



# Thirty-First Meeting of the IMF Committee on Balance of Payments Statistics

Washington, D.C.  
October 24–26, 2018

BOPCOM—18/17  
For discussion

## Summary of Discussions



## SUMMARY OF DISCUSSIONS

### INTRODUCTION

1. The thirty-first meeting of the IMF Committee on Balance of Payments Statistics (Committee) was held at the IMF headquarters in Washington, D.C., during October 24–26, 2018. This summary of discussions includes the action points agreed during the meeting and the work program of the Committee for 2019.
2. In his opening remarks, Mr. Louis Marc Ducharme, Director, Chief Statistician and Data Officer (IMF), introduced the two broad themes of this 2018 meeting: (i) the challenges for external sector statistics (ESS) emerging from developments related to globalization, digitalization, and financial interconnectedness—including the work on special purpose entities, global value chains, trade finance, digital trade, from-whom-to-whom portfolio positions broken down by economy and sector of holders and issuers, the informal economy, and crypto assets; and (ii) implementing the 2018 research agenda.
3. He also highlighted the nexus between the Committee’s 2018 meeting agenda and the themes that resonated at the recent IMF Annual Meetings in Bali, drawing reference to the accumulation of debt that raises the prospects for vulnerabilities in the financial system, multilateral trade, and measuring welfare beyond GDP. He briefed the Committee on the Overarching Strategy on Data and Statistics at the Fund in the Digital Age and the new role of the Statistics Department (STA); and underlined the importance of the Committee’s advisory role in implementing the Strategy. On external debt statistics, he outlined the proposed arrangements for addressing non-methodological issues as the Task Force on Finance Statistics is to be discontinued, subject to the decision of the UN Statistics Commission.<sup>1</sup>

### I. GLOBALIZATION, DIGITALIZATION, AND FINANCIAL INTERCONNECTEDNESS: CHALLENGES FOR EXTERNAL SECTOR STATISTICS

#### Final Report of the Task Force on Special Purpose Entities (TFSPEs)

##### *Topics Presented for Discussion:*

4. In 2016, the Committee endorsed the creation of a Task Force on SPEs (TFSPE) with a two-year mandate for developing an IMF strategy for addressing existing data gaps aimed to collect and disseminate internationally-comparable statistics on SPEs. The report concludes the work of the TFSPE and presents its recommendations for endorsement.
5. The TFSPE proposes an international definition of SPEs in the context of cross-border statistics as well as a data collection framework for cross-country comparable SPE data. In

---

<sup>1</sup> At the Committee’s 2017 meeting, it was agreed that all methodological issues on external debt statistics—formerly discussed in the TFFS—will be addressed by this Committee going forward. Further, a new operational body—Inter Agency Working Group on Debt Statistics (IAWGDS)—could be established to take over the non-methodological responsibilities of the TFFS.

developing its recommendations, the TFSPE consulted ESS compilers, a range of economies (through a survey), and potential users of SPE data within and outside the IMF.

6. To support the practical implementation of the proposed definition, the TFSPE has developed a decision tree and a typology of SPEs. The decision tree will provide operational guidance to assist national compilers in identifying SPEs for ESS purposes, while the typology (which is neither prescriptive nor exhaustive) aims to delineate the different types of SPEs based on their economic functions and relate them to their institutional sector.

7. The TFSPE proposes launching an international data collection with a view to separately identifying cross-border transactions and positions for SPEs. In making the proposal, the TFSPE considered: (i) perceived benefits and costs of data collection; (ii) current data availability; (iii) specific users' needs; (iv) confidentiality aspects; and (v) the need for gradual implementation and flexibility. Following the approval of the Committee, it was proposed to launch the new reporting framework for 2020 annual data by end-2021.

8. The Committee's views were sought on the (i) proposed definition of SPEs and the accompanying decision tree and typology; (ii) template for data collection; and (iii) timeline for launching the data collection exercise.

***Discussant:***

9. The discussant (Mr. Milesi-Ferretti, Deputy Director of the IMF Research Department) highlighted the key challenge of measuring the impact of multinational corporations' (MNEs) activities on macroeconomic and financial aggregates. The discussant underscored the evolving nature of SPEs, the size of MNEs and the complexity of their balance sheets, and the ease of shifting capital and intellectual property rights across borders as key challenges in interpreting gross and net flows and positions. He strongly supported the TFSPE's recommendations, including the SPE definition and the reporting template, and pleaded for wide participation of financial centers hosting SPEs.

***Summary of Discussions:***

10. Committee members expressed appreciation for the excellent work done by the TFSPE and their general support for the proposed SPE concepts (definition, decision tree, and typology), data collection template, timeline for launching the data collection exercise targeting 2020 data for dissemination in 2021.

11. Some Committee members: (i) noted that the SPE objectives specified in the definition and the threshold of up to five employees may cause the exclusion of some SPEs from data collection, especially considering the evolving nature of these entities; (ii) considered that the proposed timeframe could be demanding and questioned the legal nature of the necessary data collection; (iii) highlighted that resource limitations (including statistical capacity) in small but important offshore centers may be an obstacle to the collection of SPE data; and (iv) underscored

that, on a practical side, information available in business registers may not be sufficient for assessing if a unit meets the criteria to be classified as an SPE.

12. It was noted that the specificity of the proposed definition would be an essential step to ensuring cross-country comparability and usefulness of the data. The five-employee threshold proposed by the TFSPE was also deemed important to operationalize data collection as a necessary convention analogous, for example, to the 10 percent rule for the definition of direct investment. Expanding the definition beyond the proposed scope to cover exceptions or cases of near-SPEs would run the risk of mistakenly including in the SPE population many other non-SPEs and thus affecting the cross-country comparability of the resulting data.

13. About the proposed timetable, it was clarified that the new data collection is currently not part of the IMF's data dissemination standards nor the Data Provision to the Fund for Surveillance Purposes, and therefore would not be mandatory. The reporting process would thus start with those countries for which the data are readily available and could be readily reported, with a focus on those economies that host a large population of SPEs. As was the case with other STA initiatives (like the CPIS or the CDIS), the coverage would gradually expand as countries adapt their collection and compilation systems to the new data collection.

14. Some Committee members stressed the need for (i) detailed operational guidance when launching the data collection; (ii) coordinating with national accounts compilers for aligning the definition of SPEs; and (iii) exploring the possibility of expanding the coverage to nonresident SPEs. On the latter point, data collection on nonresident SPEs is indeed encouraged. In the longer term, once the new data collection stabilizes, it could be considered whether the separate identification of SPEs also in the CDIS could contribute to providing mirror information with a geographical breakdown to investing countries with a view to identifying investments in nonresident SPEs.

***Actions:***

**The IMF to:**

- Initiate a consultation on the TFSPE report with the Intersecretariat Working Group on National Accounts.
- Develop an implementation plan for launching the data reporting template, with a view to beginning annual data collection for the reference year 2020 by end of 2021.
- Report to the Committee at its 2019 meeting on the status of preparations for launching the new data reporting template.

**The Committee** to provide advice on the implementation plan at the next meeting.

## **Preliminary Report of the OECD-IMF Working Group on Balance of Payments Statistics Relevant for Global Value Chain Analysis (WGGVC)**

### ***Topics Presented for Discussion:***

15. At its 2017 meeting, the Committee endorsed the creation of a WGGVC with the primary objective of identifying components and statistics in the current balance of payments framework that are relevant for developing indicators on GVCs and examining—building on initial experiences and ideas of country practices—how to better identify the role of MNEs in current account transactions. The first preliminary report covers the deliverables of the first year of the WG’s two-year mandate, the WGGVC’s findings, and its proposals for the second-year work program.

16. The key findings are (i) a better understanding of which products and which partner countries are affected by the transition from physical move to change of economic ownership would be highly beneficial; (ii) the main challenges are that only few countries can provide geographical information for exports and imports of trade in services, and there are differences in the services classifications used in balance of payments and national accounts (NA).

17. The preliminary recommendations are that in addition to all standard components identified in *BPM6* for goods and services, compilers are encouraged to provide full and complete information on (i) all standard components as identified in *BPM6* for the goods, with a breakdown of the main products involved; (ii) a reconciliation table between merchandise trade statistics and balance of payments trade in goods; (iii) balance of payments trade in goods statistics consistent with the NA statistics used in constructing supply and use tables (SUT) tables; (iv) supplementary breakdown of the travel item; and (v) geographical breakdowns for trade in services statistics. The WG noted that items (ii) and (iii) are particularly relevant for those economies where manufacturing services, merchanting and other complex global production arrangements are important.

18. The proposed Phase II work program includes (i) developing a GVC reporting template; (ii) conducting a stocktaking survey of current GVC data availability and potential feasibility; (iii) identifying the role of MNEs in the current account transactions, including through further enhancements to the linkages between trade and business registers, to develop trade by enterprise characteristics for both goods and services; and (iv) developing additional guidance that can help to identify merchanters and factoryless goods producers, building on existing efforts in this area.

19. The views of the Committee were sought on the preliminary recommendations, other balance of payments components that would be useful for the compilation of GVC indicators, and the proposed work program for Phase II.

***Summary of Discussions:***

20. There was general agreement on the preliminary recommendations of the WGGVC, namely on the memorandum and supplementary *BPM6*-based components that are useful for compiling GVC indicators. However, concerns were raised on the compilation challenges including the level of granularity required at the data source level, data quality, compilation cost, and reporters' burden. Since the information may not be available for all items, it was considered that each country should concentrate on those items which are important for them. In addition, one Committee member noted these granular data could be provided to international organizations as building blocks needed to produce statistics, without the granular data being necessarily published. More guidance was also requested on the geographical breakdown by counterpart economy (whether data by immediate or ultimate country should be provided).

21. The Committee endorsed the proposed Phase II work program of the WGGVC. Committee members agreed on the need for developing the reporting templates and for conducting a stocktaking survey of current data availability and potential feasibility. Committee members suggested that the stocktaking be conducted more widely to also target national statistical institutes to cover both NA and balance of payments compilers.

***Actions:***

- The Committee's WGGVC to implement its work program for Phase II (including developing reporting templates and preparing a stocktaking survey of current data availability and potential feasibility).
- OECD and IMF to conduct the survey (OECD for OECD economies and IMF for non-OECD economies) targeting both central banks and national statistical institutes and involving balance of payments and national accounts compilers.

**Toward a Framework for Measuring Trade Finance**

***Topics Presented for Discussion:***

22. Trade finance encompasses a wide range of financial instruments that spans beyond the standard financial account classifications and components, resulting in the lack of a comprehensive dataset that measures its magnitude, composition, and dynamics.

23. A single satellite table is proposed that aims to bridge the current data gaps, while providing a starting point for a more integrated statistical approach. The proposed table captures transactions and positions both within and across borders. It also addresses the recording of letters of credit—the traditional instrument of trade finance—as well as the open account trade and newer supply chain finance instruments.

24. Given the challenges of source data collection, the paper proposes that a pilot test be undertaken in a few countries. Integration across statistical domains, including national accounts and financial statistics, would be a natural next step in the medium-term.

25. Committee members' views were sought on the need to consider collecting trade finance information via a satellite account, on the proposed structure and content of the data collection framework, and on the proposed next steps, including a pilot test in selected countries.

***Summary of Discussions:***

26. The Committee agreed with the analytical usefulness of a framework for collecting and disseminating data on trade finance. However, they stressed the challenges arising from the need for granular data that go beyond ESS: (e.g., monetary and financial statistics, business statistics, off-balance sheet data); and noted that collection would entail the joint efforts of many agencies. The possible conceptual issues generated by mixing contingent trade finance (e.g., letters of credit) with existing instruments (e.g., trade credits, loans) was also raised. On the satellite table, the separate identification of banks from other credit providers was proposed. Greenfield investment-financed trade was not considered in the scope of trade finance. Notwithstanding the likely reporting burden, the delineation between affiliated and non-affiliated corporations in the table was welcomed.

27. There was broad support for the pilot test to assess the viability of promoting trade finance data collection. Germany and Brazil volunteered to participate in the pilot test. Committee members did not consider it necessary to establish a permanent regular trade finance data collection and proposed a one-off data collection to test the framework. Although it was not seen as an immediate priority, it was noted that in the onset of a crisis, lags in data availability would likely diminish its usefulness for policy action.

***Actions:***

- The IMF to (i) launch the pilot test of the single satellite table in volunteer countries (Germany and Brazil); and (ii) report at the 2019 Committee meeting on the pilot test results.

**Mobile Money in External Sector Statistics: Pilot Survey Results**

***Topics Presented for Discussion:***

28. The 2017 Committee meeting recommended conducting a pilot survey of resident telecommunication companies in selected countries. It was a follow-up action to the paper discussed at that meeting on compiling data on international mobile money transfer that highlighted potential balance of payments transactions related to international mobile money transfers and methods for collecting the respective data.



29. Surveys conducted in Uganda, Botswana, and Philippines provided data on both inward and outward transfers, as well as the respective service charges, although they turned out to be small.

30. Considering the increasing trend in cross border mobile money transfers, it is recommended that compilers keep track of the developments in such transfers by collecting information—using surveys or other means—from telecommunication companies that provide mobile money transfer services.

31. The Committee’s views were sought on the proposed way forward.

***Discussant:***

32. The discussant (Ms. Van Wersch, IMF STA Real Sector Division) highlighted that the increasing use of automated transmission channels for remittances argues for capturing data through surveys of telecom companies. The discussant also highlighted STA’s work on measuring mobile money transfers currently initiated as a pilot project in three East African countries; the project forms part of the IMF’s Overarching Strategy for Data and Statistics in the Digital Age.

***Summary of Discussions:***

33. The Committee agreed that the collection of data on mobile money transfers should be encouraged through capacity building activities (technical assistance and training) especially in regions where this phenomenon is spreading. Some members shared their country’s experience in using mobile money.

***Actions:***

- The IMF to increase compilers’ awareness of the need to collect data on mobile money transfers, by purpose, including all associated payments for services, through technical assistance missions, training and regional workshops, especially in regions where this phenomenon is spreading.

**Toward a Handbook on Measuring Digital Trade: Status Update**

***Topics Presented for Discussion:***

34. The digital economy is fundamentally changing the way firms produce and market goods and services across borders, and its measurement in macroeconomic statistics is of critical importance. Digital trade—defined as all cross-border transactions that are either digitally ordered (i.e., cross-border e-commerce), digitally facilitated (by platforms), or digitally delivered—has been growing in importance. The demand for detailed statistics originate in policy areas such as market access, trade facilitation, and competition; and more broadly, cross-border data flows and privacy.

35. In response to policy demands, and as explicitly asked by the G20, the Inter-Agency Task Force on International Trade Statistics, supported by an Expert Group of more than 20 developed and developing countries, is currently developing a *Handbook on Measuring Digital Trade (Handbook)*. It builds on two inventories of measurement practices run by the OECD and the IMF among more than 70 countries.

36. The *Handbook* proposes as part of the conceptual framework, two criteria to determine whether a trade transaction should be considered digital or not, namely: (i) it is facilitated by digital tools (i.e., it was ordered on-line (as e-commerce)), or (ii) digitally delivered, as, for example, downloadable products. The *Handbook* defines digital trade as all international trade flows that are either digitally ordered, digital intermediary platform-enabled, or digitally delivered.

37. The digital intermediary platforms are identified from other online business models because, with current accounting rules, the recording of transactions enabled by intermediaries will necessarily differ from those of electronic retailers or from dedicated internet sites. For recording transactions facilitated via digital intermediary platforms, the proposal is to record the fees for intermediation services net of the value of goods/services being intermediated.

38. The proposed next steps are to (i) develop and disseminate a final draft of the *Handbook* for a global consultation through the members of the Task Force on International Trade Statistics before the end of 2018; and (ii) finalize the *Handbook* in early 2019 for presentation to the UN Statistical Commission.

39. The Committee's views were sought on the proposed definition and conceptual framework of digital trade, as well as on the suggestion to conduct a third joint OECD-IMF stocktaking survey for monitoring the progress in the compilation of digital trade measures.

#### ***Summary of Discussions:***

40. The Committee welcomed the *Handbook* indicating its timeliness. They expressed general support for the conceptual framework and definitions in the *Handbook* but underlined the need for further practical guidance in implementing its recommendations.

41. Some Committee members opined that the use of term "net recording" in the paper in relation to digital intermediation platforms is very misleading as it does not correspond to the gross-recording principle underlying *BPM6*. Instead, they suggested that the paper should refer to recording of value of fees for intermediation services that do not include the value of traded goods or services. Committee members were of the view that most statistical issues on the digital economy are measurement-related, as all services related to digital trade fit within the existing *BPM6* components.

42. Committee members considered that priority should be given to finalizing the *Handbook* before conducting a third stock-taking exercise on progress in covering digital trade in ESS.

***Actions:***

- The IMF to continue contributing to the development of the *Handbook* for meeting the established timeframe.
- OECD and IMF to consider postponing the stock-taking exercise until 2020 and focus on the finalization of the *Handbook* in 2019.

**Project on a Centralized Database of Issuers and Sectors for CPIS Reporting: What Comes Next?*****Topics Presented for Discussion:***

43. The Committee had already supported setting up in STA a centralized database containing main securities issuers and their institutional sectors. The database would permit reporters to break down their portfolio assets by (non-resident) issuer sector and eventually provide users with from-whom-to-whom CPIS positions by economy and sector of holder and issuer.

44. STA has assessed the feasibility of expanding the exercise to other CPIS reporters by conducting a survey to collect information about the volume and format of the data exchange, legal limitations, and potential interest to participate. The survey results were encouraging.

45. The proposed way forward is to undertake a Proof of Concept (PoC) of a potential centralized database with volunteer economies that compile data on a security-by-security basis. The PoC will identify implementation challenges. Based on the outcome of the PoC, STA would develop a business case for mainstreaming the exercise into the CPIS work program. STA would also conduct some analytical work with the resulting data to complement the technical results of the PoC. Germany, Malaysia, Russia, and the US (represented on the Committee) were among the 17 countries that had volunteered to participate in the PoC.

46. At the end of the process, the possibility of exchanging information vis-à-vis the other participants in the PoC on portfolio positions broken down by counterparty economy and issuer and holder sectors would also be assessed with a view to probing the analytical potential of the resulting data.

47. The Committee's views were sought on the proposed way forward, the potential challenges in establishing the centralized database, and the implementation of the PoC.

***Summary of Discussions:***

48. The Committee continued to support the initiative and endorsed the implementation of the PoC exercise for next year and the way forward. Committee members considered that the benefits of this initiative would clearly offset the costs, as this exercise would improve data

quality, help reduce asymmetries, facilitate more CPIS reporters providing data by issuer sector, and provide better insights on the possibility of establishing a global flow of funds in the future.

49. The Committee indicated potential challenges for participation, including the absence of a standard identifier for issuers (the Legal Entity Identifier is not sufficiently extended as yet), restrictions for data sharing arising from national legislation or commercial data providers, and associated costs depending on whether countries can retrieve issuer data from their databases in an automated way.

50. Several committee members that do not compile data on a security-by-security basis offered to participate by verifying/providing data on issuer sectors and/or contributing with individual security data only for securities issued domestically.

51. The IMF clarified that the PoC will try to automate the exercise as much as possible by focusing on securities with an ISIN code. If a regular data collection is approved, countries compiling the information on an aggregated basis will also be able to participate by providing information on their main issuers and their associated sector.

52. The ECB already runs such a database, so-called Centralized Securities Database to serve the needs of the ESCB. The database is fed with commercially licensed data and with confidential statistical data provided by the national central banks. The participation of European countries through their national databases could be explored.

***Actions:***

- IMF to proceed with the proposed PoC.
- IMF to establish the centralized database, subject to a successful PoC and on the basis of a detailed cost/benefit analysis.

**A New Approach to Compiling the Balance of Payments in the Netherlands**

***Topics Presented for Discussion:***

53. Increasing attention has been devoted to inconsistencies between the balance of payments/international investment position (IIP) and the rest-of-the-world (ROW) account as part of the sectoral accounts. Explaining discrepancies to policymakers is challenging.

54. The Netherlands summarized its promising experience in implementing the new vision for compiling the balance of payments and IIP within the broader framework of the sectoral accounts and producing harmonized data with greater focus on quarterly rather than monthly balance of payments data. If sectoral accounts and balance of payments/IIP are compiled by different institutions, reaching the joint goal of harmonized data requires strong (institutionalized) cooperation on every level.

55. The Committee's views were sought on the increasing importance of the balance of payments and IIP being fully in line with the sectoral accounts, compiling them in a fully integrated framework to improve data quality, and the practical, institutional, and legal barriers that need to be overcome to achieve full consistency.

***Summary of Discussions:***

56. The Committee unanimously agreed that the Netherlands' experience can be taken as an example of best practice in terms of interagency cooperation. The Committee noted the importance of institutional cooperation to improve data quality and stressed that cooperation should go beyond data sharing and should foster intersectoral consistency for all statistical domains (not only for the balance of payments/IIP and the national accounts).

57. Committee members acknowledged the increasing importance of the balance of payments/IIP being fully in line with the sectoral accounts and that compiling them in a fully integrated framework could benefit the quality. However, some expressed concerns regarding the strong user demand for monthly data; the need to seek consistency with other statistical domains (not only with national accounts); the need for more detailed breakdowns than those available in the fully integrated framework; a reduction in flexibility to react to new user demands; the challenges in backcasting time series prior to the integration; and possible legal constraints on data sharing among national agencies.

***Actions:***

- None

**Preliminary Report of the Task Force on Informal Economy (TFIE)**

***Topics Presented for Discussion:***

58. At its 2017 meeting, the Committee endorsed the creation of a TFIE with the objective of taking stock of country practices for identifying data collection methods and compilation techniques that are feasible for addressing the coverage and consistency of informal economy (IE) transactions and positions in the international accounts.

59. The first Preliminary Report covers the work program and deliverables of the first year of the mandate (Phase I). It reports on the findings of the global survey-based inventory exercise, provides preliminary recommendations, and outlines proposals for the second-year work program (Phase II).

60. The main survey findings are (i) balance of payments compilation practices for IE activities center on the current account, especially on goods; (ii) expectedly, most of the economies identified data sources as the main constraint; (iii) economies use indirect estimation methods that are generally aligned to either NA compilation, or to economic modelling; (iv) the

availability of separately-identifiable data on IE activities remains limited; and (v) data sources, enterprise registration, and methodology are the major challenges.

61. The TFIE's preliminary recommendations include (i) selecting, documenting, and disseminating best collection, compilation, and dissemination practices used in economies currently compiling IE activities data to assist other compilers in improving the quality of their international accounts; (ii) encouraging coordination between international accounts and NA compilers in moving towards a more integrated approach in addressing the coverage of the IE data in the balance of payments and ROW accounts; (iii) highlighting IE data issues specific to the financial account and IIP to encourage national compilers to extend initiatives beyond the current account, where applicable; and (iv) supporting a more comprehensive approach to compiling IE estimates given the limited resources available for its compilation—the delineation of the “typologies” (informal, underground, or illegal breakdowns) should assume secondary importance and specific balance of payments/IIP components should be targeted based on cost-benefit analysis.

62. The proposed work program during Phase II includes (i) reviewing the IE data collection and compilation practices as reported in the survey, individual reports, and other supporting materials; (ii) identifying the best collection, compilation, and dissemination practices of IE data; and advising and supporting STA's work on developing appropriate modes of publicizing these practices; and (iii) providing broad (non-country specific) recommendations for improving current compilation methods.

63. The Committee's views were sought on the survey outcomes and tentative recommendations of the TFIE, as well as on the proposed Phase II work program for the TFIE.

***Discussant:***

64. The discussant (Ms. Jian Han, China) described IE estimates that are made for China's ESS, promoted the exchange of counterpart data for certain items (e.g., real estate investments abroad), and indicated the challenges of collecting IE source data. She expressed preference for the term “non-observed” rather than “informal” economy. She agreed with the proposed work program for Phase II.

***Summary of Discussions:***

65. The Committee unanimously endorsed the recommendations of the TFIE and its proposed Phase II work program. They also supported the use of an online portal for disseminating the documented practices—the key deliverable of the TFIE.

66. Committee members made several suggestions and recommendations for enhancing the IE work. Coordination, mirror data exercises, and data sharing across countries were identified as important means of compiling or validating IE estimates (with the examples of goods and remittances cited). Some members noted the use of BIS' data for addressing gaps in the coverage

of residents' deposits held abroad. One Committee member suggested developing guidance on mismatching indicators as a basis for strengthening IE detection and data compilation, while another suggested that delineation of the "typologies" should not be downplayed as these may be important in some economies for welfare and non-economic policymaking.

67. Providing calculations of the importance of the IE was considered important to secure the necessary resources, with a recommendation to take into account the risk of underestimating the prevalence of the IE when offsetting informal transactions occur in both credit and debit side. The use of new technologies, big data, etc. to cover information gaps was also advocated. One Committee member was of the view that the current estimates prepared by compilation agencies should be improved before moving to possible additional estimates. There was also the suggestion that given the nature of the IE collection and compilation work, the use of the term "best practices" may be better termed "encouraged" practices, while it was clarified that "best practices" should refer to what works best in each country's specific context and considering available information sources. There was also a suggestion to develop guidance on how to communicate on IE data as they might be considered of less quality and regarded as confidential and sensitive.

68. The IMF recommended (i) the framework to be used to identify best practices in estimating the informal economy be placed on the research agenda of methodological updates to the *2008 SNA* and the *BPM6* (the measurement of the informal economy in ESS is on the 2019 research agenda); and (ii) the TFIE seek to identify country-specific examples of the use of big data to estimate IE cross-border transactions.

***Actions:***

- The TFIE to implement the work program agreed for Phase II and present its final report to the 2019 meeting of the Committee.

**Treatment of Crypto Assets in Macroeconomic Statistics**

***Topics Presented for Discussion:***

69. Despite compilers' increasing need for advice, there has been no formal guidance on the statistical treatment of crypto assets. Neither accounting nor regulatory standards provide clear guidance either. At present, cryptocurrencies (such as Bitcoin) do not meet the definition of a financial asset—and hence currency—in macroeconomic statistics.

70. **Proposed definition:** Crypto assets are digital representations of value, made possible by advances in cryptography and distributed ledger technology (DLT).

71. **Proposed crypto assets categories:** (i) cryptocurrencies (excluding those issued by central banks, deposit taking corporations, or governments); (ii) cryptocurrencies issued by

central banks, deposit taking corporations, or governments; and (iii) crypto assets other than cryptocurrencies (digital tokens).

72. Cryptocurrencies are digital assets based on DLT and designed to work as a medium of exchange. A number of crypto assets other than cryptocurrencies are called “tokens” or “digital tokens” and are being issued using initial coin offerings (ICOs). Through ICOs, digital tokens are issued by startup companies to raise money to fund new DLT-related projects.

73. The activity of mining refers to verifying and confirming cryptocurrency transactions by including transactions in a block following the proof-of-work consensus mechanism, typically using high-end computers.

74. The paper proposes a classification of crypto assets for their treatment in macroeconomic statistics based on the current statistical standards and classifications:

- (a) **Cryptocurrencies and digital tokens without counterpart liabilities** are proposed to be *classified as produced nonfinancial assets* as a distinct sub-category under valuables.
- (b) **Other crypto assets** with characteristics similar to those of more standard financial instruments should be *classified according to current guidelines*.

75. The classification of crypto assets proposed in the paper may need to be revisited based on how they evolve in the future. Crypto assets are at their initial phase of development and undergoing fast changes. It is difficult to predict at this stage how these assets and underlying technologies will change in the coming years. The accounting treatment of these assets is not yet decided by the International Accounting Standards Board (IASB).

76. The Committee’s views were sought on the proposed categories of crypto assets and their classification, including estimation of output of mining and on proposed recording of cryptocurrencies.

***Discussant:***

77. The discussant (Mr. Dong He, Deputy Director of the IMF Monetary and Capital Markets Department) expressed his general agreement with most conclusions of the paper, particularly with (i) the proposed treatment for cryptocurrencies with no counterpart liability as produced nonfinancial assets as a separate distinct sub-category under valuables; (ii) cryptocurrencies issued by various entities, where a liability is recognized, should be classified as financial assets; and (iii) the output of mining should be measured as the sum of transaction fee and newly mined cryptocurrencies

78. He stressed that due to the fast-changing nature of crypto assets and rapid spread, recommendations about terminology and classification should be subject to revision in the



future. He recommended reviewing for consistency the terminology used in the paper for naming and defining crypto assets. In particular, “currency” has legal connotations as monetary authorities’ liabilities, while “money” is a broader concept but associated with regulated banking systems. He suggested choosing a relatively broad term, defining it clearly and using it consistently throughout the paper.

79. He wondered whether it could be necessary to add a third dimension (in addition to existence of a liability and centralized/decentralized transfer mechanism) to the decision tree, namely “access to records”. He also suggested to focus on the economic nature of the assets rather than on the technology.

***Summary of Discussions:***

80. The Committee agreed that the proposed classification and treatment of crypto assets are consistent with the current macroeconomic statistical framework. Some members questioned about the impact of the proposed treatment on GDP. Others felt it counterintuitive to include payments in crypto assets as barter trade in the trade account. Therefore, it was considered important to seek the views of national accountants.

81. Considering the complexity of the issue, the Committee requested some additional time for reflection and possibly consultations with other parties.

***Actions:***

- The Committee to provide additional comments on the paper within three weeks after the meeting (by November 16, 2018).
- The IMF to incorporate the Committee’s and discussant’s comments and initiate a consultation with the Inter-Secretariat Working Group on National Accounts.
- At the finalization of the process, the IMF to prepare a clarification note for posting on the IMF’s *BPM6* webpage.
- The Committee to continue regularly monitoring the evolution of crypto assets to assess whether the proposed treatment may need to be revisited.

**II. IMPLEMENTING THE 2018 RESEARCH AGENDA**

**Research Agenda for External Sector Statistics**

***Topics Presented for Discussion:***

82. The first part of the paper provides an overview of the implementation of 13 topics included in 2018 research agenda. Five topics were discussed with the Committee by written

procedure. Seven clarification notes have been finalized and posted on the IMF's *BPM6* webpage.

83. As the list of research topics is not considered closed, new topics were proposed for inclusion in the ESS research agenda. Also, a new timeframe was proposed for six topics from the ESS research agenda.

84. The proposed 2019 research agenda includes 10 topics to be addressed before/for the 2019 Committee meeting, where the highest priority will be given to measuring informal economy and advancing the work on GVCs identifying the role of multinational enterprises in the current account.

85. The Committee was asked to comment on the progress in implementing the 2018 research agenda. Their views were also sought on the proposed additional topics to be added to the research agenda and on topics proposed for the 2019 research agenda.

### *Summary of Discussions:*

86. Beyond 2019, it was considered necessary to prepare a strategic paper which will be the backbone describing the overarching topics around which the Committee's research agenda should be structured. The paper should be strategic in nature and have a multi-year timeline linking the research agenda to the main policy priorities in a fast-changing global economic and financial environment. The preparation of the backbone paper would be added to the Committee's work program as a high priority and should be coordinated with the research agenda of other macroeconomic statistical fields to avoid duplication of efforts and ensure consistency.

87. Committee members appreciated the successful implementation of the 2018 research agenda and agreed with the inclusion in ESS research agenda of the new topics suggested in the paper.

88. Committee members agreed to keep Item #3 (treatment of transactions in intellectual property products) in the 2019 research agenda and noted there is ongoing work by an OECD/Eurostat task force on this item. Item #6 (treatment of negative equity positions in direct investment for unlisted companies) is also in the research agenda of the OECD BD4 working group, so the work of the two institutions on the topic should be coordinated. To that aim, the OECD volunteered to prepare the BOPCOM paper. Finally, on Item #10 (classification of letters of credit in ESS), the Committee agreed that no further work was necessary, and Germany agreed to prepare a clarification paper.

89. Other proposals by Committee members were agreed to be tackled either bilaterally (by sending a question to STA) or outside the research agenda (e.g., regular monitoring of the evolution of crypto assets).

***Actions:***

- IMF to prepare a strategic paper which will be the backbone describing the overarching topics around which the Committee’s research agenda should be structured in the next years.
- Item #3 – Treatment of transactions in intellectual property products – OECD and Eurostat to prepare a BOPCOM paper reporting on the progress achieved by the task force and Russia to report on its compilation practices.
- Item #5 – Treatment of income on other equities (IOs capital) – ECB to draft a BOPCOM paper.
- Items #9 – Analysis of net errors and omissions – China and Morocco to prepare a short questionnaire. Once prepared, IMF to send the questionnaire to all Committee members.
- Item #10 – Classification of letters of credit in ESS – Germany to draft a clarification note to be posted on the IMF’s *BPM6* website.

90. The following three methodological items were discussed via written procedure prior to the Committee meeting. Meeting discussions focused on the outcomes of the written consultation.

**Treatment of Freight and Insurance Associated to Merchanting and the Geographical Allocation of Net Merchanting**

***Topics Presented for Discussion:***

91. Two issues were raised for discussion during the written procedure: (i) the treatment of freight and insurance in connection with the transportation of the goods imported/exported under merchanting and (ii) the country allocation of the item “net exports of goods under merchanting”.

92. Regarding the treatment of freight and insurance, goods under merchanting are valued at transaction prices agreed between the parties and not on a fob basis as for regular imports and exports. Therefore, recording these costs depends on the agreed delivery terms.

93. For the country allocation, two alternatives were presented: (i) the net “export of goods under merchanting” is purely the sum of all (positive and negative) credit entries against each country (merchanting would be therefore treated in the same way as any other transaction under general merchandise); and (ii) the net “export of goods under merchanting” of each transaction is allocated to the country of the buyer of the goods.

94. The Committee’s views were sought on the conceptual treatment of freight transport and insurance costs associated with merchanting transactions, the alternatives for allocating net merchanting by country, and on the concluding step to post a *BPM6* clarification note.

***Summary of Discussions:***

95. During the written procedure, the Committee agreed that freight transport and insurance costs associated to merchanting are to be recorded at transaction prices agreed between the parties and therefore depending on the agreed delivery terms.

96. The Committee also agreed that countries should allocate “net merchanting” geographically by adding up all credit and debit entries of goods under merchanting for each partner country (alternative 1).

97. A Committee member pointed out that the treatment of such goods as merchanting by the country of the merchantor and as general merchandise by the counterpart country selling the goods generates bilateral asymmetries (negative exports under merchanting versus exports under general merchandise). It was noted though that such apparent asymmetries correspond to the treatment of merchanting prescribed by *BPM6* and are not related with the proposals in the paper.

***Action:***

- IMF to prepare a *BPM6* clarification note, circulate it to Committee members for comments and final approval, and post it on the IMF’s *BPM6* webpage.

**Statistical Treatment of Sport Events, and Sport Players in External Sector Statistics*****Topics Presented for Discussion:***

98. Following the *BPM6*, economic transactions related to transfer agreements of sports players (transfer fees) should be classified in the capital account as nonproduced, nonfinancial assets. *BPM6* makes no reference to other terms often associated with transfers of sports players and does not provide guidance on the treatment of loan agreements of sports players.

99. The *BPM6 Compilation Guide (BPM6 CG)* addresses both topics. The paper discusses the treatment presented in the *BPM6 CG* and proposes additional methodological guidance on the issues.

100. Both “transfer” and “loan” agreements may be of a variety of forms with different terms, including those related to risk factors, transfers of registration, salaries for the players, players’ sponsorship and media rights, and so on.

101. Proposed additional treatment:

- (a) If third parties, other than the two clubs and the player directly involved in a transfer, receive a part of the transfer fee because they own a share of the player’s economic rights, the amount received by the third parties is classified as “contracts, leases, and licenses” in “acquisitions and disposals of nonproduced, nonfinancial assets”.

- (b) The fees paid for the temporary transfer of rights to use the services of sports players under so-called loan agreements is recorded as rent, which is the appropriate account for income generated from nonproduced, nonfinancial assets.
- (c) Players' salaries are considered to be paid by the borrower club. If the contract establishes that the salary (or a part of it) is responsibility of the parent club, this part is rerouted to the borrower through a deduction from the loan fee. If the salaries are higher than the loan fee, the corresponding rent is regarded as null and a transfer from the parent to the borrower club, equal to the difference, is recorded under secondary income.
- (d) The residence of a player on loan is determined according to the general rule stated in paragraph 4.117 of *BPM6*.

102. The Committee's views were sought on the proposed treatment of transactions related to sport events and players.

***Summary of Discussions:***

103. The Committee agreed with all proposed changes based on the comments provided by written procedure, particularly (i) agents' fees to be classified as trade-related services, as the agent works as an intermediary between clubs buying or selling the players' rights; (ii) players' residence to be determined applying the general one-year rule; and (iii) players' salaries to be considered paid by the borrowing club under loan agreements as the player works and generates income in the country where he/she is currently playing, regardless of who owns the economic rights to that player.

***Actions:***

- The IMF to prepare a clarification note and to post it on the IMF's *BPM6* webpage.

**Recording of Direct Investment Income, Reinvested Earnings, and Dividends: The Case of Superdividends**

***Topics Presented for Discussion:***

104. The *2008 SNA* and *BPM6* introduced the concept of superdividends. The *BD4* did not; it maintained the explicit recommendation to use the current operating performance concept (COPC) to record FDI income.

105. The paper contrasts the recommendations of the *2008 SNA* and *BPM6* to identify superdividends with one in *BD4* to use the COPC. It shows that the use of superdividends versus the COPC has no impact on the aggregate statistics, but it does affect the components of both DI financial transactions and income flows.

106. There are two cases where superdividends can occur: holding gains from the sales of assets or from accumulated reserves. The treatment under the COPC of holding gains and losses is equivalent to the recommended treatment according to superdividends. However, there is a divergence in the recording in the case of payments from accumulated reserves.

107. The *BPM6*, *2008 SNA*, and *ESA2010* provide guidance on determining when dividends are superdividends. *SNA 2008* and *BPM6* recommends comparing the ratio of dividends to distributable income over the recent past. If the level of dividends declared is greatly in excess of this, the excess would be identified as a superdividend.

108. There is need to develop guidance for compilers on how to identify and treat very large dividends as superdividends (withdrawals of equity) because it is difficult to identify: (i) holding gains and losses, (ii) the source of earnings that are distributed, and (iii) the source of the dividends when they are passed along an ownership chain.

109. The ECB has developed a method for identifying superdividends noting that they should be regarded as extraordinary events, and so, evidence should be sought before identifying a dividend as a superdividend to avoid misinterpreting normal dividends as superdividends.

110. Another possibility is to use a step-by-step approach in which only dividends above a certain threshold are considered to be potential superdividends.

#### ***Summary of Discussions:***

111. Some Committee members expressed concerns on the use of the COPC, considering it is not in line with *BPM6*, *2008 SNA*, and *ESA2010*. Members also noted that superdividends could be paid not only in direct investment but also in portfolio investment and questioned whether a different treatment was warranted. Members also noted difficulties in identifying the origin of earnings and dividends in the case of ownership chains.

112. The general consensus was that more work is necessary before finalizing this item. The OECD would prepare another paper and would discuss it with its Working Group on International Investment Statistics (WGIIS) before making another proposal to the Committee.

#### ***Actions:***

- OECD to prepare another version of the paper addressing the concerns of Committee members and discuss it with its WGIIS.
- A revised proposal would be sent back to the Committee for comments/approval and the final note would be posted as a clarification note on the IMF's *BPM6* webpage.

## **External Sector Statistics Issues Emerging from the IMF External Sector Report**

### ***Topics Presented for Discussion:***

113. The IMF Research Department's (RES) presentation focused on the data challenges in assessing global imbalances. It outlined the IMF's multilateral surveillance work with reference to the External Sector Report, presented a sample of external sector assessments, and raised ESS issues and limitations that should be considered for addressing user and research needs.

114. External sector surveillance is a key pillar of IMF operations and ESS are critical for external sector analysis. Despite the greater data granularity and frequency achieved in recent years, further progress is needed in addressing (i) stock/flow reconciliation; (ii) IIP currency exposures; (iii) consistent IIP valuation; (iv) retained earnings on portfolio equity; (v) inflation bias; and (vi) foreign exchange (FX) interventions.

### ***Summary of Discussions:***

115. In terms of prioritization, RES identified stock/flow reconciliation, IIP currency exposures, FX interventions, and consistent IIP valuation as the key data needs.

116. The Committee acknowledged the policy relevance of the data required for more informed assessments of external sector vulnerabilities and considered it feasible for more countries to produce the reconciliation between cross-border flows (balance of payments) and stocks (IIP), as well as the currency composition of the IIP. These datasets are already part of the *BPM6* framework, although only a few countries produce the data. Longer time series are also key for analysis.

117. Data availability on FX intervention is an important step towards transparency. About possible market sensitivity, Brazil noted that its data dissemination policy showed no impact on asset pricing; and its weekly release of daily data was viewed as a good practice that other countries could emulate.

118. The Committee's views regarding inflation bias were that ESS should remain being calculated in nominal terms; and that while compilers could also be encouraged to publish data in real terms, researchers could also make such adjustments.

119. Committee members acknowledged the importance of consistent valuation in the IIP for direct investment and that estimates for reinvested earnings in portfolio investment could be released as supplementary items.

### ***Actions:***

- The Committee to study the feasibility of improving data availability on stock/flow reconciliation.

- The Committee to continue working on monitoring the expansion in the number of countries producing IIP components with a currency composition and on improving consistency in the IIP valuation, especially concerning direct investment.

### **ESS-specific Issues in Economies Using as Legal Tender a Currency Issued by a Foreign Monetary Authority**

#### ***Topics Presented for Discussion:***

120. Some economies use a currency issued by a foreign monetary authority as legal tender. Topics presented related to the currency classification, the identification of balance of payments transactions, the estimation of foreign currency in circulation, and aspects related to reserve assets, including the reporting of the Data Template on International Reserves and Foreign Currency Liquidity (RDT).

121. The Committee's views were sought in estimating external transactions and positions in banknotes and coins and on aspects to be considered in the reporting of the RDT.

#### ***Summary of Discussions:***

122. Subject to possible comments to be provided via written procedure, the Committee initially agreed with the proposals of the paper, namely the suggested recording in the RDT as well as the proposal to recommend dollarized economies to compile separately (i) monetary authority, and (ii) central government excluding social security funds in the RDT. Further, members agreed to clarify that not only working balances abroad of the central government, but also cash holdings in foreign currency should be included in Item I.B. of the RDT.

123. To close the item from the research agenda, the Committee suggested sharing the document with two or three countries with cocirculation or partial dollarization/euroization to gauge how they estimate foreign currency in circulation.

#### ***Actions:***

- Committee members to provide comments to the paper within three weeks after the meeting (by November 16, 2018), including any experiences in estimating foreign-issued banknotes and coins in circulation.
- The IMF to (i) finalize the paper based on Committee's comments, after having checked the note with two or three countries with cocirculation or partial dollarization/euroization; and (ii) post a revised version of the note on the IMF website.



### III. 2018 COMMITTEE'S WORK PROGRAM

#### 2019 Work Program of the IMF Committee on Balance of Payments Statistics

##### *Topic Presented for Discussion:*

124. The proposed five priority topics are (i) preparation of a backbone paper describing overarching topics around which the Committee's research agenda should be structured; (ii) continue the work to improve the coverage and measurement of the informal economy in ESS; (iii) continue the work on the measurement of GVCs related activities under the current *BPM6* framework; (iv) advise on the implementation plan to be developed by the IMF for launching the new reporting framework for SPEs' transactions and positions; and (v) develop further guidance on the treatment of reserve assets in ESS for member states in centralized currency unions.

125. The proposed five medium priority topics are (i) work on remaining items included in the 2019 ESS research agenda; (ii) support the assessments of global financial stability and external vulnerabilities through (a) studying the feasibility of compiling and disseminating a full reconciliation between cross-border flows (balance of payments) and stocks (IIP) and (b) examining the feasibility of producing IIP data with a country breakdown; (iii) enhance balance sheet statistics and global flow of funds by supporting the execution of the PoC project for a centralized database on sectors and issuers of securities; (iv) contribute to the finalization of the framework for capturing trade finance; and (v) addressing global discrepancies in cross-border statistics by supporting a more bilaterally focused approach for addressing statistical discrepancies.

126. The members' views were sought on the proposed 2019 work program.

##### *Summary of Discussions:*

127. The Committee generally agreed with the proposed work program. It was stressed that the backbone paper should not be limited to the current macroeconomic statistical framework. Proper coordination with the research agenda of other macroeconomic statistical fields should also be ensured.

128. There was general agreement on the importance of achieving a full reconciliation between balance of payments flows and IIP stocks and some suggested to upgrade the topic to high priority. Since it is foreseen to stay on the Committee's research agenda for some time, it was agreed to reconsider its priority at the next meeting.

##### *Actions:*

- The Committee and STA to implement the 2019 Committee's work program.

**Other Issues:**

129. The location of the next Committee's meeting will be Thimphu, Bhutan (proposed dates October 29–31, 2019).