

**BALANCE OF PAYMENTS TECHNICAL EXPERT GROUP (BOPTTEG)**

**OUTCOME PAPER (BOPTTEG) # 20**

**JUNE 2004**

(1) Topic: **Interest on Debt Securities**

(2) Issues – see BOPTTEG Issues Paper # 20A and 20B

(3) Recommendations:

(i) While majority of those who spoke supported the creditor approach, some other speakers supported the debtor approach for defining interest on debt securities in international statistical guidelines. One member thought that although conceptually the creditor approach may seem more appropriate, it would be preferable not to reopen the issue at this time. Another member argued that the debtor approach is preferable and there were no new circumstances since the *1993 SNA/BPM5* were prepared to justify reopening the issue. Several noted concerns that this issue may open new issues on income in general. It was also noted that as the debate previously was raised in the context of debt securities, a wider perspective is needed to assess the impact of both approaches (for example the analysis should also include nontradable and index-linked debt instruments).

(ii) No clear consensus emerged on whether to seek to reopen the debate among national accounts community. Some members strongly felt that the issue should be reopened while others argued that there is no sufficient new information since the *1993 SNA/BPM5* to justify reopening the issue.

(iii) The decision of the Advisory Expert Group on National Accounts (not to reopen the issue for the review of the *1993 SNA*, taken at its February 2004 meeting), the IMF Statistics Department's position (that the *1993 SNA* follows the debtor approach), and the approach proposed in the *Annotated Outline for the Update of BPM5* (that interest in the system is recorded following the debtor approach with data according to the creditor approach as memorandum or supplementary items) were noted.

(iv) The group agreed that

- BOPTTEG members be provided with relevant technical documents on this issue (from the list in the BOPTTEG issues paper # 20A) and provide written comments by mid September to BOPTTEG. This will include a background paper to be prepared by De Nederlandsche Bank on this issue. The result of these additional discussions will be reported also to the Committee;
- the Committee could be requested to decide whether to reopen the issue.

(4) Rejected Alternatives:

None.

(5) Questions for the Committee:

- (i) *What is the view of the Committee on whether to reopen the debate on interest on debt securities? See 3(ii) above.*