

**Twentieth Meeting of the
IMF Committee on Balance of Payments Statistics
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Summary of Discussion

**Prepared by the Statistics Department
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Twentieth Meeting of the IMF Committee on Balance of Payments Statistics: Summary of Discussion

Introductory remarks

1. Mr. Murilo Portugal, IMF, Deputy Managing Director, opened the meeting. He reflected on the many achievements of the Committee since it was established in the early 1990s. He considered that, under the Committee's encouragement, the take-up by member countries of the fifth edition of the *Balance of Payments Manual (BPM5)* had been truly impressive. Looking forward, Fund management continues to recognize the vital role played by the Committee, with the high expertise and wide geographic reach of its members, which ensures top-quality advice and experience are brought in its deliberations. As *BPM6* moves to the implementation stage, the Fund will be looking to Committee members to set the example for compilation and dissemination that can act as a beacon to others.

2. Mr. Robert W. Edwards, Director-IMF Statistics Department and Chair of the Committee, introduced the new attendees at the meeting: Mr. Hideki Konno and Mr. Joji Ishikawa (both from Japan), Mr. Obie Whichard (United States), Mr. Ahmed Alsayyari (Saudi Arabia), Ms. Maria-Helena Figueira (Eurostat), and Mr. Reimund Mink (European Central Bank).

1. Direct investment: BOPCOM-07/03, 07/04, 07/04 (b), and 07/05

(a) Progress on the Coordinated Direct Investment Survey (CDIS)—BOPCOM-07/03

3. The IMF presented the progress on the CDIS since the last Committee meeting. The progress is as follows: (i) the IMF Statistics Department finalized the feasibility study and transmitted it to the Committee; (ii) IMF management gave its support for the CDIS to proceed; (iii) a CDIS task force including representatives of other international agencies and member countries had been established to draft a *Survey Guide*; (iv) the task force held its first meeting in June 2007; (v) a draft annotated outline of the *Survey Guide* was produced; and, (vi) the Managing Director of the IMF had written in August 2007 to all IMF member countries and some nonmembers inviting their participation in the CDIS. The Committee welcomed the progress.

4. So far, more than 80 countries have agreed to participate in the CDIS, including a substantial majority of countries with sizable inward or outward direct investment positions. The list of countries wishing to participate is diverse, with small and large economies from all regions, and a notably strong response from Asia. However, the Committee noted that about half of the Fund members had yet to respond, and it encouraged Fund staff to follow up with the nonrespondents. The need to liaise with regional agencies such as WAIFEM¹ and MEFMI² in

¹ WAIFEM is the West African Institute of Financial and Economic Management.

Africa was stressed, as was a call for the Survey Guide to include material that could highlight for policymakers the benefits that data from the CDIS would bring. It was noted that an initial meeting with WAIFEM had already occurred, during the Bank-Fund annual meetings.

5. Among the other issues raised, some Committee members questioned the nine-month deadline for the supply of preliminary data, pointing out that “early” estimates based on initial calculations can lead to large revisions. Nonetheless, it was recognized that the trade-off between data accuracy and timeliness is always difficult to judge, and that task force members had been consulted in advance about the deadline. The need to clarify the details to be provided as core data (FDI total amount per country, equity capital/other capital split, etc.) was also raised.

6. The Chair concluded that:

- The draft Survey Guide should be sent to Committee members for comment when ready in December. Committee members were encouraged to submit their comments sufficiently in advance of the next meeting of the task force so that they may be considered. The next task force meeting is to be held in Hong Kong, January 22-23, 2008. The Survey Guide will be placed on the IMF website as soon as it is finalized thereafter, and all participants will be advised.
- The timeliness of the supply of preliminary data should be considered again by the task force in January 2008 in the light of the Committee’s comments.
- Fund staff should follow up on outstanding responses to the letter of invitation, especially the statistically significant countries. By the time of the task force meeting, it should be known whether the survey will cover all countries with significant direct investment positions.
- The preliminary specifications of the tables to be included in the data releases should be sent to Committee members for their views when ready, later this year or early next.

(b) Update on the Benchmark Definition of Direct Investment (BD4)—BOPCOM-07/04 and 07/4 (b).

7. Mrs. Bertrand presented the progress made in regard to the work of the *BD4* since the last Committee meeting in October 2006. There had been two meetings of the Workshop on International Investment Statistics (WIIS)—in March and October—and following these meetings the OECD was on track to publish the *BD4* in the first half of 2008. The Committee noted the following:

- *BD4* continues to be harmonized with *BPM6* subject to the next two points.

² MEFMI is the East and Southern Africa Macro-economic and Financial Management Institute.

- Where differences may be emerging, such as on the establishment of a direct investment relationship in real estate and through derivatives, the Fund and OECD staff should coordinate to ensure that the *BPM6* and *BD4* remain consistent.
 - While the methodology used in *BD4* is in line with the *BPM6* at aggregate flows and positions levels, one recent WIIS decision on the treatment of direct investment between fellow enterprises needs to be evaluated in detail to ensure maintenance of full harmony with the *BPM6* (see further discussion in paragraphs 34 to 37 below).
8. In taking this forward with the research agenda, there also needs to be coordination among the WIIS, the Committee, and the ISWGNA, as there are overlapping interests in the respective work programs.

(c) World Investment Report 2007: Report by UNCTAD- BOPCOM-07/05

9. Mr. Fujita gave a presentation on the 2007 World Investment Report (WIR). The 2007 WIR provides an analytical and policy review of the trends in direct investment worldwide, highlighting the rapid continued growth of Foreign Direct Investment (FDI) in 2006, and providing a detailed look at FDI in extractive industries. The Committee expressed support for UNCTAD's work in this field.

2. Remittances: BOPCOM-07/24, and 07/24 (b)

(a) Luxembourg Group: Progress report by IMF—BOPCOM-7/24

10. The Committee noted the progress made by the Luxembourg Group on producing a draft *Compilation Guide (Guide)*, with a first full draft discussed at the Luxembourg Group meeting in Brazil in June 2007. The concepts and definitions in the *Guide* are harmonized with the new *BPM6*. Committee members looked forward to reviewing the *Guide* once it is posted on the IMF's website. The Committee was of the view that there is no "economic" definition of remittances and that this shortcoming might be addressed in the *Guide* and the *BPM6* (see also paragraph 46).

(b) Summary results of Eurostat ad-hoc Survey on Remittances—BOPCOM-07/24 (b)

11. Ms. Figueira presented the results of Eurostat's Ad-hoc Survey on Remittances data. The Committee welcomed the survey as an important step forward in bringing together remittances data. The presentation generated considerable interest among members, not least regarding the main remittances corridors identified. However, some members cautioned that data asymmetries revealed in the survey should be interpreted cautiously, because of the difficulties in collecting the data, and the apparent inconsistencies in countries' compiling practices.

3. Portfolio and banking statistics: BOPCOM-07/07, 07/06, 07/09, 07/10, 07/11, and 07/12

(a) *Financial globalization: Implications for data needs—BOPCOM-07/07*

12. Ms. Ceyla Pazarbasioglu of the IMF's Monetary and Capital Markets Department provided an overview of recent developments in global financial markets, and challenges in understanding the nature of cross-border capital flows posed by information gaps.

13. In summarizing the discussion, the Chair noted the need for statisticians to remain in touch with their policy users of their data; cited the need for data on nonbank financial and "other sectors" and on bond markets in emerging economies; and suggested that consideration be given at the international level to facilitating access to relevant cross-border datasets, perhaps through a web portal. In this regard, he noted the example set by the Joint External Debt Hub set up by the Interagency Task Force on Finance Statistics.

(b) *Sovereign wealth funds—BOPCOM-07/06*

14. The classification of "sovereign wealth funds (SWFs)" assets as reserves or not, and their presentation in the accounts, was discussed by the Committee at its 2006 meeting in Frankfurt. The continuing policy and market interest in SWFs had necessitated a new paper on the subject, which sought Committee members' views on a range of statistical issues related to these funds.

15. On the name, there were different views among members as to whether "sovereign wealth funds" should replace the "special purpose investment funds" title in the March draft of *BPM6*. The existing title "special purpose investment funds" was not questioned in the world-wide consultation on the draft *BPM6*; one member suggested it be modified to "special purpose government funds." In summarizing, the Chair considered there is a need to use a broad term, such as "special purpose investment funds," but also that there is a need to include the phrase "sovereign wealth fund" in *BPM6*.

16. On the description of SWFs, the discussion highlighted the wide variety of institutional arrangements under which the SWFs are established, ranging from monetary authorities to various levels of government as well as public corporations. As well, their assets can range across the full gamut of the functional balance of payments (BOP) and international investment position (IIP) classification. Some Committee members advised against too narrow a description, as this could lead to difficult borderline issues. The Committee emphasized that in describing and classifying the SWFs and their assets, it was most important that the existing statistical principles in *BPM6* and other macroeconomic manuals be the key criteria to apply.

17. There was considerable discussion on whether *BPM6* should require mandatory provision of data on SWFs as a memorandum item to the IIP. Currently, *BPM6* is drafted on the basis that this will be a voluntary item. On the one hand, a significant number of Committee members noted that there is growing policy interest in the activities of SWFs, and that data provided on a mandatory basis would be valuable to policymakers. On the other hand, many members noted that it will be difficult to come up with a definition of SWFs that can be consistently applied

across a diversity of institutional arrangements and that, until such a definition is developed, it is not clear what would be reported against the item. It was also noted that, in most cases, provision of such data would require disclosure of identified or identifiable information, which could be inconsistent with confidentiality provisions of statistics legislation in some countries and, hence, it might be inappropriate to deem such an item as mandatory in an international statistical manual. It was further noted that this matter may be sensitive to a number of countries that were not represented on the Committee.

18. The Committee supported work by the IMF's Statistics Department to confirm the understanding of member countries' treatment of SWFs in the various external statistics datasets, as set out in Table 1 of the paper. Also, the Committee agreed to a written procedure regarding reserves/FDI classification issues discussed in paragraphs 43–48 of the paper (BOPCOM-07/06). The Committee encouraged the IMF's Statistics Department to be actively involved in efforts to expand and improve statistical information on SWFs, both by developing a definition in consultation with Committee members and by providing statistical expertise in the ongoing discussions in the Fund and elsewhere.

(c) Forthcoming statistics on the assets and liabilities of Euro area investment funds including hedge funds—BOPCOM-07/09

19. The Committee welcomed the work of the ECB in this area, considering that the ECB is giving a lead internationally in collecting such statistics. Among the comments from Committee members, it was noted that the statistics also cover resident hedge funds in the euro area, and that the definition and concepts are aligned with *BPM6*.

20. Going forward, the Committee encouraged ECB to continue with the work and would welcome a report on progress once the statistics become available.

(d) International financial statistics: Report by the BIS—BOPCOM-07/10

21. The Committee welcomed the continued progress made by the BIS to increase the number of countries reporting international banking statistics, and the BIS work to report nonbank trade credit exposures obtained from the Berne Union of Trade Credit Insurers.

22. Mr. Mesny noted that a provisional agenda had been circulated for the January 2008 BIS biennial meeting of central bank statisticians, and that there were likely to be some proposals for improving the consolidated and locational international banking data sets.

(e) Progress report on CPIS—BOPCOM-07/11

23. The Committee welcomed the news of a reduction in the time lag in releasing the data—the 2005 CPIS data were released within one year of the reference period. Committee members encouraged the Fund to increase the country coverage of the CPIS and to improve the manner in which the data were disseminated. There was a feeling in the Committee that many potential users were not aware of the CPIS as a valuable data source. The OECD invited the IMF to contribute to its globalization indicators initiative using the CPIS data.

(f) Activities of the Inter-agency Task Force on Finance Statistics (TFFS)—BOPCOM-07/12

24. Mr. Heath presented the paper. He highlighted recent initiatives of the TFFS including a new project to extend the World Bank Quarterly External Debt Statistics database to the GDDS countries, of which 11 countries have already agreed to participate; the ongoing work on public sector debt statistics; the major effort in recent years to train external debt compilers; and the World Bank Government Debt Performance Assessment Tool (GDPT).

25. The work of the TFFS was well received. Committee members noted the importance of the TFFS as a forum that promotes interagency collaboration, particularly in capacity building and dissemination of external debt statistics. The Committee noted that the revision of the External Debt Guide that falls under the TFFS was expected to commence in 2011 to take into account changes incorporated in *BPM6*.

26. Some members sought more information on the work on public sector debt statistics. Mr. Keith Dublin (Chief, Government Finance Division) made a short presentation, noting the progress in the work on developing the public sector debt template.

4. Securities databases: BOPCOM-07/25(b), and 07/25

(a) Update of ECB Centralized Securities Database (CSDB)—BOPCOM-07/25(b)

27. Mr. Mink's presentation generated considerable interest among Committee members. The Committee noted the value of the data across a range of economic datasets, in reducing costs to respondents and enhancing data quality. The recent experience of Portugal was quoted as an example (paper of Maria do Carmo Aguiar on "*Statistical Integrated Systems: evolution or revolution?*" Supplement 1/2007 to the Statistical Bulletin of the Banco de Portugal, August 2007; available at www.bportugal.pt). On the other hand, it was noted that there can be significant costs to the compiling agency in setting up and maintaining a securities database.

28. The benefits of international cooperation in this field were discussed. One clear benefit from such cooperation would be the cross-checking of securities information by countries of issues of their own residents. That said, experience had shown that there can be legal constraints on the sharing of information.

29. The Chair considered that with the launch of the ECB's CSDB it is a good time to explore the possibilities of closer international cooperation in this field. The Committee agreed that a small working group (perhaps through the reconvened Working Group on Securities Databases) should be set up to study possible ways of establishing coordination in sharing the data. This group would have diverse membership reflecting developing as well as developed economies and taking account of the interest of other statistical disciplines beyond balance of payments. The Chair agreed to approach Mr. Steven Keuning, Director General, ECB, on the proposal. The Chair also asked that the Committee be provided with a report on the progress of the Working Group, once work has been taken forward (see also below).

(b) Reconvened Working Group on Securities Databases—BOPCOM-07/25

30. Mr. Kozlow presented the report on the work emerging from the G-8 meeting in Potsdam, Germany, in May 2007 under the framework of the “Action Plan for Developing Local Bond Markets in Emerging Market Economies and Developing Countries.” The G-8 tasked the IMF and the World Bank to take stock of the data available, identify gaps, and chart the way forward. To that end, the Working Group on Securities Databases was reconvened, with a meeting held at the Fund in September 2007 that involved representatives from the BIS, ECB, World Bank, Deutsche Bundesbank, Bank of Mexico, and Federal Reserve. Two conferences are planned in 2008—one to be hosted by the Fund in early March 2008 under the auspices of the Irving Fisher Committee, and another by the Deutsche Bundesbank in close cooperation with the Federal Ministry of Finance in Frankfurt in late January 2008. It will become clearer following these two conferences where further statistical work may be required.

31. The Committee will be apprised on the progress in the next meeting.

5. BPM6: Comments from Worldwide Consultation—BOPCOM-07/13, and 07/13(b)

Consideration of Comments from Worldwide Consultation on the Draft BPM6—BOPCOM-07/13

32. Mr. Heath introduced the paper by informing the Committee that the *BPM6* project remained on schedule for publication in late 2008. A draft *BPM6* had been posted on the Fund’s external website in March 2007 with a three-month comment period, and more than 50 sets of comments had been received. The paper before the Committee reflected the issues that had emerged from this worldwide consultation and that Fund staff considered needed Committee discussion. Also, the paper took account of recent meetings of the International Trade in Services Task Force, the WIIS, and the ISWGNA.

(a) Issues arising

Issue (1) Time of the recording of dividends

33. The Committee supported the IMF recommendation that dividends be recorded when the shares go ex-dividend (paragraphs 3.48, 7.26, 11.29), maintaining consistency with the SNA following the recent decision of the ISWGNA.

Issue (2) FDI issues related to the extension of the directional principle

34. The IMF presented the paper requested earlier in the meeting by the Chair (see paragraph 7) to elaborate further on the issues of concern with the *BD4*, notably the extension of the directional principle to fellow enterprises, and its application in *BPM6*. The Committee considered that the paper helped to shed more light on the issue. It clarified the concordance in terms of flows and positions between *BD3* (that is the same as *BPM5*) and *BPM6*. The *BD3* treats the assets of fellows as outward investment, and their liabilities as inward investment. This

is unlike *BD4* that proposed to treat all the assets and liabilities of fellows as inward investment if the ultimate parent enterprise is a nonresident, and as outward investment if the ultimate parent enterprise is a resident. The paper also showed that the extension of the directional principle to fellow enterprises, while allowing conversion of FDI positions according to the “asset/liability” principle from a presentation according to the directional principle using detailed data, does not allow for the conversion to be made in the opposite direction.

35. The analytical advantages of the *BD4* approach to extend the directional principle were raised by several members. At the same time, some members, notably Eurostat and the ECB, raised serious concerns about extending the directional approach to the treatment of “fellow enterprises” as proposed in *BD4*, as it introduces apparent asymmetries or inconsistencies in bilateral data sets that are especially relevant in compiling European aggregates. Some asked for an opportunity to consult with users on the proposed *BD4* treatment between fellow enterprises. Also, some Committee members noted that the directional principle introduces complexities in compiling data, particularly in cases where the shareholding in a fellow enterprise is less than 50 percent.

36. The OECD indicated that the WIIS had reached this decision with substantial support of its plenary decision of October 1–3, 2007 and has allowed additional time for written comments. The proposal is based on arguments to obtain more meaningful analytical information. Upon conclusions of the consultation, the WIIS Bureau has decided to maintain the decision. The OECD also indicated the concerns for the tight schedule of the *BD4* to its completion.

37. The Committee agreed that further reflection is needed on this issue. The Committee asked the OECD, in its role of the WIIS Secretariat, to address the concerns expressed by the Committee. In this regard, it was agreed that the IMF will collaborate with Eurostat and the ECB to prepare a substantive paper in the near term that would draw from the relevant OECD paper prepared for the WIIS on this matter and that the paper will be distributed to the Committee for comments together with the OECD paper. The Committee would welcome a compromise solution and to that effect, the IMF, on behalf of the Committee, will be in touch with the OECD to draw attention to the concerns and to seek a mutually agreeable way of resolving the matter.

Issue (3) Technical provisions of non-life insurance companies

38. There was support among Committee members with the IMF recommendation to not include equalization provisions in nonlife technical reserves, again consistent with the recent decision of the ISWGNA.

Issue (4) Treatment of corporate inversion

39. There was strong support among Committee members that the changes resulting from a corporate inversion be treated as transactions that should be recorded in the balance of payments. The Committee agreed that cross-references should be made in both the *BPM6* (paragraph 4.153)

and the *SNA* (paragraph 12.75) to the other publication, noting the consistency of approach in each publication on this topic.

Issue (5) Services: intellectual property

40. The Committee agreed that the *BPM6* should be consistent with the CPC and, to the extent possible, with the ISIC classifications. Consistent with this general principle, the Committee agreed on the treatment of a number of circumstances relating to intellectual property as set out in Attachment A.

Franchise and trademark revenue

41. Franchise and trademark revenues include aspects of property income³ (i.e., putting a nonproduced asset at the disposal of another unit) as well as aspects of services (such as the active processes of technical support, product research, marketing, and quality control).

42. In principle, it would be desirable to separate the income and service elements. However, it may not generally be feasible to do so in practice. Accordingly, a convention is adopted that the entire values are to be classified as services in the balance of payments.

Fees for franchises and other propriety rights – change in title

43. The Committee agreed to replace the present title with a title introducing the term “intellectual property.” The exact wording will take account of the comments received from Committee members.

(b) New appendices

44. The Committee considered the following appendices

Appendix 4: Statistics on the Activities of Multinational Enterprises

45. The Committee welcomed the appendix and considered it appropriate to “sign post” this issue for balance of payments compilers. However, there was concern over the possible overlap with guidance in other manuals and guides. More generally, the Committee considered that there is need for further clarification on the relationship of these statistics with other manuals and data sets, specifically with the balance of payments framework, and also to elaborate further on the purpose of the appendix. Eurostat and OECD offered to review the appendix circulated with the September draft of *BPM6* and provide comments by the third week of November.

³ Some elaboration of the definition of property income will be needed in both *SNA* and *BPM6* to refer to franchise and trademark issues.

Appendix 5: Remittances

46. The Committee considered Appendix 5 as a near final product. It was agreed that there is need to include an economic definition of remittances in the appendix.

Appendix 6: Topical Summaries—Direct Investment; Financial Leases; Insurance, Pension Funds, and Standardized Guarantees

47. The Committee agreed there was need for the Appendix 6a on direct investment to be more self contained, noting that it contained many cross references. The Committee also considered Appendix 6b (financial leases) and Appendix 6c (insurance pension funds and standardized guarantees) as complete.

48. It was agreed that appendices 4 and 6c would be circulated to Committee members for comment before they are posted on the Fund’s website as part of the revised draft *BPM6*, but with a short turnaround time in view of the need to finalize the next version of *BPM6*.

Other appendices

49. The Committee considered that the list of changes introduced in *BPM6*, which are presently included at the end of each chapter should be clustered together in a single appendix but in chapter order—Committee members liked having a list of changes by each chapter. The Committee welcomed the idea of a reconciliation appendix between *BPM6* and the *SNA* and asked that it also include reconciliation of positions as well as transactions. It was noted that the updated *SNA* will have Chapter (number 25) on the “The rest of the world account (external transactions account).”

(c) Other issues

50. Committee members raised some other issues on *BPM6*, noting the need to tighten up language in various places and to avoid apparent inconsistencies.

51. The Committee discussed the treatment of resident-to-resident transactions in nonresident securities, and supported the present approach in *BPM6*, which treats these transactions as domestic. However Committee members considered there was need to strengthen the reference in *BPM6* (paragraph 3.7) to the need to capture these resident-to-resident transactions in the national accounts, and to emphasize the importance of other flows data, where the reclassifications of the resident-to-nonresident positions are recorded in the international accounts. Further clarification in the text of *BPM6* is needed.

52. A question was raised on the elaboration of “other related purposes” in the reserves definition. It was agreed to review the wording in consultation with RESTEG. The need to clarify the currency composition of the Reserve Position in the Fund was also raised.

53. The Chair encouraged Committee members with additional comments to send them to BPM5update@imf.org in the next two weeks.

(d) Additional comments from WIIS—BOPCOM-07/13 (b)

54. The Committee considered comments provided by the Chair, OECD Workshop on International Investment Statistics in a letter to the Chair of the Committee. On the issue of the order of the text on institutional units and residency that was raised in the letter, the Committee decided not to change the order at this late stage given that there is an element of circularity in the issue. On the application of center of predominant economic interest, it was also agreed not to make a change given the importance of applying the principle uniformly across all institutional units.

6. Update on work of RESTEG: BOPCOM-07/15

(a) Reserve Assets Technical Expert Group (RESTEG): Summary Report—BOPCOM-07/15

55. Mr. Heath presented the report for the RESTEG, setting out developments since the Committee meeting in Frankfurt in 2006. He focused on the remaining issues to be addressed by the Committee and the way forward with updating the Guidelines for the Reserves Template. The Chair noted that the Guidelines are associated with the Fund's Special Data Dissemination Standard and, as such, the Fund's Executive Board needs to be informed of any changes to them. The intention is that *BPM6* and the Guidelines should be harmonized.

(b) Issues seeking guidance from the Committee

Resident Bank deposits.

56. Following the meeting in Frankfurt, the draft *BPM6* excluded resident bank deposits from reserves. The Committee noted that few comments were received on the proposal in the draft *BPM6*. Following further discussion among Committee members, the Chair noted that there had been little change in positions since the previous meeting. Given this, the Chair concluded that *BPM6* should follow strictly the principles that reserves should be claims on nonresidents, in convertible currencies, and meet the liquidity requirements, which would lead to excluding resident bank deposits from reserves. But recognizing the concern of some countries, Fund staff should explore with these countries ways of presenting data on resident bank deposits to meet their needs, such as through additional information. An example is the line item in the Reserves Template. This work should be undertaken soon.

Reserve-related liabilities (RRL).

57. Following the Committee decision in 2006 to show RRL as a memorandum item in the IIP, the March draft of *BPM6* included short-term RRL (on remaining maturity basis) as the memorandum item, with the full table of foreign currency assets and liabilities of the authorities as a supplementary item. The views of reviewers were requested, and three commented, all

favoring the full table as the memorandum item. The views of the Committee were sought. Following discussion, there was general support for the proposal to present short-term RRL as the memorandum item, but to recognize that some countries may choose to present the full table of foreign currency assets and liabilities as the supplementary item, separately identifying the short-term RRL.

Neighboring countries' currencies in reserves

58. The Committee considered that inclusion of neighboring countries' currencies in reserve assets would need to meet strict criteria. A number of members had knowledge of the policy issue that lay behind the intention of including neighboring countries' currencies, under certain strict conditions, in reserves. However, the prevailing view of the Committee was that, as with the discussion on resident bank deposits, the basic conceptual principles for reserves assets should be adhered to, including the "standard" test of currency convertibility. Nonetheless with tightened text on this matter, the *BPM6* could provide room for countries to provide additional information on holdings of such currencies not included in reserves. It was also suggested that the text might not be limited to neighboring countries but also countries with intensive bilateral trade.

Other issues

59. Mr Heath reported that there had been no further comments in the worldwide consultation on the issues of reverse transactions and the idea of additional lines within the standard components of the IIP for securities under repo with cash collateral and monetary gold under swap for cash collateral, nor on monetary gold. Thus, these issues were considered resolved.

(c) Update of the guidelines

60. The Committee was informed that Fund staff will soon start the work of updating the *Guidelines* with the idea of getting an updated draft version ready for posting on the Fund's external website around the middle of 2008. The work will primarily be conducted through RESTEG, the expert group on reserves. The Committee agreed with the planned work program.

7. *SNA update: BOPCOM-07/16, and 07/17*

(a) The SNA update: Progress report—BOPCOM-07/16

61. Mrs. Carol Carson presented the progress report on the *SNA* update since the previous Committee meeting. She noted the considerable progress that had been made in the previous 12 months, and the intention to present the UN Statistical Commission with the first 17 chapters of the revised *SNA* in time for its next meeting early in 2008.

62. During the discussion, the Committee stressed the need for continued close collaboration between national accounts and balance of payments experts, a view also shared by Mrs. Carson.

Looking ahead, areas of collaboration identified included work on implementing the goods for processing change in methodology, the work on the research agenda, and the implementation plan of the two manuals. With regard to goods for processing, the Committee noted that the Working Group on the Impact of Globalization on the National Accounts was preparing a guide for 2010 on implementing the new goods for processing methodology.

63. Mrs. Carson informed the Committee of the proposal by the UN Statistical Commission to set up the High Level Group of Chief Statisticians to provide strategic direction to national accounts work. The Chair noted that such a group could have implications for the methodological work of the IMF.

64. Mrs. Driscoll briefed the Committee on the Australian Bureau of Statistics plans to implement the revised *SNA* and *BPM6* in 2009, highlighting that data users have already been alerted.

***(b) Summary of outcome of discussions related to the update of the 1993 SNA—
BOPCOM-07/17***

65. Mrs. Harrison, Editor of the *SNA*, presented the paper that set out the issues that had arisen in the context of the work on the revised *SNA* since the last Committee meeting and which had implications for the *BPM6*.

66. Virtually all the issues described in the paper had been resolved, with the treatment consistent between the revised *SNA* and the draft *BPM6*. However, there remained the issue of the classification of insurance payments as capital transfers. The ISWGNA was still debating this issue. However the emerging proposal to attribute capital transfers across all the policy holders, and not just those affected by a specific event, while perhaps acceptable in a domestic context, seemed less so cross-border. It was agreed that the ISWGNA outcome would be reported to the Committee and at that time a view would be taken on the treatment in the *BPM6*.

8. Implementation of *BPM6*: BOPCOM-07/14

Implementation of *BPM6*—Strategy going forward—BOPCOM-07/14

67. Mr. van Wersch introduced the preliminary strategy paper on the implementation of *BPM6*, which aimed at ascertaining the Committee's views for the program in the years ahead. Next year the IMF will come back on the issue with more detailed plans. Mr. van Wersch explained that the implementation "package" covers a wide range of activities.

68. The Committee asked for clarification as to what is meant by the implementation of *BPM6*. In this context, IMF staff considered that the changeover to the presentation of the data according to *BPM6* in the *Balance of Payments Statistics Yearbook (BOPSY)* was central. The Committee's initial views were sought on a date for *BOPSY* conversion. A number of Committee members noted technical difficulties in realizing an early implementation. There were also coordination issues to consider, such as with the implementation of the 1993 *SNA*, Rev 1 and implementation of the *BD4* for direct investment statistics. In Europe, there is a need to

coordinate the date of conversion of all member countries and a preference to implement *BPM6* together with the revised European System of Accounts (ESA). Against this background, the Chair concluded that 2012 or 2013 should be the range of possible dates for conversion. The Committee would come back to this issue at next year's meeting to set a firm date.

69. To facilitate the conversion to *BPM6*, the IMF proposed to provide a *BPM5/BPM6* conversion matrix, linking the Standard Components of *BPM5* and *BPM6*. The Committee was very positive on the proposal and encouraged the IMF to complete this work as soon as possible, and share it with the Committee. Australia, Canada, Germany, Japan, the United Kingdom, and the United States offered to review a preliminary version of the matrix.

70. It was proposed that the implementation of *BPM6* could be an opportunity to follow-up on the present interagency initiative to reconsider the coding system for data submission to international organizations. The Committee encouraged the extension of the initiative to include the data submission according to the data presentation of *BPM6*, including through use of the SDMX (Standard for Data and Metadata Exchange) protocols.

71. The implementation of *BPM6* will be further supported by training provided by the Fund. The program envisages conversion of the IMF's Balance of Payments Statistics Headquarters Course 2008 to *BPM6*. In the first half of 2008, outreach seminars on *BPM6* are planned, and in 2009 regional seminars on *BPM6* will be held. Australia and Eurostat offered to play a role in the regional seminars and courses. In addition, Japan expressed its readiness to provide necessary assistance in line with its current Technical Assistance activities in the Asian region.

72. The Committee's views were also asked on the proposal to undertake the update of the Compilation Guide in 2009–2010 and of the Textbook immediately thereafter. The Committee members stressed that the Compilation Guide should be given high priority.

73. The Committee also strongly supported the proposal to send a questionnaire to member countries in 2009, inquiring into their implementation strategies, and topics for which special support would be welcome. Several countries were willing to complete an early version of the questionnaire as a test run. The Committee agreed to the conduct of the survey in 2009. Eurostat informed the Committee that it will send a questionnaire to its member countries in early 2008, and it was suggested that the IMF may draw on its experience.

74. Similar to the *BPM5* implementation, the Committee members could play an important role in overseeing the progress of the implementation and in leading by example through the contribution of papers on the national experience. Many Committee members supported the idea of preparing such contributions. The UNSD informed the Committee that it intends to publish newsletters on the implementation of *1993 SNA*, Rev 1, and that it would be willing to include papers on cross-cutting issues.

75. The Chair noted that the implementation of *BPM6* will take up a considerable part of the Committee's work program in the coming years.

9. Services statistics: BOPCOM-07/18, and 07/19

(a) Report on the meeting of the Task Force on Statistics of International Trade in Services: report by OECD—BOPCOM-07/18

76. Mr. Cave updated the Committee on the work of the task force and, in particular, the revision of the Manual on Statistics of International Trade in Services planned to be submitted for approval by the UN Statistical Commission in 2009. The Committee focused its discussion on the development of Foreign Affiliates Statistics (FATS). A number of Committee members noted the increasing policy interest in these data sets but also expressed some concern about the way the data were interpreted. Other Committee members were interested in developing these data sets but faced resource constraints and other problems. Collecting outward FATS was considered more difficult than collecting inward FATS. Both the U.S. and Eurostat shared their experiences in collecting FATS data, and Eurostat offered to share its documentation with Committee members interested in developing FATS data. UNCTAD noted that it provides technical cooperation to countries in this field.

77. The Chair proposed that an article on FATS data be produced by the international agencies, explaining the differences with balance of payments data to help countries in explaining these data to users. OECD and Eurostat indicated a willingness to cooperate with the IMF on such an article.

(b) Bilateral trade in services: report by the U.K. and U.S.—BOPCOM-07/19

78. Mr. Brown and Mr. Whichard reported on the work of the U.K. ONS and U.S. BEA to compare their bilateral trade in services data. This productive exercise is an early step in improving the overall quality of statistics in trade in services in both countries.

79. The data show U.K. and U.S. exports of services exceeding the corresponding import figures of their partner country, reflecting the pattern seen for the global aggregates, of credits exceeding debits. The Committee discussed some of the possible reasons for this discrepancy, considering that companies tend to monitor sales—their location and pattern of sales—better than purchases, while some members noted that there is anecdotal evidence of transfer pricing in financial services.

80. The Committee expressed an interest in learning more about country experiences in this field.

10. Goods for processing and merchanting: BOPCOM-07/20

Goods for processing and merchanting: Paper from Hong Kong SAR—BOPCOM-07/20

81. Mrs. Lily Ou-Yang explained the work being undertaken in Hong Kong SAR to change to the new approach in *BPM6* on goods for processing and merchanting. She set out the possible enhanced collection methods that could be used to collect these data, the potential impact of the changes in methodology on Hong Kong's balance of trade in goods and balance of trade in

services accounts, and some important issues to consider when implementing the new *BPM6* approach. The presentation generated considerable discussion among Committee members both in terms of the practical collection issues and the impact on the accounts. It was noted that the difference between the value of goods sent abroad and the value of goods returned after processing may exceed the value of the processing fee, meaning that the change in methodology could, in practice, affect the current account balance; in concept this should not happen.

82. The Committee noted that it will be useful to work through a set of case studies to see how different scenarios would affect the data; Fund staff will undertake this work using examples provided by Committee members. Second, given the potential impact of the change on the balance of payments data it was suggested that material be developed to help explain the change to users. Third, countries should share experiences in collecting and compiling these data, and fora should be identified to facilitate discussion of these matters. Countries should be encouraged to start collecting data on these activities as soon as possible so that when data are converted to *BPM6* there will be information available to bridge across the “old” time series to the “new” series.

11. 2007 Surveillance Decision: BOPCOM-07/23

Data Needs in the Area of IIP and Balance of Payments Arising from the 2007 Decision on Bilateral Surveillance—BOPCOM-07/23

83. Mr. Pedro Rodriguez of the IMF’s Policy Development and Review Department provided Committee members with an overview of the IMF’s 2007 Decision on Multilateral Surveillance and the implication for data needs. The Committee noted that the framework introduced by the 2007 Decision focuses attention on relevance of data particularly on balance of payments and international investment position, which fall well within the mandate of the Committee.

84. The presentation was well received by Committee members. Committee members agreed with the conclusions reached in the paper particularly on the need to expand data on the IIP. Committee members considered that there is a need to improve the measurement of countries’ IIP and to reconcile changes in the latter with balance of payments flows and changes in IIP position, and in that regard underscored the need to publicize data on revaluations and other volume changes. On currency composition, a majority of Committee members considered that such data can be obtained, but noted that challenges exist in FDI and trade credit data (see also paragraph 88).

85. On economic vulnerabilities, Committee members were unanimous in supporting the need to monitor both internal and external vulnerabilities, and considered international investment positions of nonbank financial institutions should be monitored, as well. In that regard, the Committee noted that the ECB has already issued a regulation to collect these data from its members starting from 2008. On external vulnerabilities, some Committee members observed that there were challenges in assessing current-account-related vulnerabilities in a monetary union context and wondered how the 2007 Decision’s framework took this into account. Another Committee member raised a question on how the Decision—whose organizing

principle is external stability—would assess countries where inflation targeting takes precedence over an exchange rate target. On derivatives data, some Committee members considered that it may be more appropriate to focus on market value rather than nominal value in estimating vulnerability. Mr. Rodriguez explained that the 2007 Decision was sufficiently broad to be applicable to members of currency unions and to countries with free floating exchange rates (as is the case of many inflation targeters) and that the text of the Decision and its supporting documents explicitly address these cases. He added that in both cases, BOP and IIP data remained key for surveillance. Regarding derivatives data, Mr. Rodriguez acknowledged that valuation at market prices was more useful to reflect the value of derivatives in the IIP. He pointed out that, however, nominal values were probably more useful to assess vulnerabilities as they give indications of hedging/exposure to specific risks (e.g., currency or interest rate risk).

86. In conclusion, it was considered that the 2007 Decision does not bring a new framework on data, but brings additional relevance to some data, particularly balance of payments and IIP data, and that existing frameworks such as the balance sheet approach, and the institutional sector framework, are flexible enough to accommodate the data needs arising from the 2007 Decision. The Committee noted that provision of data to the IMF as identified in the SDDS and GDDS frameworks should be seen as a minimum data requirement, and that countries should be prepared to provide additional data sought under the IMF surveillance framework.

12. International Investment Position Statistics: BOPCOM-07/22

International Investment Position Statistics—Progress made and plans for further development—BOPCOM-07/22

87. Ms. Cardillo updated the Committee on the ongoing work in the IMF Statistics Department on the IIP, as well as the follow-up work on the outcome of the discussion at the Committee meeting in 2006.

88. The Committee welcomed the presentation and unanimously supported the IMF strategy to increase the number of countries compiling and reporting IIP data, as well as the initiative to develop IIP world and regional tables.

89. Committee members also supported the idea of using supplementary Table 1 on currency composition in the paper as a basis for *BOPSY*. Some members, however, observed that they will need time to develop such data, particularly data on FDI and trade credits. The Committee also supported identifying the nonbank financial sector in the supplementary tables on currency composition. The Committee had some reservations over further splitting remaining maturity data.

13. Reporting external sector data to international agencies and long-term research agenda: BOPCOM-7/21, and 07/08

Reporting external sector data to international agencies (BOPCOM-7/21) and long-term research agenda (BOPCOM—07/08)

90. The Committee agreed to provide in writing any comments on these papers. The central premises in both papers—the need for international agencies to collaborate on the supply of external sector data, particularly in planning for the implementation of *BPM6*; and for the Committee research agenda to be coordinated with that for the national accounts through the ISWGNA—were accepted.

14. Next meeting

91. Tentatively it was agreed to hold the next Committee meeting during the week of November 3, 2008, with Committee members to report back if this date is not feasible.

**Attachment A: Proposed Classification of Transactions in Computer Systems
and Applications Software, Music, Films etc, in the Services Component of the *BPM6* Presentation**

Product	Obtained with an end-use License	Rights to Reproduce or Distribute	Sale/Purchase of Originals or Ownership Rights
Computer software, all types, downloaded or otherwise electronically delivered and customized software	computer services ^{1/}	fees for the use of intellectual property	computer services
Mass-produced, non-customized computer software, provided on magnetic media	goods	fees for the use of intellectual property	computer services
Audiovisual products	audiovisual services ^{2/}	fees for the use of intellectual property	audiovisual services
Other personal, cultural and recreational service products	other personal, cultural and recreational services ^{2/}	fees for the use of intellectual property	other personal, cultural and recreational services
Outcomes of research and development	fees for the use of intellectual property ^{3/}	fees for the use of intellectual property ^{3/}	research and development ^{4/}
Franchises, trademarks ^{5/}	fees for the use of intellectual property	not applicable	capital account transaction

Notes:

^{1/} The Task Force on Statistics of International Trade in Services recommended that all computer systems and applications software, customized or noncustomized, however delivered, be classified to computer services. The Committee however agreed that *BPM6* should be consistent with the CPC, which classifies mass-produced noncustomized software delivered on magnetic media to goods.

^{2/} Subcomponents of standard component *personal, cultural, and recreational services*.

^{3/} In some cases, outcomes of R&D may result in patents, in other cases, outcomes of R&D may be incorporated into production. There are also cases where outcomes of R&D might not give rise to any rights to use (for example, academic research carried out on a contract basis across borders).

^{4/} The definition of R&D used here is wider than the Frascati definition (used in the *SN4*); it includes other product development that may give rise to patents.

^{5/} Franchise and trademark revenue include aspects of property income (i.e., putting a nonproduced asset at the disposal of another unit) as well as aspects of services (such as the active processes of technical support, product research, marketing, and quality control). In principle, it would be desirable to separate the income and service elements. However, a convention is adopted for the balance of payments to include both elements as services.