

A MODEL SURVEY FOR BANKING

By

*R. W. Collins,
Statistics Canada*

BACKGROUND

The paper on measuring banking output contains a description of the conceptual basis for measuring banking output. It is on this basic framework that the model survey is based. This paper presents only the first module of the model survey - revenue from the sale of goods and services.

INTERMEDIATE INTEREST RATE

As the paper indicates there are still issues of how to measure the "pure interest rate". The paper on measuring the real output of banks suggests using an average of all rates on loans and deposits (including explicit service charges). Banks (especially those with more than one branch) will usually have some internal method of assigning interest paid to loans and interest received to deposits. That is, they will generally calculate a net interest for loan and deposit products. This permits the calculation of revenue from the individual branches and products. The data used by the banks for the assignment of interest is another possible method of estimating the "pure" interest rate. A consultation is currently underway with the banks to determine their practices.

It may be necessary to disaggregate the banks into their component parts (in terms of units) to obtain this information although some will have this information available by product at the enterprise level.

THE STATISTICAL UNIT

The tables are presented in such a way that they can be used for either the enterprise or sub-enterprise level. Generally, data that are optional at the enterprise level are indicated by the N/A. The enterprise level questionnaire would simply be the combination of the unshaded items in the tables. One possible exception to this might be the interest allocations which possibly could be collected from the enterprise for those banks that prepare cost-accounting data.

THE GEOGRAPHICAL DISTRIBUTION OF BANKS

If it is desirable to have a geographic distribution of banks, it will be necessary to use a unit below the enterprise level. In this case it would be desirable to collect the full set of data in the tables. There are problems with the geographic distribution of value added. This translates into a problem of measuring the net interest by commodity and geography.

THE COMMODITY CLASSIFICATION

The commodity classification quite clearly applies to Canada at this point.

The Presentation of the Table

The Tables are presented in the form of a head office table and a branch table.

Table 1 - Head Office/Corporate

		Interest Income or Allocation	Interest Paid or Allocation	Net Intermediatio n Revenue	Fee Income	Total	Loan or Deposit Balance s
		1	2	3	4	5	6
TREASURY							
Foreign Exchange	1	?	?	?	?	?	?
Precious Metals	2	?	?	?	?	?	?
Money Market	3	?	?	?	?	?	?
Hedging, Options, Swaps, Futures	4	?	?	?	?	?	?
Trading Portfolio	5	?	?	?	?	?	?
Debt and Equity Financing	6		?	?	?	?	?
Total		N/A	N/A	N/A	N/A	N/A	
Direct Expenses	7						
Contribution to Overhead	8						
RETAIL BANKING							
Personal (Branches)	9	N/A	N/A	N/A	N/A	N/A	N/A
Commercial (Branches)	10	N/A	N/A	N/A	N/A	N/A	N/A
Total	11	N/A	N/A	N/A	N/A	N/A	N/A
Residual (Actual vs Allocated Interest)	12	N/A	N/A	N/A	N/A	N/A	N/A
Direct Expenses							
Contribution to Overhead	13						
INVESTMENT BANKING							
Brokerage	14						
Securities Underwriting	15						
Mergers and Acquisitions	16						
Corporate Finance and Venture	17						
Custodial Services	18						
Total	19						
Direct Expenses	20						
Contribution to Overhead	21						
OTHER							
Payroll Services	22						
Insurance Underwriting	23						
Other	24						
Total	25						
Direct Expenses	26						
Contribution to Overhead	27						
Total Contribution to Overhead	28						
Unallocated Head Office or	29						
Net Income before Taxes	30						

Not

N/A Not

Level


It is not clear how treasury operations of the Banks should be treated if data are collected only at the enterprise level. There are some which contribute to the ultimate profitability of the individual products e.g. foreign exchange. The net balance on trading on foreign exchange should be included in the service charge for foreign exchange. This is included under other fee income in the branch level table.

For the remaining services under treasury, it is clear that some are internal to the bank and should not therefore be final output for enterprise level statistics. The treatment of each of these services remains an issue.

Banks may also be involved in a number of other services which could be considered secondary outputs (not part of principal outputs). The majority of these services would be covered in detail when model surveys are developed for those industries/activities. Therefore they are not specified in detail here. This includes, for example, insurance underwriting, securities underwriting, brokerage, and payroll services. They are included in the tables because there is an issue of shared expenses. For example, corporate finance may include loans which are based on funds raised in retail banking.

TABLE 2 - LOAN SERVICES

		Interest Received	Interest Allocation	Net Intermediation Income	Fee Income	Total	Loan Balances
		1	2	3	4	5	6
DETAIL OF LOAN SERVICES							
Non-Mortgage Loans	1		n/a	n/a			
To individual for Non-Business Purposes	2		n/a	n/a			
Personal Loan Plans	3		n/a	n/a			
Credit Card	4		n/a	n/a			
Other Personal	5		n/a	n/a			
Other Non-Mortgage Loans	6		n/a	n/a			
Call and Short Loans to Investment Dealers and Brokers	7		n/a	n/a			
Banks	8		n/a	n/a			
Federal, Regional and Local Governments or School Corporations	9		n/a	n/a			
Foreign Governments	10		n/a	n/a			
Lease Receivables	11		n/a	n/a			
Other Loans for Business Purposes	12		n/a	n/a			
			n/a	n/a			
Mortgages	13		n/a	n/a			
Residential Insured	14		n/a	n/a			
Residential Uninsured	15		n/a	n/a			
Non-Residential	16		n/a	n/a			

 Not applicable

Columns 2 and 3 are optional at the enterprise level. It would be necessary to collect this data if the internal interest allocation were used to estimate the service charge by product.

A number of distinctions in the commodity classification would not necessarily be meaningful in other countries.

TABLE 3 - DEPOSIT SERVICES

DETAIL OF DEPOSIT SERVICES		Interest Allocation	Interest Paid	Net Intermediation Income	Fee Income	Total	Deposit Balances
		1	2	3	4	5	6
Demand Deposits	17	N/A		N/A			
Federal Government	18	N/A		N/A			
Regional and Other Governments	19	N/A		N/A			
Banks	20	N/A		N/A			
Individuals	21	N/A		N/A			
Others	22	N/A		N/A			
Notice Deposits	23	N/A		N/A			
Chequable	24	N/A		N/A			
Federal Governments	25	N/A		N/A			
Regional and Other Governments	26	N/A		N/A			
Banks	27	N/A		N/A			
Individuals	28	N/A		N/A			
Others	30	N/A		N/A			
Non-Chequable	31	N/A		N/A			
Federal Government	32	N/A		N/A			
Regional and Other Governments	33	N/A		N/A			
Banks	34	N/A		N/A			
Individuals	35	N/A		N/A			
Tax - Sheltered	36	N/A		N/A			
Other	37	N/A		N/A			
Others	38	N/A		N/A			
Fixed Term Deposits	39	N/A		N/A			
Federal Government	40	N/A		N/A			
Regional and Other Governments	41	N/A		N/A			
Banks	42	N/A		N/A			
Individuals	43	N/A		N/A			
Tax - Sheltered	44	N/A		N/A			
Other	45	N/A		N/A			
Others	46	N/A		N/A			

N/A Not applicable to
Enterprise Level

Columns 1 and 3 are optional at the enterprise level. It would be necessary to collect this data if the internal interest allocation were used to estimate the service charge by product. A number of distinctions in the commodity classification would not necessarily be meaningful in other countries.

Table 4 - Fee Services

		Interest Received	Interest Allocation	Net Intermediation Income	Fee Income	Total
OTHER FEE INCOME	47					
Credit and Debit Card Service Fees	48					
Acceptance Fees	49					
Guarantees and Letter of Credit Fees	50					
Funds Transfer Service Fees	51					
Telecommunications	52					
Management Fees	53					
Mutual Funds	54					
Other Commercial Commissions and Fees	55					
Brokerage Fees	56					
Other (Please Specify)	57					

 Not
Applicable

This table includes items for which an explicit fee is charged.

Table 5 - Branch and Regional Office Summary

		Interest Received or Allocation	Interest Paid or Allocation	Net Intermediation Income	Fee Income	Total
BRANCH TOTAL						
Revenue Total	58	N/A	N/A	N/A	N/A	N/A
Direct Expenses (Branches)	59					N/A
Contribution to Overhead (Branches)	60					N/A
REGIONAL OFFICE						
Revenue	61	N/A	N/A	N/A	N/A	N/A
Direct Expenses (Regional Office)	62					N/A
Net Contribution to Overhead (Regions)	63					N/A
REGIONAL TOTALS		N/A	N/A	N/A	N/A	N/A
Net Contribution to Overhead	64					N/A
Head Office and Other Overhead Allocated	65					N/A
Net Income	66					N/A
Retail Banking Totals	67					
Revenue Total	68					
Net Income	69					

 Not
Applicable

N/A Not
Applicable
to Enterprise
Level

This table provides for a branch and regional office summary for retail banking. If enterprise data are collected, these would not be necessary unless the internal interest allocation of the banks was to be used for the "pure interest rate".

Table 2 - Loan Services

Columns 2 and 3 are optional at the enterprise level. It would be necessary to collect this data if the internal interest allocation were used to estimate the service charge by product.

A number of distinctions in the commodity classification would not necessarily be meaningful in other countries.

Table 3 - Deposit Services

Columns 1 and 3 are optional at the enterprise level. It would be necessary to collect this data if the internal interest allocation were used to estimate the service charge by product.

A number of distinctions in the commodity classification would not necessarily be meaningful in other countries.

Table 4 - Fee Services

This table includes items for which an explicit fee is charged.

Table 5 - Branch and regional Office Summary

This table provides for a branch and regional office summary for retail banking. If enterprise data are collected, these would not be necessary unless the internal interest allocation of the banks was to be used for the "pure interest rate".

APPENDIX TO A MODEL SURVEY FOR BANKING

A NOTE ON THE COMMODITY CLASSIFICATION FOR THE BANKS

Comments on the Commodity Classes for Banks

The commodity classes included in the following table are those that will be used in Canada by the bank regulators for loans, services and other fees. These would apply to the enterprise. There is also a group of commodities for which data would need to be collected if the statistical unit were below the enterprise level. In addition there are a number of commodities which are not principal activities of the banks. These are specified only generally (not in detail) in the following list. They would be covered in the commodity classes developed for the industries for which these are principal activities.

If data are collected below the enterprise level the assumption is that there would be a service provided to the producing units from the head office. If no such charge exists in the accounting system of the banks then such a flow would be imputed. This would be gross output of the head office/corporate level and intermediate inputs to the branches.

The categories marked with a (?) are problematic in the sense of whether they should be considered to be gross outputs, that is, they may be internal services to the statistical unit (enterprise or sub-enterprise).

	Principal Activities to Banking		Other Activities
	Enterprise Level	Sub-Enterprise	
TREASURY			
Foreign Exchange	Y	Y	N
Precious Metals	Y	Y	N
Money Market	?	?	N
Hedging, Options, Swaps, Futures	?	?	N
Trading Portfolio	?	?	N
Debt and Equity Financing	?	?	N
INVESTMENT BANKING			
Brokerage	Y	Y	Y
Securities Underwriting	Y	Y	Y
Mergers and Acquisitions	?	Y	Y
Corporate Finance and Venture Capital	Y	Y	?
Custodial Services	Y	Y	Y
OTHER			
Payroll Services	Y	Y	Y
Insurance Underwriting	Y	Y	Y
Other	?	?	?
DETAIL OF LOAN SERVICES			
Non-Mortgage Loans	Y	Y	N
To Individual for Non-Business Purposes	Y	Y	N
Personal Loan Plans	Y	Y	N
Credit Card	Y	Y	N
Other Personal	Y	Y	N
Other Non-Mortgage Loans	Y	Y	N
Call and Short Loans to Investment Dealers and Brokers	Y	Y	N
Banks	Y	Y	N
Federal, Regional and Local Governments, or School Corporations	Y	Y	N
Foreign Governments	Y	Y	N
Lease Receivables	Y	Y	N
Other Loans for Business Purposes	Y	Y	N
Mortgages	Y	Y	N
Residential Insured	Y	Y	N
Residential Uninsured	Y	Y	N
Non-Residential	Y	Y	N

	Principal Activities to Banking		Other Activities
	Enterprise Level	Sub-Enterprise	
DETAIL OF DEPOSIT SERVICES			
Demand Deposits	Y	Y	N
Federal Government	Y	Y	N
Regional and Other Governments	Y	Y	N
Banks	Y	Y	N
Individuals	Y	Y	N
Others	Y	Y	N
Notice Deposits	Y	Y	N
Chequeable	Y	Y	N
Federal Government	Y	Y	N
Regional and Other Governments	Y	Y	N
Banks	Y	Y	N
Individuals	Y	Y	N
Others	Y	Y	N
Non-Chequeable	Y	Y	N
Federal Government	Y	Y	N
Regional and Other Governments	Y	Y	N
Banks	Y	Y	N
Individuals	Y	Y	N
Tax-Sheltered	Y	Y	N
Other	Y	Y	N
Others	Y	Y	N
Fixed Term Deposits	Y	Y	N
Federal Government	Y	Y	N
Regional and Other Governments	Y	Y	N
Banks	Y	Y	N
Individuals	Y	Y	N
Tax-Sheltered	Y	Y	N
Other	Y	Y	N
Others	Y	Y	N

	Principal Activities to Banking		Other Activities
	Enterprise Level	Sub-Enterprise	
OTHER FEE INCOME			
Credit and Debit Card Service Fees	Y	Y	N
Acceptance Fees	Y	Y	N
Guarantees and Letter of Credit Fees	Y	Y	N
Funds Transfer Service Fees	Y	Y	N
Telecommunications	Y	Y	N
Management Fees	Y	Y	N
Mutual Funds	Y	Y	N
Other Commercial Commissions and Fees	Y	Y	N
Brokerage Fees	Y	Y	N
Other(Please Specify)	Y	Y	N

COMPARISON OF THE CANADIAN CLASSIFICATION TO THE CPC

The following tables summarize the relationship between the CPC and the Canadian classification. As previously mentioned the Canadian classification is based primarily on the detail reported to the regulators supplemented by some additional information obtained from internal management reports of the Banks. The concordance between the two classifications is based on a best guess.

CPC	PROPOSED CANADIAN CLASSIFICATION
	TREASURY
81333 Foreign Exchange Services	Foreign Exchange
	Precious Metals
	Money Market
	Hedging, Options, Swaps, Futures
	Trading Portfolio
	Debt and Equity Financing
	INVESTMENT BANKING
81321 Securities Brokerage Services	Brokerage
81322 Securities Issuing and Registration Services	Securities Underwriting
	Mergers and Acquisitions
	Corporate Finance and Venture Capital
	Custodial Services
	OTHER
	Payroll Services
	Insurance Underwriting
	Other

CPC	PROPOSED CLASSIFICATION	CANADIAN
81117 Non-Central Bank Currency Issue Services		
	DETAIL OF LOAN SERVICES	
	Non-Mortgage Loans	
	To Individual for Non-Business Purposes	
81132 Personal Instalment Loan Services	Personal Loan Plans	
81133 Credit Card Services	Credit Card	
81132 Personal Instalment Loan Services	Other Personal	
	Other Non-Mortgage Loans	
81139 Other Credit Services	Call and Short Loans to Investment Dealers and Brokers	
	Banks	
	Federal, Regional and Local Governments, or School Corporations	
	Foreign Governments	
81120 Financial Leasing Services	Lease Receivables	
81139 Other Credit Services	Other Loans for Business Purposes	
	Mortgages	
81131 Mortgage Loan Services	Residential Insured	
	Residential Uninsured	
	Non-Residential	

CPC	PROPOSED CLASSIFICATION	CANADIAN
	DEPOSIT SERVICES	
81119 Other Deposit Services	Demand Deposits	
	Federal Government	
	Regional and Other Governments	
81115 Wholesale Deposit Services 81116 Other Bank Deposit Services	Banks	
81119 Other Deposit Services	Individuals	
	Others	
	Notice Deposits	
	Chequable	
	Federal Government	
	Regional and Other Governments	
81115 Wholesale Deposit Services 81116 Other Bank Deposit Services	Banks	
81119 Other Deposit Services	Individuals	
	Others	
	Non-Chequable	
	Federal Government	
	Regional and Other Governments	
81115 Wholesale Deposit Services 81116 Other Bank Deposit Services	Banks	
81119 Other Deposit Services	Individuals	
	Tax-Sheltered	
	Other	
	Others	
	Fixed Term Deposits	
	Federal Government	
	Regional and Other Governments	
81115 Wholesale Deposit Services 81116 Other Bank Deposit Services	Banks	
81119 Other Deposit Services	Individuals	
	Tax-Sheltered	
	Other	
	Others	

CPC	PROPOSED CLASSIFICATION	CANADIAN
	OTHER FEE INCOME	
	Credit and Debit Card Service Fees	
	Acceptance Fees	
	Guarantees and Letter of Credit Fees	
	Funds Transfer Service Fees	
	Telecommunications	
	Management Fees	
81193 Open-ended Investment and Trust Services	Mutual Funds	
	Other Commercial Commissions and Fees	
	Brokerage Fees	
	Other N.E.C	