

**Fourteenth Meeting of the  
IMF Committee on Balance of Payments Statistics  
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**Updating *BPM5*: Compendium of Issues**

**Prepared by the Statistics Department  
International Monetary Fund**

## **Updating *BPM5*: Compendium of Issues**

At its meeting in 2000, the Committee agreed that it would be useful to keep a compendium of work that would need to be carried out as part of the process of updating the fifth edition of the *Balance of Payments Manual (BPM5)*, along with a list of the changes that have already been made since *BPM5* was published in 1993. This compendium is attached.

Included are items that were listed in BOPCOM-00/21, items that the Committee requested to be added to the list at its meeting in October 2000, and other issues that have arisen in the last year. New items are shown in italics.

The last three columns of the compendium have been included to provide extra information on each issue. The column marked “reference” indicates where further detail on the issue might be found. Following this, the next column will be used to indicate the type of change, following the typology proposed in BOPCOM-01/33. The last column, the “status” column, indicates what, if any, work is being done on the issue, and shows if such work is completed.

### **Issues for discussion**

1. Does the Committee agree that the items identified in the compendium are appropriate?
2. What other issues should be added to the compendium?
3. Would it be appropriate for the Committee and the IMF to work on some of these issues in the coming year? If so, would the Committee provide an indication of priorities for such work.

Attachment: **Compendium of issues for consideration for updating *BPM5***

This compendium provides a list of issues for inclusion in any future update to *BPM5*. Items added since October 11, 2000 are shown in italics.

	<b>Item</b>	<b>Description</b>	<b>Reference</b>	<b>Type of change<sup>1</sup></b>	<b>Status</b>
	<b>I. THEORETICAL FRAMEWORK (INCLUDING CHANGES TO EXISTING RECOMMENDATIONS)</b>				
1.	Integration of macroeconomic statistics frameworks	Given the linkages between the national accounts and balance of payments frameworks, and also the links with the updated standards of the new <i>Monetary and Financial Statistics Manual (MMFS)</i> , include a more complete discussion of the integration of these frameworks.			
2.	<i>Links between International Merchandise Trade Statistics: Concepts and Definitions and BPM5</i>	<i>Include a discussion of the relationship between the balance of payments framework and the merchandise trade statistics as recommended in the International Merchandise Trade Statistics: Concepts and Definitions.</i>	<i>Committee 2000</i>		
3.	<i>Goods component</i>	<i>a. re-exports of goods are included in goods and transit trade is excluded from goods. There is a need to consider whether this distinction is still appropriate and whether it is practical. Re-exports are growing very quickly.</i>			
		<i>b. Expand the discussion of the recommendations to use physical transfer rather than change of ownership – for example, for financial leases, goods for processing, merchanted goods, and goods shipped between a direct investment parent and its branches and affiliates. BPM5 paragraphs 119-120 suggest physical flows are preferable in these cases, but does not explain why.</i>			

<sup>1</sup> Editorial amendment (EA), clarification beyond dispute (CL), interpretation (I), or change (CH).

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		<i>c. include discussion on the valuation of trade in goods – in particular the calculations for allocation of freight costs to transportation and insurance services.</i>	<i>Committee 2000</i>		
4.	Financial derivatives	The treatment of financial derivatives has now been clarified, and revisions to both <i>BPM5</i> and <i>1993 SNA</i> have been agreed and promulgated <sup>2</sup> . These would be incorporated, if practicable, in the text of any reprinting of <i>BPM5</i> .			completed
5.	Financial intermediation services indirectly measured (FISIM)	The treatment of FISIM in the balance of payments, including in areas such as financial derivatives, might be reconsidered. A number of countries are moving towards the estimation of FISIM as part of the financial services component of the balance of payments classification.			
6.	Dividends	Reconsider the treatment of dividends (as a disbursement of capital in the financial account).			
7.	Trusts	Address issues of identification, classification, and residency.	<i>BOPCOM-01-12</i>		
8.	<i>Valuation</i>	<i>What is the appropriate valuation of financial assets and liabilities? In particular consider the debtor/creditor approaches. It may be appropriate to include more than one valuation (as in external debt statistics).</i>			
9.	<i>Purpose of external statistics</i>	<i>Add a discussion on the substance of the purpose of external statistics along the lines of the material for users that was discussed by the Committee in 2000 and clearly indicating links to other macroeconomic statistics.</i>	<i>BOPCOM-00/12</i>		
10.	<i>Renaming of the system</i>	<i>“Balance of Payments” is quite narrow. Possibilities include “External Accounts” or “International Accounts.”</i>			

<sup>2</sup> In the case of balance of payments statistics, in the publication *Financial Derivatives: A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual*.

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11.	<i>Volume measures</i>	<i>Include discussion on these.</i>			
12.	<i>Classification</i>	<i>Review the balance of payments and international investment position classifications for appropriateness, including the distinction between goods and services.</i>			
13.	<i>Nonproduced, nonfinancial assets</i>	<i>Review treatment of such assets in the balance of payments and international investment position statements, and review the treatment of the income flow from the use of such assets.</i>			
	<b>II. NEW AND EMERGING ISSUES</b>				
1.	External debt and the IIP	Incorporate discussion on the relationship between external debt statistics and the IIP framework, in light of the <i>Debt Guide</i> , including:	<i>Debt Guide</i>		<i>Debt Guide</i> is being finalized
	(issues raised in the development of <i>External Debt Statistics: Guide for Compilers and Users (Debt Guide)</i> )	a. Primacy of the sectoral classification in the <i>Debt Guide</i> ahead of the functional classification (which has primacy in <i>BPM5</i> ).			
		b. Distinction between debt denominated in foreign currencies and debt denominated in the domestic currency.			
		c. Need for information on foreign currency based derivative instruments.			

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		d. Need for data on remaining maturity of debt as well as original maturity.			
		<i>e. Clarify a range of valuation issues such as the valuation of debt where repayment is determined in terms of quantities of goods rather than money or where an official debtor buys back nontraded debt at a reduced price. Also discuss market and nominal value.</i>			
		<i>f. Expand the discussion of debt forgiveness to consider, inter alia, debt/equity swaps, debt buybacks, and the clarification of definitions and valuation related to debt forgiveness, revaluation of debt, and debt write-offs.</i>			
2.	Sectoral classification	The Fund's <i>Monetary and Financial Statistics Manual</i> more closely aligns its sectoral classification with that of the <i>1993 SNA</i> , and downgrades the importance of the monetary authorities sector. Review the <i>BPM5</i> sectoral classification of <i>BPM5</i> .			
3.	Reverse transactions	a. The statistical treatment of repurchase transactions, securities lending, gold swaps, and gold loans/deposits is under discussion.	BOPCOM-00/13		work under way
		b. Clarify the classification of fees associated with gold swaps and securities lending.	BOPCOM-00/13		work under way
4.	Accrued interest	The issue of the appropriate treatment and valuation of accrued interest in both the balance of payments and the national accounts frameworks is currently under discussion.	BOPCOM-00/14		under discussion
5.	Loans sold at a discount	Discussion and guidance on the most appropriate way to value loans onsold by the initial creditor at a discount.	BOPCOM-00/15		
6.	Services transactions in <i>BPM5</i>	The negotiation of the General Agreement on Trade in Services has led to a greater focus on trade in services statistics. Outcomes of the work on developing the <i>Manual on Statistics of International Trade in Services (Services Manual)</i> for updating <i>BPM5</i> include:			<i>Services Manual</i> being finalized

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					finalized
	(issues arising from the development of the <i>Services Manual</i> )	a. Clarifications of the definitions of the various services components.			
		b. An update to Annex 3 of <i>BPM5</i> (which shows a partial correspondence between the <i>BPM5</i> services classification and the provisional Central Product Classification (CPC) has been produced.			
		c. Need to consider whether the classification in <i>BPM5</i> remains appropriate; in particular, how much of the extended balance of payments services classification that is recommended in the <i>Services Manual</i> might be incorporated into an updated <i>BPM</i> .			
		d. Consideration should be given to the question of whether the <i>BPM5</i> classification of services might be even more closely aligned with a future version of the CPC, and that the transactor-based parts of the classification (in particular <i>travel</i> and <i>government services n.i.e.</i> ) might become memorandum items to the <i>BPM</i> classification.			
7.	Employee stock options	Valuation of this form of compensation needs to be discussed.			
8.	Pricing levels and distribution margins	With the emergence of e-commerce, it has become apparent that a discussion on pricing levels and distribution margins is needed in the <i>BPM</i> .			
9.	<i>Revisions to international accounting standards</i>	<i>Changes to international accounting standards may require changes to international statistical systems. It is important to keep abreast of these changes. In addition, changes to business accounting may require changes to data collection systems, and possibly changes to the Balance of Payments Compilation Guide.</i>	<i>BOPCOM-01-34</i>		

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10.	<i>Provisioning for nonperforming loans</i>	<i>A creditor may write down or write off a nonperforming loan; however, the debtor continues to have an obligation to repay the full amount of the loan. Thus the principle of market valuation leads to an asymmetry in the system – the creditor will value a nonperforming loan at a lower value than the debtor.</i>	<i>BOPCOM-01-23,  BOPCOM-01-34</i>		
	<b>III. CLARIFICATIONS OF <i>BPM5</i></b>				
1.	Reserve assets	A data template on international reserves and official sector foreign currency liquidity has been developed by the IMF for use by countries in their reporting of both on- and off-balance sheet data, along with operational guidelines for the compilation of the template data. While the reserves template moves beyond the framework of <i>BPM5</i> , the operational guidelines provide clarifications of the guidelines included in <i>BPM5</i> for distinguishing reserve assets from other assets.			
		<i>Clarify the treatment of income earned on reserve asset holding (including SDRs).</i>			
2.	Direct investment	Issues for clarification include: transactions with affiliated financial intermediaries and SPEs, payments associated with the acquisition of a right to undertake direct investment, and the shutdown of foreign direct investment enterprises that were set up to undertake exploration of natural resources.	BOPCOM-99/19		
		<i>Individuals purchasing property in countries of which they are not resident constitute a different type of direct investment to that carried out by enterprises. Should such investment be separately identified?</i>			

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		There are some inconsistencies between <i>BPM5</i> , the <i>Textbook</i> , and the <i>Guide</i> with respect to direct investment. Examples include (1) the recommendations related to transactions with financial intermediaries, where the <i>Textbook</i> appears to contradict <i>BPM5</i> , while the <i>Guide</i> supports it, and (2) the recommended treatment for investment in real estate in the <i>Textbook</i> and <i>Guide</i> is not in accordance with <i>BPM5</i> .			
3.	Merchandise trade	Treatment of barter trade and shuttle trade to be directly addressed.	BOPCOM-98/1/3		
4.	Nonproduced, nonfinancial assets	Address the treatment of nonproduced, nonfinancial assets (both the assets and their associated payments), such as mobile telephone licenses, patents and other intellectual capital, franchises, and the acquisition of rights to fish in territorial waters.			
5.	Capital subscriptions to international and regional organizations	Treatment to be directly addressed.			
6.	Concessional loans	Should the grant element of a concessional loan be recorded as a transfer?			
7.	<i>Territorial boundaries</i>	<i>Changes in territorial boundaries of countries (for example, Panama Canal Zone) and the associated changes in residence/assets/liabilities.</i>			
8.	<i>Residence/economic territory</i>	<i>The criteria for residence need to be reviewed; in particular:</i>			
		<i>a. There are differences between BPM5 paragraph 78 and 1993 SNA paragraph 14.23. This affects, among other things, the coverage of offshore financial institutions, for which there are differences in interpretation between the Debt Guide, the CPIS Guide, and the MMFS.</i>	BOPCOM-01/13		
		<i>b. BPM5 paragraph 59 provides two different definitions of economic territory.</i>			
		<i>How to classify holding companies?</i>			
		<i>Consider the relevance of residence concept to modern (“globalized”) multinationals.</i>			

	<b>Item</b>	<b>Description</b>	<b>Reference</b>	<b>Type of change<sup>1</sup></b>	<b>Status</b>
		<i>Discuss regional aggregates.</i>	<i>Committee 2000</i>		
		<i>Discuss individuals with multiple territories of residence.</i>			
9.	<i>Geographic attribution</i>	<i>Include discussion of the geographic attribution of both transactions and positions, given the increasing tendency towards to compilation of partner country data.</i>	<i>Committee 2000</i>		
10.	<i>Financial leases</i>	<i>Clarify definition and distinction from operating leases, and ensure the same definition is used in BPM and SNA.</i>	<i>Debt Guide</i>		
		<i>Discuss the treatment of the residual value of the lease, on which the lessee may have an option to buy.</i>	<i>Debt Guide</i>		
11.	<i>Sectoral classification of currency and deposits liabilities</i>	<i>BPM5 identifies two sectors (monetary authorities and banks) that can hold currency and deposit liabilities; however all four sectors are included in the reporting forms and some countries report all four.</i>			
12.	<i>Treatment of purchase/sale of software</i>	<i>Good or service or royalties and license fees transaction?</i>			
13.	<i>Treatment of purchase/sale of downloadable products</i>	<i>Good or service?</i>			
14.	<i>Goods for processing</i>	<i>Clarification of the statistical treatment of goods for processing when the goods leave an economy in one period and are returned in a later period. BPM5 is silent on the classification of the financial asset and liability that are created.</i>			
15.	<i>Capital gains and losses</i>	<i>Discussion of the distinction between capital gains/losses incurred as a result of holding some types of financial assets and income.</i>	<i>Committee 2000</i>		

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16.	<i>Spread earnings</i>	<i>Include guidance on the estimation of spread earnings</i>	<i>Committee 2000</i>		
17.	<i>“Short” sales</i>	<i>Include a discussion on the appropriate treatment of “short” sales in general (that is, where an entity sells financial assets that it does not own).</i>	<i>Committee 2000</i>		
18.	<i>Insurance services</i>	<i>Review and elaborate on the recommendations for estimating insurance services, noting the problems that arise under the present recommendations in the event of catastrophic claims.</i>	<i>Committee 2000</i>		
19.	<i>Exceptional financing transactions</i>	<i>Expand the discussion of exceptional financing transactions to cover short-term loans that are continuously rolled-over. Under the existing format for exceptional financing, the rolling over of short-term loans overstates exceptional financing.</i>			
20.	<i>Technical assistance</i>	<i>Review the recommended treatment for short-term technical assistance personnel.</i>			