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Abbreviations

BIS	Bank for International Settlements, Basel, Switzerland
CEC	Commission of the European Communities
CPC	Central Product Classification
EBOPS	Extended Balance of Payments Services Classification
EC	European Commission
EU	European Union
FATS	Foreign Affiliates Trade Statistics
FDI	foreign direct investment
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	gross national product
GNS	group on negotiations on services
ICFA	categories for foreign affiliates
ISIC	international standard industrial classification
IMF	International Monetary Fund
M&A	merger and acquisition
NAFTA	North American Free Trade Agreement
OECD	Organisation for Economic Co-operation and Development
OTC	over the counter derivatives
SNA	System of National Accounts
TRIPS	trade-related aspects of intellectual property rights (also a WTO Agreement)
WTO	World Trade Organization
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNSC	United Nations Statistical Commission
UNSO	United Nations Statistics Office
WB	World Bank

STATISTICS FOR INTERNATIONAL TRADE IN BANKING SERVICES: REQUIREMENTS, AVAILABILITY AND PROSPECTS

Andrew Cornford
Observatoire de la Finance

Chasing a black cat in a dark room, blindfolded.

Raghavan, 2002

Abstract

This paper addresses the availability of statistical data for international trade in banking services. Such data are required for WTO negotiations and work on other aspects of the General Agreement on Trade in Services (GATS). Assessment exercises for trade in banking services, valuation of offers and commitments in negotiations, the proposed extension of GATS rules to cover emergency safeguard measures and subsidies, and decisions on compensation in dispute settlement for services under the WTO agreement are all currently handicapped by the lack of pertinent data. However, international initiatives directed at the development of statistics for international trade in services have so far failed to fill this gap.

Following a discussion of areas of work for which data on international trade in banking services are required and of the outcome so far of international initiatives directed at the development of statistics for international trade in services, the availability of statistics relevant to the different GATS Modes of Supply is reviewed. These statistics include cross-border trade in financial services as classified in IMF balance-of-payments statistics, supply through the temporary presence of natural persons, local lending by international banks; FDI and cross-border mergers and acquisitions (M&A) in financial services, financial output and other indicators of aggregate financial activity in national accounts and FATS statistics, and numbers and assets of foreign banks in selected countries.

None of the currently available statistics under these headings provides a satisfactory measure of trade in banking services under Mode of Delivery 1 of the GATS nor one corresponding to such trade under Mode of Supply 3. The remainder of the paper focuses on two other more promising categories of information, namely the income statements of banks, which depend on data already generated by private-sector entities and data on trading in financial markets. The paper shows how information in banks' income statements can be approximately matched to the activities specified in the definition of financial services in the Annex on Financial Services of the GATS, and exemplifies the potential of this information with recent income statements of Jordanian banks. An advantage of these income statements (as well as of the trading data) is that the measurement would depend on pre-existing work by banks and other financial systems themselves.

A. URUGUAY ROUND AND THE GATS

The Ministerial Declaration of Punta del Este which launched negotiations on services as part of the Uruguay Round of Multilateral Trade Negotiations stated that their objective would be "to establish a multilateral framework of principles and rules for trade in services...with a view to expansion of such trade under conditions of transparency and progressive liberalization and as a means of promoting economic growth of all trading partners and the development of developing countries". The availability of pertinent statistical data would normally be considered necessary for meeting the requirement of transparency and assessing the contribution of this framework of rules and principles to the objectives of economic growth and development. In the Group on Negotiations on Services (GNS) after the Punta del Este meeting, there was indeed widespread agreement that the availability of data and statistics was a prerequisite of meaningful negotiations. Further consideration of the subject increased awareness of how unsatisfactory existing data and statistics were. Initially, however, concern over this issue was overshadowed by the objective of drafting a framework agreement for international trade in services. Differences between those (principally industrial) countries which viewed improvements of statistics as a long-term project, on the one hand, and those countries which believed that such statistics were an integral part of the assessment of the balance of advantage in negotiations as to market opening, on the other, became more important as the focus shifted from the framework to bargaining over countries' demands and offers.

In the event the absence of adequate statistical data did not prevent completion of the negotiations – although this absence was raised periodically by different countries as an argument in support of negotiating positions. Commitments to liberalization were eventually undertaken often with at best a very rough idea of their likely consequences. Indeed, in financial services, one may doubt that the outcome of the negotiations would have been acceptable if a large part of these commitments had not simply consisted of the binding of existing regulations in the GATS – and thus of mostly limited changes in existing regimes – rather than of additional liberalization.

Article XIX.3 of the GATS, which covers future negotiations, includes the following requirements which cannot be properly met in the absence of adequate statistical data: "For each round, negotiating guidelines and procedures shall be established. For the purposes of establishing such guidelines, the Council for Trade in Services shall carry out an assessment of trade in services in overall terms and on a sectoral basis with reference to the objectives of this Agreement". However, such assessment so far as part of the Doha round has been largely limited to descriptive presentations of recent developments in countries' financial sectors and of liberalization undertaken. These have not been closely linked to the concepts and categories of the GATS and its Annex on Financial Services, and the exercise has been limited and piecemeal rather than comprehensive.

The rest of this paper focuses principally on the position regarding statistics for international trade in banking services, i.e. activities (v) – (xvi), *banking and other financial services (excluding insurance)* of the Annex.[1] The approaches discussed in this paper could be applied to insurance but explicit inclusion of the sector would have required a significant extension of the discussion to a distinct set of institutions and transactions.

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[1] The classification of these activities together with the corresponding classification of insurance activities is given in detail in Annex 2 of this paper, where it can be compared with the classifications of financial services in IMF balance-of-payments statistics and that proposed for FATS statistics (described in section D below).

B. REQUIREMENTS FOR STATISTICAL DATA

Statistical data are important for the following subjects under the headings of negotiations on trade in services and related work:

- *Valuation of offers and commitments in negotiations on banking services*. Such valuation would facilitate comparison not only of offers and commitments applying to the banking sector itself but also that of offers and commitments for banking with those for other services as well as with other subjects of WTO negotiations such as goods trade and trade-related intellectual property rights. Cross-sectoral inter-sectoral bargaining can be part of WTO negotiations.
- *Assessment of trade in banking services.* Assessments covering not only the expansion of such trade but also its contribution to economic growth and development would not only meet the requirements of the GATS Article XIX.3 but could also contribute significantly to more general understanding of cross-border transactions in banking.
- *Emergency safeguard measures.* Article X of the GATS provides for future multilateral negotiations of emergency safeguard measures based on the principle of non-discrimination. The existing GATS does not contain provisions for such measures in the case of particular services analogous to those of GATT Article XIX and of the WTO Agreement on Safeguards. Rules for emergency safeguard measures would require supporting statistical data concerning the scale of cross-border transactions or the commercial presence of foreign suppliers which could trigger the measures (see box 1).
- *Subsidies*. Article XV of the GATS provides for future negotiations to develop multilateral disciplines to avoid trade-distortive effects of subsidies on trade in services and to address the question of appropriate countervailing measures by countries affected. The importance of this subject in the future work of the WTO has been substantially increased by measures undertaken in response to the current financial turmoil to protect national financial sectors. The existing GATS does not contain provisions for subsidies analogous to those of GATT Article XVI and the Agreement on Subsidies and Countervailing Measures. Development of multilateral disciplines is likely to involve more difficult methodological problems than in the case of safeguards. But here too, statistical data on the value of the trade in services involved, can be expected to be required (see box 1).[2]

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[2] There is no provision in the GATS for rules on the dumping of services analogous to those of GATT Article VI. However, the issue of the dumping of financial services was raised during the negotiation of the GATS in the Uruguay Round. This was in response to the alleged practices of certain Japanese investment firms taking the form of the use of monopoly profits earned in the protected subsector of retail selling of financial instruments for the purpose of cross-subsidizing the prices of their services in foreign markets. Even if dumping has not been attributed a heading of its own in the GATS, its eventual inclusion amongst subjects to be covered by the restrictive business practices of Article IX is possible. Such inclusion would result in further requirements for statistics as well as the need to confront some difficult conceptual issues regarding the definition of prices for financial services which do not cover costs.

Box 1

SAFEGUARDS AND SUBSIDIES

In regimes for international trade safeguards are temporary measures designed to provide relief to an industry threatened with serious injury by increases in imports. According to Article X of the GATS, "there shall be negotiations on the question of emergency safeguard measures based on the principle of non-discrimination" (whose results were supposed to enter into force not later than three years after the WTO agreement itself).

Unlike safeguards, subsidies are considered as measures which can be in violation of accepted codes of conduct for international trade. Certain domestic as well as export subsidies are regarded as having trade-distortive effects since, like tariffs, such subsidies are capable of supporting domestic producers in competition with imports. Arriving at acceptable definitions of trade-distortive subsidies for the purpose of trade rules has proved a difficult task in view of the large number of different types of economic support which governments provide and of differences in countries' attitudes towards government intervention in the economy. Such definitions together with procedures for dealing with subsidies are part of the Agreement on Subsidies and Countervailing Measures reached during the Uruguay Round, which complements and expands Article XVI of the original GATT. On this subject too, under Article XV of the GATS, member countries of the WTO are to enter into negotiations in order to develop disciplines designed to avoid the distortive effects on international trade in services of subsidies as well as rules for procedures to countervail subsidies. Explicit reference is made in Article XV to the role of subsidies in development programmes and to the need for flexibility.

In the case of safeguards for banking services, one would expect Mode of Supply 3 to be the principal source of concern, although Mode of Supply 1 could also be important for countries highly open to cross-border financial transactions. For Mode of Supply 3, the problem of the appropriate statistics for use by a country making a case for the application of safeguard measures appears more straightforward than for the other subjects listed in section B, since the share of the assets or capital of a country's banking sector naturally suggests itself. The rules of the North American Free Trade Agreement (NAFTA) of 1992, are of interest in this context, since they specify the pace at which banks (and other financial firms) from Canada and United States can establish themselves in Mexico in terms of shares of the total capital of the Mexican subsector. For example, during four years following an initial transition period, Mexico had the right to restrict the aggregate share of foreign financial affiliates in the total capital of the country's commercial banks to 25 per cent for a period of three years.

Establishing rules for subsidies is likely to prove more difficult than for safeguards in the light of the explicit acknowledgement in GATS Article XV that such rules should be flexible, and of the limitations on national treatment in the case of certain subsidies (in other words subsidies which discriminate against foreign suppliers) already included in some countries' negotiated schedules of commitments for banking. Prior to an agreement by WTO member countries on rules, it is difficult to foresee what data will be required for cases involving subsidies.

- *Compensation and suspension of concessions.* Under the WTO agreement, Understanding on Rules and Procedures Governing the Settlement of Disputes, the level of the suspension of concessions or other obligations authorized by the Dispute Settlement Body is to be equivalent to the benefits whose "nullification and impairment" are the cause of the dispute. Decisions on such compensation involving banking services would require statistical measures, as would the compensation required from a country taking safeguard actions (see box 2).

In the absence of rules under Articles X and XV of the GATS and of relevant case law for banking services - that is to say in the situation now prevailing - procedures regarding emergency safeguard measures or subsidies would presumably be based on data submitted ad hoc by the firms of the country claiming the need for action. The data themselves could be a source of disputes unless they met standards acceptable to different countries. So reliance on ad hoc submissions by firms in cases involving emergency safeguard measures or subsidies is unlikely to prove a satisfactory permanent substitute for agreement on a more uniform statistical basis for the implementation of the GATS in the case of banking – or indeed of other – services.

Box 2

COMPENSATION AND SUSPENSION OF CONCESSIONS

The issue of compensation or suspension of concessions arises in connection with the "nullification and impairment" of benefits under WTO agreements resulting from breaches of rules or obligations (for example, through subsidies or dumping) or from certain actions consistent with them such as safeguard measures. In the latter case, the country taking safeguard measures consistent with the WTO agreement is none the less obliged to endeavour to maintain a substantially equivalent level of concessions vis-à-vis other member countries. This requires compensation equivalent to the benefits subject to nullification and impairment.

Where breaches of rules or obligations are at issue, compensation and suspension of concessions are available as part of mutually acceptable solutions to disputes or for the purpose of retaliation. Mutually acceptable compensation is an option when the country whose measures are the subject of the WTO's procedures for dispute settlement fails to comply with the recommendations of the Dispute Settlement and Appellate Bodies. Suspension of concessions is permitted by the country or countries which invoked these procedures in the event that agreement on mutually acceptable compensation proves impossible. The concessions suspended with the authorization of the Dispute Settlement Body are to be equivalent to the benefits whose nullification and impairment led to the initiation of the procedures in the first place.

Application of equivalence here requires an approach to measuring benefits which is applicable not only within a services sector but also across the subjects covered by the WTO agreements. Under Article 22 of the Understanding on Rules and Procedures Governing the Settlement of Disputes, in considering what concessions or other obligations to suspend, the country which made the complaint should first seek them in the same sector as that to which its complaint applies. But if this does not prove practical, it may seek them in another sector under the same agreement. Failing this, if circumstances are serious enough, it may seek concessions or other obligations for suspension under another agreement.

"Sector" here means all goods in the case of goods trade, a principal sector in the Services Classification List in the case of services trade, and defined property rights and obligations under the Agreement on TRIPS (Trade-Related Aspects of Intellectual Property Rights); "agreement" refers to all the multilateral WTO agreements on goods (including the original GATT) and selected other agreements in the case of goods, the GATS in the case of services, and the Agreement on TRIPS in the case of intellectual property rights. Measurement of benefits requiring cross-sectoral and cross-agreement comparisons presents a formidable challenge and one which cannot even begin to be met in the absence of an agreed statistical base for international trade in services.[a]

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[a] The spirit, though not the letter, of the WTO agreements is likely to preclude suspension of concessions and obligations directed at banking as compensation for nullification and impairment of benefits in other sectors and agreements. Such suspension might threaten the stability of a country's financial system and would thus disregard the importance of ensuring such stability whose legitimacy as a policy objective is acknowledged in the Annex on Financial Services of the GATS.

The establishment of a statistical basis for trade in services is complicated by the GATS definition of international trade in services in terms of four Modes of Supply (rather than the single category of cross-border transactions which applies to trade in goods).

- Mode 1 *(from the territory of one country into the territory of another)* takes place when the service crosses national borders, the supplier and consumer being located in different countries. The delivery can be carried out by various means of cross-border communication including telephone, computer-mediated links, mail and courrier. Of the four modes this alone is similar to that for traditional trade in goods.
- Mode 2 *(in the territory of one country to a consumer from another)* covers consumption of services by temporary visitors (tourists, etc.) in countries where they are not residents. It also includes activities such as ship repair abroad where the services are applied to property owned by non-residents.
- Mode 3 *(by a service supplier of one country in the territory of another)* recognizes as international trade in services supply through a commercial presence in a country other than that of the supplier. In the case of banks, it thus includes services supplied by means of branches, subsidiaries, representative offices and joint ventures. As a result of this definition, various forms of foreign investment are included in international trade in services.
- Mode 4 *(by supply through the presence of natural persons in a country of which they are not permanent residents)* covers services supplied by both self-employed persons and employees from another country during temporary stays in the recipient country. Typical examples in the case of banking services would be managers and computer specialists. No definition of temporary stay is provided by the GATS. It may differ for different services but generally does not exceed five years.

The heterogeneous nature of the different Modes of Supply makes it impossible to specify a single comparable measure of international trade in services applying to all of them. For most of the subjects listed at the beginning of this section, the most frequent statistical requirement would be the income or revenue accruing from the supply of the service to the supplying country or its permanent residents. This statement applies in particular to the valuation of offers and commitments for Mode 3 which has been the principal focus of the negotiations on banking services.

An exception to the statistical requirement for income or revenue is emergency safeguard measures for which a measure of the scale of the commercial presence of foreign firms, such as their share of total assets or capital would probably be required, as explained in box 1. Another might be subsidies for which a methodological framework has yet to be developed. But, as should be clear from the description of actual and potential statistical data bearing on the Modes of Supply for banking services in section E, in practice, there is often no alternative to the use of various different indicators of the scale of trade in services which in most cases are unsatisfactory for this purpose.

C. VOORBURG GROUP

In 1986, the year of the beginning of the Uruguay Round, the Voorburg Group (named after the location in the Netherlands of its first meeting) was established with the objective of developing services statistics. This was an initiative of Statistics Canada and the United Nations Statistics Office (UNSO) based on recognition: (i) that existing international bodies lacked the resources for the work required by an increasingly important field; and (ii) that this work would involve difficult conceptual issues on which lack of an agreed approach was likely to complicate recourse to the usual institutions and procedures for carrying it out. The first tasks of the Group were to include the development of indicators of price and quantity and of classification of services activities. Under the latter heading, the Group was to contribute to the relevant sections of the International Standard Industrial Classification (ISIC) of All Economic Activities (which is designed to foster the international comparability of economic indicators for economic activities grouped as far as possible by their organization in productive units) and of the Central Product Classification (CPC) then being developed (which is intended to serve as a standard for the activity classification of outputs including those of the services sector).

Initially, participation in the Voorburg Group was limited to experts from selected developed countries, UNSO, and the statistical office of the European Communities (EUROSTAT). Representatives of other major international organizations such as GATT, IMF, OECD, UNCTAD and the World Bank attended the first meeting as observers. Gradually, the Group's meetings were opened up to other countries (including developing ones) such as Republic of Korea and Mexico and selected European transition economies. The list of those attending international Voorburg meetings included experts from 9 developing or transition economies in 2003 and 6 in 2004 – figures which in both cases none the less represented limited proportions of the totals.[3] This decision in favour of broader participation was the result of the assumption by the Group of a new role as a source of knowledge transfer and did not reflect full incorporation of these countries in its technical work.[4]

Much of the work of the Voorburg Group has continued to be on classification, output measures (including the development of sectoral model surveys for this purpose), and price indices (including reviews of best practices). The work on statistics for international trade in services has ranged over such issues as cross-border trade, reporting systems, methodology, national practices regarding compilation, and the output or participation in trade of foreign affiliates. The specifically sectoral work on finance and insurance has been limited to papers on the latter.

D. INTERAGENCY TASK FORCE ON STATISTICS OF INTERNATIONAL TRADE IN SERVICES

In 1994, an Interagency Task Force was established in response to a request from the GATT and UNCTAD to the UNSO with the objective of strengthening cooperation between international organizations concerning statistics for trade in services and of promoting the development of concepts, definitions and classifications. The Task Force consisted of representatives of the United Nations, OECD, the European Communities, IMF, UNCTAD, and the WTO, and in 1996, drafting began of a manual intended to meet statistical requirements related to the GATS and the needs of other users. The process was slowed by the novelty of the subject, the politically controversial nature of some aspects of the task, the difficulties of coordinating the contributions and of obtaining the approval of the different

[3] See http://www4.statcan.ca/english/voorburg/2004-background.htm.

[4] "For example, in the last ten years, the Voorburg took an explicit decision to open its meeting to observers from less advanced countries, so that they could benefit from the discussion of the contributing members. Doing so, the Group implicitly took on a new function (role) of knowledge transfer on the subject of service. This was in response to the demand of the United Nations Statistical Commission (UNSC), which felt, quite rightly, that part of the mandate of the Voorburg Group was to help knowledge transfers" Voorburg Group (2005: 10).

members of the Task Force, and changes in the drafters. Eventually, the *Manual on Statistics of International Trade in Services* (United Nations, 2002) was published in 2002.[5]

The Manual surveyed the data available concerning trade in services and their limitations in the context of WTO negotiations. It also proposed guidelines for the extension of existing statistics and for the establishment of a new framework for foreign affiliate trade in services (FATS) statistics, which would cover services supplied through foreign affiliates (and thus through Mode of Supply 3). The production of FATS statistics is a project which will require several years to come to fruition, and thus will not have an impact on the negotiations of the Doha round.

The Manual proposes an approach to implementation of its recommendations on the basis of 10 elements. Five of these elements are specified as “core”. Three are directed at improvements in the classification of activities in the balance-of-payments statistics for services and the breakdown of statistics on trade in services between residents and non-residents by partner countries. The other two concern compilation of FDI statistics disaggregated by activity and of basic FATS statistics. The five non-core recommendations include further detail for balance-of-payments and FATS statistics, collection of statistics relevant to trade in services through the presence of natural persons (Mode 4), separation of trade with related parties from that with unrelated parties, and the allocation of transactions in services trade among the four different GATS Modes of Supply.

Banking services will be covered by the eventual compilation of FATS statistics but the programme envisaged in the Manual would not involve significant progress in the disaggregation of such services in accordance with the classification of activities in the GATS Annex on Financial Services (given in Annex 2 of this paper). The approach to implementation recommended by the Manual is serving as the framework for future work of the members of the Interagency Task Force as well as for technical assistance at the country level.

E. EXISTING DATA

Statistics relevant to the different GATS Modes of Supply for international trade in banking services are currently available under the following headings:

1. cross-border trade in financial services as classified in IMF balance-of-payments statistics *(cross-border trade)*;
2. supply through the temporary presence of natural persons (*natural persons*);
3. local lending by international banks *(bank lending)*;
4. FDI and cross-border mergers and acquisitions (M&A) in financial services *(financial FDI/M&A)*;
5. financial output and other indicators of aggregate financial activity in national accounts and FATS statistics (*aggregate indicators*);
6. numbers and assets of foreign banks in selected jurisdictions *(foreign bank presence)*;
7. income statements of banks (*bank accounts*);
8. trading in countries’ financial markets *(trading).*

[5] See on the duration of the later stages of work on the Manual I have benefited from information furnished by Julian Arkell who assumed the main responsibility for drafting in 1998.

These headings do not include Mode of Supply 2, to which relatively low priority has been accorded in work on trade in services so far.

As will be evident from the discussion which follows, the first six of these data categories do not include measures corresponding to international trade in services for Mode of Supply 3 under the activity headings of the GATS Annex. It is also noteworthy that their sources are mostly official systems of data compilation. Categories (7) and (8), on the other hand, would depend on data already generated by private sector entities in connection with their own activities.

1. Cross-border trade

Payments due to cross-border trade in financial services (Mode 1 of Supply) are part of Other Services in IMF balance-of- payments statistics. The activities covered under this heading are financial intermediary and auxiliary services (except those of insurance enterprises and pension funds), and the payments and transfers between residents and non-residents in the statistics are intermediary service fees and commissions and other fees related to transactions in securities. The statistics for such payments and transfers can be considered as analogous to those for trade in goods and provide an indication of total cross-border income flows. But they are at a high degree of aggregation and thus cannot be used for analysis of transactions under Mode of Supply 1 of the GATS in accordance with the classification of financial services other than insurance ((v) – (xvi)) of the Annex. Improvements which can be envisaged as part of revision of the IMF *Balance of Payments Manual* are not likely to have a major impact on this situation.[6]

2. Natural persons

Receipts accruing to a country from the income of persons of one country temporarily present in the territory of another country (Mode of Supply 4) are included in statistics for current transfers in the current account of the balance of payments under the headings of *compensation of employees* and *workers' remittances*.[7] But receipts under this heading due to the supply of financial services cannot be distinguished separately owing to the absence of the required level of disaggregation of the statistics. The work of the Technical Sub-group on the Movement of Persons – Mode 4, established by the United Nations Statistical Commission in 2004, is to focus on overall improvement of statistics under this heading, including such issues as the concept of residence and what payments should be included in remittances. This is unlikely to affect significantly the position regarding sectoral disaggregation and thus relevance to statistics on banking services.

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[6] For cross-border services transactions, the *Manual of Statistics of International Trade in Services* (United Nations, 2002) recommends use of the Extended Balance of Payments Services Classification (EBOPS), a classification with greater detail than that of the IMF Manual for many services but not for financial services other than insurance.

[7] "Compensation of employees" consists of wages, salaries, and other benefits earned by individuals in economies other than those in which they are residents for work performed for residents of those economies. "Workers' remittances" are those of migrants employed in their new economies and considered residents there (i.e. persons who stay or are expected to stay in these economies for a year or more). The distinction between these two categories can be difficult to apply in practice (see IMF, 1993: paras. 269, 272 and 302).

3. Bank lending

The consolidated international banking statistics of the BIS can be used to indicate changes in the scale of the activities of foreign banks in different countries (Mode of Supply 3 of the GATS).[8] Under the total foreign claims of reporting banks, the local claims of their foreign offices in local currency are separately distinguished. A more complete picture of the scale of their commercial presence in foreign countries would need to include also the local claims of their foreign offices in foreign currencies, which are not shown separately in the BIS statistics. Moreover, a limitation of this reporting system is that it includes only a few developing countries, omitting, for example, the Republic of Korea whose banks now have a substantial commercial presence outside their home country. Nevertheless, the rapid increase in the proportion of total foreign claims represented by local claims in local currency provides a useful indication of the growing importance of affiliates of foreign banks in the financial markets of developing and transition economies.

4. Financial FDI/M&A

In many OECD but fewer non-OECD countries, a breakdown of FDI figures by activity is available (WTO, 2003: 33). But for financial services, the disaggregation does not generally go beyond the categories of financial intermediation, insurance (disaggregated into three subcategories), and activities auxiliary to financial intermediation. Such disaggregation does not correspond even approximately to that of the Annex. FDI figures can at most provide an indication of growth of supply through Mode of Supply 3 and of the overall scale of the commercial presence of foreign affiliates in different activities. More promising for this purpose are data for cross-border M&A since information about the enterprises involved will generally make possible more precise inferences as to which financial activities are involved. Data on M&A deals are available from sources such as Thomson Financial.

For most purposes, suitable measures of "international trade" under Mode of Supply 3 involve income or turnover (see section B). Revenue, profits, value added or gross value of enterprises supplying services can serve here. Stocks or flows of investment are not a satisfactory proxy. However, stocks of assets may eventually be an indicator relevant to decisions regarding safeguard actions once the GATS has been extended to cover such actions (see box 1).

5. Aggregate indicators

One indicator of the output of financial services relevant to assessment of actual and potential supply in a country through all four Modes of Supply is value added in national accounts. The value added of banking services is in principle measured from interest payments to and from financial enterprises, fees and commissions, and other property income. Traditionally, measurement has often been hampered by difficulties in distributing interest payments between financial and non-financial firms with the result that estimates of value added were highly approximate for many countries and not even included in GDP for others. Recent years have witnessed considerable improvements in the coverage of the output of the financial

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[8] These statistics are available in the quarterly publication of the BIS, *BIS Quarterly Review: International banking and financial market developments*, www.bis.org/publ/quarterly.

services sector in national accounts, although there are still widespread shortcomings.[9] But even where statistics of the value added due to financial services are available, they provide only a guide to the overall scale and growth of the sector. They do not provide a breakdown of such value added among the different activities of the sector or of that between domestic and foreign firms.

Eventually, the FATS statistics recommended by the Interagency Task Force and defined in section D will provide information for several measures of aggregate activity of the financial sector particularly relevant to Mode of Supply 3. These statistics are to cover a broad range of economic indicators which will include some or all of the following: sales, employment, value added, exports and imports, number of enterprises, assets, net worth, operating surplus, capital formation, income taxes, expenditure on research and development, and compensation of employees.

At the aggregate level, (i.e. without a detailed geographical or activity breakdown) FATS statistics are already available in the great majority of OECD countries for numbers of employees, turnover and value added for foreign affiliates in the case of inward investment but are much less widely available in the case of outward investment (WTO, 2003: 32–3). However, as noted above, the production of detailed FATS statistics globally is a long-term project so that they cannot be expected to be available during the Doha round. But even with the proposed activity breakdown in accordance with ISIC Categories for Foreign Affiliates (ICFA) the FATS statistics for financial services other than insurance will show disaggregation involving only two subsectors, financial intermediation except insurance and pension funding and activities auxiliary to financial intermediation except insurance and pension funding (see Annex 2 of this paper). This will not permit a matching of FATS statistics with the activity classification of the GATS Annex on Financial Services.

6. Foreign bank presence

Relevant to GATS Mode of Supply 3 are statistics for the number of foreign banks in various jurisdictions including developing countries. For a long time, the principal source for such statistics was *The Banker*, which, however, now publishes them less frequently. Such data are also available for selected countries and regions on a one-off basis, for example, from the European Commission (Commission of the European Communities, 2008), and the European Central Bank (European Central Bank, 2005 and 2008). A shortcoming of these statistics is that they refer to numbers of banking entities (with or without breakdowns by types of entity) and not to scale of their activities.

Other statistics useful in the context of Mode of Supply 3 are those for the share of the assets and capital of countries' banks owned by foreign institutions. These data are likely to be relevant to rules eventually developed for safeguards as part of the GATS (see box 1). They are available on a non-systematic basis in one-off studies from international institutions and articles in periodicals such as *The Banker*.[10] Moreover, for many banks, foreign ownership could be identified from information on banks' principal shareholders available through Bankscope, a data base produced by Bureau van Dijk Electronic Publishing in collaboration

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[9] These shortcomings are indicated by the fact that the 1993 System of National Accounts (SNA) still accommodates for financial intermediaries "the convention proposed in the 1968 version of the SNA whereby the whole of the output is recorded as the intermediate consumption of a nominal industry" – a convention which "makes total GDP for the economy as a whole invariant to the size of the estimated output" (United Nations, 1993: para 6.126).

[10] See, for example, Committee on the Global Financial System (2004: 9), European Central Bank (2005: table 5) and World Bank (2008).

with Fitch Ratings and other publishers of financial information such as Moody's, Standard and Poor's and Reuters.

7. Bank accounts

The income statements of commercial banks and their notes provide data on net interest income (interest income minus interest expense), fees and commissions, trading income and investment income. Such data have considerable potential for assessing actual and potential market size under Mode of Supply 3. Net interest income is income from activities covered by activities (v) (acceptance of deposits and repayable funds), (vi) (lending) and (vii) (financial leasing) of the GATS Annex. Fees and commissions include (without necessarily being coextensive with) income from activities covered by (viii) (payment and money transmission services), (ix) (guarantees and commitments), (xi) (participation in securities issues), (xii) (money broking), (xiii) (asset management), (xiv) (settlement and clearance), and (xvi) (advisory, intermediation other auxiliary services). Trading income is earned from trading the instruments and securities classified under activity (x) (trading).

The income statements of investment banks and brokers cover categories of income classified under headings similar to those of banks but categories whose relative importance differs from that for commercial banks. This distinction is not of practical importance in statistical data for banks to the extent that the same entity undertakes the activities of investment banking and broking as well as of commercial banking.

The correspondence between the categories of income in the income statements of banks and their notes to the activities in the classification of the Annex is only approximate. Moreover, allowance must be made for variation among countries in the quality of the data in firms' financial reports. Nevertheless, the statements and notes are generally a source of information which can be used for estimates of the order of magnitude of the value of business for major categories of activities. As such, they can provide an indication of the size of the potential market for "imports" of banking services via Mode of Supply 3.

Assembling such data for member countries of the WTO would be task which could be undertaken either through a central data base or by statisticians at country level. A central data base could make use of information in a system such as Bankscope (see E.6 above) which facilitates access to the financial statements of banks in most countries of the world. Alternatively, national statisticians could assemble the information according to an agreed format for the financial statements of their banks.

Annex 1 exemplifies the use of data in the income statements and notes of Jordanian banks – Islamic as well as conventional – to illustrate the procedures proposed here. Jordan was chosen for this purpose owing to the manageable size of its banking sector and the quality of banks' financial reports.[11] The data highlight some inevitable approximations and conceptual problems of these procedures.

Exhibits 1 and 2 show the income statements of two banks, one conventional and one Islamic. The notes to the exhibits indicate the correspondence between the items in these statements and the categories of activity listed in the GATS Annex. Exhibit 3 shows the items in the income statements of Jordanian after aggregation of these items under headings corresponding to these categories.

[11] Three banks included in Bankscope were omitted owing to the lack of detail in their published income data or to the availability only of interim six-month figures.

The income included under the different activities headings in the three exhibits is net operating income, i.e. the sum of net interest and non-interest income serving as the revenue pool from which a bank will meet its expenses and generate a profit. Net income after the deduction of expenses by activity is not generally available for banks owing to the impossibility of allocating costs – of which a high proportion are fixed – to different activities. Thus, the income figures in the exhibits of Annex 1 do not include the non-interest costs of the banks whose results are covered.

Many of the column headings in exhibit 3 involve more than one activity from the classification of the GATS Annex, reflecting the lack of a one-to-one correspondence with banks' income statements. One example of this is the principal activity of conventional banks as credit institutions, namely receiving deposits and other repayable funds from the public and granting credits for their own account, which involves both activity (v) of the GATS Annex (acceptance of deposits and repayable funds) and activity (vi) (lending of all types). In the exhibit 3, for conventional banks, (v) and (vi) have been aggregated with (vii) (leasing), which is not classified separately in the income statements of conventional Jordanian banks.

The reporting procedures for the banks covered by the exhibits are not completely uniform. This is true, for example, of the inclusion in operating income of the recovery of loans previously written off, a procedure followed by most but not all Jordanian banks. For example, since inclusion of loans recovered is the procedure followed by the great majority of the conventional banks in exhibit 3, in the interests of uniformity in the appropriate column ((vi) & (vii)) there are blank spaces for banks not following this procedure.

There are special problems in matching the classification of income in the financial statements of Islamic banks with the activity classification of the GATS Annex. This is not surprising since the latter was clearly designed for conventional banks. Thus, for example, Islamic banks cannot be considered as credit institutions owing to the prohibition of interest-bearing debt. However, a large part of the business of Islamic banks, like their conventional counterparts, consists of serving as intermediaries between sources and users of funds in their role as managers (*mudarib*) of investment accounts. Narrowly interpreted, this role corresponds to activity (xiii) (asset management) of the Annex but in order to bring out its analogousness to the role of conventional banks as credit institutions, the pertinent columns in exhibit 3 are denoted as (v) & (xiii).

8. Trading

Income from participation by investment banking and securities firms and certain other specialist firms in the trading of various financial instruments or contracts (principally stocks and derivatives) can be estimated from turnover figures for such trading through their multiplication by percentage spreads (i.e. the percentage difference between the prices at which instruments or contracts are bought and sold) and by percentage commissions on transactions. Such income is relevant to valuation and assessment of international trade in banking services under Mode 3 (principally activities (x) and (xi) of the GATS Annex).

For organized exchanges, the turnover data are available from the exchanges themselves or in various annuals and other publications such as those of the International Finance Corporation of the World Bank for stocks in emerging markets. Data on spreads and possibly other fees are likely to be available from the exchanges themselves.

For OTC instruments, the data on turnover and spreads differs among countries according to trading practices, the availability of instruments, and government regulation. The most generally accessible data are for spot trading in foreign exchange and trading in the secondary markets for government bonds. The picture regarding data on trading in OTC derivatives (of which the most important are usually forward exchange contracts – including non-deliverable forwards,[12] foreign exchange options, interest-rate swaps, and forward rate agreements) is less homogeneous, as is illustrated by the survey of JPMorgan Securities summarized in box 3.

Box 3

STATISTICS FOR OTC FINANCIAL INSTRUMENTS IN SELECTED EMERGING MARKETS

A survey of *JPMorgan (JPMorgan, 2005)*, provides information on data available for OTC instruments in 25 emerging markets of which 6 were in Latin America (Argentina, Brazil, Chile, Columbia, Mexico and Venezuela), 10 in Central and Eastern Europe, the Middle East and Africa (Czech Republic, Hungary, Israel, Poland, Romania, Russian Federation, Saudi Arabia, Slovakia, South Africa and Turkey) and 10 in Asia (China, Hong Kong (China), India, Indonesia, Malaysia, Philippines, Singapore, Republic of Korea, Taiwan Province of China and Thailand).

For the *Latin American markets*, data are provided for the value of spot trading in foreign exchange and of trading in the secondary markets for government debt for all except Venezuela. Bid-offer spreads are also given for 3 markets for the former type of trading and for 4 markets for the latter. Information on turnover in derivatives (forward exchange contracts including non-deliverables, foreign exchange options, interest-rate swaps, and forward rate agreements) is provided for only 2 markets, and selected bid-offer spreads for 4.

For *Central and Eastern European, Middle Eastern and African markets*, data are provided for all markets except Romania for spot trading in foreign exchange and the associated bid-offer spreads. Data are also provided for turnover in the secondary markets for government debt for all markets except Saudi Arabia and Slovakia where the markets are still illiquid. Bid-offer spreads are also given for 6 markets. The data for trading in forward exchange contracts include all markets except Romania, bid-offer spreads also being given for 7 of them. For selected other OTC derivatives (foreign exchange options, interest-rate swaps, and forward rate agreements) turnover is provided for all markets except Romania and bid-offer spreads for 6 markets (though even for these markets the coverage of contracts included is not complete).

For the *Asian markets*, data are provided for 8 markets for the value of spot and deliverable forward trading in foreign exchange, and for all 10 for that of trading in the secondary markets in government debt, bid-offer spreads also being given in each case. For selected other OTC derivatives (non-deliverable forwards, foreign exchange options, interest-rate swaps, and forward rate agreements) data are provided for both turnover and bid-offer spreads.

[12] Non-deliverable forwards, an innovation of the mid-1990s, are forward exchange transactions where eventual settlement of the future leg is in a currency other than that to which the forward exchange rate refers. The currency chosen to replace the reference currency will typically be freely exchangeable in a liquid market. Non-deliverable forwards facilitate hedging and speculation in emerging-market currencies.

F. POLICY SUGGESTIONS

This paper has reviewed gaps in existing statistics for international trade in banking services. These gaps are already a serious handicap for assessment exercises for such trade and for valuation of offers and commitments in WTO negotiations, and will be a problem to be confronted in decisions on compensation in dispute settlement for services under the WTO agreement and in the context of an eventual extension of GATS rules to cover emergency safeguard measures and subsidies. These gaps can be remedied to some extent through ongoing efforts to extend the framework for international trade in banking services and through one-off surveys of financial activities such as trading in selected countries. However, these initiatives will not provide on a continuing basis statistics corresponding to the categories of financial activity in the GATS Annex for major purposes which are already, or likely to become, part of the rules of the GATS.

The suggestion of this paper is that for several of these purposes, use can be made of information in the income statements of banks which have the advantage of being regularly updated and whose categories can be approximately matched with the definitions of financial activities in the Annex. This information can be obtained through a data system such as Bankscope which facilitates access to the financial statements of banks in most countries of the world. Alternatively, one could envisage delegating to national statistical bodies the task of assembling the relevant data according to a standard format closely related banks' income statements as suggested in section E. Either approach would take advantage of the accounting work undertaken by banks as part of their normal disclosure obligations.

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ANNEX 1

INCOME FROM SELECTED ACTIVITIES OF JORDANIAN BANKS

Exhibit 1

CONSOLIDATED INCOME STATEMENT OF ARAB BANKING CORPORATION (JORDAN), SELECTED ITEMS FOR 2003–2004

(Jordanian dinars)

	2004	*2003*
Net interest income	9,907,874	8,485,181
Net commission	1,570,972	1,372,696
Credit facilities-direct	600,643	610,321
Credit facilities-indirect	970,329	762,375
Gain from financial assets and instruments	2,511,484	2,671,504
Gain from available for sale investments	2,179,143	1,817,603
Gain from trading investments	9,655	701,426
Dividends received	322,686	152,475
Other operating income	6,261,692	4,762,631
Foreign exchange differences	515,801	530,121
Commission on customers' funds trading	4,244,401	3,078,761
Revenue from credit card operations	430,964	420,020
Management and consultation fees	63,773	353,567
Transfers commission	164,379	137,289
Recovery of loans previously written off	489,977	95,681
Capital gain	45,619	--
Others	301,778	147,192

Source: Arab Banking Corporation (Jordan), *The Fifteenth Annual Report 2004*.

Note: The following is an approximate and partial correspondence between items in this table and the classification of activities in the Annex on Financial Services of the GATS (see Annex 2 below):

- Net interest income: (v), (vi), and (vii).
- Net commission: (v), (vi), and (vii).
- Gains from financial assets and instruments: (x).
- Foreign exchange differences: (x) (B).
- Commission on customers' funds tradings: (x), (xii), (xiv), and (xvi).
- Revenue from credit card operations: (viii).
- Management and consultation fees: (xiii) and (xvi).
- Transfers commission: (xiv).
- Recovery of loans previously written off: (vi) and (vii).
- Capital gain: (x).

Exhibit 2

INCOME STATEMENT OF ISLAMIC INTERNATIONAL ARAB BANK CORPORATION, SELECTED ITEMS FOR 2003–2004

(Jordanian dinars)

	2004	*2003*
Mudarib share of profit for managing unrestricted investment accounts (IA)	2,646,500	3,076,759
Deferred sales	4,410,397	5,561,904
Financing	334,456	428,047
Investment in commodities	1,173,550	926,069
Investment in Islamic Sukuks	42,115	26,500
Ijara	3,422	--
(less)		
Revenues of unrestricted IA	2,721,046	3,171,509
Allocation to investment risk fund	596,394	694,252
Profit from investments financing and deferred sales	2,043,039	2,011,457
Agent’s share of profit from restricted IA	326,378	299,170
Net revenues of banking services	835,186	535,798
Other operating revenues	655,829	537,147

Source: Islamic International Arab Bank, *Annual Report 2003/2004.*

Note: (1) The following is an approximate (and partial) correspondence between items in this table and the classification of activities in the Annex on Financial Services of the GATS (see Annex 2 below):
Mudarib share of profit for managing unrestricted investment accounts: (v) & (xiii).

- Deferred sales: (xiii).
- Financing: (xiii).
- Investment in commodities: (xiii).
- Investment in Islamic Sukuk: (xiii).
- Ijara: (vii).
- Profit from investments financing and deferred sales: (x).
- Agent’s share of profit from restricted investment accounts: (xiii).
- Net revenues of banking services: (viii).

(2) Selected terms:

- *Mudaraba* is a partnership between capital and work. In the case of the management of investment accounts the holders of the accounts are the owners of capital and the Islamic bank as *mudarib* (working partner) receives a share of profits from investing the funds.
- Deferred sales (*murabaha*) involve contracts in which the Islamic bank purchases goods at the request of a client who makes deferred payments that cover costs and an agreed profit margin for the bank. *Murabaha* is the most widely used instrument of Islamic finance.
- Investment in commodities qualifying as speculation is not permitted. Amongst permitted forms is *commodity murabaha*, a short-term interbank deposit or placement by an Islamic bank in a conventional bank whose return is backed by the conventional bank’s operations in commodity markets.
- *Sukuks* are instruments similar to conventional asset-backed bonds where the risk and return associated with the assets belong to the sukuk holder.
- An *ijara* is a lease contract where the return to the Islamic bank acting as lessor is rent or a share of the profits earned from the use of the equipment or property covered by the lease.
- Liabilities in the form of risk-bearing instruments whose balance-sheet counterparts are real assets earning a variable rate of return linked to their performance are consistent with Islamic law. Such *investment accounts* have a number of different names corresponding to differences in their contractual terms such as “participation term certificates”, “profit and loss sharing certificates”, and “investment deposit certificates”. *Restricted investment accounts* are subject to restrictions as to how the funds are to be invested and as to their commingling with the bank’s other investment funds.

Exhibit 3

INCOME STATEMENTS OF JORDANIAN BANKS, SELECTED ITEMS FOR 2003–2004

(Jordanian dinars)

	Year	*(vi) & (vii)*	*(v), (vi) & (vii)*	*(viii)*	*(x)*	*(x) (B)*	*(x), (xii), (xiv) & (xvi)*	*(xiii)*	*(xiv)*	*Other*
Conventional Banks										
Arab Banking Corporation (Jordan)	2004	489,977	11,478,846	430,964	2,557,103	515,801	4,244,401	63,773	164,379	301,178
	2003	95,681	9,857,877	420,020	2,671,504	530,121	3,078,761	353,567	137,289	147,192
Arab Bank Group	2003		586,982		99,364	47,152		749		60,184
Arab Jordan Investment Bank	2004	700,139	9,312,396		1,651,689	1,140,806				78,936
	2003	-	8,856,168		2,208,232	1,059,610				29,842
Bank of Jordan	2004	1,897,441	43,276,201	399,924	1,973,207	1,616,425				164,224
	2003	812,998	37,955,296	315,461	490,319	2,263,578				123,217
Export & Financial Bank	2004		9,550,084		3,912,740	309,856		707,828		1,885
	2003		11,914,262		6,148,180	172,862		1,326,584		1,423
Housing Bank for Trade and Finance	2004	1,936,721	80,936,918	4,271,474	10,375,098	710,312		175,781		4,861,760
	2003	53,044	69,724,136	3,131,121	14,126,758	143,448		167,171		3,524,317
Industrial Development Bank	2004	4,148,441	3,112,129		-440,243	60,544	281,552	25,388		75,688
	2003	2,079,751	3,939,516		230,237	39,738	159,753	25,296		135,512
Jordan Kuwait Bank	2004	407,351	45,292,401	673,752	4,798,287	2,835,006		123,542		5,526,258
	2003	520,089	35,684,337	486,219	6,365,311	2,305,561		113,840		3,885,542
Jordan National Bank	2004	2,619,207	43,908,884	78,891	2,106,894	2,214,083		45,512		308,677
	2003	2,528,828	37,435,625	65,125	2,371,961	2,260,476		43,532		425,846
Société Générale de Banque-Jordanie	2004		4,167,780	287,083	416,688		144,041	4140		176,979
	2003		2,389,200	178,226	597,972		98,679	3531		125,890
Union Bank	2004		13,453,861		5,312,124					2,583,931
	2003		10,801,433		-9,567,290					1,732,409

/…

Exhibit 3 (concluded)

		(v) & (xiii)	*(vii)*	*(viii)*	*(x)*	*(xiii)*	*Other*
Islamic banks							
Islamic International Arab Bank	2004	2,039,617	3,422	835,186	2,043,039	326,378	655,829
	2003	2,011,457	-	535,798	2,011,457	299,170	537,147
Jordan Islamic Bank	2003	12,885,922		4,591,474	53,546	1,371,837	1,785,475

Source: Annual reports of banks listed.

Note: For the headings of the columns denoting activities from the classification of the Annex on Financial Services of the GATS summary lists of items from income statements and notes are specified.

Conventional banks

- (vi) & (vii): recovery of loans previously written off; release of provisions; interest in suspense returned to income; net revenue from recovered loans
- (v), (vi) & (vii): net interest income + net commission; fees on salaries accounts; account management fees, charges on dormant and low-balance accounts
- (viii): revenue from credit card operations; telephone, post and Swift; commissions on returned cheques; invoice processing; transfers; cheque books
- (x): gains from financial assets and instruments; other capital including revaluation gains; share in profits/losses of subsidiaries and affiliates
- (x) (B): foreign exchange differences; foreign exchange trading/dealing income
- (x), (xii), (xiv) & (xvi): commission on customers' funds trading; brokerage commissions
- (xiii): management and consultation fees; asset management; safe box rent; stamp income

Islamic banks

- (v) & (xiii): mudarib share of profits from managing unrestricted investment accounts
- (vii): ijara
- (viii): banking services
- (x): profit from investments financing and deferred sales
- (xiii): agent's (mudarib's) share of profit from restricted investment accounts investment portfolio revenues

ANNEX 2

SELECTED ACTIVITY CLASSIFICATIONS FOR FINANCIAL SERVICES

Annex on Financial Services of the GATS

Insurance and insurance-related services

(i) Direct insurance (including co-insurance):
  (A) life;
  (B) non-life.

(ii) Reinsurance and retrocession.

(iii) Insurance intermediation, such as brokerage and agency.

(iv) Services auxiliary to insurance, such as consultancy, actuarial, risk assessment and claim settlement services.

Banking and other financial services (excluding insurance)

(v) Acceptance of deposits and other repayable funds from the public.

(vi) Lending of all types, including consumer credit, mortgage credit, factoring and financing of commercial transactions.

(vii) Financial leasing.

(viii) Payment and money transmission services, including credit, charge and debit cards, travellers cheques, and bankers drafts.

(ix) Guarantees and commitments.

(x) Trading for own account or for account of customers, whether on an exchange, in an over-the-counter market or otherwise, the following:
  (A) money market instruments (including cheques, bills, certificates of deposit);
  (B) foreign exchange;
  (C) derivative products including, but not limited to, futures and options;
  (D) exchange-rate and interest-rate instruments including such products as swaps and forward rate agreements;
  (E) transferable securities;
  (F) other negotiable instruments and financial assets, including bullion.

(xi) Participation in issues of all kinds of securities, including underwriting and placement as agent (whether publicly or privately) and provision of services related to such issues.

(xii) Money broking.

(xiii) Asset management, such as cash or portfolio management, all forms of collective investment management, pension fund management, and custodial, depository and trust services.

(xiv) Settlement and clearance services for financial assets, including securities, derivative products, and other negotiable instruments.

(xv) Provision and transfer of financial information, and financial data processing and related software by suppliers of other financial services.

(xvi) Advisory, intermediation and other auxiliary financial services on all activities listed in (v) through (xv), including credit reference and analysis, investment and portfolio research and advice, advice on acquisitions and on corporate restructuring and strategy.

IMF Balance of Payments Manual (5th edition)

1. Current Account
   - A. Goods and services
     - b. Services
       - 5. Insurance services*
       - 6. Financial services

* The Manual also recommends the recording of gross premiums and gross claims as memorandum items owing to their usefulness for purposes such as trade negotiations.

ISIC Categories for Foreign Affiliates (ICFA) (the recommended activity classification for FATS statistics)

ICFA headings/elements

9. Financial intermediation
   - 9.1. Insurance and pension funding, except insurance and pension funding
   - 9.2. Insurance and pension funding, except social security
     - 9.2.1. Life insurance
     - 9.2.2. Pension funding
     - 9.2.3. Non-life insurance
   - 9.3. Activities auxiliary to financial intermediation
     - 9.3.1. Activities auxiliary to financial intermediation, except insurance and pension funding
     - 9.3.2. Activities auxiliary to insurance and pension funding

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