.125 Other financial intermediaries, except insurance corporations and pension funds

Paragraph 2.86 ESA

Definition: the other financial intermediaries, except insurance corporations and pension funds subsector (S.125) consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation by incurring liabilities in forms other than currency, deposits, or investment fund shares, or in relation to insurance, pension and standardised guarantee schemes from institutional units.

Paragraph 2.87 ESA

Subsector S.125 includes financial intermediaries predominantly engaged in long-term financing. In most cases, this predominant maturity distinguishes that subsector from the OMFI subsectors (S.122 and S.123). Based on the non-existence of liabilities in the form of investment fund shares which are not seen as close substitutes for deposits or insurance, pension and standardised guarantee schemes, the borderline with the non-MMF investment funds (S.124), the insurance corporations (S.128), and the pension funds (S.129) subsectors can be determined.

Paragraph 2.88 ESA

The other financial intermediaries, except insurance corporations and pension funds subsector (S.125) is further subdivided into subsectors consisting of financial vehicle corporations engaged in securitisation transactions (FVC), security and derivative dealers, financial corporations engaged in lending, and specialised financial corporations.

Paragraph 2.89 ESA

Subsector S.125 does not include non-profit institutions recognised as independent legal entities serving other financial intermediaries, but not engaged in financial intermediation. They are classified in subsector S.126.

Paragraph 2.90 ESA

Financial vehicle corporations engaged in securitisation transactions (FVC)

Definition: financial vehicle corporations engaged in securitisation transactions (FVC) are undertakings carrying out securitisation transactions. FVC that satisfy the criteria of an institutional unit are classified in S.125, otherwise they are treated as an integral part of the

parent.

Paragraph 2.91 ESA

Security and derivative dealers, financial corporations engaged in lending and specialised financial corporations

Security and derivative dealers (on own account) are financial intermediaries on own account.

Paragraph 2.92 ESA

Financial corporations engaged in lending include for example financial intermediaries engaged in:

- (a) financial leasing;
- (b) hire purchase and the provision of personal or commercial finance; or
- (c) factoring.

Paragraph 2.93 ESA

Specialised financial corporations are financial intermediaries, for example:

- (a) venture and development capital companies;
- (b) export/import financing companies; or EN
- (c) financial intermediaries which acquire deposits and/or close substitutes for deposits, or incur loans vis-à-vis monetary financial institutions only; these financial intermediaries cover also central counterparty clearing houses (CCPs) carrying out inter-MFI repurchase agreement transactions.

Paragraph 2.94 ESA

Head offices which oversee and manage a group of subsidiaries principally engaged in financial intermediation and/or in auxiliary financial activities are classified in subsector S.126.

S.12501	Other financial intermediaries, except insurance corporations and pension funds - Public
S.12502	Other financial intermediaries, except insurance corporations and pension funds - National private
S.12503	Other financial intermediaries, except insurance corporations and pension funds - Foreign controlled
S.126	Financial auxiliaries

Paragraph 2.95 ESA

Definition: the financial auxiliaries subsector (S.126) consists of all financial corporations and quasi-corporations which are principally engaged in activities closely related to financial intermediation but which are not financial intermediaries themselves.

Paragraph 2.96 ESA

The following financial corporations and quasi-corporations are classified in subsector S.126:

- (a) insurance brokers, salvage and average administrators, insurance and pension consultants, etc.;
- (b) loan brokers, securities brokers, investment advisers, etc.;
- (c) flotation corporations that manage the issue of securities;
- (d) corporations whose principal function is to guarantee, by endorsement, bills and similar

instruments;

(e) corporations which arrange derivative and hedging instruments, such as swaps, options and futures (without issuing them);

(f) corporations providing infrastructure for financial markets;

(g) central supervisory authorities of financial intermediaries and financial markets when they are separate institutional units;

(h) managers of pension funds, mutual funds, etc.;

(i) corporations providing stock exchange and insurance exchange;

(j) non-profit institutions recognised as independent legal entities serving financial corporations, but not engaged in financial intermediation (see S.11 point (d) of paragraph 2.46);

(k) payment institutions (facilitating payments between buyer and seller).

Paragraph 2.97 ESA

Subsector S.126 also includes head offices whose subsidiaries are all or mostly financial corporations.

S.12601 Financial auxiliaries - Public

S.12602 Financial auxiliaries - National private

S.12603 Financial auxiliaries - Foreign controlled

S.127 Captive financial institutions and money lenders

Paragraph 2.98 ESA

Definition: the captive financial institutions and money lenders subsector (S.127) consists of all financial corporations and quasi-corporations which are neither engaged in financial intermediation nor in providing financial auxiliary services, and where most of either their assets or their liabilities are not transacted on open markets.

Paragraph 2.99 ESA

In particular, the following financial corporations and quasi-corporations are classified in subsector S.127:

(a) units as legal entities such as trusts, estates, agencies accounts or 'brass plate' companies;

(b) holding companies that hold controlling-levels of equity of a group of subsidiary corporations and whose principal activity is owning the group without providing any other service to the businesses in which the equity is held, that is, they do not administer or manage other units;

(c) SPEs that qualify as institutional units and raise funds in open markets to be used by their parent corporation;

(d) units which 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. Examples are money lenders, corporations engaged in lending to students or for foreign trade from funds received from a sponsor such as a government unit or a non-profit institution, and pawnshops that predominantly engage in lending;

(e) special purpose government funds, usually called sovereign wealth funds, if classified as financial corporations.

S.12701 Captive financial institutions and money lenders - Public

S.12702 Captive financial institutions and money lenders - National private

S.12703 Captive financial institutions and money lenders - Foreign controlled

S.128 Insurance corporations

Paragraph 2.100 ESA

Definition: the insurance corporations subsector (S.128) consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation as a consequence of the pooling of risks mainly in the form of direct insurance or reinsurance (see S.12 paragraph 2.59).

Paragraph 2.101 ESA

Insurance corporations provide services of:

- (a) life and non-life insurance to individual units or groups of units;
- (b) reinsurance to other insurance corporations.

Paragraph 2.102 ESA

Services of non-life insurance corporations may be provided in the form of insurance against the following:

- (a) fire (e.g. commercial and private property);
- (b) liability (casualty);
- (c) motor (own damage and third party liability);
- (d) marine, aviation and transport (including energy risks);
- (e) accident and health; or
- (f) financial insurance (provision of guarantees or surety bonds).

Financial insurance or credit insurance corporations, also called guarantee banks, provide guarantees or surety bonds to back securitisation and other credit products.

Paragraph 2.103 ESA

Insurance corporations are mainly incorporated or mutual entities. Incorporated entities are owned by shareholders and many are listed on stock exchanges. Mutuals are owned by their policyholders and return their profits to the 'with profits' or 'participating' policyholders through dividends or bonuses. 'Captive' insurers are normally owned by a non-financial corporation and mostly insure the risks of their shareholders.

Paragraph 2.104 ESA

Subsector S.128 does not include:

- (a) institutional units which fulfil each of the two criteria listed in paragraph 2.117. They are classified in sub-sector S.1314;
- (b) head offices which oversee and manage a group consisting predominantly of insurance corporations, but which are not insurance corporations themselves. They are classified in sub-sector S.126;
- (c) non-profit institutions recognised as independent legal entities serving insurance corporations, but not engaged in financial intermediation. They are classified in subsector S.126.

- S.12801 Insurance corporations - Public**
- S.12802 Insurance corporations - National private**
- S.12803 Insurance corporations - Foreign controlled**
- S.129 Pension funds**

Paragraph 2.105 ESA

Definition: the pension funds subsector (S.129) consists of all financial corporations and quasi-corporations which are principally engaged in financial intermediation as the consequence of the pooling of social risks and needs of the insured persons (social insurance). Pension funds as social insurance schemes provide income in retirement, and often benefits for death and disability.

Paragraph 2.106 ESA

Subsector S.129 consists of only those social insurance pension funds that are institutional units separate from the units that create them. Such autonomous funds have autonomy of decision and keep a complete set of accounts. Non-autonomous pension funds are not institutional units and remain part of the institutional unit that sets them up.

Paragraph 2.107 ESA

Examples of participants in pension fund schemes include employees of a single enterprise or a group of enterprises, employees of a branch or industry, and persons having the same profession. The benefits included in the insurance contract can be:

- (a) paid after the death of the insured to the widow(er) and children;
- (b) paid after retirement; or
- (c) paid after the insured becomes disabled.

Paragraph 2.108 ESA

In some countries, all those types of risks can be insured by life insurance corporations as well as through pension funds. In other countries, it is required that some of those classes of risks are insured through life insurance corporations. In contrast to life insurance corporations, pension funds are restricted by law to specified groups of employees and self-employed.

Paragraph 2.109 ESA

Pension fund schemes may be organised by employers or by general government. They may also be organised by insurance corporations on behalf of employees; or separate institutional units may be established to hold and manage the assets to be used to meet the pension entitlements and to distribute the pensions.

Paragraph 2.110 ESA

Subsector S.129 does not include:

- (a) institutional units which fulfil each of the two criteria listed in paragraph 2.117. They are classified in subsector S.1314;
- (b) head offices which oversee and manage a group consisting predominantly of pension funds, but which are not pension funds themselves. They are classified in subsector S.126;
- (c) non-profit institutions recognised as independent legal entities serving pension funds, but not engaged in financial intermediation. They are classified in subsector S.126.

S.12901	Pension funds - Public
S.12902	Pension funds - National private
S.12903	Pension funds - Foreign controlled
S.13	GENERAL GOVERNMENT

Paragraph 2.111 ESA

Definition: the general government sector (S.13) consists of institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional

units principally engaged in the redistribution of national income and wealth.

Paragraph 2.112 ESA

The institutional units included in sector S.13 are for example the following:

- (a) general government units which exist through a legal process to have judicial authority over other units in the economic territory, and administer and finance a group of activities, principally providing non-market goods and services, intended for the benefit of the community;
- (b) a corporation or quasi-corporation which is a government unit, if its output is mainly non-market and a government unit controls it;
- (c) non-profit institutions recognised as independent legal entities which are non-market producers and which are controlled by general government;
- (d) autonomous pension funds, where there is a legal obligation to contribute, and where general government manages the funds with respect to the settlement and approval of contributions and benefits.

Paragraph 2.113 ESA

The general government sector is divided into four subsectors:

- (a) central government (excluding social security funds) (S.1311);
- (b) state government (excluding social security funds) (S.1312);
- (c) local government (excluding social security funds) (S.1313);
- (d) social security funds (S.1314).

S.1311 Central government (excluding social security funds)

Paragraph 2.114 ESA

Definition: this subsector includes all administrative departments of the state and other central agencies whose competence extends normally over the whole economic territory, except for the administration of social security funds.

Included in subsector S.1311 are those non-profit institutions which are controlled by central government and whose competence extends over the whole economic territory.

Market regulatory organisations which are either exclusively or principally distributors of subsidies are classified in S.1311. Those organisations which are exclusively or principally engaged in buying, holding and selling agricultural or food products are classified in S.11.

S.1312 State government (excluding social security funds)

State government (excluding social security funds)

Paragraph 2.115 ESA

Definition: this subsector consists of those types of public administration which are separate institutional units exercising some of the functions of government, except for the administration of social security funds, at a level below that of central government and above that of the governmental institutional units existing at local level.

Included in subsector S.1312 are those non-profit institutions which are controlled by state governments and whose competence is restricted to the economic territories of the states.

S.1313 Local government (excluding social security funds)

Paragraph 2.116 ESA

Definition: this subsector includes those types of public administration whose competence extends to only a local part of the economic territory, apart from local agencies of social security

funds.

Included in subsector S.1313 are those non-profit institutions which are controlled by local governments and whose competence is restricted to the economic territories of the local governments.

S.1314 Social security funds

Paragraph 2.117 ESA

Definition: the social security funds subsector includes central, state and local institutional units whose principal activity is to provide social benefits and which fulfil each of the following two criteria:

- (a) by law or by regulation certain groups of the population are obliged to participate in the scheme or to pay contributions; and
- (b) general government is responsible for the management of the institution in respect of the settlement or approval of the contributions and benefits independently from its role as supervisory body or employer.

There is usually no direct link between the amount of the contribution paid by an individual and the risk to which that individual is exposed.

S.14 HOUSEHOLDS

Paragraph 2.118 ESA

Definition: the households sector (S.14) consists of individuals or groups of individuals as consumers and as entrepreneurs producing market goods and non-financial and financial services (market producers) provided that the production of goods and services is not by separate entities treated as quasi-corporations. It also includes individuals or groups of individuals as producers of goods and non-financial services for exclusively own final use.

Households as consumers may be defined as small groups of persons who share the same living accommodation, who pool their income and wealth and who consume certain types of goods and services collectively, mainly housing and food.

The principal resources of households are the following:

- (a) the compensation of employees;
- (b) property income;
- (c) transfers from other sectors;
- (d) receipts from the disposal of market products; and
- (e) imputed receipts from the output of products for own final consumption.

Paragraph 2.119 ESA

The households sector includes:

- (a) individuals or groups of individuals whose principal function is consumption;
- (b) persons living permanently in institutions who have little or no autonomy of action or decision in economic matters (e.g. members of religious orders living in monasteries, long-term patients in hospitals, prisoners serving long sentences, old persons living permanently in retirement homes). Such people are treated as a single institutional unit: a single household;
- (c) individuals or groups of individuals whose principal function is consumption and that produce goods and non-financial services for exclusively own final use; only two categories of services produced for own final consumption are included within the system: services of owner-occupied dwellings and domestic services produced by paid employees;
- (d) sole proprietorships and partnerships without legal status, other than those treated as quasi-

corporations, and which are market producers; andEN

(e) non-profit institutions serving households, which do not have independent legal status, or those which do but which are of only minor importance.

Paragraph 2.120 ESA

In the ESA 2010, the households sector is subdivided into the following subsectors:

(a) employers (S.141) and own-account workers (S.142);

(b) employees (S.143);

(c) recipients of property income (S.1441);

(d) recipients of pensions (S.1442);

(e) recipients of other transfers (S.1443).

Paragraph 2.121 ESA

Households are allocated to subsectors according to the largest income category (employers' income, compensation of employees, etc.) of the household as a whole. When more than one income of a given category is received within the same household, the classification is based on the total household income within each category.

S.141 Employers

Paragraph 2.122 a ESA

Definition: the employers subsector consists of the group of households for which the (mixed) incomes accruing to the owners of household unincorporated enterprises from their activity as producers of market goods and services with paid employees are the largest source of income for the household as a whole, even if it does not account for more than half of total household income.

S.142 Own-account workers

Paragraph 2.122 b ESA

Definition: the own-account workers subsector consists of the group of households for which the (mixed) incomes accruing to the owners of household unincorporated enterprises from their activity as producers of market goods and services without paid employees are the largest source of income for the household as a whole, even if it does not account for more than half of total household income.

S.143 Employees

Paragraph 2.123 ESA

Definition: the employees subsector consists of the group of households for which the income accruing from compensation of employees is the largest source of income for the household as a whole.

S.144 Recipients of property and transfer income

S.1441 Recipients of property income

Paragraph 2.124 ESA

Definition: the recipients of property income subsector consists of the group of households for which property income is the largest source of income for the household as a whole.

S.1442 Recipients of pensions

Paragraph 2.125 ESA

Definition: the recipients of pensions subsector consists of the group of households for which the income accruing from pensions is the largest source of income for the household as a whole.

Pension households are households whose largest source of income consists of retirement or other pensions, including pensions from previous employers.

S.1443 Recipients of other transfers

Paragraph 2.126 ESA

Definition: the recipients of other transfers subsector consists of the group of households for which the income accruing from other current transfers is the largest source of income for the household as a whole.

Other current transfers are all current transfers other than property income, pensions and income of persons living permanently in institutions.

Paragraph 2.127 ESA

If information on the relative contributions of the sources of income of the household as a whole is not available for sectoring purposes, the income of the reference person is used for classifying purposes. The reference person of a household is the person with the largest income. If the latter information is not available, the income of the person who states that he/she is the reference person is used for subsectoring households.

Paragraph 2.128 ESA

Other criteria for subsectoring households can be used, e.g. breakdown of households as entrepreneurs by activity: agricultural households and non-agricultural households.

S.15 NON-PROFIT INSTITUTIONS SERVING HOUSEHOLDS

Paragraph 2.129 ESA

Definition: the non-profit institutions serving households (NPISHs) sector (S.15) consists of non-profit institutions which are separate legal entities, which serve households and which are private non-market producers. Their principal resources are voluntary contributions in cash or in kind from households in their capacity as consumers, from payments made by general government and from property income.

Paragraph 2.130 ESA

Where such institutions are not very important, they are not included in the NPISH sector, but in the households sector (S.14), as their transactions are indistinguishable from units in that sector. Non-market NPISHs controlled by general government are classified in the general government sector (S.13).

The NPISHs sector includes the following main kinds of NPISHs that provide non-market goods and services to households:

(a) trade unions, professional or learned societies, consumers' associations, political parties, churches or religious societies (including those financed but not controlled by governments), and social, cultural, recreational and sports clubs; and

(b) charities, relief and aid organisations financed by voluntary transfers in cash or in kind from other institutional units.

Sector S.15 includes charities, relief or aid agencies serving non-resident units and excludes entities where membership gives a right to a predetermined set of goods and services.

S.15002 National private

S.15003 Foreign controlled

S.2 REST OF THE WORLD

Paragraph 2.131 ESA

Definition: the rest of the world sector (S.2) is a grouping of units without any characteristic functions and resources; it consists of non-resident units insofar as they are engaged in transactions with resident institutional units, or have other economic links with resident units. Its accounts provide an overall view of the economic relationships linking the national economy with the rest of the world. The institutions of the EU and international organisations are included.

Paragraph 2.132 ESA

The rest of the world is not a sector for which complete sets of accounts have to be kept, but it is convenient to treat the rest of the world as a sector. Sectors are obtained by disaggregating the total economy to obtain more homogeneous groups of resident institutional units, which are similar in respect to their economic behaviour, objectives and functions. This is not the case for the rest of the world sector: for this sector, there are recorded the transactions and other flows of non-financial and financial corporations, non-profit institutions, households and general government with non-resident institutional units and other economic relationships between residents and non-residents, e.g. claims by residents on non-residents.

Paragraph 2.133 ESA

The accounts for the rest of the world include only transactions carried out between resident institutional units and non-resident units, subject to the following exceptions:

- (a) the services of transport (up to the border of the exporting country) provided by resident units in respect of imported goods are shown in the rest of the world accounts with FOB imports, even though they are produced by resident units;
- (b) transactions in foreign assets between residents belonging to different sectors in the domestic economy are shown in the detailed financial accounts for the rest of the world. These transactions do not affect the country's financial position vis-à-vis the rest of the world; they affect the financial relationships of individual sectors with the rest of the world;
- (c) transactions in the country's liabilities between non-residents belonging to different geographical zones are shown in the geographical breakdown of the rest of the world accounts. Although these transactions do not affect the country's overall liability to the rest of the world, they affect its liabilities to different parts of the world.

Paragraph 2.134 ESA

The rest of the world sector (S.2) is subdivided into:

- (a) Member States and institutions and bodies of the European Union (S.21):
 - (1) Member States of the European Union (S.211); EN 26.6.2013 Official Journal of the European Union L 174/79
 - (2) Institutions and bodies of the European Union (S.212);
- (b) non-member countries and international organisations non-resident of EU (S.22).

S.21 MEMBER STATES AND INSTITUTIONS AND BODIES OF THE EUROPEAN UNION

S.211 Member States of the European Union

S.2111 Member States of the euro area

S.2112 Member States outside the euro area

S.212 Institutions and bodies of the European Union

S.2121 The European Central Bank (ECB)

S.2122 European institutions and bodies, except the ECB

S.22 NON-MEMBER COUNTRIES AND INTERNATIONAL ORGANISATIONS NON-RESIDENT IN THE EUROPEAN UNION