

Eleventh Meeting of the
IMF Committee on Balance of Payments Statistics

Washington, D.C., October 21–23, 1998

Summary of IMF Committee on Balance of Payments Statistics Responses
to the Draft Rewrite of *BPM5* on Financial Derivatives

Prepared by the Statistics Department
International Monetary Fund

**SUMMARY OF IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS RESPONSES
TO THE DRAFT REWRITE OF *BPM5* ON FINANCIAL DERIVATIVES**

The responses indicate a general level of agreement and support for the draft rewrite of the sections of financial derivatives in *BPM5*. Responses were received from Australia (Mr. King) Chile (Mrs. Cornejo Black), the European Central Bank (Mr. Bull), France (Mr. Bourguignon) and Germany (Mrs. Kruse), Italy (Mr. Biagioli), Japan (Messrs. Nagano and Nakajima), Russia (Mr. Shcherbakov), and the United Kingdom (Mr. Brown, with additional comments from Mr. Wright).

For the most part, no major concerns were raised, although the Russian response seeks a re-think of a separate functional category which was accepted at last year's meeting. The comments were centered on (a) the separate component of financial derivatives in direct investment, and to a lesser extent, in reserves, (b) whether gross reporting is practical or even conceptually correct, (c) the degree of detail requested in the supplementary information, (d) the time in which the proposals would be introduced; (e) respondent burden, and (f) practical assistance from the Fund in developing the statistics (such as through the writing of manuals or training sessions). There was general support for the proposals for dissemination (via central banks and national statistical agencies, on the Balance of Payments web site and an announcement in the *Balance of Payments Newsletter*).

The following summarizes these concerns but it must be remembered that these are issues at the margin:

- Australia** feels that financial derivatives in direct investment not conceptually legitimate
- feels that supplementary detail out of all proportion to its materiality and analytical usefulness. Cannot see why options has any need to be reported separately as they are insignificant compared with interest rate swaps and cross currency swaps. However, if detail to proceed would like to see how data would be used.
- does not see separate component of financial derivatives within reserve assets as being justified
- Chile** apart from a few drafting suggestions, does not indicate any major concerns

European Central

Bank:

concerned with the practical difficulties of implementing gross treatment for flows

considers supplementary information “ambitious” even if relevant

the issue of a separate sub-component of financial derivatives in *direct investment* and *reserve assets* not yet addressed by the ECB’s Financial Flows and Stocks Task Force

France

sees net reporting of flows as necessary on practical grounds

considers sector detail incompatible with net reporting

considers reporting of financial derivatives in *direct investment* to be correct but “problematic” for some countries at present

reserves assets: see ECB

Germany

concerned at detail

concerned about compliance costs

Italy

concerned with practical implementation issues especially for *direct investment* and *reserve assets*.

Russia:

would like to place non-tradeable financial derivatives in *Other investment* and tradeable financial derivatives in *Portfolio Investment* but would adopt proposal to have financial derivatives separately identified in *direct investment* and *reserve assets*.

would like to see a manual rewritten to assist in the practical difficulties involved in implementing the proposals.

United Kingdom

argues for net approach not only practical grounds but also on conceptual grounds

wants long lead time for implementation

Most respondents had suggestions for relatively minor wording improvements which have not been reproduced here.

Country	Separate functional category for financial derivatives	Separate sub-component for direct investment	Separate sub-component for reserves	Gross or net recording for flows	Supplementary detail	Respondent burden	Agrees with proposed dissemination
Australia	Y	N	N	Gross	N	Concerned	Y
Chile	Y				Y?		
ECB	Y	Not yet discussed	Not yet discussed	Net	“Ambitious”		Y
France	Y	Not yet discussed. See ECB	Not yet discussed. See ECB	Net	“incompatible with net reporting”		Y
Germany	Y	N			Concerned		
Italy	Y	N	N	Net	Concerned		Y
Japan	Y	N				Concerned	
Russia	N	Y	Y				
UK	Y	Y		Net (on conceptual and practical grounds)	Y?	Concerned	

Where a cell is empty, there was no response on this issue.