Approved by the order of the Chairman of the Committee on Statistics of the Ministry of National Economy of the Republic of Kazakhstan

dated October 3, 2016 226

Methodology for accounting for financial services of second-tier banks

**Chapter 1. General provisions**

1. The methodology for accounting for financial services of second-tier banks (hereinafter - the Methodology) was developed in accordance with the Law of the Republic of Kazakhstan dated March 19, 2010 "On State Statistics" (hereinafter - the Law).

2. This Methodology is applied by the Statistics Committee of the Ministry of National Economy of the Republic of Kazakhstan (hereinafter - the Committee) to record the financial services of second-tier banks, in accordance with international standards, and exclusively for the purposes of the System of National Accounts (hereinafter - SNA).

3. The purpose of this Methodology is to bring the calculations of financial services of second-tier banks in line with the new economic situation and the latest achievements in methodological research. This Methodology helps to improve the quality of calculating the gross value added of subsection 64 “Financial services, except for services of insurance and pension funds” in section K “Financial and insurance activities”.

1. The System of National Accounts 2008 (2008 SNA) prepared by the International Monetary Fund (IMF), the Organization for Economic Co-operation and Development (OECD), the Statistical Office of the European Communities (Eurostat), the United Nations (UN) and the World Bank was used as a methodological basis.

5. The following definitions are used in this Methodology:

1) intermediate consumption (IC) - the cost of goods and services that are transformed or completely consumed in the production process in the reporting period. The consumption of fixed capital is not included in intermediate consumption;

2) gross value added (GVA) - characterizes the final result of production activity and represents the value added by processing in this production process. Calculated at the level of industries as the difference between the output of goods and services and intermediate consumption, includes the cost of fixed capital consumed in the production process;

3) gross domestic product (GDP) - one of the most important indicators of the system of national accounts, characterizing the final result of the country's economic activity;

4) indirectly measured financial intermediation services (IMFIE) - [is an indirect indicator of the cost of financial intermediation services, provided that financial institutions do not charge direct fees for financial intermediation services;](http://www.google.ru/url?q=http://statinfo.biz/HTML/M1F247A1028L1.aspx&sa=U&ei=FSy-TuT2BsjqOaKHgb4B&ved=0CCMQFjAI&usg=AFQjCNF8MQ-qkq9yqyHbux9_aizPYHWVng)

5) system of national accounts - is a system of statistical indicators, built in the form of a specific set of accounts and tables that characterize the results of the country's economic activity.

**Chapter 2. Methodological approach to the calculation of financial services of second-tier banks in accordance with the 2008 SNA**

6. Resident corporations or quasi-corporations engaged in financial intermediation, ancillary financial services and other financial services belong to the financial corporations sector.

In the 2008 SNA, financial services include services related to monitoring, liquidity , risk-taking, securities placement services, and financial instrument exchange services.

7. Subsectors of the Financial Corporations sector include:

1) the central bank;

2) corporations that accept deposits other than the central bank;

3) money market funds;

4) non-monetary market investment funds;

5) other financial intermediaries, except for insurance corporations and pension funds;

6) auxiliary financial corporations;

7) captive financial institutions and moneylenders;

8) insurance corporations;

9) pension funds.

8. Second-tier banks according to the 2008 SNA belong to the subsector “corporations that take deposits other than the central bank” and are financial commercial institutions. The main functions of these corporations are the provision of financial intermediation and ancillary financial services.

9. Financial institutions do not charge direct fees for financial intermediation services. Fees for these services are implicitly included either in the interest paid by the borrowers of funds, or they are charged implicitly to institutional units lending resources to financial institutions by applying lower interest rates to them. In the SNA, the value of output of financial intermediation services is calculated by the indirect method (IFSIM).

1 0. Ancillary financial services are charged directly in the form of commission payments. Their release is determined by the amount of this payment. Ancillary activities are carried out within the organization, in order to create conditions for the normal implementation of its main or secondary activities.

The output of second-tier banks is equal to the sum of the outputs of financial intermediation services and the output of ancillary services.

11. Ancillary financial services are provided to clients by all financial institutions. For some, this is a primary activity, while for others it is a secondary activity in addition to providing financial intermediation services.

12. Financial services are paid for explicitly and implicitly.

Fees for financial services explicitly include a margin on foreign exchange and securities transactions. The margin is calculated for the difference between the rates of the seller and the buyer. The margin is a source of income for the bank and covers the costs of the transaction and insures the currency risk.

There are two types of quotes: direct and indirect. Most countries use direct quotation. With direct quotation - the cost of a unit of foreign currency is expressed in national currency. With indirect quotation, the national currency is taken as a unit, the exchange rate is expressed in a certain amount of foreign currency.

13. A large number of services are explicitly provided by various categories of financial institutions. Deposit-taking institutions, particularly banks, charge households for mortgages, investment portfolio management, tax advice, and property management.

Specialized financial institutions charge non-financial corporations for arranging a share offering or for managing the restructuring of a group of corporations. The most common direct fee is the fee charged by credit card issuers to businesses that accept credit cards as payment for goods and services.

14. Payment is calculated as a percentage of the sale, in retail sales volume corresponds to turnover, not output. The percentage is small in absolute value (one or two percent) and applying it to large amounts means that the total amount of the payment will be large. This payment represents the output of credit card companies and the intermediate consumption of credit card companies as a means of payment.

Ignoring the role of credit card companies does not affect the measurement of spending on goods and services (final consumption or exports), but reduces the costs of the supplier of goods and services and the output of credit card companies. This results in a redistribution of value added from credit card companies to credit card providers of goods and services (2008 SNA, 6.161).

15. The credit card example illustrates that a financial corporation provides services that are paid for by different funds from different customers or under different circumstances. The cardholder is charged an explicit fee for using the card. When using credits, the cardholder makes an implicit payment related to the payment of interest on outstanding credits (treated as a loan in the SNA) (2008 SNA, 6.162).

16. Second-tier banks, along with their main activity (intermediary activity), carry out various auxiliary operations, including many services closely related to financial intermediation.

# 17. Second-tier banks carry out banking and other operations established by the Law of the Republic of Kazakhstan dated August 31, 1995 "On banks and banking activities in the Republic of Kazakhstan".

For the provision of such services to customers, financial institutions receive payment in the form of commissions or other payments related to banking activities.

**Chapter 3. Calculation of gross output and intermediate consumption of financial services of second-tier banks**

**Paragraph 1. Calculation of the gross output of financial services of second-tier banks**

18. GDP is calculated using three methods: the production method, the income method, and the final use method. The main components of GDP by the production method are - gross output, intermediate consumption, gross value added.

19. The output of financial institutions (banks) consists of the output of FISIM and the output of ancillary financial services.

The source of data for calculating the output of ancillary financial services of second-tier banks is publicly available information posted on the website of the central bank.

20. The income statement of banks reflects income from the following ancillary financial services:

1) commission income on loans;

2) income from the amortization of discounts, premiums and interest on loans and other debt instruments;

3) income associated with the receipt of interest on other securities;

4) commission income;

5 ) other income from banking activities;

6 ) income from the sale and purchase of securities, foreign currency, precious metals.

The output associated with activities relating to the sale and purchase of securities and all types of transactions related to foreign exchange (including futures and options) is valued at the amount for the difference between the purchase and sale price.

Ancillary financial services that are paid directly in the form of fees are treated as an output of the SNA. Items included in the output of financial services of second-tier banks are given in Appendix 1 to this Methodology.

**Paragraph 2. Calculation of intermediate consumption of financial services of second-tier banks**

21. As a source of data for calculating the intermediate consumption of financial services of second-tier banks, publicly available information posted on the official website of the central bank is used.

22. Many items of expenditure are complex. From these articles, the relevant parts related to intermediate consumption are separated. As part of business travel expenses, expenses for travel and accommodation fees, visa fees and miscellaneous travel-related fees are classified as intermediate consumption.

23. Some expense items contain the values of transactions related to financial instruments, or the results of their revaluation, which are not included in current expenses and intermediate consumption in particular.

24. Intermediate consumption of ancillary services is made up of the following report items:

1) expenses for amortization of discounts, premiums and interest on loans;

2) expenses on operations with securities;

3) commission expenses;

4) general business expenses;

1. selling expenses;

6) other expenses.

25. The difference between output and intermediate consumption determines the GVA of banks. Calculations of intermediate consumption and GVA of services of financial activities of second-tier banks are given in Appendices 2 and 3 to this Methodology.

 Appendix 1

to the Methodology for accounting for financial services of second-tier banks

**Calculation of the output of financial services of second-tier banks**

million tenge

| **Account number** | **"Report on income and expenses for second-tier banks of the Republic of Kazakhstan"** | **2013** | **2014** | **2015** |
| --- | --- | --- | --- | --- |
| 4429 | Commission on loans granted to customers | 17,268.0 | 25,459.5 | 19,783.0 |
| 4434 | Income from amortization of discount on loans to customers | 55,444.0 | 73,674.5 | 95,348.3 |
| 4440 | Income from amortization of premiums on deposits attracted from customers | 893.0 | 1,059.7 | 59,537.4 |
| 4445 | Income related to the receipt of interest on financial assets transferred to trust (trust) management | 0.0 | 0.0 | 0.0 |
| 4453 | Income from amortization of discount on purchased securities | 3,296.0 | 3483.6 | 3515.4 |
| 4454 | Income from amortization of premiums on outstanding securities | 1293.0 | 2459.7 | 1603.3 |
| 4455 | Income from the amortization of the premium on outstanding subordinated bonds | 305.0 | 872.2 | 1950.6 |
| 4492 | Income from amortization of discount on other debt instruments in the category "loans and receivables" | 129.0 | 267.0 | 1143.3 |
| 4510 | Income from the purchase and sale of securities | 1,122.0 | 1608.1 | 2952.3 |
| 4530 | Income from the purchase and sale of foreign currency | 116 318.0 | 155,054.5 | 369,052.8 |
| 4540 | Income from the purchase and sale of precious metals | 1030.0 | 196.4 | 221.0 |
| **4600** | **Fee and commission income** | **283 803.5** | **295 868.8** | **311 937.9** |
| 4601 | Fee income from transfer services | 60,532.0 | 64,846.2 | 66,651.7 |
| 4602 | Commission income for agency services | 20,025.5 | 15,985.4 | 16,940.4 |
| 4603 | Fee income for services related to the purchase and sale of securities | 11.9 | 17.0 | 17.7 |
| 4604 | Commission income for services in the purchase and sale of foreign currency | 9,012.9 | 11,232.5 | 8,592.6 |
| 4605 | Fee and commission income for fiduciary services | 565.8 | 641.3 | 721.9 |
| 4606 | Fee and commission income for guarantee services | 26,692.5 | 20,580.2 | 21,701.3 |
| 4607 | Fee and commission income for services on accepting deposits, opening and maintaining bank accounts of clients | 23,616.5 | 27,076.9 | 28,929.6 |
| 4608 | Other fee and commission income | 77,528.0 | 98,922.4 | 113,635.3 |
| 4609 | Commission income from professional activities in the securities market | 2031.8 | 1114.8 | 1216.3 |
| 4610 | Commission income received from the acceptance of payment documents | 2.6 | 1.0 | 0.0 |
| 4611 | Fee income for services on cash transactions | 49,973.0 | 46,022.7 | 42,082.5 |
| 4612 | Fee income from documentary settlements | 11,301.3 | 6460.5 | 5956.7 |
| 4613 | Fee income from forfaiting services | 0.0 | 0.0 | 0.0 |
| 4614 | Fee income for factoring services | 18.7 | 43.1 | 12.3 |
| 4615 | Commission income for cash collection services | 1319.7 | 1508.7 | 1,854.1 |
| 4616 | Commission income for services on the sale and purchase of refined precious metals | 2.5 | 2.0 | 1.0 |
| 4617 | Commission income for safe deposit services | 575.0 | 647.8 | 698.6 |
| 4618 | Income for services on operations with investment deposits | 593.8 | 766.3 | 2925.9 |
|  | **Other income** | **114 303.3** | **205 475.1** | **36,846.4** |
| 4921 | Other banking income | 107,647.7 | 200 783.2 | 31,244.1 |
| 4922 | Other income from non-core activities | 6,655.6 | 4,691.9 | 5602.4 |
|  | **TOTAL issue** | **595 204.8** | **765 479.1** | **903 891.7** |

appendix 2

to the Methodology for accounting for financial services of second-tier banks

**Calculation of intermediate consumption**

**services of financial activities of second-tier banks**

million tenge

| **Account number** | **"Report on income and expenses for second-tier banks of the Republic of Kazakhstan"** | **2013** | **2014** | **2015** |
| --- | --- | --- | --- | --- |
| 5069 | Expenses on amortization of discount on loans received | 11,567.8 | 11,552.7 | 4,495.7 |
| 5070 | Premium amortization expense on loans to other banks | 0.0 | 0.0 | 0.0 |
| 5071 | Expenses on amortization of the premium on loans provided to organizations engaged in certain types of banking operations | 0.0 | 0.0 | 0.0 |
| 5095 | Commission fee on loans received from other banks | 324.6 | 32.0 | 19.9 |
| 5510 | Expenses for the purchase and sale of securities | 687.7 | 1550.3 | 1,098.8 |
| 5530 | Expenses for the purchase and sale of foreign currency | 68,500.5 | 80,448.1 | 299 112.7 |
| 5540 | Expenses for the purchase and sale of precious metals | 1001.7 | 141.4 | 76.4 |
| **5600** | **Commission expenses** | **30,261.5** | **35,252.8** | **41,576.9** |
| 5601 | Commission expenses on services received in transfer transactions | 2639.2 | 3,066.7 | 3,956.5 |
| 5602 | Commission expenses for received agency services | 5,539.0 | 7985.9 | 14,259.1 |
| 5603 | Commission expenses on services received for the purchase and sale of securities | 452.0 | 356.5 | 727.0 |
| 5604 | Commission expenses on services received for the purchase and sale of foreign currency | 436.5 | 1,105.1 | 1,097.3 |
| 5605 | Commission expenses on services received on fiduciary transactions | 252.4 | 287.2 | 219.1 |
| 5606 | Commission expenses for services received under guarantees | 5,847.0 | 3,511.9 | 1383.9 |
| 5607 | Commission expenses for services received on card accounts of clients | 7311.8 | 8461.6 | 9,856.2 |
| 5608 | Other commission expenses | 6963.5 | 9511.0 | 9 113.1 |
| 5609 | Commission expenses for professional activities in the securities market | 820.1 | 966.9 | 964.7 |
| **5740** | **General running costs** | **120 175.9** | **145 908.5** | **126,845.8** |
| 5741 | Fare | 2279.0 | 2481.3 | 3,568.7 |
| 5742 | Administrative expenses | 25404.2 | 29,007.6 | 29,707.2 |
| 5743 | Collection costs | 6,327.5 | 7,598.0 | 7267.0 |
| 5744 | Repair costs | 4,868.9 | 5252.4 | 4,770.3 |
| 5745 | Advertising expenses | 11,301.6 | 11,892.5 | 11,634.3 |
| 5746 | Security and alarm costs | 9,242.5 | 10484.5 | 11,016.2 |
| 5747 | Representation expenses | 391.1 | 523.9 | 392.7 |
| 5748 | Other general expenses | 4,024.9 | 6,514.7 | 6968.8 |
| 5749 | Business travel expenses | 3,789.4 | 4,740.1 | 3,744.4 |
| 5750 | Audit and consulting expenses | 16,209.9 | 24,937.8 | 6,135.1 |
| 5752 | insurance costs | 2385.3 | 2,739.9 | 4,524.9 |
| 5753 | Communication service expenses | 8,515.5 | 9,533.7 | 9456.0 |
| 5754 | Expenses in the form of contributions to the joint-stock company "Kazakhstan Deposit Guarantee Fund" | 25,436.1 | 30,202.1 | 27,660.2 |
| **5850** | **Selling expenses** | **7,598.1** | **14,752.3** | **6,384.9** |
| 5851 | Expenses from the sale of shares of subsidiaries and affiliates | 287.7 | 0.0 | 3,234.5 |
| 5852 | Expenses from the sale of fixed assets and intangible assets | 7212.4 | 1,740.7 | 2217.2 |
| 5853 | Expenses from the gratuitous transfer of fixed assets and intangible assets | 0.0 | 1.0 | 13.7 |
| 5854 | Expenses from the sale of inventory | 98.0 | 13,010.6 | 919.5 |
| 5856 | Expenses from the sale of other investments | 0.0 | 0.0 | 0.0 |
| **5920** | **Other expenses** | **55,441.9** | **70,702.9** | **123 236.6** |
| 5921 | Other expenses from banking activities | 20,204.8 | 27,064.0 | 86,165.1 |
| 5922 | Other expenses from non-core activities | 8483.2 | 14,947.0 | 8,085.9 |
| 5923 | Rental expenses | 24,887.0 | 26,816.7 | 27,296.6 |
| 5924 | Acceptance costs | 0.0 | 0.0 | 0.0 |
| 5925 | Expenses on guarantees received by the bank | 0.0 | 62.4 | 93.7 |
| 5926 | Preferred share expense | 1,866.8 | 1,812.8 | 1595.2 |
|  | **Total intermediate consumption** | **295 559.7** | **360 341.0** | **602 847.7** |

Appendix 3

to the Methodology for accounting for financial services of second-tier banks

**Calculation of gross value added**

**services of financial activities of second-tier banks**

million tenge

| **Component name** | **2013** | **2014** | **2015** |
| --- | --- | --- | --- |
| Gross output | 595 204.8 | 765 479.1 | 903 891.7 |
| Intermediate consumption | 295 559.7 | 360 341.0 | 602 847.7 |
| Gross value added | **299 645.1** | **405 138.1** | **301 044.0** |