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To: European Banking Authority

From: Jorge Carbon

Subject: Consultation on supervisory reporting changes related to CRR2 and Backstop Regulation (Framework 3.0)

About NACE code included in Non-financial corporation breakdown under FINREP's template 6

FINREP template 6 - Breakdown of non-trading loans and advances to non-financial corporations by NACE codes, according my understanding include mutual exclusive conditions between non-financial corporation sector and NACE classifications section K (Financial and Insurance Activities) and section O (Public administration and defence: compulsory social security).

ITS 680/2014 Annex V rules reporting on financial information (FINREP). Part 1 General instructions includes sector definitions in section 6 counterparty breakdown paragraph 42. These definitions are equivalent to the institutional sectors defined in European system of accounts (ESA 2010) Chapter 2 under the title Institutional sectors (paragraphs 2.31 to 2.143).

ESA 2010 has a clear decision tree to classify sectors (ESA diagram 2.1):

1. If the unit is a non-market producer then it will be classified as:
 - a. NPISH – No profit institution serving households when it is not controlled by government.
 - b. General government when it is controlled by the government. All NACE Section O (public administration and defence) falls under general government, including general public administration; regulation the activities of providing health care, education, cultural services and other social services, foreign affairs, defence activities, justice and judicial activities, public order and safety activities, fire services activities and compulsory security activities.
2. If the unit is a market producer the it will be classified as:
 - a. Units that produce financial services (both public and private sector). All producer of financial services fall in NACE Section K (financial and insurance activities), including: central banking, other monetary intermediation, holding companies, financial leasing, credit granting, insurance, reinsurance and pension funding (except compulsory social security), auxiliary activities to financial services and insurance activities.
 - b. Units that do not produce financial services (both public and privates) are non-financial corporations.

As a consequence I understand that non-financial corporation sector could not be breakdown in NACE sections O (Financial and Insurance activities) or K (public administration). The conditions are mutual inclusive.

Early versions of FINREP instructions of non-financial corporation breakdown excluded NACE sections O and K. Sectors (ESA) and Industry (NACE) are used in hundreds of Statistical National reports, the correct classification help to improve the quality of reference data.

Best Regards,

Jorge Carbon