

***BPM7* Chapter 5. Classifications of Financial Assets  
and Liabilities: Annotated Outline**



# **BPM7 Chapter 5. Classifications of Financial Assets and Liabilities: Annotated Outline<sup>1</sup>**

(Update to *BPM6* Chapter 5)

*Changes from BPM6 highlighted yellow*

## **I. Introduction**

- *As Chapter 5 of the sixth edition of the Balance of Payments and International Investment Position Manual (BPM6), Chapter 5 of BPM7 will discuss classifications of financial assets and liabilities in external sector statistics.<sup>2</sup> These classifications are applied to positions, associated income and financial account transactions, and other changes involving financial assets and liabilities.*
- *There will be separate sections on the definition of assets and liabilities (Section II), classifications of financial assets and liabilities by type of instruments (Section III), arrears (Section IV), classification by maturity (Section V), classification by currency (Section VI), and classification by type of interest rate (Section VII).*
- *The consistency of the language should be ensured across external sector statistics, system of national accounts, monetary and financial statistics, and government finance statistics. A separate annex (a new annex or could be mentioned in Annex 11) should be added to the BPM7 to explain different treatments from manuals for other macroeconomic statistics, wherever applicable.*

## **II. Definition of Economic Assets and Liabilities**

- A. Assets in General:** *BPM6* definitions for assets and economic owner will be maintained.
- B. Financial Instruments:** Financial instruments include assets and other financial instruments (i.e., contingent assets and liabilities) as defined in *BPM6*.
- C. Claims:** *The definition of a liability will be introduced.* The *BPM6* definition of a claim and explanation about nonfinancial assets will be maintained.
- D. Financial Assets:** The *BPM6* definition of a financial asset will be maintained.
- E. Other Financial Instruments not recognized as financial assets:** The *BPM6* definition of contingent assets and liabilities will be maintained. The explanation will remain brief because contingent assets and liabilities (including provisions) are not generally recorded in external sector statistics (the outcomes from the GN on provisions would not have a large impact on the BPM). *Deviation from MFS (which records provisions in the main accounts) will be mentioned in a footnote or Annex that will also highlight deviations from manuals for other macroeconomic statistics.*

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<sup>1</sup> Prepared by Joji Ishikawa (BPM editor, IMF) and Peter van de Ven (SNA lead) and cleared by BPM Project Manager.

<sup>2</sup> The use of “external sector statistics” in *BPM7* will be examined in totality at the drafting stage of the chapters.

- F. Other Issues:** (1) Crypto assets—the definition of crypto assets, their two categories (i.e., those with/without a corresponding liability), their recording in relevant financial instruments<sup>3</sup> or nonfinancial assets, crypto assets in the digital assets framework (with links to digital assets decision tree from GN F.18) and reference to the chapter on digitalization will be mentioned. Crypto assets will be discussed in Chapter 16 in *BPM7* and Chapter 22 in *2025 SNA* in more details. (2) reference to *BPM7* Chapter 17 on Islamic finance.

Negotiability discussed in this section of *BPM6* will be discussed in the section for debt securities in *BPM7*.

### III. Classification of Financial Assets and Liabilities by Type of Instrument

- A. Introduction to Classification of Particular Financial Assets and Liabilities:** The current three broad categories of financial assets and liabilities (i.e., equity, debt, and other) in *BPM6* provide useful information for users (e.g., to identify external debt).

#### B. Equity and Investment Fund Shares

##### 1. Equity

- Equity will include subscription rights. Issuance of subscription rights does not change the residual value of the corporation, and the resulting detached assets represent part of such residual value; therefore, subscription rights should be recognized as equity (F.16).
- Other equity will be renamed to “equity in international organizations and other equity” to record capital subscriptions to international organization comprehensively (B.12). Reserve position in the IMF is not recorded in other equity but in reserve assets.

##### 2. Investment fund shares or units

#### C. Debt Instruments

##### 1. Special Drawing Right

##### 2. Currency and Deposits

- Central bank swap arrangements that do not have the characteristics of a standard (market priced) contract are recorded as exchanges of deposits between the central banks, with the obligation to unwind the operation at a fixed exchange rate on a specified date. The deposit issued by the central bank and held by the counterpart central bank is denominated in domestic currency, but fully linked to a foreign currency. Therefore, the deposit should be treated as being denominated in foreign currency. Central banks swaps with a standard (market priced) contract are recorded as standard currency swaps (BOPCOM Clarification Note 5).

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<sup>3</sup> For crypto assets without corresponding liability, clarification on whether they should be treated as domestic or foreign assets (if they were to be deemed as financial assets) will be provided in the *BPM7* chapter “Residence, institutional units and sectors” based on the outcomes of GN F.18 “The Recording of Fungible Crypto Assets in Macroeconomic Statistics” (to be approved).

- Margins and cash collaterals (e.g., those for financial derivatives)—recording to be added in accordance to F.10 (to be approved).
- Currency includes central bank digital currencies (F.18).
- Deposits include electronic money when they are liabilities of deposit-taking corporations. For non-deposit taking corporations, the current treatment of *BPM6* and *2008 SNA* (as either deposits or other instruments) should be applied.

### 3. Debt Securities

#### 4. Loans

- Introduction of a supplementary item under loans “of which: repurchase agreements, securities lending with cash collateral, and margin lending” (F.1, F.3, and F.6).
- Margins and cash collateral (e.g., those for financial derivatives)—recording to be added in accordance to F.10 (to be approved).
- Clarification of specific interbank loan positions (e.g., overdrafts in nostro/vostro accounts and cash collateral for repos) will be clarified.<sup>4</sup>
- The factoring claim against the debtor is treated as a loan and the factoring income as a fee paid by the supplier. Recourse factoring is treated in the same way as non-recourse factoring. The instrument reclassification from trade credit to a loan (for the original borrower) should be treated as a transaction in the financial account. The ideal conceptual treatment of the discount earned by the factor and the convention (the treatment as a fee) will also be mentioned.

### 5. Insurance, Pension, and Standardized Guarantee Schemes

- Hybrid insurance products are allocated to life or nonlife insurance depending on which features are predominant (F.12).
- Autonomous employer-independent schemes or funds can qualify as social insurance pensions if accumulated contributions are set aside for retirement income and are subject to regulation or supervision in line with or similar to employer-related pension schemes/funds (F.12).
- Reference to IF.1/chapter 17 (e.g., Takaful and Re-takaful arrangements) will be added (keep the reference to the Appendix on insurance, pension schemes, and standardized guarantees).

### 6. Other Accounts Receivable/Payable

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<sup>4</sup> Some of them are classified as deposits in *BPM6/2008 SNA* but as loans in the MFS. BPM/SNA could adopt the MFS classification in cases where banks can identify loans and deposits separately.

- Margins and cash collaterals (e.g., those for financial derivatives)—recording to be added in accordance with F.10 (to be approved).

#### **D. Other Financial Assets and Liabilities**

##### **1. Monetary Gold**

- Paragraph 5.76, *BPM6* will be updated to include the discussion on pool allocated gold accounts. Pool allocated gold accounts (a depository sets aside numbered bars into a segregated pool, which backs the amount of pool allocated gold the depository owes to their customers) will be treated similar to allocated gold accounts (i.e., classified as monetary gold, when held as reserve assets).

##### **2. Financial Derivatives and Employee Stock Options**

- Financial derivatives will be classified by risk category as standard components (by instrument and by trading venue and clearing status as supplementary items). Emphasize the importance of compiling notional values of foreign currency financial derivatives for Table A9-I-1b and 2b of the *BPM6* (market/fair values remain as the primary valuation method for BOP and IIP) (F.4).
- Clarify classifying credit default swaps (CDS) as an option-type contract although they have some characteristics of a forward-type contract (F.5). CDS will be primarily classified by risk category (i.e., credit derivatives) in *BPM7* (F.4).

*Structures and definitions in the following sections will be maintained.*

#### **IV. Arrears**

##### **V. Classification by Maturity**

**Clarification on the definition of remaining maturity (e.g., debt payments as the basis for remaining maturity classification) in line with BOPCOM Clarification Note 2 and the 2013 External Debt Statistics Guide.**

##### **VI. Classification by Currency**

##### **VII. Classification by Type of Interest Rate**

## Schematic Overview

*The structure of the BPM6 Chapter 5 will be maintained.*

I.	Introduction
II.	Definition of Assets and Liabilities <ul style="list-style-type: none"><li>A. Assets in general</li><li>B. Financial instruments</li><li>C. Claims</li><li>D. Financial assets</li><li>E. Other financial instruments not recognized as financial assets</li><li>F. Other issues</li></ul>
III.	Classification of Financial Assets and Liabilities by Type of Instrument <ul style="list-style-type: none"><li>A. Introduction to classification of particular financial assets and liabilities</li><li>B. Equity and investment fund shares<ul style="list-style-type: none"><li>1. Equity</li><li>2. Investment fund shares</li></ul></li><li>C. Debt instruments<ul style="list-style-type: none"><li>1. Special Drawing Rights</li><li>2. Currency and deposits</li><li>3. Debt securities</li><li>4. Loans</li><li>5. Insurance, pension, and standardized guarantee scheme</li><li>6. Other accounts receivable/payable</li></ul></li><li>D. Other financial assets and liabilities<ul style="list-style-type: none"><li>1. Monetary gold</li><li>2. Financial derivatives and employee stock options</li></ul></li></ul>
IV.	Arrears
V.	Classification by Maturity
VI.	Classification by Currency
VII.	Classification by Type of Interest Rate

## References

- GNs B.12, C.5, F.1, F.3, F.4, F.5, F.6, F.7, F.10, F.12, F.14, F.18, IF.1. These guidance notes are posted at [Update of the sixth edition of the \*Balance of Payments and International Investment Position Manual \(BPM6\)\* \(imf.org\)](#).
- *Monetary and Financial Statistics Manual and Compilation Guide*
- *Handbook on Securities Statistics*

## Key Stakeholders Consulted

- System of National Account and Balance of Payments Manual editors
- IMF Statistics Department Financial Institutions Division and Government Finance Division