Twenty-Ninth Meeting of the
IMF Committee on Balance of Payments Statistics

Washington D.C., USA
October 24–26, 2016

BOPCOM—16/09

Implementation of the IIP Enhancements—Survey Results

Prepared by the Statistics Department

INTERNATIONAL MONETARY FUND

Compiling Enhanced International Investment Position Data[1]

The Twenty-Eighth Meeting of the IMF Committee on Balance of Payments Statistics (Committee) supported the IMF's proposal to conduct a survey with targeted reporters of international investment position (IIP) on data availability, feasibility, and future plans regarding enhancements to IIP introduced by the sixth edition of the IMF's Balance of Payments and International Investment Position Manual *(*BPM6*). The results of the survey indicated that more than half of the respondents already compile or plan to compile data on currency composition, other financial corporations (OFCs), and nonfinancial corporations (NFCs). Economies that compile or plan to compile data on a remaining-maturity basis also accounted for almost half of the economies that responded. This paper reports on the results of the survey and seeks the Committee's views on the way forward.*

I. Background

1. *BPM6* introduced enhancements in the IIP to include: currency composition, remaining maturity breakdowns, and the separate classification by maturity of reserve-related liabilities. Related memorandum and supplementary tables (Tables A9-I to V) are presented in Appendix 9 of *BPM6* (see Appendix for additional guidance on the compilation of Table A9-I). *BPM6* also requires separate identification of OFCs as a standard component. In addition to these items introduced in *BPM6*, user interest has grown in separate identification of NFCs. In fact, the G-20 Data Gaps Initiative (DGI) Phase II also recommended it, given the increased cross-border, particularly foreign currency, exposures of NFCs especially of emerging markets economies.[2]

II. Results of the Survey

2. The survey was designed benefitting from comments provided by the Committee and conducted during July–August 2016. The survey inquired about data availability to compile (i) currency composition, (ii) remaining maturity data, and (iii) separate identification of OFCs and NFCs for specific IIP components. The invitation was sent to 78 economies, covering Special Data Dissemination Standard (SDDS) subscribers, SDDS Plus adherents, G-20 and Organization for Economic Co-operation and Development (OECD) economies, and BOPCOM member economies. Seventy-three economies responded to the survey, including all G20 economies. Table 1 summarizes the results of the survey.

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[1] Prepared by Joji Ishikawa, Tatsuhiko Hagitani, and Theo Bikoi.

[2] The G-20 DGI Phase II recommends: … *consider separate identification of nonfinancial corporations, in collaboration with IMF Committee on Balance of Payments Statistics* (Recommendation II.10).

Table 1: Summary of Survey Results

Compile/Plan to compile? When to start?	Currency breakdown		Remaining maturity	OFC	NFC
	Assets	Liabilities			
Yes	**41**	**44**	**34**	**61**	**54**
Already	15	20	15	39	35
Within one year	6	7	7	3	2
Within two years	10	9	2	5	6
Within three years	2	1	6	3	1
More than three years	8	7	4	3	3
Mixed	-	-	-	8	7
No	**32**	**29**	**39**	**12**	**19**

Note: "Yes" includes "Partially, Yes"

A. Currency Composition

3. Tables A9-I through A9-III of the *BPM6* cover the currency composition of debt assets and liabilities, and financial derivatives positions with nonresidents by institutional sector and by selected foreign currencies, including the U.S. dollar, Euro, Yen, and others. The survey was intended to cover data availability, focusing on memorandum items of debt claims and liabilities (i.e., Tables A9-I-1a and A9-I-2a).[3] Financial derivatives (i.e., Tables A9-I-1b and A9-I-2b) and supplementary tables for currency composition (i.e., Tables A9-II and III) were not in the scope of this survey.

4. Of 73 economies, **15 economies already compile and 26 economies have plans to compile data on currency composition of debt *assets***.[4] Thirty economies compile or plan to compile data monthly or quarterly, and 37 economies with a lag of less than six months (16 with a lag of less than three months and 21 with a lag of three to six months). As for obstacles to compiling the data, 39 economies indicated resource limitations, followed by respondent overburden (27 economies).

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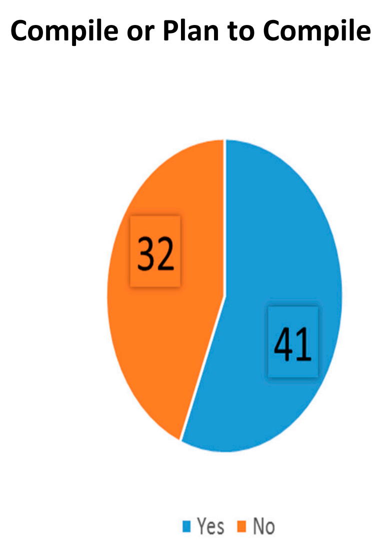
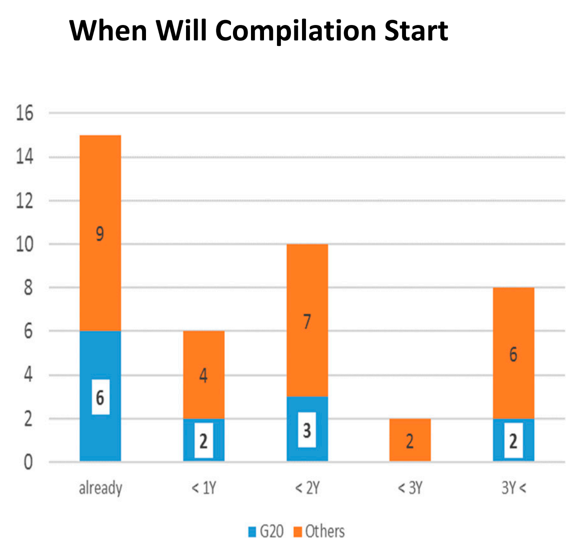
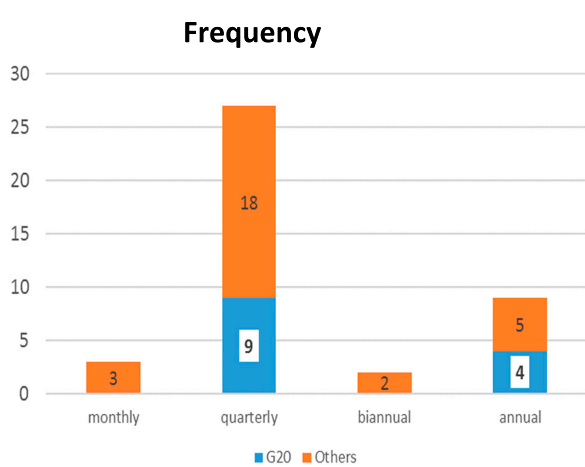
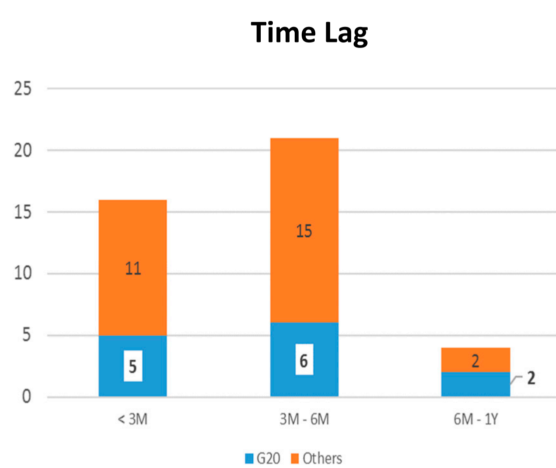
[3] Debt assets and liabilities include those in direct investment, portfolio investment, and other investment. Debt assets in reserves are excluded.

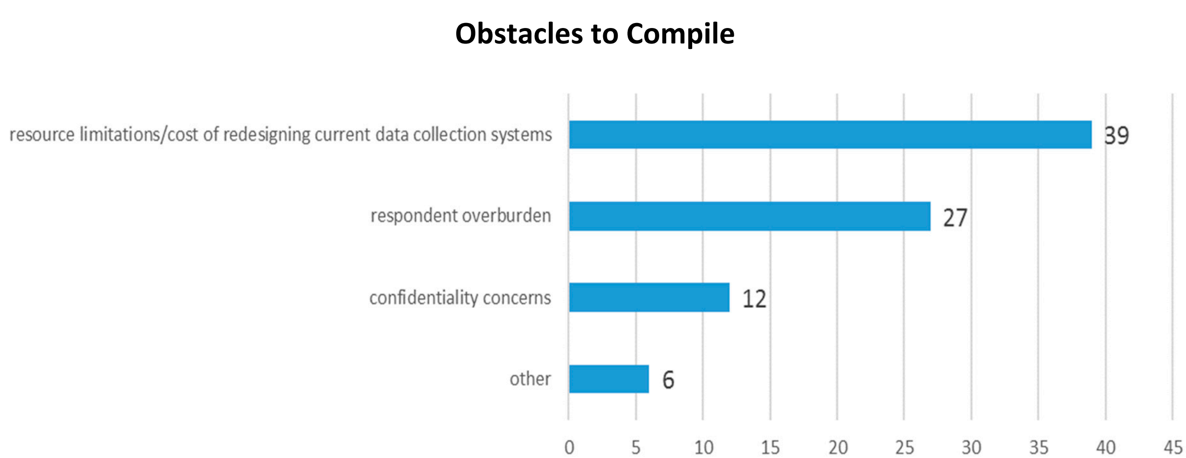
[4] These include economies who compile or plan to compile currency composition data partially (e.g., for limited sectors). The same applies for the rest of this paper.







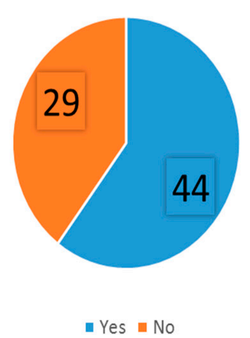




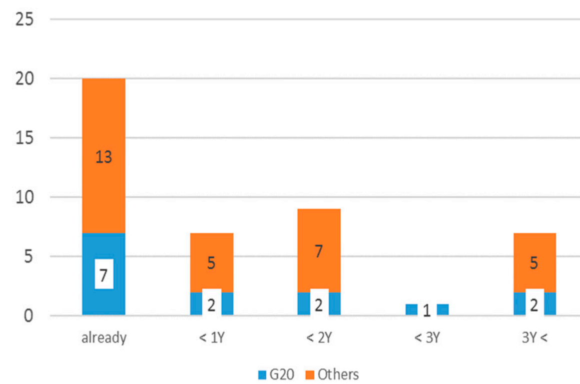
5. More economies already compile data on currency composition of **debt *liabilities*. Twenty economies already compile the data and 24 economies have plans to do so**. Thirty-seven economies compile or plan to compile the data monthly or quarterly, and 39

with a lag of less than six months (17 with a lag of less than three months and 22 with a lag of three to six months). As for obstacles to compile the data, 37 economies indicated resource limitations, followed by respondent overburden (24 economies).

Compile or Plan to Compile



When Will Compilation Start



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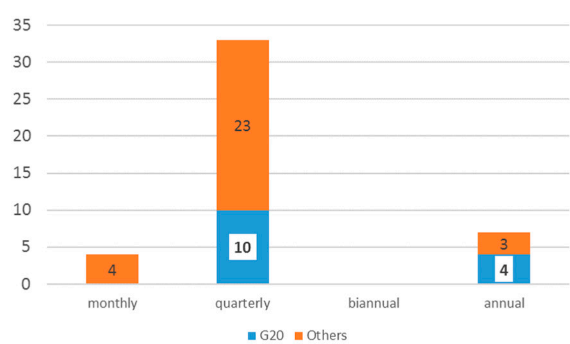

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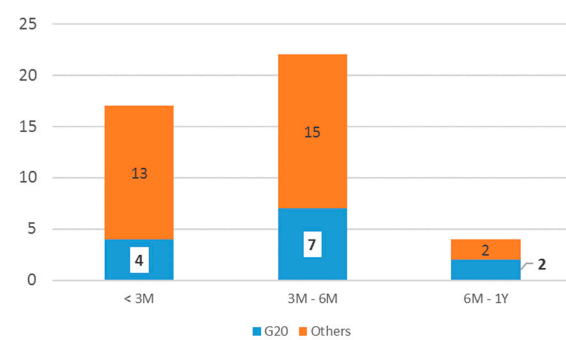
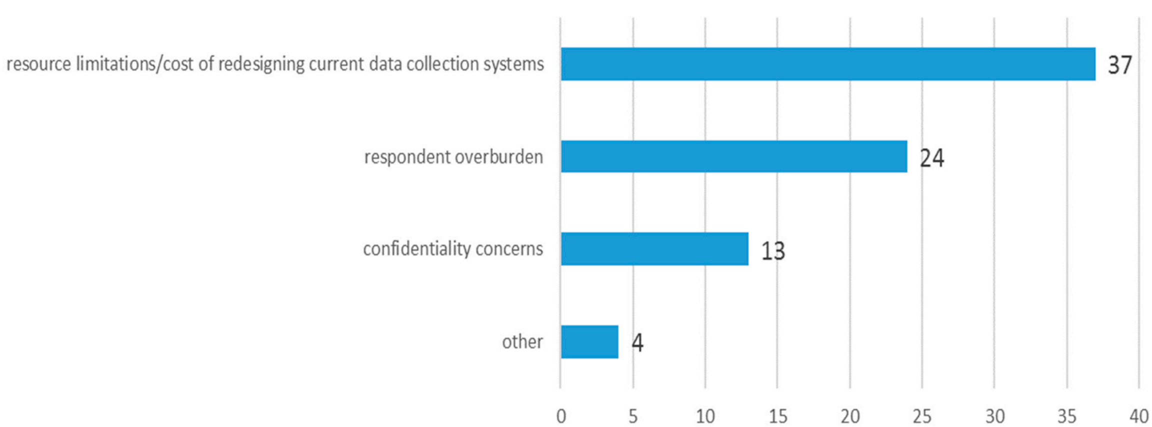


Obstacles to Compile

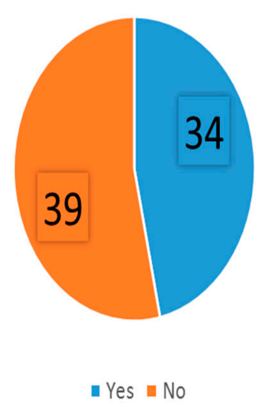


B. Remaining Maturity Data

6. Table A9-IV of the *BPM6* covers long-term debt liabilities (i.e., debt securities, trade credit and advances, loans, currency and deposits, and other debt liabilities) with remaining maturity of one year or less by sector. Table A9-IV is supplementary, but the survey inquired the feasibility of compiling the table, given the strong user needs of the data.

7. Of 73 economies, **15 economies already compile and 19 economies have plans to compile the data**. Thirty-two economies compile or plan to compile the data monthly or quarterly, and 32 economies with a lag of less than six months (16 with a lag of less than three months and 16 with a lag of three to six months). As for obstacles to compile the data, 16 economies indicated resource limitations, followed by respondent overburden (11 economies).

Compile or Plan to Compile



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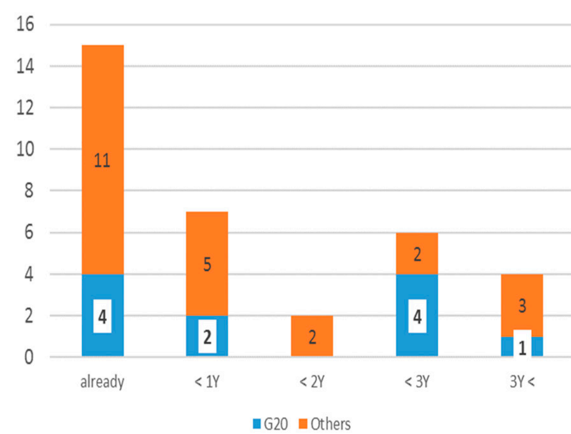

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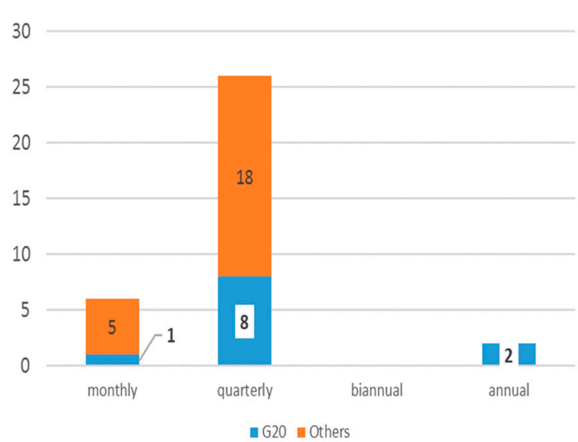

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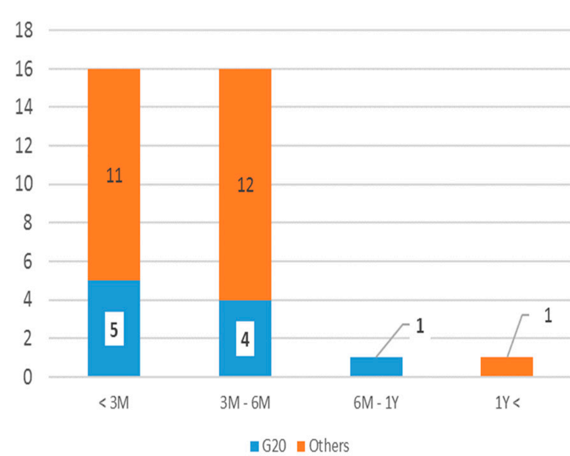

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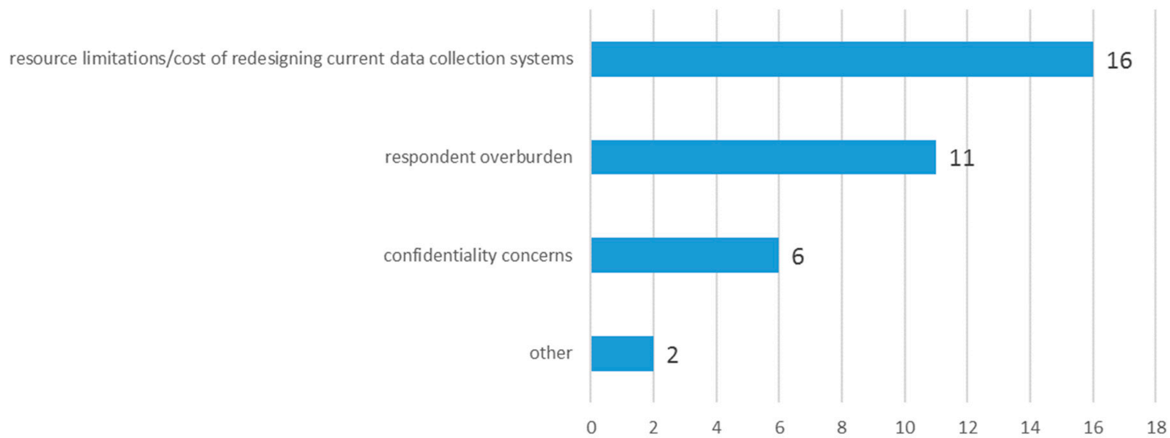


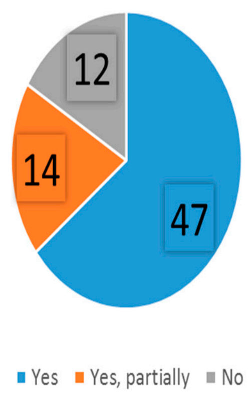
C. Other Financial Corporations (OFCs)

8. The *BPM6* requires separate identification of OFCs as a standard component for portfolio investment, financial derivatives, and other investment (compilation of data on OFC subsectors was not in the scope of the survey).

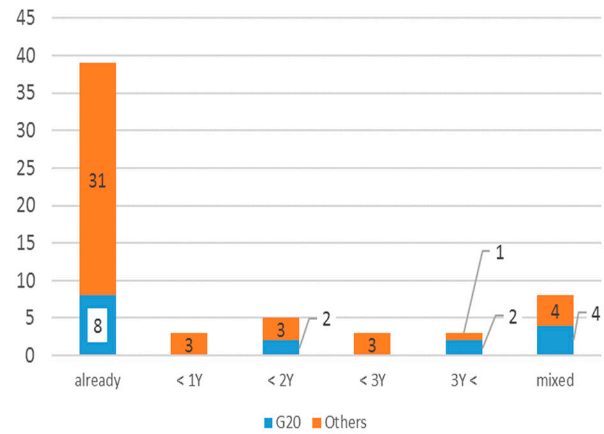
9. Of 73 economies that responded to the survey, **61 economies already compile or plan to compile data on OFCs**. Fifty-six economies compile or plan to compile the data monthly or quarterly, and 54 economies with a lag of less than six months (30 with a lag of less than three months and 24 with a lag of three to six months).

10. As for financial instruments, all economies separately identify OFCs for loans. Most of the economy also do so for portfolio investment (debt securities and equity and investment fund shares) and currency and deposits. As for obstacles to compile the data, 28 economies indicated resource limitations, followed by respondent overburden indicated by 13 economies.

Compile or Plan to Compile



When Will Compilation Start



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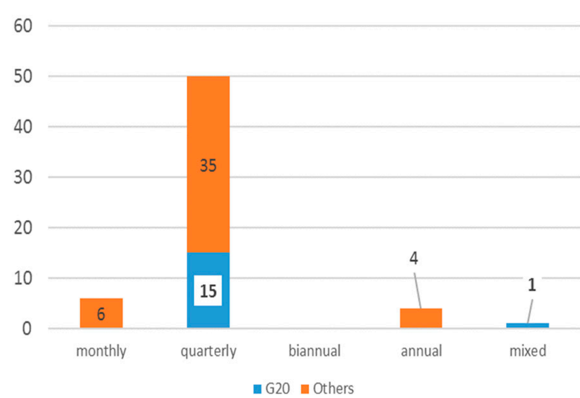

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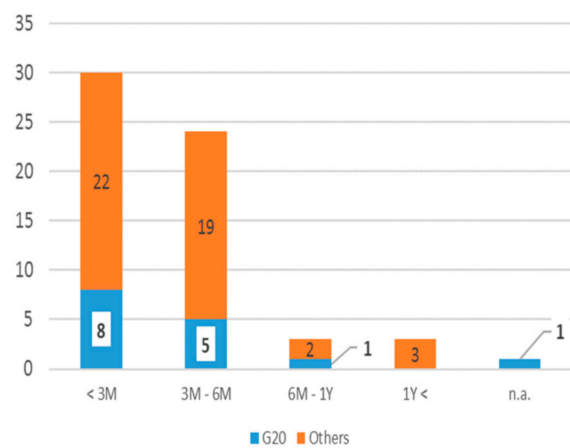
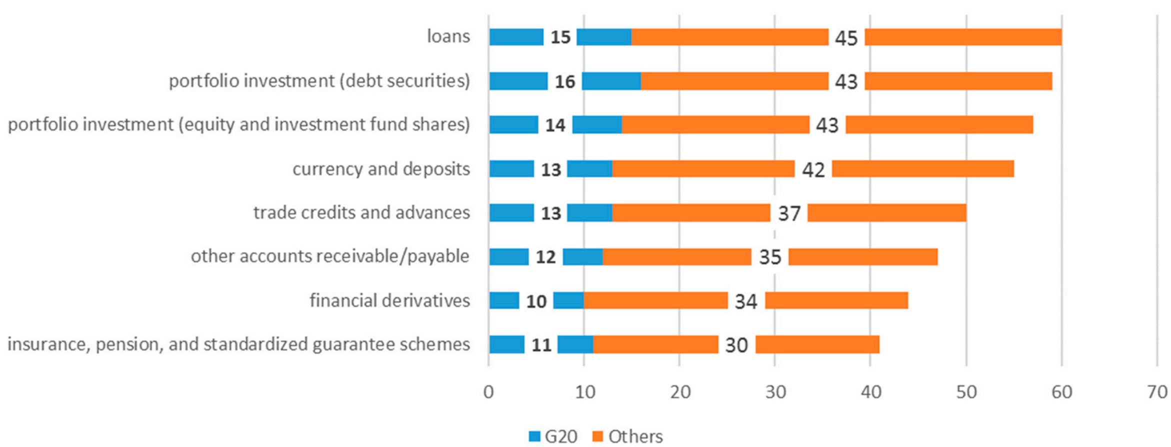
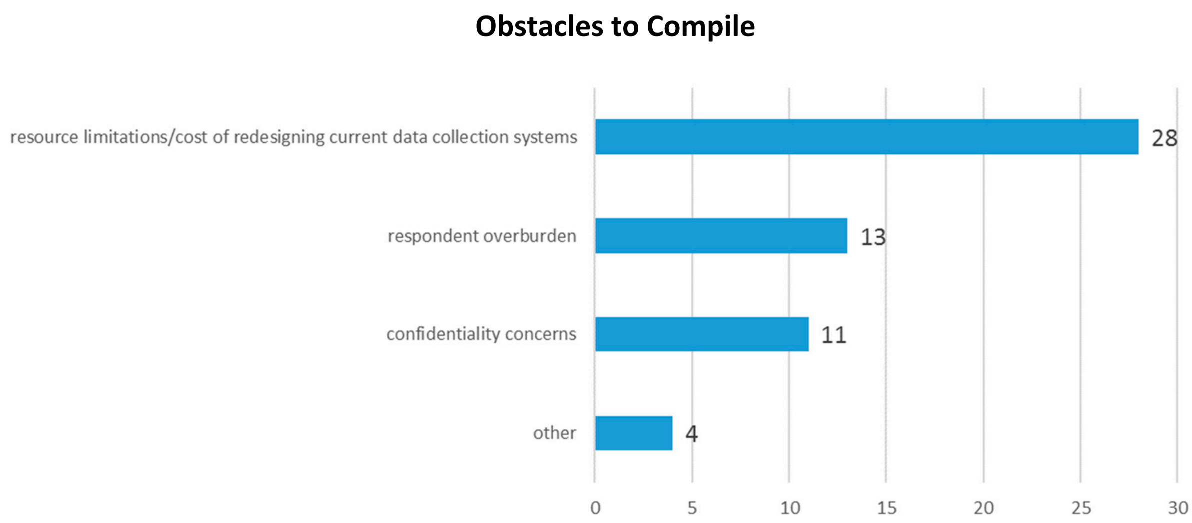


Financial Instruments Separately Identify OFCs



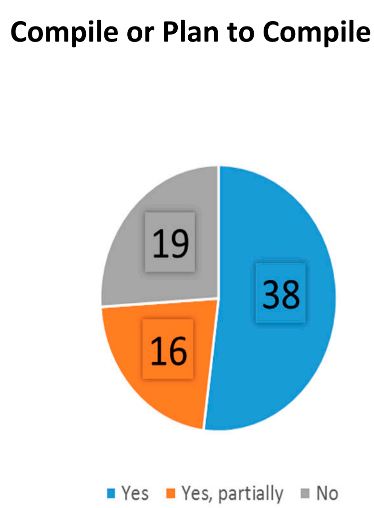


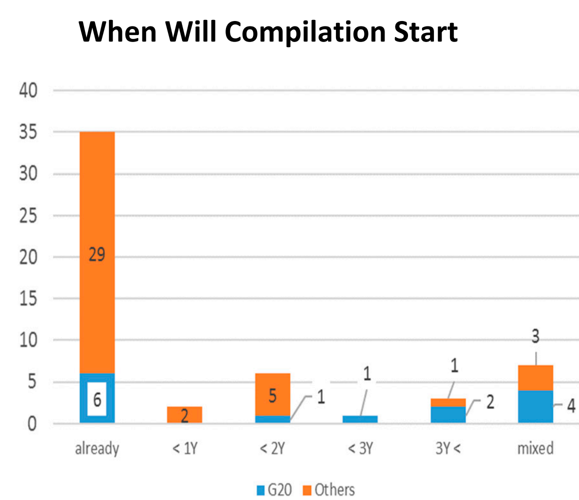
D. Nonfinancial Corporations (NFCs)

11. NFCs fall under the standard *BPM6* classification of "NFCs, Households, and NPISHs." As noted earlier, the G-20 DGI Phase II (Recommendation II.10) recommends that the IMF consider the separate identification of NFCs, in collaboration with the BOPCOM.

12. Of 73 economies, **54 economies already compile or plan to compile separate data on NFCs**. Fifty economies compile or plan to compile the data monthly or quarterly, and 47 economies with a lag of less than six months (28 with a lag of less than three months and 19 with a lag of three to six months).

13. As for financial instruments, all economies separately identify NFCs for loans. Most of the economy also do so for debt securities and equity and investment fund shares in portfolio investment, currency and deposits, and trade credits and advances. As for obstacles to compile the data, 32 economies indicated resource limitations, followed by respondent overburden indicated by 17 economies.





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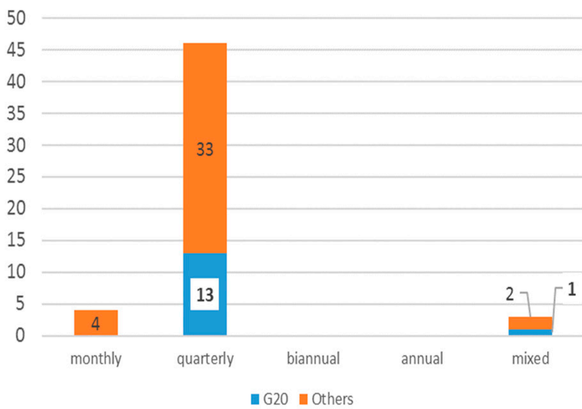

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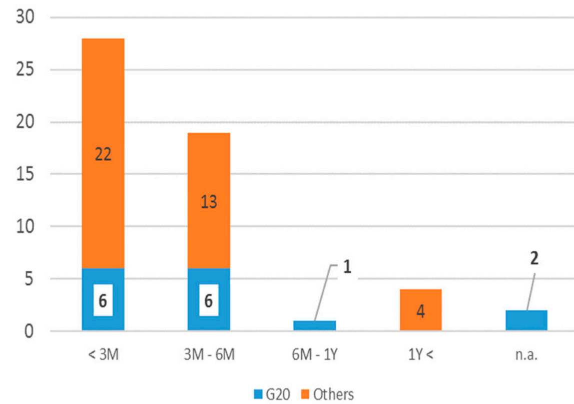
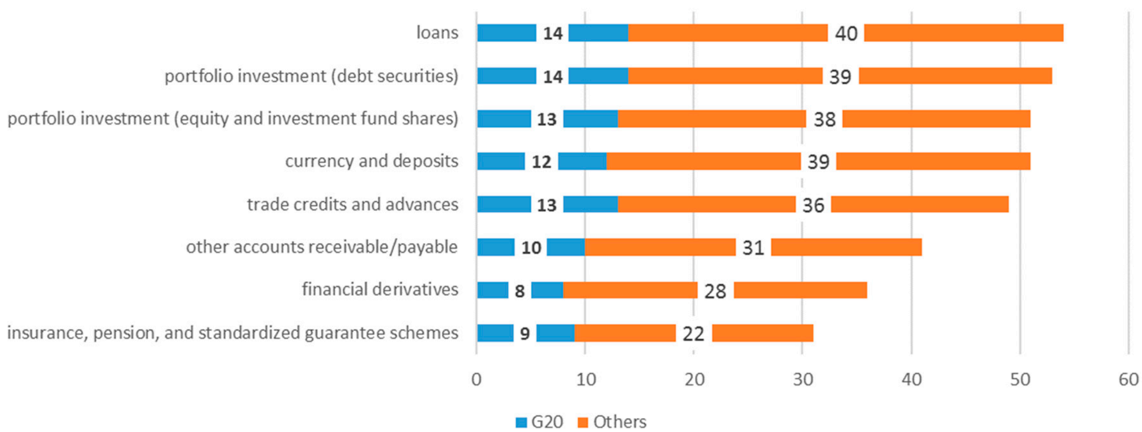
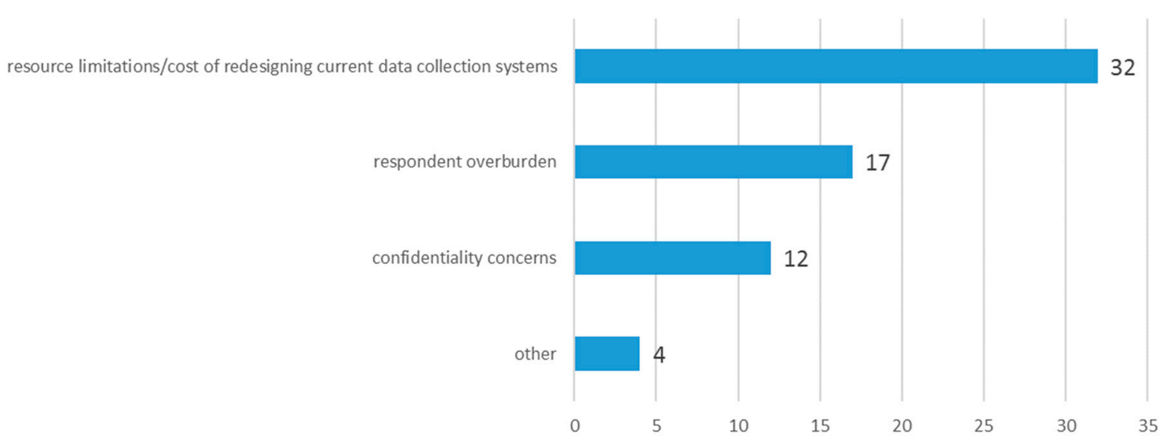


Financial Instruments Separately Identify NFCs



Obstacles to Compile



III. WAY FORWARD

14. The survey results indicated that more than half of the economies that responded to the survey already compile or plan to compile data on currency composition, OFCs, and NFCs. Economies that compile or plan to compile data on remaining maturity basis also accounted for almost half of those that responded to the survey. The majority of these economies indicated that the enhanced IIP items are or will be compiled quarterly.

15. The IMF encourages economies that do not yet plan to compile enhanced IIP items to start investigating existing source data or to start considering developing new source data, together with compilation techniques. As a large share of economies already compile or plan to compile enhanced IIP items, sharing these experiences may provide useful information for other economies to start planning the compilation of the data.

16. STA stands ready to assist economies in planning the compilation of enhanced IIP items through technical assistance missions, training courses, video conferences, email exchanges, and collaboration with economies that already compile these items. Joint regional seminars with relevant economies and international organizations could also be considered.

17. In terms of data reporting to STA, report forms in the Excel format are already available on the IMF's Integrated Correspondence System (ICS) in relevant balance of payments and IIP components for OFCs and all memorandum items in Additional Analytical Position Data (i.e., currency composition as shown in Table A9-I of the *BPM6*).[5] STA will approach the economies who already compile the data to facilitate reporting to STA. Report forms for remaining maturity data and NFCs are not yet available on the ICS and need to be developed if the decision for data collection is made. The data collection system through the Statistical Data and Metadata eXchange (SDMX) would also need to be developed, except that for OFCs.

Questions for the Committee:

1. Do Committee members have views or comments on the results of the survey on the feasibility of compiling enhanced IIP data?

2. Do Committee members have views on the problems stated by countries that hinder the compilation of enhanced IIP data and/or on how to facilitate the collection of these additional breakdowns?

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[5] The table for short-term reserve-related liabilities (Table A9-V of the *BPM6*) is also a memorandum item and can be reported on the ICS.

Appendix 1

GUIDANCE ON THE COMPILATION OF MEMORANDUM TABLE A9.I IN *BPM6*

Interest in data on the currency composition of cross-border positions has gained increasing momentum, resulting in a focus on compiling the additional analytical IIP tables introduced in BPM6. In line with the thrust of this paper, this appendix provides additional guidance on the compilation of BPM6 Table A9-I, as requested by BOPCOM in 2015.[6]

I. INTRODUCTION

1. This appendix addresses the Committee's request during the 2015 meeting for additional guidance on the compilation of Table A9-I: Currency composition of assets and liabilities (at a reference date) of the sixth edition of the *Balance of Payments and International Investment Position Manual* (*BPM6)*. The guidance provided to compile Table A9-1 is spread across different chapters and sections of the *BPM6* and the *2013 External Debt Statistics Guide for Compilers and Users (EDS Guide)*.

2. Table A9-I is divided into four sections:

   a. Table A9-I-1a: Debt Claims on Nonresidents
   b. Table A9-I-Ib: Financial Derivative Positions with Nonresidents-Foreign Currency Derivatives: Notional Value of Contracts with Nonresidents (to receive foreign currency)
   c. Table A9-I-2a: Debt Liabilities to Nonresidents
   d. Table A9-I-2b: Financial Derivative Positions with Nonresidents-Foreign Currency Derivatives: Notional Value of Contracts with Nonresidents (to pay foreign currency)

3. Tables A9-I-Ia and A9-I-2a provide a format for presenting the currency composition of **outstanding debt claims** on, and liabilities to, nonresidents by original maturity cross-classified by currency (rows) and by institutional sector (columns). These tables cover debt instruments. Thus, equity and investment fund shares, and other equity are excluded because they do not require the payment of principal or interest. For the same reason, financial derivatives and employee stock options (ESOs) are excluded from these two tables.[7]

4. Tables A9-I-Ib and A9-I-2b present the notional value of foreign currency derivatives contracts with nonresidents cross-classified by currency (rows) and by institutional sector

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[6] The experiences of Egypt and Japan in implementing the enhancements to the IIP were presented to the Committee's Twenty-Eighth Meeting (October 27–29, 2015); and Turkey's experience–at the Committee's Twenty Seventh Meeting (October 27–29, 2014).

[7] However, an overdue obligation to settle a financial derivative contract would, like any arrears, be a debt liability because a payment is required.

(columns). The next section of this appendix addresses the main conceptual definitions used for compiling the components, and provides guidance on how to compile Table A9-I.

II. Conceptual Definitions and Compilation Guidance

5. The main conceptual definitions underlying Table A9-I are summarized in Table 1 of the Appendix; and the following paragraphs highlight the key considerations in its compilation.

A. Currency Breakdown

6. Tables A9-I-1a and 2a request a currency composition of assets and liabilities to distinguish domestic currency, foreign currency, and unallocated. Three specific currencies are listed under foreign currency: U.S. dollar, euro, and yen. All other foreign currencies are grouped under other currencies. The currency composition also includes an "*of which*" component to identify those debt claims and liabilities that are short term, on an **original maturity** basis.

7. According to *BPM6*, the unallocated row is included in recognition that for some sectors such as NFCs and households, there may be difficulties in obtaining comprehensive data on the domestic/foreign currency split from reporters (see *BPM6*, para. 5.107).

8. For reserve assets (table A9-I-1a), additional guidance on compiling the currency breakdown according to the SDR/non SDR split is provided in the *International Reserves and Foreign Currency Liquidity: Guide for a Data Template (2013)* para. 273. Currently, currencies in the SDR basket include the U.S. dollar, the euro, the Japanese yen, and the pound sterling. Effective October 1, 2016, the Chinese renminbi (RMB) will be added to the SDR basket (see IMF Press Release No. 15/540). By convention, SDR holdings, reserve position in the IMF, and monetary gold are classified as reserve assets in the SDR basket (see *BPM6*, para. 5.108).

9. *BPM6* (para. 5.108) gives further guidance on the classification of financial derivatives to receive and pay foreign currency: A financial derivatives contract to purchase foreign currency with domestic currency is classified as a financial derivative to receive foreign currency. If instead the contract is to purchase domestic currency with foreign currency at a future date, this is a financial derivative to pay foreign currency. If a single financial derivatives contract both pays and receives foreign currency, the notional amounts of both foreign exchange (FX) legs of the contract should be included under both categories (i.e., to pay and to receive foreign currency).[8] This recording is consistent with the Reserves Data Template framework.

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[8] Only the FX currency leg should be recorded in Tables A9-I-Ib and A9-I-Ib. This treatment helps avoid a netting out effect that would preclude the identification of vulnerabilities.

10. With regard to the reporting currency to be used to classify financial derivative contracts in which foreign currency is to be received and/or paid, the defining factor in is the exposure to currency movements. Thus, if payment of a financial derivatives contract is linked to a foreign currency, irrespective of whether payment is required in domestic or foreign currency, the financial derivative is to be classified as a contract to pay foreign currency

11. In addition, data on the notional value of derivatives in this table should include those derivatives that swap foreign currency liabilities into domestic currency (e.g., if the monetary authority issues a foreign currency bond and uses a foreign currency swap contract with a nonresident to swap the proceeds into domestic currency, the notional value of the swap contract to receive foreign currency when the swap contract matures should be reported in the Table I-1b).

12. Although Table A9-I collects data for forward and option contracts, *BPM6* recognizes the analytical interest in distinguishing the financial derivatives data between positions in options and positions in forwards and provides guidance on their classification:[9] An option to buy foreign currency (sell domestic currency) is classified as a financial derivative to receive foreign currency, and *vice versa*.

B. Sectoral Breakdown

13. Table A9-I provides a sectoral breakdown of the institutional units for which data are requested including; (i) central bank; (ii) general government; (iii) deposit-taking corporations, except the central bank; (iv) other sectors, including separate identification of OFCs; and (v) intercompany lending.[10]

14. Intercompany lending refers to data on debt instruments from the direct investment category. Intercompany lending is classified as long-term by convention and is excluded from data for the other sectors because the nature of the relationship between debtor and creditor is different from that for other debt, and this affects economic behavior. Whereas a creditor principally assesses claims on an unrelated entity in terms of the latter's ability to repay, claims on a related entity may be additionally assessed in terms of the overall profitability and economic objectives of the multinational operation. (*EDS Guide* paragraph 4.3). This lending has different implications for risk and vulnerability compared with debt

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[9] This distinction is covered in Tables A9-III-1b and A9-III-2b.

[10] Intercompany lending is used to describe direct investment debt positions between affiliated enterprises. It includes debt instrument positions other than debt between selected affiliated financial corporations. Intercompany debt excludes debt between the following institutional units: (a) deposit-taking corporations (both central banks and deposit-taking corporations other than the central bank); (b) investment funds; and (c) other financial intermediaries except insurance corporations and pension funds.

between unrelated parties. (*BPM6* paragraph 6.26). This debt may comprise debt liabilities of direct investment enterprises to direct investors, debt liabilities of direct investors to direct investment enterprises, and debt liabilities between fellow enterprises.

Appendix Table 1—Summary of Concepts Needed to Compile Table A9-I

Concept	Explanation/Definition	Reference
Domestic currency	Currency which is legal tender in the economy and issued by the monetary authority for that economy; that is, either that of an individual economy or, in a currency union, that of the common currency area to which the economy belongs.	*BPM6* paragraph 3.95
Foreign currencies	All currencies that are not domestic currency. Furthermore, an economy that uses as its legal tender a currency issued by a monetary authority of another economy—such as U.S. dollars—or of a common currency area to which it does not belong should classify the currency as a foreign currency, even if domestic transactions are settled in this currency. Unallocated gold accounts and other unallocated accounts in precious metals giving title to claim the delivery of gold or precious metal are treated as denominated in foreign currency. SDRs are considered to be foreign currency in all cases, including for the economies that issue the currencies in the SDR basket.	*BPM6* paragraphs 3.95, 3.96, 3.97
Original maturity of a debt	The period of time from when the liability was created to its final maturity date. Data on both original and remaining maturity bases are accommodated by using the following split: (a) short-term on an original maturity basis; (b) long-term due for payment within one year or less; and (c) long-term due for payment in more than one year. Data on original maturity is derived by combining item (b) with (c) to derive long-term debt on an original maturity basis.	*EDS Guide* paragraph 6.6, *BPM6* paragraph 5.105
Currency of denomination	The currency of denomination is determined by the currency in which the value of flows and positions is fixed as specified in the contract between the parties. The attribution of external debt by currency is primarily determined by the currency of denomination.	*BPM6* paragraph. 3.98, *EDS Guide* paragraph 6.13
The currency of settlement	The currency of settlement is determined by the currency in which the values of the flows and positions are settled. The currency of settlement may be different from the currency of denomination. Using a currency in settlement that is different from the currency of denomination simply means that a currency conversion is involved each time a settlement occurs.	*EDS Guide* page 228, *BPM6* paragraph 3.99

Concept	Explanation/Definition	Reference
Domestic currency debt liabilities	Debt that is payable in the domestic currency and not linked to a foreign currency.	*EDS Guide* paragraph 6.13
Foreign currency debt liabilities	Debt in which the value of flows and positions is fixed in a currency other than the domestic currency.	*EDS Guide* paragraph 6.13
Domestic-currency-linked debt	Debt that is settled in a foreign currency but with the amounts paid linked to the domestic currency.	*EDS Guide* paragraph 6.13
Foreign-currency-linked debt	Debt that is settled in domestic currency but with the amounts to be paid linked to a foreign currency. Foreign-currency-linked debt is classified and treated in the international accounts as being denominated in foreign currency. Some types of foreign currency borrowing are denominated in more than one currency. However, if the amounts to be paid on such borrowing are linked to one specific currency, the borrowing should be attributed to that currency. Otherwise, compilers are encouraged to disaggregate such multicurrency borrowing by the component currencies. In attributing external debt by type of foreign currency—U.S. dollar, euro, Japanese yen, and so on—the currency in which payments are denominated is the determining criterion. If, for any reason at the time the data are compiled for a particular reference date, the amounts attributable to each currency at that date are not known with precision, the borrowing should be attributed to each type of currency using the latest firm information available to the compiler—such as the currency attribution at the previous reference date together with any known payments in specific currencies made during the subsequent period—and revised once firm information for the new reference date is known.	*EDS Guide* paragraph 7.23, *BPM6* paragraph 3.102, *EDS Guide* 6.14
Unallocated	In recognition that for some sectors, such as NFCs and households, there may be difficulties in obtaining comprehensive data from reporters, the table includes an “unallocated” row.	*BPM6* paragraph 5.107
Currencies not in the SDR basket	All other currencies not specified in the SDR basket.	

Concept	Explanation/Definition	Reference
Notional value of a derivative	The notional value (sometimes called notional amount or nominal amount) of a financial derivative is the amount underlying a financial derivative contract that is necessary for calculating payments or receipts on the contract.	*BPM6* paragraph 7.37
Financial derivative contract to receive foreign currency	A financial derivatives contract to purchase foreign currency with domestic currency.	*BPM6* paragraph 5.108
Financial derivative contract to pay foreign currency	A financial derivative to purchase domestic currency with foreign currency at a future date.	*BPM6* paragraph 5.108
Determination of currency of denomination in financial derivative contracts to purchase or sell foreign currency using domestic currency.	The decisive factor in determining the currency of denomination for these contracts is the exposure to currency movements. If settlement of a financial derivative contract is linked to a foreign currency, even though payment is required in domestic currency, then the financial derivative is to be classified as denominated in foreign currency.	*BPM6* para 3.103