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**Activities Auxiliary to Financial Services,
Except Insurance/Takaful and Pension Funding (ISIC 66.1)
Turnover/Output**

MALAYSIA



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1. INTRODUCTION

The paper will present on the collection of statistics on turnover and output of **activities auxiliary to financial service, except insurance/ takaful and pension funding (ISIC 66.1)** in Malaysia.

2. DEFINITION OF SERVICE BEING COLLECTED

The activities auxiliary to financial service, except insurance/ takaful and pension funding includes the provision of services involved in or closely related to financial services activities by a legally registered establishment in Malaysia. However the establishment do not directly provide financial services.

The service provide includes the activities of furnishing of physical or electronic marketplace for the purpose of facilitating the buying and selling of stocks, stock option, bonds or commodity contract ^[1].

System of National Accounts (SNA) 2008 explains that financial auxiliaries are institutional units principally engaged in serving financial markets, but do not take ownership of the financial assets and liabilities they handle ^[2].

3. CLASSIFICATION OF ACTIVITIES

The primary breakdown description of activities auxiliary to financial service activities, except insurance and pension funding as defined in the International Standard Industrial Classification of All Economic Activities (ISIC) Rev. 4 are as follows:

Group 661 Activities auxiliary to financial service activities, except insurance and pension funding

This group includes the furnishing of physical or electronic marketplaces for the purpose of facilitating the buying and selling of stocks, stock options, bonds or commodity contracts.

Class 6611 Administration of financial markets

This class includes:

- operation and supervision of financial markets other than by public authorities, such as:
 - commodity contracts exchanges
 - futures commodity contracts exchanges
 - securities exchanges
 - stock exchanges
 - stock or commodity options exchanges

Class 6612 Security and commodity contracts brokerage

This class includes:

- dealing in financial markets on behalf of others (e.g. stock broking) and related activities
- securities brokerage
- commodity contracts brokerage
- activities of bureaux de change etc.

This class excludes:

- dealing in markets on own account
- portfolio management, on a fee or contract basis

Class 6619 Other activities auxiliary to financial service activities

This class includes activities auxiliary to financial service activities not elsewhere classified, such as:

- financial transaction processing and settlement activities, including for credit card transactions
- investment advisory services
- activities of mortgage advisers and brokers

This class also includes:

- trustee, fiduciary and custody services on a fee or contract basis

This class excludes:

- activities of insurance agents and brokers, see 6622
- management of funds, see 6630

In classifying the principal activity of an establishment according to kind of economic activity, DOSM adopts the Malaysia Standard Industrial Classification (MSIC) which conforms closely to the ISIC to ensure international comparability of data. The MSIC were extended up to 5-digits level based on national needs. The latest version of MSIC being used is MSIC 2008 Ver. 1.0.

Malaysia's financial services activities are grouped into three main divisions namely financial intermediation, insurance and takaful (Islamic insurance); and activities auxiliary to financial intermediation. The current classification for financial services activities are based on MSIC 2008 Ver.1.0 in Section K - Financial and Insurance/Takaful Activities. The activities auxiliary to financial services, except insurance/takaful and pension funding are classified in Division 66, Group 661 and have three classes that are Class 6611, 6612, 6619. MSIC 2008 Ver. 1.0 Group 661 contains 14 kinds of activities descriptions at 5 digit level.

Detail breakdown of 5 digit level activities and the relation between MSIC 2008 Ver. 1.0 and ISIC Rev.4 is illustrated in table is shown in Table 1.

Table 1 : 5 digit level breakdown of MSIC 2008 (Ver. 1.0) Group 661 and the relation between and ISIC Rev.4

MSIC 2008 Ver. 1.0	ACTIVITY	ISIC REV 4	
66	Activities auxiliary to financial service and insurance/ takaful activities	66	
661	Activities auxiliary to financial service, except insurance/ takaful and pension funding	661	
6611	Administration of financial markets	6611	
66111	Stock exchange		
66112	Exchanges for commodity contracts		
66113	Securities exchange		
66114	Exchange for commodity futures contracts		
66119	Administration of financial markets n.e.c		
6612	Security and commodity contracts brokerage		6612
66121	Stock, share and bond brokers		
66122	Commodity brokers and dealers		
66123	Gold bullion dealers		
66124	Foreign exchange broker and dealers (Bureaux de change)		
66125	Money changing services		
66129	Other financial and commodity futures brokers and dealers		

MSIC 2008 Ver. 1.0	ACTIVITY	ISIC REV 4
6619	Other activities auxiliary to financial service activities	6619
66191	Investment advisory services	
66192	Financial consultancy services	
66193	Activities auxiliary to finance n.e.c.	

4. DATA COLLECTION

The following will briefly describe the collection of turnover/output statistics for activities auxiliary to financial service, except insurance/ takaful and pension funding in Malaysia through annual surveys and economic census by the Department of Statistics Malaysia (DOSM).

4.1 Data Availability

The turnover/output statistics for activities auxiliary to financial services, except insurance/ takaful and pension funding in Malaysia are collected through the Annual Survey of Services Establishments (SSE) and the Economic Census (EC) which is conducted every 5 years. The surveys and economic census are conducted by DOSM.

However SSE data are only available for selected activities and intermittent reference years. The full coverage of the activities auxiliary to financial services, except pension funding in Malaysia is only available from the EC.

4.2 Unit of Measurement

The reporting unit for the surveys and economic census conducted is establishment. Each establishment was assigned an industry classification based on its principal activity and not that of its parent company. In the case of a multi-activity entity, units engaged in separate activities in the same location constituted distinct establishments. Thus, each branch of a multi-branch organization at a different location was conceptually treated as a different establishment. The establishment was requested to give separate returns for each activity in terms of value. However, if in practice, the accounts were centrally kept such that it was not possible to obtain separate data for each individual unit or branch, that entity or enterprise was treated

as a single reporting unit and allowed to submit a consolidated questionnaire covering all units or branches.

Turnover / Income data collected are in local currency, Ringgit Malaysia (RM).

4.3 Coverage

Establishments covered in surveys and economic census conducted by DOSM includes all legally registered units engaged related activities. The sources of establishments frame for activities auxiliary to financial services, except pension funding in Malaysia are obtained from:

- i. Companies Commission, Malaysia (CCM);
- ii. Central Bank of Malaysia (Bank Negara Malaysia - BNM);
- iii. Security Commission, Malaysia (SC); and
- iv. Other agencies which act as regulatory bodies for financial services activities such as Labuan Financial Services Authority (Labuan FSA). DOSM also carries out regular engagement with related business associations

Based on the list of establishments frame provided by these agencies, the following 5 digit level activity of MSIC 2008 Ver. 1.0 Group 661 are excluded from the coverage due to redundancy of establishment's function or non-existence of the activity. The excluded activities are:

- i. 66112: Exchanges for commodity contracts;
- ii. 66114: Exchange for commodity futures contracts; and
- iii. 66129: Other financial and commodity futures brokers and dealers.

4.4 Variables Collected

Turnover / Income data collected are based on the Trading, Profit & Loss Account and other supporting documents for the reference year of the census or surveys. For reporting purposes, the value of turnover / income excludes the Goods and Services Tax (GST). Establishment are requested to provide best estimates if the account is not ready or finalised.

From the previous surveys and census, main income for activities auxiliary to financial services, except insurance/takaful and pension funding in Malaysia among others were:

- i. Income from management services / fee / consultancy which refers to income received by your establishment for management services / fee / consultancy activities or projects of other establishments;

- ii. Commissions and brokerage earned which refers to the commission and brokerage earned for selling goods or services on behalf of other establishments;
- iii. Gain from foreign exchange / financial assets;
- iv. Value of stamp duties collected on share transactions; and
- v. Other such as rental income, remittance, gifts, budget grants / subsidies received etc.

Other variables collected are pertaining to ownership profile, value of assets, capital expenditure, expenditure, employment as well as salaries and wages paid.

5. Market Condition

The Service sector is one of the main sectors in Malaysian economy. In 2015, Malaysia's economy grew 5.0 per cent (2014: 6.0%) with value added stood at RM1,062.6 billion at constant prices and RM1,156.9 billion at current prices. Financial and insurance sub-sector contributes 12.2% to Malaysia Gross Domestic Product (GDP) in 2015 . Activities auxiliary to financial services (MSIC 2008 Ver.1.0 Division 66) represent 7.9% of total value added for finance and insurance subsector.

Meanwhile, the Index of Services registered a growth of 1.1 per cent in the second quarter of 2016 as compared with the same quarter of 2015.

Chart 1 shows total number of establishments and persons engaged for MSIC 2008 Ver. 1.0 Class 6612 - Security and commodity contracts brokerage for the year of 2004, 2005 and 2007. The numbers of establishments and persons engaged have increased over the period.

Chart 1: Total number of establishments and persons engaged for MSIC 2008 Ver. 1.0 Class 6612

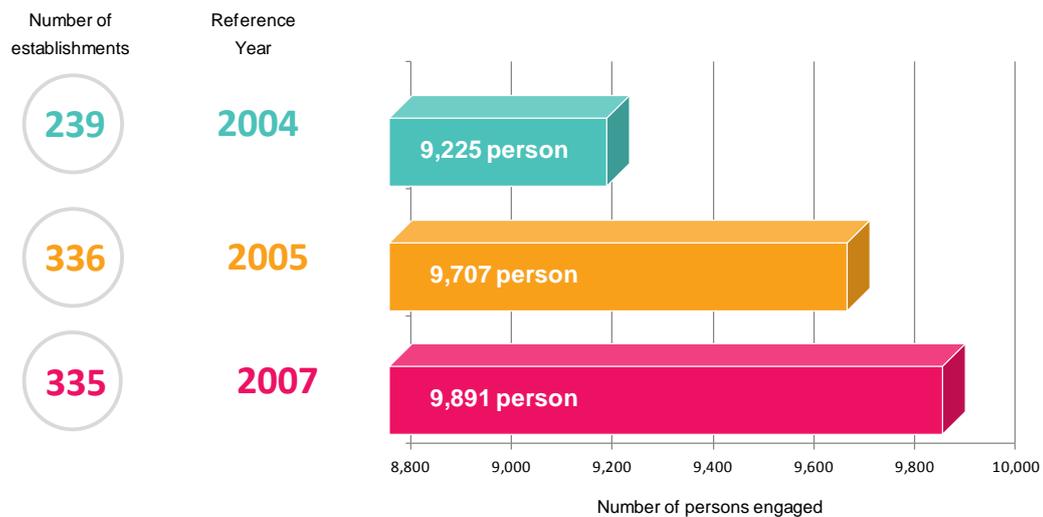


Chart 2 shows that the value of gross output for MSIC 2008 Ver. 1.0 Class 6612 have increased over the period of 2004 to 2007.

Chart 2: Value of gross output for MSIC 2008 Ver. 1.0 Class 6612, 2004-2007

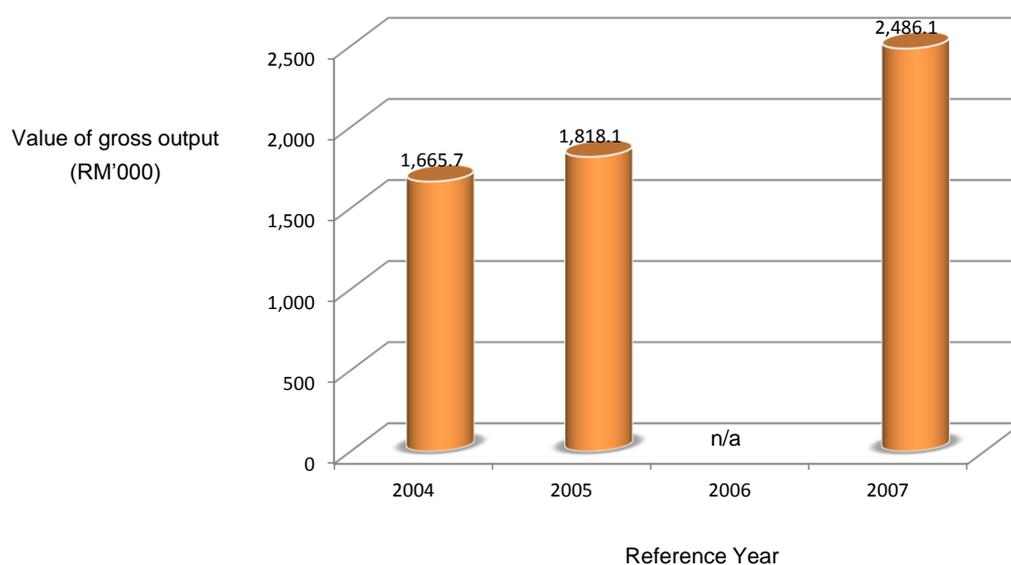


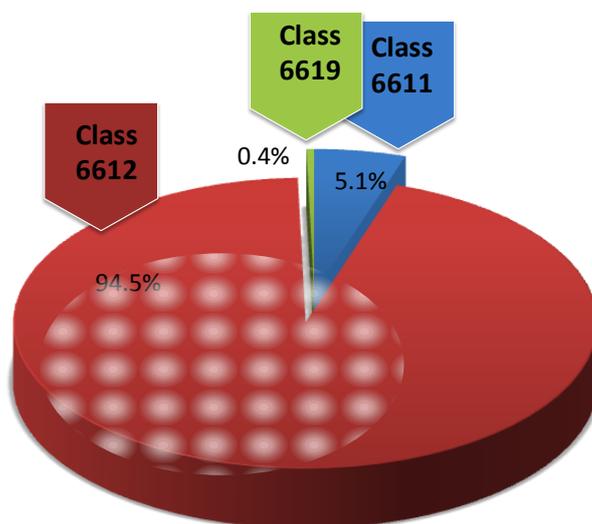
Table 2 shows the principal statistics of financial services based from the EC 2011 reference year 2010. The share of revenue and value of gross output for financial services sub sector to the overall Service sector are 20.9 per cent and 22.8 per cent respectively.

Table 2 : Principal statistics of Financial Services Sub Sector, 2010

Sector/ Sub sector	No. of Establishment	Revenue (RM'000)	Value of gross output (RM'000)	Value of intermediate input (RM'000)	Total Employment	Salary and wages paid (RM'000)
Services	591,137	1,291,439,934	650,948,100	279,373,448	3,687,787	77,727,659
Financial service	5,653	270,102,477	148,423,035	265,948	246,000	14,400,382
%	0.96	20.91	22.80	0.10	6.67	18.53

Chart 3 shows share of value of gross output by class for MSIC 2008 Ver. 1.0 Group 661 for the reference year of 2010. The industry Class 6612 is the largest within MSIC 2008 (Ver. 1.0) Group 661 accounting for 94.5 per cent of the total value of gross output.

Chart 3: Share of value of gross output by class for MSIC 2008 Ver. 1.0 Group 661, 2010



6. Issues and Challenges

6.1 New emerging areas of modern services

The services sector are the most dynamic sector in Malaysia and keeping up with new emerging areas of modern services particularly in activities auxiliary to financial services, except insurance/takaful and pension funding or financial services subsector as a whole is essential as it may have potential effect on economic growth.

6.2 Identifying the revenue/income type

Inaccuracies in identifying the income type (operating or non-operating revenue/income) may be a potential source of enumeration error in a survey or census. Therefore identifying accurate types of main income of each activity to be captured in the questionnaire is crucial for the measurement of gross output.

6.3 Up-to-date list of establishments in MSIC 2008 Ver. 1.0 Group 661

Updating the list of establishments involved in activities auxiliary to financial services, except insurance/takaful and pension funding or financial services subsector as a whole and identifying the missed class of establishment's activity requires great effort which include continuous collaboration with the regulatory agencies.

6.4 Limitation time series data

Given that turnover/output statistics are only available for selected activities with intermittent reference years and financial services and insurance activities are not included in the Quarterly Survey of Services, the time series data for activities auxiliary to financial services, except insurance/takaful and pension funding are limited.

7. Summary

DOSM conducts Annual Survey of Services Establishments (SSE) and the Economic Census (EC), which collect turnover/output data for MSIC 2008 (Ver. 1.0) Group 661 in absolute figures.

The main player in MSIC 2008 (Ver. 1.0) Group 661 is from the Class 6612: Security and commodity contracts brokerage activity. Nearly 94.5 per cent of the total value of gross output for this group is generated by Class 6612: Security and commodity contracts brokerage activity, with the remainder generated by Class 6611: Administration of financial markets and Class 6619: Other activities auxiliary to financial service activities. It is necessary for DOSM to further explore and identify the most obvious and unique characteristics of each industry in order to have a clear boundary of the industries involved thus will ensure the accuracy in the collection of turnover statistics for the measurement value of gross output of MSIC 2008 (Ver. 1.0) Group 661.

REFERENCES

- [1] International Standard Industrial Classification of All Economic Activities (ISIC) Rev 4
- [2] System of National Accounts (SNA) 2008