



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

Thimphu, Bhutan  
October 29–November 1, 2019

BOPCOM—19/20  
For discussion

## Summary of Discussions



## SUMMARY OF DISCUSSIONS

### Introduction

1. The thirty-second meeting of the IMF Committee on Balance of Payments Statistics (Committee) was held in Thimphu, Bhutan, during October 29–November 1, 2019. This summary of discussions includes the action points agreed during the meeting.
2. In his opening remarks, Mr. Louis Marc Ducharme, Director, Chief Statistician and Data Officer (IMF), introduced the broad themes of the 2019 meeting: (i) identifying the overarching research topics for designing a multi-year strategy to update the methodological standards for external sector statistics (ESS); (ii) continue the work on major research areas reflecting the impact of globalization and digitalization that generated new products and corporate structures, including global value chains (GVCs), intellectual property products (IPPs), and triggered new forms of international trade financing flows; (iii) addressing the demand for data to facilitate a deeper understanding of financial interconnectedness and external vulnerabilities, including data on the currency composition of stocks and more integrated international accounts for stock/flow reconciliations.
3. In designing the update strategy, Mr. Ducharme asked the Committee to be mindful of the IMF's broad constituency of 189 member countries encompassing issues that are particularly relevant for low- and middle-income and emerging market economies.
4. In his speech, the Governor of the Royal Monetary Authority of Bhutan, Dasho Penjore alluded to the importance of measuring informal cross-border flows in an era of digitalization, as well as to the impact of digital trade, which are indeed important topics on the meeting's agenda.

### **A. External Sector Statistics Methodology and Compilation Framework: State of Play**

#### **A.1. Final Reports**

#### **BOPCOM 19/03 - Final Report of the Task Force on Informal Economy (TFIE)**

*Paper by IMF*

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

5. The Task Force on Informal Economy (TFIE) concluded its work and presented main recommendations for endorsement in its final report:
  - The dissemination of encouraged collection, compilation, and dissemination practices should continue through the dedicated web platform;
  - Collection techniques and compilation methods should be tailored to take account of available data sources, statistical capacity, resources, and an adequate assessment of

costs/benefits for including a specific IE activity in the current data compilation processes;

- Coordination between external sector statistics (ESS) and national accounts (NA) compilers should be stepped up for moving towards a more integrated approach in addressing coverage of the IE data in the balance of payments and rest of world accounts;
- Greater emphasis on IE data issues specific to the financial account and the IIP is needed, and national compilers are encouraged to extend initiatives beyond the current account, where applicable;
- Estimation methods may be specific to the most important buckets of informal, underground and illegal activities in countries or regions;
- The legal framework, organizational structure, and coordination among different compilation agencies are critical to efforts in improving measurement;
- The use of big data could complement current traditional data sources meant for IE compilation.

6. Committee's views were sought on the TFIE's recommendations for improving the compilation of IE statistics.

***Summary of Discussions:***

7. The Committee expressed appreciation for the work done by the TFIE and its agreement with the recommendations highlighted in the final report. Committee members pleaded for coordination between national accounts and balance of payments compilers and highlighted the importance of data sharing between partner countries as well as the use of innovative data sources and estimation methods to measure the IE. They also welcomed the identification of regional trends in IE activities, while they also noted that some activities such as e-commerce may require global rather than regional initiatives.

8. Specific appreciation and support were expressed to the launch of the Informal Economy Webpage (IEW) with country practices aimed at enabling peer learning. The Committee enquired regarding the procedures that will be applied for maintaining the IEW—how it will be updated, who will review, validate, and assess if the country cases can be disseminated as good practice.

***Actions:***

- The Committee endorsed the proposals of the TFIE and urged STA to set up a process for reviewing and validating contributions to the IEW such that it continues being regularly updated;
- The final report of the TFIE to be updated for including the procedure for maintaining/updating the IEW.

**BOPCOM 19/04 - Final Report of the Working Group on Balance of Payments  
Statistics Relevant for Global Value Chains  
Paper by OECD/IMF**

***Topics Presented for Discussion:***

9. The Working Group on Balance of Payments Statistics Relevant for Global Value Chain Analysis (WG-GVC), based on the stock taking survey results, recommends that the IMF and the OECD should develop a reporting template comprising the following items: total value of re-exports and main product and/or partner breakdown; total value of goods acquired/sold under merchanting and main products and/or major trading partners (encouraged item); reconciliation table along the lines of *BPM6* table 10.2.; and product and partner breakdown of total trade in goods on a balance of payments basis and geographical breakdown of Extended Balance of Payments Services (EBOPS) categories.

10. For multinational enterprises (MNEs), the WG proposes a framework to provide supplementary data that highlight their role in the current account including (i) supplementary data incorporating Trade by Enterprise Characteristics for total exports and imports of goods and services with the breakdown by domestic MNEs, foreign-controlled enterprises, and other domestic enterprises using new trade statistics; and (ii) proposing extensions to direct investment income distinguishing receipts and payments by resident ultimate beneficial owners (UBOs) and foreign UBOs.

***Summary of Discussions:***

11. The Committee supported the final recommendations of the WG-GVC. There was general agreement on the proposed items for the reporting template for GVC data collection to be developed by the IMF and OECD and on the proposed framework of the current account to identify the MNEs activities. However, the Committee also noted challenges in compilation, increasing data requirements, and limited resource availability and called for a prioritization of new data requirements. Acknowledging compilation challenges and considering difficulties for the implementation in countries with low statistical capacity, the Committee welcomed the proposed two-level approach with minimum/core items and extensions (the latter accomplishable for more statistically developed economies).

12. The Committee noted possible other components useful for highlighting the MNEs activities such as retained earnings of MNE portfolio investors, intragroup transfers of IPPs and intragroup trade. In this regard, the possibility of introducing a sub-sectorization distinguishing between domestic MNEs, foreign-controlled MNEs, and other domestic enterprises was deemed worth exploring in the process of updating *BPM6*. This should be explored in coordination with NA.

***Actions:***

- The IMF and OECD to develop a reporting template for GVC data collection identifying two reporting levels with (i) core or minimum set of items and (ii) extensions accomplishable for more statistically developed economies, and present it for the Committee consideration at its meeting in 2020;
- A sub-sectorization distinguishing between domestic MNEs, foreign-controlled MNEs, and other domestic enterprises to be considered in the process of updating *BPM6*;
- The IMF, with the Committee's advice, will strive to develop a prioritization of new data requirements in the process of updating *BPM6*.

**A.2. Ongoing Work****BOPCOM 19/05 - Implementation Plan for Launching Data Collection Template on Special Purpose Entities*****Paper by IMF******Topics Presented for Discussion:***

13. The implementation plan developed based on the proposals of the Task Force on Special Purpose Entities (TFSPE), targets the release of annual data with a timeliness of 12 months and the first release around end-2021 for reference year 2020, with around 30–35 economies expected to report in the initial round.

14. The implementation strategy covers the following three phases: (i) design – the data and metadata reporting to the IMF is expected to be undertaken within the current reporting system, with a design phase to be completed in consultation with regional organizations, national compilers and TFSPE members; (ii) implementation – build infrastructure for data collection, processing, and dissemination, assist economies to implement a collection framework; develop a practical implementation guideline for compilers including the definition, decision tree, typology, collection strategies and techniques; and undertake an outreach program including technical assistance and regional workshops; and (iii) data collection, processing, and dissemination – STA to collect and construct the SPEs database with the associated metadata which will be released on the IMF's public website.

15. The SPE definition for ESS, has been assessed by some countries considering the SPE structures resident in their economies as well as the identification of nonresident SPEs. The practical challenges highlighted by these economies confirm the need for an operational guideline.

***Discussant:***

16. The ECB noted the urgent need to develop operational guidance (please see report for information (BOPCOM 19/21) “Preliminary Feedback on the IMF Task Force on Special Purpose Entities (TF-SPE) Definition”) and suggested IMF to present a draft in the Working Group on External Statistics meeting in May 2020. It also noted that a final decision on any new dimension in the Data Structure Definition should be taken by June 2020 in order not to delay the process; the implementation plan should aim at covering all SPE-host jurisdictions irrespective of their size; the SPEs definition and its practical implementation need to be consistent with national accounts (NA) and with other macroeconomic statistics; the SPEs typology constantly evolves, hence there is a need to keep it updated; and identifying nonresident SPEs is also important, especially in some economies, but the residents SPEs should be the priority for the initial phase.

***Summary of Discussions:***

17. The Committee agreed on the proposed implementation plan for SPE data collection and its timetable (even if considered ambitious) and looked forward to the provision of the IMF guidelines to assist compilers in implementing the SPE definition. STA welcomed the offer by some members to share their national experience when preparing the guidelines and may consider contacting bilaterally other countries with experience in the field.

18. Coordination with NA is essential; comments on the TFSPEs report—including on the SPE definition—were already sought from the Advisory Expert Group (AEG) and the ISWGNA, and discussions are taking place in the context of the Subgroup on Globalization of the UN Task Force on the SNA Research Agenda’s workstream. There was a call for compatible templates such that EU countries can report SPEs data to the ECB and the IMF using a compatible template to avoid diverging figures that could lead to users’ confusion. The importance of nonresident SPEs was highlighted and despite the starting point is focused on resident SPEs, nonresident SPEs’ compilation, as well as a geographical allocation of SPE transactions/positions (and ideally also the identification of ultimate investor and investee companies) should be considered at a later stage, once the proposed more feasible initial data collection gets consolidated. Nonetheless, early steps in this direction especially by countries with sufficient statistical capacity are strongly encouraged. In this regard, the provision of mirror data by host countries of SPEs should be explored, as it could turn out to be of the utmost importance.

19. Members found more difficult compiling flows than stocks, suggested identifying SPEs in business registers and identifying their ultimate investors. They also noted that operational guidelines should provide clarifications on the balance sheet criteria to determine what is considered as a large part of external assets and liabilities to identify SPEs.

***Actions:***

- The IMF to implement the proposed plan following its timetable, including the development of guidelines to assist compilers in implementing the SPE definition;
- The IMF and ECB to work on the compatibility of the data templates;
- The IMF to continue coordinating this work with national accountants;
- Consider nonresident SPEs reporting as well as a geographical allocation of SPE transactions/positions (and ideally also the identification of ultimate investor and investee companies) at a later stage.

**BOPCOM 19/06 - Towards a Framework for Reporting Trade Finance: Pilot Survey Results and How to Move Forward**

*Paper by IMF/Brazil/ Germany/China (presenter Brazil)*

***Topics Presented for Discussion:***

20. A pilot survey was launched in Brazil, China, and Germany to collect data on the size of traditional trade financing vis-a-vis supply chain financing and to establish whether a separate framework to collect the data is required. Survey results indicated that the pilot table used provided a valuable framework for measuring trade finance as it included the collection of data on domestic and external trade finance, and contingent instruments, including letters of credit, which remains one of the most widely used instruments of trade finance.

21. However, survey results also revealed challenges in collecting data for the pilot table and show that with some supplementation, the *BPM6* and *2008 SNA* frameworks can capture data on cross-border trade finance. Therefore, to ensure efficiency and reduce reporting burden, it was proposed to modify the pilot table to better align it to the *BPM6* framework. For domestic trade finance, it was proposed that this would be better captured in a supplementary table to the financial accounts within NA.

***Summary of Discussions:***

22. While some members support the proposed framework, the Committee raised concerns on the difficulties to compile the information requested (especially concerning loan purpose, in order to be able to disaggregate trade finance loans from other loans), resource implications, reporting burden on respondents, and feasibility of its implementation in a changing environment of big techs. Therefore, considering other reporting requests, the regular (annual) compilation of trade finance by means of introducing a supplementary table to the *BPM6* was not considered as a priority. Should any reporting exercise be implemented in the future, it could be done on an ad-hoc basis, and possibly with a frequency lower than annually (for example every three or more years). Members noted the importance for this



eventual reporting exercise to be done in a coordinated fashion among as many countries as possible for the data collected to be most effective for its users.

***Actions:***

- Consider the proposed supplementary template when updating *BPM6* for ad-hoc data collections.

**BOPCOM 19/07 - How to Move Forward on Measuring Digital Trade**

*Paper by OECD/IMF (presenter OECD)*

***Topics Presented for Discussion:***

23. The inter-agency Task Force on International Trade Statistics (TFITS) drafted a *Handbook on Measuring Digital Trade (Handbook)* that set out the conceptual framework and provides the definition of digital trade, and compilation guidance on the measurement of digital trade. The *Handbook*, at least in its early years, will be a living document bringing together national practices as they emerged. The TFITS will take stock of the situation at the end of the year (2019), upon delivery of the first complete version of the *Handbook*, to determine whether a follow-up meeting of the Expert Group would be needed.

24. Immediate actions will be to (i) populate the reporting template (ideally by end-October 2019), and (ii) provide details of any additional national practices that could be incorporated into the report.

***Summary of Discussions:***

25. The Committee agreed that there is strong need for conceptual definitions and compilation guidance of digital trade that will be largely addressed with the launch of the *Handbook*. An important value-added in the latest version of the *Handbook* is the inclusion of guidance on non-monetary transactions.

26. The Committee supported the proposal that the TFITS Expert Group on Measuring Digital Trade starts populating the reporting template with estimates based on available information as this will help assess the feasibility of compiling the data. It was stressed the need to coordinate the work with the work on digital supply-use tables.

27. A plea was made for the IMF (in coordination with other IOs) to help countries gain access to e-commerce data from large digital platforms.

***Actions:***

- The Committee to provide comments to the draft *Handbook* (to be sent to the Committee's Secretariat) by November 15, 2019;

- Committee’s Secretariat to collect and consolidate the comments and submit them to the TFITS;
- The IMF to keep the Committee abreast of possible conversations with large digital platforms.

**BOPCOM 19/08 - Advancing Work on the CPIS Centralized Database of Issuers’ Sectors (Report on the Outcome of the Proof of Concept and Way Forward)**

*Paper by IMF*

*Topics Presented for Discussion:*

28. STA conducted a Proof of Concept (PoC) exercise with seventeen volunteer countries in early 2019. The PoC aimed to prove the usefulness of a centralized exchange of information on issuer sectors across countries to expand the coverage of the Coordinated Portfolio Investment Survey (CPIS) information in terms of geography and sector of issuers and holders.

29. This information would better align a key statistical product (the CPIS) with wider Fund efforts to tailor policy advice on financial and market risks. The success of the exchange, the positive feedback gathered from the PoC participants through an ex-post survey, and the analytical potential of the resulting data provide strong evidence on the usefulness of the exercise. Further, even countries that do not have security by security information can benefit from this initiative through information on derived liabilities to determine the resident sector that is being financed. The conduction of this exercise on regular basis would be a service provided by the IMF to its membership.

*Discussant:*

30. Malaysia shared its experience in the PoC exercise and stressed the benefits of the exchange in terms of data quality and the important IMF role to facilitate the multilateral data exchange. The discussant also noted current limitations, such as the limited number of participating countries which do not reflect major financial markets worldwide, and the possibility of more frequent data exchanges (and of an automated process) to account for fast evolving portfolio markets.

*Summary of Discussions:*

31. The Committee fully supported the usefulness of this initiative and the proposal to conduct the exchange on an annual basis with the support of a centralized database hosted by the IMF prior to the CPIS collection of end-year data. Some members considered participating in the first full exchange of information scheduled to be initiated in March 2020, while others identified legal impediments to share confidential statistical data

and licensing constrains when data are sourced from commercial data providers. Among those, some noted their disposition to participate by sectorizing their resident issuers.

32. Given the costs for the IMF to set up the necessary infrastructure, STA proposed to initiate a consultation with all CPIS reporters immediately after the meeting seeking interest to participate in the proposed 2020 exchange. Based on the number of positive responses (and on their coverage in terms of total CPIS stocks) the IMF will take a decision as to whether going ahead with the project or putting it on hold.

***Actions:***

- The IMF to send official letters inviting CPIS reporting economies to participate in the centralized exchange of information on issuer sectors and re-evaluate its feasibility based on the responses (November 2019);
- Based on the number of positive responses and coverage in terms of total CPIS stocks, the IMF will take a decision as to whether going ahead with the project or putting it on hold.

**BOPCOM 19/09 - Policy Needs for Reconciling Cross-border Flows and Stocks, and Currency Composition**

***Paper by IMF***

***Topics Presented for Discussion:***

33. For its External Sector Report (ESR), the IMF conducted, in the past two years, an ad-hoc data collection across the 52 economies targeted by the ESR. The data requested focused on integrated international accounts and currency composition of cross-border positions to support multilaterally-consistent assessments of external positions. The IMF's initiative to compile and disseminate currency composition data was introduced in *BPM6* and recommended by the second phase of the G20 Data Gaps Initiative (DGI 2); however, its compilation remains challenging for many countries (as of September 2019, only 13 countries reported these data to STA for re-dissemination at the IMF's website).

34. A gradual approach is proposed allowing partial data reporting as well as lower-exigence requirements, particularly for countries with low statistical capacity. The proposed step-by-step approach for data compilation for reconciling flows and stocks is to start with a minimum set of functional categories (portfolio investment, other investment and reserve assets) and instruments. For currency composition, the proposal is to start with limited sectors (e.g., central bank and deposit-taking corporations) and financial instruments (e.g., securities and deposit liabilities), considering estimations (e.g., the use of information on geographical breakdown, BIS Banking Statistics) and explaining gaps and estimation techniques in metadata.

*Summary of Discussions:*

35. Members noted challenges in compiling integrated international accounts including resources, difficulties to estimate exchange rate and price changes separately, and the need to combine multiple data sources with different scope and timeliness. For the IIP by currency composition, members noted the lack of currency information in financial statements source data and the need for on-balance sheet information to better assess foreign currency exposures. In addition, confidentiality concerns on data dissemination of currency composition were raised with a member suggesting considering following the BIS dissemination approach (confidential versus free data).

36. The Committee agreed on the proposed way forward, including the gradual compilation of integrated international accounts and currency composition data, and the proposed minimum set of functional categories/instruments. Data may be provided according to the relevance of the proposed categories/instruments in each reporting country.

37. The reconciliation between flows and stocks with valuation and other changes in volume is seen by the IMF as the central pillar of the next manual. The estimation methods used for reconciling flows and stocks in the financial accounts could also be considered for ESS.

*Actions:*

- The IMF to conduct a workshop in the context of the DGI 2 currency composition;
- Committee members representing ESR countries to try their best to report the requested information for the next data collection round (to be initiated at end-2019).

**B. Research Agenda****B.1. Priorities for the Next Generation of Statistical Manuals****BOPCOM 19/10 - A Backbone Strategy for Updating *BPM6****Paper by IMF**Topics Presented for Discussion:*

38. Key issues that will inform the *BPM6* revision are classified into three broad drivers: (i) impact of globalization and digitalization with key issues identified: treatment of MNEs and SPEs, economic ownership and the recording of IPPs, global value chains, and digital trade; (ii) evolution of financial and payments systems with key issues: compiling IIP by currency composition, separately identifying nonfinancial corporations, trade finance, and nonbank financial intermediation; and (iii) remaining issues in the SNA and ESS research

agendas where the following key issues were listed: asymmetric treatment of retained earnings between direct and portfolio investment, informal economy, and other issues.

39. A pragmatic approach will be applied to developing the *BPM6* update strategy that requires that each issue under consideration be examined from the perspective of:

- (i) was it previously researched in the context of *BPM5* update, and are there new developments that compels a fresh look?
- (ii) can the issue be addressed through extended or supplementary statistical frameworks?
- (iii) does the issue belong in statistical methodologies versus areas that may better be dealt with via research projects?
- (iv) need to consider the feasibility/practical implementation of any new approaches to addressing the issue.

***Summary of Discussions:***

40. The Committee expressed strong agreement with the proposed strategy for the *BPM6* update, particularly with the overarching framework around which the Committee's research agenda should be structured. As for the proposed groupings, it was agreed to separate the globalization and digitalization blocks in two separate priority groups.

41. The Committee stressed that the coordination between different macroeconomic statistics domains should be enhanced through co-participation in ESS and SNA working groups/task forces. Committee members welcomed that the grouping of key priorities identified in the paper are in line with priorities acknowledged in the SNA research agenda and insisted on the need to avoid overlaps in the work agendas of the different bodies. Also, the process of updating the *2008 SNA* and *BPM6* should be tackled in full coordination. One Committee member suggested a single SNA-balance of payments research agenda for achieving full consistency.

42. The Committee suggested additional issues to be considered as backbone to the *BPM6 Update Strategy*:

- sectorization (issues to be considered: identification of households in a separate institutional sector; separation of domestic MNEs, foreign-controlled MNEs, and other domestic enterprises; consistency between monetary and financial statistics and ESS in sectorization (such as money market funds), etc.);
- different direct investment topics (role of MNEs in cross-border trade; intragroup trading; need to identify core direct investment; greenfield investments; UBO direct investment statistics, valuation changes for unlisted equity in IIP, etc.);
- residence versus nationality (residence concept should be kept but nationality is relevant for MNEs);

- sustainable finance (e.g., green bonds, climate change as a business risk, etc.);
- cif/fob adjustments and coordination with NA;
- bilateral asymmetries.

43. In discussing priorities, most Committee members considered globalization as the highest priority item. The proposed work on non-bank financial intermediation was deemed a high priority.

***Actions:***

- The IMF to incorporate the proposals received from Committee members and re-circulate a revised version of the paper.

**BOPCOM 19/11 - Towards the System of National Accounts (SNA) Updates: Ongoing Work on the SNA Research Agenda and Options for a Possible SNA 2008 Update Process**

*Paper by Eurostat (as chair of the ISWGNA)*

***Topics Presented for Discussion:***

**Main Issues:**

44. The UN Statistical Commission (UNSC) identified three priority areas for the SNA research agenda: globalization, digitalization, and well-being and sustainability with a list of specific topics to address for each priority area. Three subgroups to work on SNA research agenda were established, co-chaired by AEG members from national institutions and with IOs providing the secretariat (the IMF for globalization, Eurostat for digitalization, and the OECD for well-being and sustainability). The subgroups are expected to finalize the guidance notes in the first half of 2020 and will eventually include (a) recommendations affecting the ‘core’ of the 2008 SNA, (b) interpretations of the current system, and (c) proposals to enlarge it, especially with more social and environmental elements. The guidance notes would also allow countries to test the proposed solutions, which would make the actual implementation of an updated SNA much smoother.

45. Until a decision is taken on when the next version of the SNA will be prepared it is expected work would continue to focus on:

- resolving issues on the SNA research agenda;
- producing/updating guidance notes and manuals which could be used for experimentation and testing of the guidance; and
- expanding worldwide the implementation of the SNA.

***Summary of Discussions:***

46. The ISWGNA will report to the United Nations Statistical Commission in March 2020 a way forward on the possible update of the *SNA*, including a description of progress on the three priority areas of the *SNA* research agenda and an assessment of the potential impact on the fundamental principles of the *SNA*.

47. The Committee supported the coordination with the ISWGNA to ensure the alignment between the *SNA* and *BPM*.

48. No decision yet has been taken on when the next version of the *SNA* will be prepared. It is expected that incremental guidance on particular topics would be developed that would allow experimenting and testing of the guidance, thus facilitating a smooth implementation in the next version of the *SNA*. Consideration should also be given to the fact that many countries have not yet implemented all the features of the 2008 *SNA*. While there is coherence between the *SNA* and the *BPM*, there are different priorities for these two domains. Consequently, for crosscutting topics a decision should be taken on how to coordinate the work on the relevant topics.

***Actions:***

- The Committee/IMF and ISWGNA to establish a coordination mechanism for dealing with cross-cutting topics.

**BOPCOM 19/12 - Reply by the IMF Committee on Balance of Payments Statistics to the Survey of the Friends of the Chair*****Topics Presented for Discussion:***

49. The UNSC asked the Friends of the Chair (FOC) on the Future of Economic Statistics to (i) convene meetings over the next year to discuss whether the current planned updates to the system of economic statistics considers user-identified priority areas of development or whether gaps exist; and (ii) examine whether the current governance and infrastructure supporting the system of economic statistics is sufficient to meet the need for an increasingly responsive and comprehensive system of economic statistics. At its first meeting, the FOC agreed that discussions should take place within the existing network of working groups, task forces and high-level committees regularly attended by national and international statistical organizations through specific set of questions they would like the groups to discuss. Questions related to: global priorities in need of statistical development; global initiatives that could help with National Statistical Organizations transformation; the governance of economic statistics; and whether or not the program of economic statistics needs to be more responsive.

50. The IMF's Statistics Department prepared the responses to the questions, requested the Committee to provide comments through written procedure, and prepared an updated response.

51. The Committee supported the proposed response once Committee member comments were incorporated. Therefore, the issue was not discussed at the meeting.

***Actions:***

- The IMF to submit the agreed Committee's response to the FOC.

**B.2. Implementing the 2019 Research Agenda**

**BOPCOM 19/13 - Treatment of Centralized Currency Unions in Macroeconomic Statistics**

*Paper by IMF*

***Topics Presented for Discussion:***

52. The treatment of reserve assets (RA) in centralized currency unions (CUs) and the interpretation of some concepts have raised many questions recently. Considering recent questions and issues raised, the current recommendation from *BPM6*, Appendix 3 may need to be revisited.

53. Main issues of concern related to centralized CUs are:

- (i) the apportioning of pooled RA of a centralized CU to member economies (particularly in CU with strong adherence to solidarity principle);
- (ii) the attribution of assets and liabilities of the monetary authority vis-à-vis resident units;
- (iii) the consideration of when the CU central bank (CUCB) is "acting on its own account".

54. Proposed timeline for revisiting the guidance on centralized CUs:

- (i) develop the guidance for discussion at the 2020 Committee meeting covering issues that may be resolved with clarifications to the current guidelines;
- (ii) for issues that require an amendment to Appendix 3, *BPM6*—changes to be postponed until the next revision of *BPM6* and *SNA 2008*.

***Summary of Discussions:***

55. The Committee agreed that the *BPM6* guidance on centralized CU should be revisited for addressing issues of concern. The Committee encouraged the IMF to consult CU Central Banks as well as IMF departments throughout the process.



***Actions:***

- The final paper on Treatment of Centralized Currency Unions in Macroeconomic Statistics to be presented at the 2020 Committee meeting.
- The Committee members who want to contribute to the preparation of the paper are invited to inform the Secretariat by November 15.

**BOPCOM 19/14 - Analysis of Net Errors and Omissions*****Paper by China/Morocco/Malaysia/IMF******Topics Presented for Discussion:***

56. STA monitors global imbalances and the Annual Reports of the Committee to the IMF Board have consistently noted increasing imbalances in the global balance of payments accounts (external balance of payments asymmetries); and an increasing value, with a persistently negative sign, in the global aggregate of net errors and omissions (NEO) (evidencing countries' internal balance of payments asymmetries). There is an increasing concern that this trend evidences the lack of capacity of countries' statistical programs to adequately measure cross-border transactions, with the potential to misguide policy making responses. Further research is needed to tackle known and emerging triggers to NEO.

57. The results of a survey to the Committee members on NEO show that there is no generally acceptable level of NEO or generally recognized indicators to assess NEO across the economies surveyed, with half of the respondents indicating difficulties in singling out accounts contributing to the NEOs. The general view across economies is that development of data sources, enhancement of mirror data validation by using international databases, and bilateral mirror data exchange are the most effective methods in addressing internal balance of payments asymmetries.

***Summary of Discussions:***

58. The Committee agreed that the level of NEO should not be a target: rather, efforts should focus on improving data coverage and quality and methodological soundness. The Committee also agreed that there is no generally acceptable level of NEO or indicators to assess internal balance of payments asymmetries across economies. Systematic biases should definitely be monitored.

59. The Committee also agreed on the proposed direction of future work on assessing both internal and bilateral asymmetries across economies. In this regard, several Committee members referred to their work on bilateral asymmetries for goods, services, and direct investment, and their efforts to improve data sources and the coverage of financial account transactions. The OECD also referred to the work to estimate illicit financial flows. The IMF informed that following the final report of the TFIE, the seventh Statistical Forum

(November 14–15, 2019) will devote a session on measuring illicit flows. In terms of communication with users, it was suggested to consider a different term avoiding the negative connotations of the term NEO, for instance “statistical discrepancies”.

***Actions:***

- The USA, Netherlands, and Germany to present the results of their exercises to address bilateral asymmetries at the 2020 Committee meeting;
- If additional Committee members plan to check bilateral discrepancies with a counterpart, they are requested to inform the Secretariat by November 15 for agenda planning;
- Eurostat and ECB to inform the Committee on the ongoing work to address bilateral asymmetries at EA/EU level;
- The ECB to inform the Committee on the outcome of the ongoing work on aligning balance of payments and sectoral accounts for Euro Area aggregates at the 2020 or 2021 Committee meeting.

**BOPCOM 19/15 - Asymmetries Arising from the CIF/FOB Adjustments in Recording of International Trade in *BPM6* and *2008 SNA*. Ongoing Investigations, Including the Use of Invoice Values**

*Paper by OECD/IMF (presenter OECD)*

***Topics Presented for Discussion:***

60. Guidance on how to measure international trade in goods shows some inconsistencies between the national and international accounts: *BPM6* uses FOB for goods, regardless of delivery terms; *2008 SNA* uses actually-observed (contractual) price, allowing for a variety of recording bases. A proposal to use invoice values was assessed through a joint IMF/OECD stocktaking survey and pilot exercise in 2019. Initial country views show little global support to using invoice values and concerns about its practical implementation.

61. The proposed way forward is maintaining FOB valuation and encourage countries to re-examine their methodology to estimate trade and associated transportation costs to reach *BPM/SNA* consistency on measuring international trade; improve inter-alia inter-agency collaboration (between NA/balance of payments compilers) as part of the process of NA/balance of payments reconciliation of trade data; investigate bilateral discrepancies with main cross-border trade partners; adopt the unique consignment reference for customs purposes recommended by the World Customs Organization (WCO), which allows to uniquely identify data related to individual international trade transactions between a supplier and a customer at both the national and international level.

*Summary of Discussions:*

62. The Committee, recognizing that the proposal entails both conceptual changes (e.g., on the very concept of freight services) and practical data collection challenges, agreed that further research is needed before deciding on moving away from FOB valuation. It also agreed on the usefulness to gather further information from additional countries about the feasibility of using invoice values (transactions) to assist compilation of imports/exports in balance of payments/NA. The UNSD informed that the AEG also dealt with this topic and recognized that more work is needed to inform a decision. It was also noted that inconsistencies arising from the use of different data sources are more difficult to solve than those arising from different methodologies, as methodology can be aligned. The Committee supported the need of reaching full consistency between *BPM* and *SNA* in measuring the international trade in goods, the active engagement of IOs in recommending countries to re-examine their methodologies of measuring trade, and to conduct bilateral reconciliation exercises to reduce trade asymmetries with the possible involvement of the WCO.

*Actions:*

- The IMF and OECD to lead further work through the Working Party on International Trade in Goods and Services.

**BOPCOM 19/16a - Results of the Written Procedure: Negative Equity in Direct Investment Statistics**  
*Paper by OECD*

*Topics Presented for Discussion:*

63. The macroeconomic statistics manuals do not offer guidance on the treatment of negative equity in direct investment statistics. Negative equity raises several questions, including how to interpret such data, how countries should treat it, whether it is consistent with the valuation of listed equity, and whether negative equity, if common, could lead to a misstatement of a country's net international investment position.

64. Reasons why negative equity occurs: (i) legal status of the direct investment enterprise; (ii) financing decisions of the MNEs—financial engineering; (iii) losses exceeding the equity investment; (iv) payments of large dividends; (v) misreporting by the respondent.

65. The proposed treatment: (i) record negative equity (do not zero out) when it is a meaningful concept (cases (i)-(iv) above); (ii) zero out negative equity when there is a confirmed misreporting.

*Summary of Discussions:*

66. The Committee, based on the majority support by its members through written procedure, agreed with the proposed treatment of negative equity—recording negative equity (do not zero out) when it is a meaningful concept described above. The Committee supported that the concluding step is the publication of a clarification note. It was proposed to add a memorandum item to report the negative positions in direct investment for users' benefit.

*Actions:*

- The IMF to prepare a clarification note to be circulated to the Committee for final written comments before its publication in due course.

**BOPCOM 19/16b - Results of the Written Procedure: Treatment of Participations in the Capital of International Organizations and the Respective Income**  
*Paper by ECB*

*Topics Presented for Discussion:*

67. There is a need to propose the methodological treatment of participations in the capital of IOs and the recording of the respective income, particularly in the case of subscriptions to IOs in the form of securities (unlisted shares). According to *BPM6*, equity in IOs is excluded from DI, even in cases in which voting power is 10 percent or more. Similarly, if these equities are not liquid and readily available, they should not be included under reserve assets, even if held by the monetary authority and denominated in foreign currency. Therefore, equity contributions are included in portfolio investment (if in the form of securities) or other investment – other equity (if not in the form of securities). However, bearing in mind that the capital subscriptions to IOs are based on geopolitical considerations, and that they are not legally and freely (unconditionally) tradable by member countries, it seems inappropriate to consider them under portfolio investment, even though they may have the form of (unlisted) securities.

68. It is then proposed to classify capital subscription to IOs, including in the form of unlisted shares, under other investment – other equity, and the related income under other investment income – withdrawals from income of quasi corporations. Alternatively, a new breakdown could be created under Other investment for “Unlisted shares of IOs” and consistently, the related income included under other investment income “Dividends and withdrawals from income of quasi-corporations”.

*Summary of Discussions:*

69. The Committee agreed with the proposed classification and recording of all capital subscriptions in IOs, including in form of unlisted shares, under other investment – other

equity; and the income on capital subscription to IOs under other investment income – withdrawals from income of quasi corporations;

70. The Committee supported that the concluding step is the publication of a clarification note and would announce a future amendment of the *BPM6* and other relevant manuals/guides.

***Actions:***

- The IMF to prepare a clarification note to be circulated to the Committee for final written comments before its publication by December 10, 2019 and announce in the clarification note a future amendment of the *BPM6*.

**BOPCOM 19/16c - Results of the Written Procedure: Recording of Letters of Credit in External Sector Statistics**

***Paper by Germany***

***Topics Presented for Discussion:***

71. Current guidance on treatment of letters of credit (L/C) in ESS is limited; the manuals do not elaborate on recording L/Cs after the documents are presented and accepted. Standard L/C with payment at sight and stand-by L/C are basic cases that do not require recording in ESS - they are considered contingent liabilities.

72. Unconfirmed and confirmed L/C with deferred payment require a different recording when the contingent liability turns into an unconditional liability after acceptance of the documents by the issuing bank. A debt instrument (loan/other accounts payable) has to be recorded as a liability by the issuing bank and as an asset by the exporting company in case of an unconfirmed L/C or by the confirming bank in case of a confirmed L/C, until payment is made. Consequently, the cross-border liability or claim, respectively, arising from the trade credit between the importer and exporter should be canceled in the balance of payments/IIP.

73. Off balance sheet recording of unconfirmed and confirmed L/Cs with deferred payment may sometimes occur in practice. In instances where these instruments may have limited relevance, and the implementation costs may be high —consideration should be given to cost-effectiveness. Such off-balance sheet recording (under some circumstances) would avoid the risk of double-counting of these liabilities in both the banking and the corporate sector, even if it might lead to a wrong sector allocation.

***Summary of Discussions:***

74. The majority of Committee members (through the written procedure) agreed with the proposed recording of unconfirmed and confirmed L/C with deferred payment when the contingent liability turns into an unconditional liability after acceptance of the documents—

as a liability by the issuing bank and as an asset by the exporting company in case of an unconfirmed L/C or an asset by the confirming bank in case of an confirmed L/C. The liability of the issuing bank and the asset of the confirming bank, respectively, should be recorded as “other accounts receivable/payable – other

75. The Committee encouraged STA to consult with the relevant divisions of STA dealing with real sector and monetary and financial statistics on this issue before preparing the clarification note for publication.

***Actions:***

- The IMF to request comments on the proposed treatment from STA divisions in charge of monetary finance statistics (MFS) and the AEG for NA statistics;
- The IMF to prepare a clarification note with amendments requested by the Committee and subject to the comments from MFS and NA to be circulated to the Committee for final written comments before its publication in due course.

**BOPCOM 19/17 - Challenges in Recording Intellectual Property Products**  
***Paper by Russia/IMF (presenter Russia)***

***Topics Presented for Discussion:***

76. Compilers face challenges in covering data on IPPs in ESS due to their complexity and intangible nature. Main challenges they face are (i) insufficient clear consistent definition/guidance on what is considered a part of IPPs; (ii) classification issues due to complex borderline cases; (iii) lack of comprehensive data sources; (iv) valuation difficulties due to the absence of an active market for identical IPPs; and (v) recording of IPPs on change of economic ownership basis.

77. Proposed way forward:

- (i) within the upcoming revision of statistical manuals to identify the transactions in all IPPs under a separate combined category within the balance of payments framework;
- (ii) create a BOPCOM task force to draft a Guide on compilation of IPPs statistics in ESS and to examine the benefit of identifying transactions in IPPs in a separate standard balance of payments component.

***Summary of Discussions:***

78. The Committee strongly supported the need for developing guidance on the treatment of IPP in ESS and the establishment of a BOPCOM task force on IPP (TF-IPP). The TF-IPP should use the final report of the existing Eurostat-OECD Task Force on Land and Other Non-financial Assets (constituted to provide guidance on treatment of research and

development products in NA and expected to be published at the beginning of 2020) as a starting point. The TF-IPP should not reopen the discussion of topics already concluded.

79. The TF-IPP should bring together volunteer Committee members, as well as other international organizations with interest in the topic. OECD will chair the TF-IPP and the IMF will provide the secretariat. Committee members considered that the timetable was tight for such a complex issue and requested that the TF should just provide a work plan in January 2020. Further details on the operating rules of the TF should be provided via an amended version of the Terms of Reference to be sent via written procedure to the Committee members.

***Actions:***

- A revised version of the TF-IPP Terms of Reference will be sent to the Committee members by November 8, 2019;
- The Committee to provide comments on the proposed draft Terms of Reference and express interest to join the TF-IPP by November 15, 2019.

**B.3. The 2020 Research Agenda**

**BOPCOM 19/18 - Research Agenda for External Sector Statistics**

***Paper by IMF***

***Topics Presented for Discussion:***

80. The *Backbone Strategy for Updating BPM6* discussed at 2019 Committee meeting built on the list of research topics in ESS initiated in 2016. The ESS research topics list is kept as an inventory of topics identified for ESS and provides inputs for developing the annual research agenda of the Committee until the revision of statistical manuals is launched.

81. The list of research topics in ESS is not considered closed; the paper proposes five new topics to be included: (i) consideration of SPEs as separate institutional unit; (ii) introducing a standard definition of net international reserves; (iii) treatment of factoring transactions in ESS; (iv) treatment of citizenship-by-investment program in macroeconomic statistics; and (v) change in treatment of operating leases in business accounting: impact on ESS.

82. The proposed 2020 research agenda includes 10 topics to be addressed before/for the 2020 Committee meeting where the highest priority will be given to topics relevant for surveillance (e.g., finalizing the methodological advice on treatment of centralized currency unions).

***Summary of Discussions:***

83. The Committee agreed with the proposed new topics to be added to the ESS research agenda and proposed two additional topics to be added to the ESS research agenda:

(i) recording fines and penalties in ESS; and (ii) sustainable finance.

84. With reference to the proposed 2020 research agenda, the Committee suggested the following changes:

- (i) postpone to 2021 five topics: public-private partnership investment; treatment of hybrid insurance and pension products in ESS; treatment of travel and passenger transport; economic ownership in the context of financial and operating lease transactions pertaining to aircrafts; and measurement of margins in buying and selling of financial instruments (USA and ECB will contribute);
- (ii) include three new topics: (a) compiling statistics on greenfield investment and extension of capacity (item 42 in the list of Research Topics in External Sector Statistics; extension of capacity can be considered at later stage); (b) recording fines and penalties in ESS; and (c) sustainable finance.

***Actions:***

85. After incorporating the comments proposed by Committee members, the 2020 research agenda will be as follows:

- Treatment of centralized currency unions in macroeconomic statistics (Contributor: IMF)
- Recording intellectual property products in ESS (Contributor: BOPCOM TF-IPP)
- Treatment of factoring transactions in ESS (Contributor: Armenia)
- Treatment of “citizenship-by-investment” programs in macroeconomic statistics (Contributor: IMF)
- Treatment of Islamic finance in ESS (possible extension to 2021) (Contributors: Morocco, Malaysia, IMF, UNSD)
- Compiling statistics on greenfield investment (Contributors: Netherlands, Germany, USA, Eurostat, OECD);
- Recording fines and penalties in ESS (Contributor: USA);
- Sustainable finance (Contributor: Netherlands, IMF).



### C. BOPCOM 2020 Work Program

#### **BOPCOM 19/19 - 2020 Work Program of the IMF Committee on Balance of Payments Statistics**

*Paper by IMF*

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

86. Two important data-related initiatives will engage the IMF's Executive Board attention in 2020: the review of the Data Provision to the Fund for Surveillance Purposes and the 10th Review of the Data Dissemination Standards. These reviews provide an opportunity for the IMF and the Committee to reexamine issues of data adequacy and relevance in the context of the Fund's multilateral and bilateral surveillance.

87. Top priorities are:

- identify the overarching research topics for designing the *BPM6* update strategy;
- provide guidance on the treatment of centralized currency unions in macroeconomic statistics - the work started in 2019 and is expected to be finalized for the 2020 Committee meeting;
- guidance on recording the IPPs in ESS - there is need for the development of guidance on data collection and compilation of statistics on cross-border IPP-related transactions;
- conduct the preparatory work for launching the data collection on special purpose entities—the IMF will develop a practical implementation/operational guideline with the Committee's advice.

88. Medium priorities are:

- work on the remaining items included in the 2020 ESS research agenda—the Committee will focus on clarifying/developing several ESS methodological issues;
- continue the work on the measurement of global value chains (GVCs) under the current *BPM6* framework—the work will focus on supporting the OECD-IMF working group in developing the reporting template for GVCs data collection;
- continue the work on improving the availability of data on issuer sectors of securities in the CPIS - the Committee members will be invited to participate in the first full exchange of information scheduled to be initiated in March 2020 (subject to the outcome of the actions points of BOPCOM 19/08);
- support a more bilaterally focused approach for addressing statistical discrepancies based on the finding of the recent analysis of NEO—the Committee members are encouraged to volunteer to study their bilateral asymmetries and report their results at the 2020 Committee meeting.

***Summary of Discussions:***

89. The Committee agreed to consider as top priority the bilaterally focused approach for addressing statistical discrepancies and as medium priority the treatment of centralized currency unions in macroeconomic statistics. Some members suggested to explicitly mention as medium priorities the work on sustainable finance and the further research on the CIF/FOB adjustments in recording international trade. A member stressed the need to explicitly refer to the coordination with NA in the *BPM6* update with the aim at achieving full consistency.

***Actions:***

- The Committee endorsed the work program for 2020 with the agreed changes.

**Other Issues:**

90. The location of the next Committee's meeting will be Washington D.C., USA (proposed dates October 27–29, 2020).

**Items for Information:** *Documents prepared for information will not be discussed during the meeting. However, they will be part of the official BOPCOM papers and will be posted on the BOPCOM webpage.*

- |              |  |
|--------------|--|
| BOPCOM 19/21 | Preliminary Feedback on the IMF Task Force on Special Purpose Entities (TF-SPE) Definition<br><i>Report by ECB</i>       |
| BOPCOM 19/22 | Treatment of Transactions in Intellectual Property Products – Task-Force Progress Note<br><i>Report by OECD/Eurostat</i> |
| BOPCOM 19/23 | UN Report on the Work on the Guidelines on Accounting for Global Value Chains<br><i>Report by UN</i>                     |
| BOPCOM 19/24 | Recent Developments in BIS Statistics<br><i>Report by BIS</i>  |
| BOPCOM 19/25 | World Investment Report 2019: Key Messages and Overview<br><i>Report by UNCTAD</i>                                       |