

## **CMFB opinion**

### **regarding the amendment of chapter IV.5 "Financial defeasance" of the Manual on Government Deficit and Debt (MGDD)**

1. At Eurostat's request, the CMFB Chairman with the assistance of the CMFB Executive Body asked the CMFB Members on 13 September 2011 to state their opinion on the amendment of chapter IV.5 "Financial defeasance" of the ESA95 Manual on Government Deficit and Debt (MGDD). The deadline for the replies was 23 September 2011. Eighteen (18) national statistical institutes and twenty-four (24) national central banks from the EU Member States returned the questionnaire by 23 September 2011. The ECB, Statistics Norway, and DG ECFIN also provided their opinions. The IMF provided comments.
2. The result of the consultation is the following:

The CMFB agrees, based on a very large majority, with the proposal for amending the chapter on "Financial defeasance". The agreement is for a significant number of the replies subject to further improvements of the draft chapter. In particular,

  - the balance between the section on the "Treatment in National Accounts" and the section on the "Rationale of the treatment" should be improved to keep it harmonized with the rest of the MGDD;
  - the definition of illiquid assets in the draft could be improved;
  - the reference to implicit guarantees should be further elaborated;
  - the link between section IV.5.2.1 on "Sector classification – general rules" and parts of section IV.5.2.2 on "Sector classification – other issues" should be clarified and the text simplified to avoid inconsistencies and repetitions;
  - the descriptions of procedural character in section IV.5.2.2 should be avoided;
  - it could be considered changing the title of the chapter to "Government support to financial corporations in distress".

Further details concerning the improvements suggested by CMFB members have been transmitted to Eurostat.
3. Accordingly, the CMFB recommends that Eurostat take account of the specific remarks raised before finalising the draft chapter IV.5 on "Financial defeasance".
4. The CMFB underlines that the issue of "partial rerouting" was not at the focus of this consultation and, consequently, the related paragraphs of the draft chapter may need careful wording until the results of a further examination are known. The CMFB will as soon as possible set up a CMFB Task Force, and the comments provided in the anonymised answers, namely on rerouting and practical implementation issues, may serve as a useful input. The outcome of this Task Force should be made available in advance of the 2012 Excessive Deficit Procedure (EDP) March notification.

5. In addition to this opinion, all the anonymised answers from the CMFB Members have been transmitted to Eurostat and will be kept in the records of the CMFB secretariat.

*(Signed)*

João Cadete de Matos  
CMFB Chairman

Lisbon, 30 September 2011