



# **Overview of charges for financial services**

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# Overview of charges for financial services

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## Financial services are provided and charged for in four main ways

- Financial charges provided in return for explicit charges (this presentation)
- Financial services provided in association with interest charges on loans and deposits
  - Financial intermediation services indirectly measured (FISIM)
  - Financial services associated with institutional units which engage in lending using own funds or funds provided by a sponsor
  - Financial services provided by the central bank



# Overview of charges for financial services

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## Financial services are provided and charged for in four main ways

- Financial services associated with acquisition and disposal of financial assets and liabilities in financial markets
- Financial services associated with insurance and pension schemes
  - Non-life insurance
  - Standardized guarantee schemes
  - Life insurance and annuities
  - Reinsurance
  - Social insurance schemes



# Overview of charges for financial services

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- Many charges for financial services are implicit rather than explicit
- Getting information on fees for financial services can be a frustrating experience (see Wall Street Journal dated 7 May 2017)

## What's My Investing Fee? A Frustrating Quest

Our reporter thought she had a simple question, but the answers were anything but



A Wall Street Journal reporter was just looking for a simple answer about her investment fees. There was nothing simple about the result. ILLUSTRATION: GARY HOVLAND FOR THE WALL STREET JOURNAL

By *Andrea Fuller*

May 7, 2017 10:17 p.m. ET

106 COMMENTS



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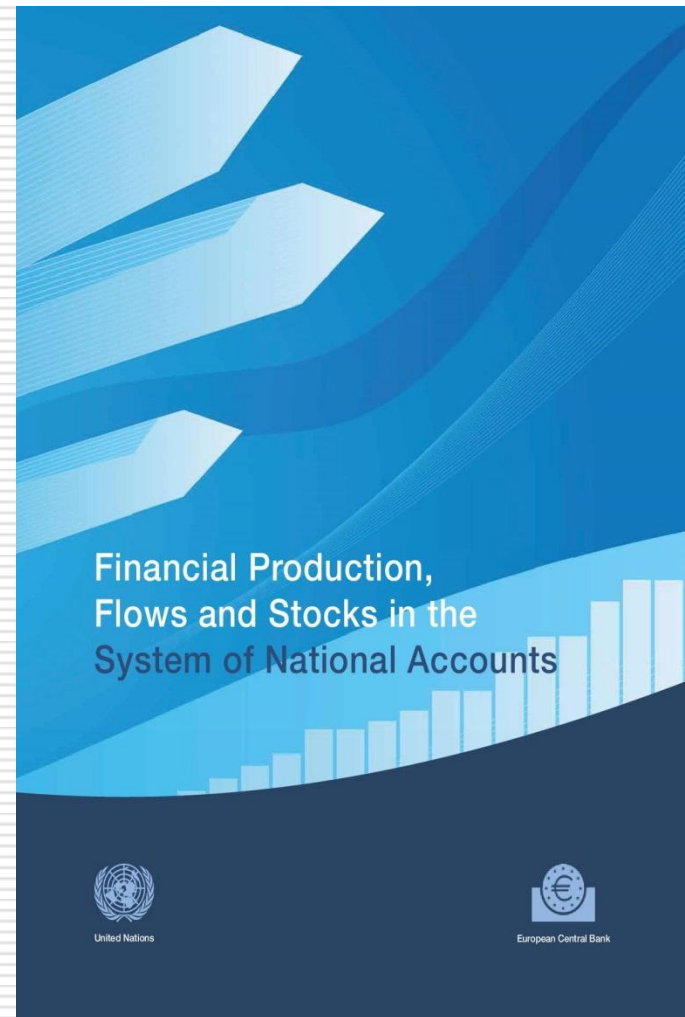
- This complicates attempts to measure the output of these services in the national accounts
- Measuring implicit charges for financial charges typically involves combining/partitioning a number of observed transactions



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- Table 3.1 on page 49 of Handbook on Financial Production Flows and Stocks in the System of National Accounts summarizes the methods to calculate output of financial corporations
- Chapter 3 has illustrative worked examples on production of financial services
- Handbook is available on <http://unstats.un.org/unsd/nationalaccount/docs/FinancialHB.pdf>





# Financial services provided in return for explicit charges

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- Examples include
  - Fees to arrange mortgage
  - Fees to manage investment portfolio
  - Fees to provide tax advice
  - Fees to arrange flotation of shares
  - Credit card transaction fees
  - Credit card annual fees
  - Remittance fees
  - Etc.
- Data sources include
  - Surveys
  - Returns of residential financial institutions to monetary authority
  - Balance of payments



# Financial services provided in return for explicit charges

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## Volume measures – 2 methods

- Deflate current-price explicit charges using appropriate price indices such as CPI, PPI, export price index, import price index
- Extrapolate base-period explicit charges using volume indicators such as changes in the number of credit cards in circulation in the case of credit card annual fees





**Thank you**