



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

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For discussion

## **F.5 Treatment of Credit Default Swaps: Outcome of the Public Consultation**

Prepared by the Financial and Payment Systems Task Team (FITT)

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## F.5 Treatment of Credit Default Swaps: Outcome of the Public Consultation

Public consultation showed strong support for the proposals in the guidance note (GN). Most comments supported the proposal to maintain CDS as options and introduce the supplementary breakdown by risk categories. For the latter, some requested further examination of risk category items, sector breakdown, additional information on notional values, and feasibility of the compilation. These comments will be forwarded to the co-authoring team for F.4 “Financial Derivatives by Type”, which is looking at the overall classification of financial derivatives. In the light of the wide agreement received during the public consultation, the GN is proposed to be considered by the Committee for final decision.

1. Do members agree with the proposal to maintain the classification of CDS as options?

**Most of public comments supported the proposal to maintain the classification of CDS as options, except two. The two that did not support provided the following comments:**

- “CDS are usually regarded as one of swaps in the financial market”. This same view was expressed during the FITT consultation and is **already reflected in the GN.**
- “The valuation and settlements of CDS contracts is different from options, hence their statistical recordings follow symmetrical instruments.” **This is already reflected in the GN.**

2. Do members agree with the proposal to introduce the supplementary breakdown of financial derivatives by risk categories? This proposal would be forwarded to F.4 co-authoring team, which is looking at the overall classification of financial derivatives.

**Most of public comments supported the proposal to introduce the supplementary breakdown by risk categories, except three. The comments received and responses/proposals are summarized below:**

- Given financial derivatives is already a complicated item to compile, it would be difficult for reporters to report the proposed details by risk categories. Some contracts include several risk categories that will be difficult to report and could increase the risk for errors in reporting.

To note that these breakdowns are already available in the BIS derivative statistics, and many countries are already reporting them.

- With the proposed breakdown of risk categories, the item “other” would become too large, and there are already other international initiatives in terms of classification of financial derivatives.

To note that these supplementary breakdowns will be further considered in F.4, so that further breakdowns of “other” could be introduced as needed. Being supplementary, national compilers can decide whether or not to compile them according to the specific country circumstances.

- It would be helpful to assess the feasibility first before recommending the breakdown by risk category.

Please, refer to the previous comment.

- Both market and notional values should be compiled. Also, sector breakdowns could be considered in the context of the currency composition tables in A9, and currency breakdowns of single currency interest rate swaps.

To note that these suggestions/questions should be considered in F.4.