APPENDIX

8 Changes from *BPM5*

A detailed list of individual changes made in this edition of the *Manual* is provided below. The comparison is with *BPM5*, as amended by *The Recommended Treatment of Selected Direct Investment Transactions* (1999), *Financial Derivatives, a Supplement to the Fifth Edition (1993) of the Balance of Payments Manual* (2002), and *IMF Committee on Balance of Payments Statistics Annual Report* (2001). The main themes behind the changes in *BPM6* are discussed in paragraphs 1.32–1.35.

Chapter 1. Introduction

The title of the *Manual* is changed to *Balance of Payments and International Investment Position Manual* (paragraph 1.1).

Procedures are introduced for updating the *Manual* (paragraphs 1.37–1.41).

A research agenda for future work is identified (paragraph 1.43).

Chapter 2. Overview of the Framework

The definition of balance of payments statistics is limited to transactions between residents and nonresidents (paragraph 2.2; however, practical dimensions are discussed in paragraphs 3.7–3.8 and 4.152–4.154; *BPM5* paragraphs 13–14).

The Data Quality Assessment Framework, metadata, and dissemination issues are introduced (paragraphs 2.37–2.39).

Time series issues are discussed explicitly (paragraphs 2.40–2.41).

Explicit recognition is given to the use of satellite accounts and other supplemental presentations (paragraphs 2.42–2.43).

Chapter 3. Accounting Principles

Transactions in external assets between two resident institutional units and transactions in external liabilities between two nonresidents are not recorded in the balance of payments as transactions. However, it is clarified that these transactions can affect sectoral positions; these changes are reflected through reclassification (paragraphs 3.7–3.8; *BPM5* paragraphs 485–487).

Imputed transactions are clarified and specified (paragraph 3.18).

Changes in financial assets and liabilities due to change in residence of individuals are treated as other changes in the volume of assets (reclassifications) rather than as transactions (paragraph 3.21; *BPM5* paragraphs 352–353).

Bookkeeping conventions (vertical double-entry bookkeeping, horizontal double-entry bookkeeping, and quadruple-entry bookkeeping) are explained in the context of international accounts (paragraphs 3.26–3.29; *BPM5* paragraphs 16–19).

The financial account uses the headings "net acquisition of financial assets" and "net incurrence of liabilities" instead of "debits" and "credits" (paragraph 3.31).

The term "economic ownership" is introduced (paragraph 3.41; *BPM5* paragraph 114).

The time of recording of dividends is defined as when the stocks or shares go ex-dividend (paragraph 3.48, also paragraph 11.31; *BPM5* paragraph 121).

According to the accrual basis, repayments of debts are recorded when they are extinguished (when they are paid, or rescheduled, or forgiven by the creditor) rather than when due (paragraphs 3.54–3.57; *BPM5* paragraph 123).

The time of recording of flows arising from activation of one-off guarantees is clarified (paragraph 3.58).

Definitions of domestic and foreign currencies are provided (paragraphs 3.95–3.97).

Currency union issues related to definition of domestic and foreign currency are discussed (paragraph 3.95 and Appendix 3).

Currency conversion is clarified for exchanges; continuous transactions; other flows, including revaluations; and positions (paragraphs 3.104–3.105; *BPM5* paragraphs 132–133).

Terms "currency of denomination" and "currency of settlement" are introduced and their use explained (paragraphs 3.98–3.103).

Income flows arising from reverse investment where the direct investment enterprise owns less than 10 percent of the voting power of its direct investor are also to be recorded on a gross basis (paragraph 3.113, also paragraph 11.97; *BPM5* paragraph 276).

All capital account transactions are to be recorded on a gross basis (paragraph 3.113; *BPM5* paragraph 312).

Currency union issues related to consolidated regional international accounts are discussed (paragraph 3.121).

Symmetry of reporting and derived measures are dealt with explicitly (paragraphs 3.122–3.129).

Chapter 4. Economic Territory, Units, Institutional Sectors, and Residence

The definition of economic territory no longer has the requirement that persons, goods, and capital circulate freely (paragraph 4.4; *BPM5* paragraph 59).

Currency and economic unions are considered as economic territories (paragraph 4.4 and Appendix 3).

Special zones should not be omitted but separate data may be prepared for zones and the remainder of the economy (paragraph 4.8).

Treatments for changes of sovereignty (paragraph 4.9) and joint administration zones (paragraph 4.10) are provided.

A discussion of units provides a basis for links with micro statistics and other macroeconomic statistics (paragraphs 4.13–4.56).

The requirements for recognizing a branch as a separate unit are amended (paragraph 4.27; *BPM5* paragraphs 75 and 80).

There is no imputed institutional unit for the employment of staff of nonresident enterprises or technical assistance personnel resident in the recipient economy. Therefore, technical assistance personnel should be treated as employed by the institutional unit that actually employs them, which may be the donor, a contractor, or the recipient; see paragraph 4.30 for general principles, also Box 10.6. (Previously, units may have been imputed; see *BPM5* paragraph 69.)

The treatment of notional units for land is elaborated and its application extended to leases for long periods (paragraphs 4.34–4.40; *BPM5* paragraph 65).

Possible treatments of multiterritory enterprises are stated (paragraphs 4.41–4.44; *BPM5* paragraph 82).

The nature and treatment of special purpose entities and other similar structures are discussed (paragraphs 4.50–4.52, 4.87, 4.93, and 4.134–4.135; *BPM5* paragraph 79).

The local enterprise group is identified and the implications of the use of different types of units are noted (paragraphs 4.54–4.56).

The *SNA* institutional sector classification is adopted, with a condensed version adopted for the standard components (paragraph 4.59, Tables 4.1 and 4.2; *BPM5* paragraphs 512–517).

The sector classification is amended to be consistent with the *SNA* in the cases of the central bank and deposit-taking corporations except the central bank, although the continued use of monetary authorities is endorsed in some cases (paragraphs 4.67–4.72; *BPM5* paragraphs 514–516).

The classification of the financial sector is linked to the treatment of debt between affiliated financial intermediaries (paragraphs 4.63–4.90 and 6.28; *BPM5* paragraph 372).

The sector classification of holding companies is elaborated (paragraphs 4.84–4.85).

The definition of residence is expressed as "center of predominant economic interest," although this is not a change in substance. The residence concept is applied to institutional units, rather than production, ships, and so forth (paragraph 4.113; *BPM5* paragraphs 62, 78, 80–81).

Residence criteria are specified for various mobile individuals who do not spend or intend to spend a year in one place (paragraphs 4.126–4.127; *BPM5* paragraph 72).

The residence of entities with little or no physical presence is to be determined from the jurisdiction of incorporation or registration (paragraphs 4.134–4.135; *BPM5* paragraph 79).

Additional guidance is provided on partner data (paragraphs 4.146–4.164; *BPM5* paragraphs 478–498).

Corporate migration is discussed (paragraphs 4.166–4.167).

Chapter 5. Classifications of Financial Assets and Liabilities

The possibility of supplementary data on contingent assets and liabilities is raised (paragraph 5.10).

The detailed classification of financial assets and liabilities is harmonized with the *SNA* and *MFSM 2000* in terms of detail and terminology (Table 5.3; in the *BPM5* standard components, instruments are combined and different names for them are used in different places). These classifications are linked to broad groups—equity, debt, and other (paragraph 5.17).

Equity may be split into listed shares, unlisted shares, and other equity (paragraph 5.24).

Investment fund shares and money market fund shares are separately identified (paragraphs 5.28–5.30).

SDR allocations represent a liability of the recipient (paragraph 5.35, also paragraphs 6.61(g) and 7.70, and applied to income in paragraphs 11.106 and 11.110; *BPM5* paragraph 440).

Interbank positions are shown as an additional financial instrument category on a supplementary basis (paragraph 5.42).

"Bonds and notes" and "money market instruments" are replaced as terms by long-term and short-term debt securities, respectively (paragraphs 5.44 and 5.103; *BPM5* paragraphs 390–391).

The conditions for traded loans to be reclassified as securities are clarified (paragraph 5.45).

The treatment of loans involved in repos and gold swaps is elaborated (paragraphs 5.52–5.55; *BPM5* paragraph 418).

Pension entitlements are recognized as a financial instrument. The accrued obligations of unfunded pension schemes are also recognized as economic assets and liabilities (paragraph 5.66).

Provisions for calls under standardized guarantees are identified and treated similarly to insurance technical reserves (paragraph 5.68).

"Trade credit and advances" replaces the term "trade credits" (paragraph 5.70; *BPM5* paragraph 414).

Monetary gold is defined in terms of gold bullion (which includes allocated gold accounts) and unallocated gold accounts (paragraph 5.74; *BPM5* paragraph 438).

The classification of unallocated and allocated gold accounts is clarified (paragraphs 5.76–5.77).

The content of *Financial Derivatives, a Supplement to the Fifth Edition (1993) of the Balance of Payments Manual* (2002) is incorporated (paragraphs 5.80–5.95).

Margin payments where these are liabilities of deposit-taking corporations are classified as deposits or in other accounts receivable/payable (paragraph 5.94(a)).

Supplementary additional breakdowns of financial derivatives are introduced (paragraph 5.95).

Employee stock options are recognized as an instrument (paragraphs 5.96–5.98).

Arrears are identified as a supplementary category of the original asset or liability, rather than in repayment of the original liability and the creation of a new short-term loan (paragraphs 5.99–5.102; *BPM5* paragraph 458).

Details of currency composition and remaining maturity are included for selected position data in memorandum and supplementary tables (paragraph 5.104, also Appendix 9 tables; *BPM5* paragraph 338).

A classification by type of interest is included (paragraphs 5.109–5.114).

Chapter 6. Functional Categories

The Framework for Direct Investment Relationships is adopted for identifying direct investment relationships (paragraphs 6.8–6.18).

Ownership of ordinary shares is removed from the operational definition of direct investment and replaced by ownership of equity that gives rise to voting power (paragraphs 6.12 and 6.19; *BPM5* paragraph 362).

The coverage of direct investment relationships due to indirect voting power and fellow enterprises is elaborated (paragraph 6.14; *BPM5* paragraph 362).

Insurance technical reserves are potentially included in direct investment (paragraph 6.27).

The exclusion of debt positions between affiliated financial corporations is specified as being for deposit-taking corporations, investment funds, and other financial intermediaries except insurance companies and pension funds. Permanent debt between affiliated financial intermediaries is treated in the same way as nonpermanent debt (paragraph 6.28; *BPM5* paragraph 372).

The concept of pass-through funds is introduced (paragraphs 6.33–6.34).

Direct investment is broken down into three categories—investment by a direct investor in its direct investment enterprise, reverse investment, and investment between fellow enterprises; the final category is added in this edition (paragraph 6.37; *BPM5* paragraphs 368 and 371).

The main presentation uses direct investment assets and direct investment liabilities (so that, for example, the netting of reverse investment is not built in). However, data on the basis of the directional principle are explained (paragraphs 6.42–6.45 and Box 6.4; *BPM5* paragraph 375). The treatment of fellow enterprises in data on a directional basis is explained, with both a preferred and practical alternative suggested (paragraph 6.43). Data on a directional principle basis and the details needed to compile these data are shown as supplementary items in Appendix 9.

The functional category "financial derivatives" is renamed. "(Other than reserves)" is added to distinguish it from the instrument classification financial derivatives and employee stock options, which has different coverage. Employee stock options are also included (paragraph 6.58).

The content of the *Financial Derivatives, a Supplement to the Fifth Edition (1993) of the Balance of Payments Manual* (2002) is incorporated (paragraphs 6.58–6.60).

SDR allocation liabilities are included in other investment as a separate item; previously, no liabilities were recognized (paragraph 6.61(g), also paragraphs 5.35 and 7.70; *BPM5* paragraph 440).

Other equity not included in direct investment is included in other investment as a separate item (paragraph 6.62; *BPM5* paragraph 422).

In the definition of reserve assets, "and/or other purposes" replaced by "and for other related purposes" (paragraph 6.64; *BPM5* paragraph 424).

The concept of ready availability is clarified (paragraphs 6.69–6.70; *BPM5* paragraph 431).

The meaning of foreign currency for reserve assets is elaborated (paragraphs 6.71–6.75; *BPM5* paragraph 442). Convertibility (including treatment of currencies of neighboring countries) is clarified (paragraphs 6.72–6.73).

The treatments of allocated and unallocated gold accounts in reserve assets, and changes in the coverage of monetary gold, are elaborated (paragraphs 6.78–6.80).

The treatments of gold lending (paragraph 6.81; *BPM5* paragraph 434), repos (paragraph 6.88), special-purpose government funds (paragraphs 6.93–6.98), pooled assets (paragraphs 6.99–6.101), central bank swap arrangements (paragraphs 6.102–6.104), and pledged assets (paragraphs 6.107–6.109) in reserve assets are elaborated.

Frozen assets are discussed (paragraph 6.110).

The treatment of net creditor positions in regional payment agreements is modified (paragraph 6.112).

Working balances of government agencies are not included in reserve assets (paragraph 6.112; *BPM5* paragraph 433).

Reserve-related liabilities are introduced as a classification (paragraphs 6.115–6.116).

Liabilities constituting foreign authorities' reserves are not shown as separate items (*BPM5* paragraph 447).

Chapter 7. International Investment Position

There is emphasis that the classification, netting, and ordering in the IIP should be consistent with the equivalent items for the financial account, primary income, and other changes so as to facilitate reconciliation and calculation of rates of return (paragraph 7.13; also paragraph 8.5).

The main presentation uses direct investment assets and direct investment liabilities (so that reverse investment is not netted in totals) (Table 7.1; *BPM5* paragraph 375).

Direct investment is valued at the best indicator of market prices. (*BPM5* adopted market valuation in principle, while noting that book values "generally are utilized" in practice.) For equity that is not regularly traded, proxy methods are identified for when book values are inadequate and the limitations in the analytical usefulness of historic cost data are emphasized (paragraphs 7.15–7.18; *BPM5* paragraph 467).

A treatment for short positions is provided (paragraph 7.28).

Traded loans are valued at nominal value in the IIP, like other loans; in *BPM5*, they were recorded at transaction value by the creditor (paragraph 7.40; *BPM5* paragraph 471).

Memorandum and supplementary items for the effect of impaired loan assets are introduced, showing fair values of loans, the values of nonperforming loans, and loan loss provisions (paragraphs 7.45–7.54).

The treatment of overnight deposits (or sweep accounts) is discussed (paragraph 7.62).

Insurance reserves and pension entitlements are recognized as assets and liabilities (paragraphs 7.63–7.68).

SDR allocations are recognized as liabilities (paragraph 7.70, also paragraphs 5.35 and 6.61(g); *BPM5* paragraph 440).

Reserve-related liabilities are introduced as a memorandum item (paragraph 7.71).

Significant off-balance-sheet commitments should be recorded (paragraph 7.74).

Guidance on transactions and positions with the IMF is provided (Annex 7.1).

Chapter 8. Financial Account

The column headings are changed to net acquisitions of financial assets and net incurrence of liabilities (instead of credits and debits, respectively) consistent with their contents. Consequently, negative signs are not used for an increase in assets and positive signs are not used for a reduction in assets (paragraph 8.1, Table 8.1, also paragraph 3.31).

Financial account entries no longer use the word “capital,” bringing consistency with the more restrictive meaning used in the capital account (Table 8.1).

The balancing item for the financial account is called “net lending/net borrowing” (paragraph 8.3).

The terminology for the financial account entry is changed to “reinvestment of earnings” (to distinguish it from reinvested earnings, which continues to be used for the corresponding income item) (paragraph 8.15).

Mergers and acquisitions are discussed (paragraph 8.18).

The treatment for corporate inversion and other corporate restructuring is stated (paragraphs 8.19–8.22).

Superdividends are treated as a withdrawal of equity (paragraph 8.23; *BPM5* paragraph 290).

Special rules are introduced for entities owned or controlled by general government when that entity is resident in another territory and is used for fiscal purposes (paragraphs 8.24–8.26).

Reinvestment of earnings in investment funds is recorded in the financial account (paragraph 8.28 and also paragraphs 11.37–11.39 for the corresponding income entry; *BPM5* paragraphs 277–278).

The treatment of debt defeasance is stated (paragraphs 8.30–8.31).

The treatment of share buybacks is stated (paragraph 8.32).

A treatment of one-off guarantees and debt assumption is included (paragraphs 8.42–8.45).

The allocation of SDRs is shown as a financial account flow in other investment (paragraph 8.50; *BPM5* paragraph 440).

For liabilities in arrears, repayment and creation of new liability are not imputed (paragraph 8.58; *BPM5* paragraph 458).

Imputed financial account entries for trade credit required by the imputed flows for goods for processing are eliminated (as an implication of removing the previous imputation of change of ownership; new treatments shown in paragraphs 10.41–10.49; *BPM5* paragraph 205).

Chapter 9. Other Changes in Financial Assets and Liabilities Account

The other changes in financial assets and liabilities account is highlighted and explained (paragraphs 9.1–9.35).

A convention for distinction between write-offs and debt forgiveness in commercial situations is introduced (paragraph 9.10; *BPM5* paragraph 348).

Financial assets and liabilities of entities changing residence are included as other changes in volume (previously included as capital transfers) (paragraphs 9.21–9.23; *BPM5* paragraphs 354–355).

The distinction between exchange rate and other revaluations is elaborated (paragraphs 9.26–9.28; *BPM5* paragraph 466).

Chapter 10. Goods and Services Account

Exceptions to the change of ownership principle are eliminated (paragraphs 10.13, 10.22(b), 10.22(f), 10.24, 10.41–10.44; *BPM5* paragraphs 119–120).

Goods procured in ports by carriers are included under general merchandise rather than as a separate item under goods (paragraph 10.17(d); *BPM5* paragraphs 156 and 201).

Goods for own use or to give away acquired by travelers that are in excess of customs thresholds are included in general merchandise, rather than travel (paragraphs 10.20 and 10.90; *BPM5* paragraph 242).

Migrants' personal effects are not included in general merchandise or anywhere else in the international accounts (paragraph 10.22(b); *BPM5* paragraph 353).

The time of recording of transactions in high-value capital goods such as ships, heavy machinery, buildings, and other structures that take several months or years to complete is discussed (paragraph 10.28).

Re-exports are defined and introduced as a supplementary item (paragraphs 10.37–10.39).

Merchanting of goods is classified under goods, with both gross and net values shown, with net amounts included in the goods aggregates. Changes in inventories of goods under merchanting are no longer included under imports of general merchandise (paragraphs 10.41–10.49; *BPM5* paragraph 262).

A reconciliation table is introduced to show the relationship between international merchandise trade statistics and goods on a balance of payments basis (paragraphs 10.55–10.56, Table 10.2).

Manufacturing services on physical inputs owned by others are shown as a service in all cases. Previously, when the goods were supplied from the owner and returned to the owner, the value of the service was included in the value of goods. Previously, when the goods were not supplied by the owner or not returned to the owner, they were shown under miscellaneous business, professional, and technical services (paragraphs 10.62–10.71; *BPM5* paragraphs 198–199).

Maintenance and repair services n.i.e. are renamed in line with the CPC and included under services, rather than goods, and the inclusion of maintenance of transport equipment is clarified (paragraphs 10.72–10.73; *BPM5* paragraphs 200 and 240).

Transport services are renamed (previously "transportation services") in line with the CPC (paragraph 10.74; *BPM5* paragraph 230).

Postal and courier services are included in transport (paragraphs 10.82–10.85; *BPM5* paragraph 253).

Treatments of alternative time-share arrangements are stated (paragraph 10.100 and Table 10.3).

The classification of acquisition of goods and services by nonresident construction enterprises in the economy in which they are working is changed to show separately construction abroad and construction in the compiling economy on a supplementary basis. Goods and services acquired locally are included under this heading, previously under other business services. The inclusion of buildings (excluding the land component) is clarified as being under construction. As a result of these changes, the title of the item is construction, rather than construction services (paragraphs 10.101–10.108, *BPM5* paragraph 254).

The estimate of insurance claims used to derive the value of insurance services is changed to adjust for claim volatility. Premium supplements are taken into account in deriving insurance services. Reinsurance and direct insurance are treated consistently (paragraph 10.111; *BPM5* paragraph 257).

Financial dealers' margins are discussed under services (previously only mentioned in the discussion of the financial account) (paragraphs 10.122–10.123; *BPM5* paragraph 106).

Services of asset-holding entities to their owners, where asset management costs are taken out of income, are recognized (paragraphs 10.124–10.125).

FISIM and other implicit financial services have been included in services, with a method for calculation based on the reference rate (paragraphs 10.126–10.136; footnote to *BPM5* paragraph 258).

"Charges for the use of intellectual property n.i.e." replaces the term "royalties and license fees." Also, its content and borderlines with computing and audiovisual services have been clarified (paragraphs 10.137–10.140 and Table 10.4; *BPM5* paragraph 260).

A grouping of telecommunications, computer, and information services is introduced, involving a number of items that had previously been separated (paragraph 10.141; *BPM5* paragraphs 253 and 259).

The borderline between goods and services is elaborated for computer software (paragraph 10.143 and Table 10.4; *BPM5* paragraphs 259–260).

The results of research and development (such as patents, copyrights, and industrial processes) are treated as produced assets included in research and development services (previously treated as nonproduced assets and shown in the capital account) (paragraph 10.148; *BPM5* paragraph 358).

Environmental services such as carbon offsets and sequestration, waste treatment, and handling of scrap are discussed (paragraph 10.152, also 10.22(h)).

Merchanting of services is described and its treatment explained (paragraph 10.160).

Audiovisual services are delineated from goods, and the relationship between different kinds of licenses for intellectual property is explained (paragraphs 10.162–10.166 and Table 10.4; *BPM5* paragraph 265).

The treatment of gambling services is described (paragraph 10.171, also 12.25).

The coverage of government goods and services n.i.e. is clarified (paragraphs 10.173–10.181; *BPM5* paragraph 266).

A discussion of the treatment of government licenses, permits, and so forth is provided (paragraphs 10.180–10.181; *BPM5* paragraph 300).

Additional guidance on the treatment of technical assistance is provided (Box 10.6).

Chapter 11. Primary Income Account

The term "primary income" is introduced. Consistency between international accounts and national accounts is ensured. The meaning and relationship of primary income, property income, and investment income are clarified (paragraphs 11.1–11.3; *BPM5* paragraph 267).

A detailed breakdown of investment income is introduced to link with functional and instrument classifications of financial instruments. Income on other investment and income on reserve assets are shown separately. Rent and taxes and subsidies on products and production are included explicitly as primary income items (Tables 11.1, 11.2, and 11.3; *BPM5* paragraph 281).

The employer-employee relationship is clarified to distinguish between compensation of employees and payments for services (paragraphs 11.11–11.13).

"Distributed income from quasi-corporations" as a term subsumes distributed branch profits (paragraph 11.26; *BPM5* paragraph 277).

Superdividends are defined and their treatment as withdrawals of equity extended (paragraph 11.27; limited to liquidating dividends in *BPM5* paragraph 290).

Dividends are recorded at the time the shares go ex dividend (paragraph 11.31, also paragraph 3.48; *BPM5* paragraph 282).

"Reinvested earnings" is used as a term for all direct investment enterprises, and thus includes undistributed branch profits (paragraph 11.35; *BPM5* paragraph 277).

Investment income attributable to the owners of investment fund shares also includes reinvested earnings (paragraphs 11.37–11.39; *BPM5* paragraphs 277–278).

If branches do not distribute profits, the retained earnings of the branch are considered to be reinvested earnings. In *BPM5*, if distributed branch profits were not identified, all branch profits were treated as being distributed, not reinvested earnings (paragraph 11.42; *BPM5* paragraph 278).

When a chain of direct investment relationships exists, it is clarified that reinvested earnings should be recorded between the direct investor and directly owned direct investment enterprises only (paragraph 11.47).

Debt instruments with both the amount to be paid at maturity and periodic payments indexed to a foreign currency are classified and treated as if they are denominated in foreign currency (paragraph 11.50(a)–(b); *BPM5* paragraph 397).

The treatment of index-linked debt instruments is clarified and modified (paragraphs 11.50(c) and 11.59–11.65; *BPM5* paragraph 397).

Fees on securities lending and gold loans are clarified and treated as interest (paragraphs 11.67–11.68).

Interest income is adjusted to remove the FISIM component, that is, "pure interest." "Actual interest" is continued as a memorandum item (paragraphs 11.74–11.75; footnote to *BPM5* paragraph 258).

Rent is identified as a component of primary income (paragraph 11.85; previously part of other investment income).

Taxes and subsidies on products and production are classed as primary income, not current transfers (paragraphs 11.91–11.92; *BPM5* paragraph 299).

Treatments of income on reverse investment and investment between fellow enterprises are included. Income arising from reverse investment is to be recorded on a gross, rather than net, basis. Possible breakdowns by type of direct investment relationship and associated investment income flows are distinguished (paragraphs 11.97–11.100; *BPM5* paragraph 276).

The treatment of transfer pricing is clarified (paragraphs 11.101–11.102; *BPM5* paragraph 97).

Income on reserve assets is identified separately (previously other investment) (paragraph 11.109; *BPM5* paragraph 281).

Consistent with the corresponding positions, interest on SDR allocations and holdings are shown on a gross basis (paragraph 11.110).

Chapter 12. Secondary Income Account

The term "secondary income" is introduced (paragraph 12.1; *BPM5* paragraph 291).

More detailed classification of types of current transfers are introduced on a supplementary basis (paragraphs 12.20–12.58).

Refunds of taxes to taxpayers are treated as negative taxes, that is, the amount of taxes is reduced by tax refunds instead of positive transfers by government (paragraph 12.28; *BPM5* paragraph 299).

The delineation between taxes and services is clarified. Business licenses to fish, hunt, and so forth are no longer automatically treated as taxes, but as services, rent, taxes, or acquisition of a license asset, depending on what is supplied in return (paragraph 12.30, also 10.180–10.181; *BPM5* paragraph 300).

The treatment of social contributions and benefits is specified (paragraphs 12.32–12.40).

The treatment of pension contributions and benefits is aligned with the *SNA* and the adjustment for change in pension entitlements is introduced (paragraph 12.39; *BPM5* paragraph 299).

The treatment of insurance claims and net premiums and of standardized guarantees is specified (paragraphs 12.41–12.46; *BPM5* paragraph 257).

Clarification is made on technical assistance as a part of investment projects to be classified as capital transfers (paragraph 12.50).

Concessional debt is discussed and introduced as a supplementary item. In *BPM5*, a transfer could be identified on government loans bearing lower interest rates than those consistent with grace and repayment periods, although the implementation of this principle was not elaborated (paragraph 12.51; *BPM5* paragraph 104).

The term "personal transfers," which is broader than workers' remittances, is introduced (paragraph 12.21; *BPM5* paragraph 302).

The concepts of (1) personal remittances, (2) total remittances, and (3) total remittances and transfers to NPISHs are introduced (paragraph 12.27).

The treatment of gambling transfers is described (paragraph 12.26).

Chapter 13. Capital Account

Debits and credits for acquisitions and disposals of nonproduced nonfinancial assets are to be recorded separately, not netted (paragraph 13.7, also paragraph 3.113; *BPM5* paragraph 312).

The terminology for nonproduced assets is expanded, to include "natural resources," "contracts, leases, and licenses," and "marketing assets and goodwill" (paragraphs 13.8–13.18; *BPM5* paragraph 358).

Internet domain names are identified as possible economic assets (paragraph 13.18).

Insurance claims may be treated as capital transfers in the case of catastrophes (paragraph 13.24; *BPM5* paragraph 257).

The personal effects, financial assets, and liabilities of persons changing residence are no longer covered by a capital transfer (paragraph 13.30, also 9.21–9.22 and 10.22(b); *BPM5* paragraphs 352–353).

Inheritance is treated as a capital transfer instead of a current transfer (paragraph 13.31; *BPM5* paragraph 303).

Patents and copyrights are no longer treated as non-produced assets, so no longer appear in the capital account. (Patents and copyrights are classified as produced assets and appear under particular services, such as research and development services; see Table 10.4.) (*BPM5* paragraph 358).

Chapter 14. Selected Issues in Balance of Payments and International Investment Position Analysis

The "analytic" presentation (paragraphs 14.16–14.17), monetary presentation (paragraphs 14.20–14.22), implications of a current account surplus (paragraphs 14.48–14.56), and balance sheet approach (paragraphs 14.57–14.66) are incorporated (*BPM5* Appendix V).