

BALANCE OF PAYMENTS TECHNICAL EXPERT GROUP (BOPTTEG)

OUTCOME PAPER (BOPTTEG) # 19 – REVISED APRIL 2005

(1) Topic: **Retained earnings of mutual funds**

(2) Issues – see BOPTTEG Issues Paper # 19A

BOPTTEG revisited this issue, after discussions at the June meeting had proved inconclusive. The Fund had been asked to develop the issues more fully. The new paper (which provided six options) was discussed.

(3) Recommendations:

(i) As retained earnings are treated inconsistently in different parts of *BPM5* and the *1993 SNA*, the group proposed that this issue should be discussed by a separate working group, to be established. This new working group should focus on the broader concept of "income" in general for the balance of payments, national accounts, and government finance statistics. Its membership should include national statistical compilers and international organizations.

(ii) It was deemed very unlikely however that such a working group would conclude its discussions before the agreed deadlines for the completion of the new balance of payments manual and the revised *SNA*. Changing to a new treatment for the new manual now would run the risk of being superseded quickly after completion by the recommendations of this working group. BOPTTEG therefore preferred to maintain the current treatment of retained earnings in mutual funds as presented in *BPM5* and the *1993 SNA*.

(iii) The desirability of consistency between the treatment in *BPM5/1993 SNA* and *ESA95* on this issue was recognized.

(4) Rejected alternatives

The other options listed in the paper were not adopted, but were left for discussion as part of the broader discussion on the meaning of income.

(5) Question for the Committee

(i) Does the Committee agree that a working group should be set up to review the concept of income in the national accounts/balance of payments framework?

(ii) Does the Committee agree that the present treatment of retained earnings of mutual funds should be continued in the meantime?