

## **TREATMENT OF FINANCIAL INTERMEDIATION SERVICES INDIRECTLY MEASURED (FISIM)**

A methodological change has been introduced the Economic Accounts of the A.C. of the Basque Country in the preparation of both annual and quarterly accounts and refers to the treatment of the Financial Intermediation Services Indirectly Measured (FISIM). From 2005, and following European regulations, the FISIM are distributed among the different branches activity, final consumption and imports and exports. This change requires the reestimation of the series of both annual and quarterly accounts.

The FISIM are defined as indirect remuneration obtained by financial institutions in loan and deposit transactions. This remuneration, in reality, does not appear explicitly, but is found among the amount of interest paid by the user (in the case of loans) or received (in the case of deposits). Therefore, financial intermediation services are measured indirectly (hence the name) and are defined as the difference between the reference interest rate for each financial transaction and the type of interest charged or paid by financial institutions.

To date, and in accordance with the European Accounts System ESA-95, the FISIM were not distributed among users, but were produced by the "Banking" activity branch and consumed as intermediate consumption by a fictitious branch, which only used as intermediate consumption the value of FISIM and zero production. As a result, its value added was negative and was the same amount as intermediate consumption. With this treatment, the overall value added was reduced by the same amount and the GDP of the economy was not altered by the estimation of FISIM, as it was included in the production of "Banking" and in intermediate consumption of the fictitious branch.

Council Regulations 448/98 and 1889/2002 establish 2005 as the year from which the FISIM must be distributed among the users of financial services and, as such, the fictitious branch must disappear. Therefore, the different activity branches will have FISIM as an intermediate activity, and dwellings, non-profit making institutions and Public Administrations will have FISIM final consumption; similarly, there will be FISIM imports and exports. In this way, the level of the GDP will now be affected.