



United Nations Statistics Division

Holding companies and head offices

United Nations Statistics Division



Definition – Head office (SNA 2008)

- 4.53 Two quite different types of units exist that are both often referred to as holding companies. The first is the head office that exercises some aspects of managerial control over its subsidiaries. These may sometimes have noticeably fewer employees, and more at a senior level, than its subsidiaries but it is actively engaged in production. These types of activities are described in *ISIC Rev. 4* in section M class 7010 as follows:

This class includes the overseeing and managing of other units of the company or enterprise; undertaking the strategic or organizational planning and decision making role of the company or enterprise; exercising operational control and manage the day-to-day operations of their related units.

- Such units are allocated to the non-financial corporations sector unless all or most of their subsidiaries are financial corporations, in which case they are treated by convention as financial auxiliaries in the financial corporations sector.



Definition – holding company (SNA 2008)

- 4.54 The type of unit properly called a holding company is a unit that holds the assets of subsidiary corporations but does not undertake any management activities. They are described in *ISIC Rev. 4* in section K class 6420 as follows:

This class includes the activities of holding companies, i.e. units that hold the assets (owning controlling-levels of equity) of a group of subsidiary corporations and whose principal activity is owning the group. The holding companies in this class do not provide any other service to the enterprises in which the equity is held, i.e. they do not administer or manage other units.

- Such units are always allocated to the financial corporations sector and treated as captive financial institutions even if all the subsidiary corporations are nonfinancial corporations



Classification

- SNA makes a distinction based on the type of subsidiaries
- This is only for classification to institutional sectors !
- Classification in ISIC is not affected by this, as the activities themselves are independent of the type of subsidiaries
- For ISIC, the distinction is made according to extent of management activities



What has changed?

- Terminology
 - “Holding company” often used in both cases
 - Clearer treatment in ISIC Rev.4

- National Accounts recognition of ancillary units
 - Important for regional statistics



Terminology

- Change of terminology between ISIC 3 and ISIC 4

ISIC Rev.3	ISIC Rev.4	SNA
Financial holding company	Holding company	Financial holding company - Non-financial holding company
Management holding company	Head office	Head office *



Recognition of ancillary units (SNA 2008)

- 5.40 When the production of an enterprise takes place in two or more different establishments, certain ancillary activities may be carried out centrally for the benefit of all the establishments collectively. For example, the purchasing, sales, accounts, computing, maintenance or other departments of an enterprise may all be the responsibility of a head office located separately from the establishments in which the principal or secondary activities of the enterprise are carried out.



Recognition of ancillary units (SNA 2008)

- 5.41 If an establishment undertaking purely ancillary activities is statistically observable, in that **separate accounts** for the production it undertakes are readily available, or if it is in a **geographically different location** from the establishments it serves, it may be desirable and useful to consider it as a separate unit and allocate it to the industrial classification corresponding to its principal activity.

- However, it is recommended that statisticians do not make extraordinary efforts to create separate establishments for these activities artificially in the absence of suitable basic data being available.



Recognition of ancillary units (SNA 2008)

- 5.42 When such a unit is recognized, the ancillary activity is recognized as a primary output. The value of its output should be derived on a sum of costs basis, including the cost of the capital used in the unit. The output will be deemed to be non-market output when the parent enterprise is a non-market enterprise and market otherwise. If the output is treated as non-market, the cost of capital should be replaced by the consumption of fixed capital when summing costs to determine the value of output. The output of the ancillary unit is treated as intermediate consumption of the establishments it serves and should be allocated across them using an appropriate indicator such as the output, value added or employment of these establishments.



How many units are affected?

□ Holding companies (ISIC 4 - 6420)

ISIC 3.1	Units	Employees
6599	48	299
7414	3481	10593
7499	507	1450
other	285	1917

■ Source: Destatis



How many units are affected?

- Head offices (ISIC 4 - 7010)

ISIC 3.1	Units	Employees
7414	19730	164490
7499	1413	5107
other	1157	8512

- Source: Destatis