



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

Washington, D.C.
October 26–29, 2020

BOPCOM—20/13
For discussion

Summary of Discussions

SUMMARY OF DISCUSSIONS

INTRODUCTION

1. The thirty-fourth meeting of the IMF Committee on Balance of Payments Statistics (Committee) was held virtually, during October 26–29, 2020. 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 main theme of the 2020 meeting—the work on the update of the sixth edition of *Balance of Payments and International Investment Position Manual (BPM6)* expressed through the development and discussion of guidance noted (GN) on research topics identified in the *BPM6 Compendium of Research Issues*. He stressed that the Committee is asked to take final decisions only on those GNs that didn't bring substantial disagreement during the public consultation round. Nonetheless, he clarified that at the end of the process and before starting to draft the *BPM7* outline, the Committee should undertake a holistic assessment of all the proposals, paying particular attention to ensuring coherence (between the different individual guidance notes and with the SNA) and feasibility. He also informed that the pandemic forced a major change to STA capacity development efforts, requiring a move to more remote delivery of workshops and about the launch of the first online balance of payments and international investment position (IIP) course.

A. TOWARDS THE UPDATE OF MACROECONOMIC STATISTICAL MANUALS

A.1. BALANCE OF PAYMENTS TASK TEAM (BPTT)

BOPCOM 20/02 AND 20/02.1 – RECONCILIATION BETWEEN FLOWS AND STOCKS (B.4) PAPER BY BPTT

Topics Presented for Discussion:

3. Currently, the integrated IIP with a full reconciliation is not a Standard Component in Appendix 9, *BPM6*. Data on stock-flow reconciliation has become very important for policy analysis including the IMF External Sector Report (ESR), yet a limited number of countries are able to provide this information currently. The GN explores the possibility of introducing the integrated IIP in the Standard Components and elaborating further the analytical value of an integrated view of flows and stocks in the updated Manual.
4. The GN recommends making the integrated presentation a central piece of the new version of the Manual, by including it under standards components (similar to balance of payments and IIP tables in Appendix 9A/9B, *BPM6*) and presenting the external statistics framework as being composed of three major intertwined elements: (i) the balance of payments, (ii) the IIP, and (iii) the accumulation accounts. Separate reporting of data on debt cancellation and write-offs, and reclassifications under “Other Changes in Volumes” would be encouraged. Further, the GN recommends adding an analytical section on selected IIP issues to Chapter 14 explaining the analytical power of revaluations and other changes in volume. Although it is considered as a medium-term goal for many countries, the GN recommends that the support from the IMF and other

agencies would be required to enhance the capacity of countries on the compilation of integrated IIP data subsequent to the launch of *BPM7*.

Outcomes of Public Consultations:

5. Public consultation showed strong support for the proposals in the GN. Almost all discussants agreed to make the integrated IIP the center of the new BPM. Many warned against an over-ambitious disaggregation of the integrated IIP table or too tight a timeline for its implementation. The feasibility of producing a further breakdown of “other changes in volume” including the possibility of an “unallocated” category was questioned for similar reasons. The vast majority welcomed the term “accumulation accounts”. Among the analytical paragraphs, only the “rate of return” concept received comments, which were mostly critical. In the light of the wide agreement received during the public consultation, the GN was proposed to be considered by the Committee for final decision.

Discussant:

6. Mr. Gustavo Adler (IMF Research Department—RES) noted that the issue of stock-flow reconciliation has become more important—among others for the analysis undertaken in the IMF External Sector Report—with a significant increase in the levels of external positions over the last two decades. Further, this led to increased importance of financial return as drivers of external positions relative to trade balances. In this context, proper stock flow reconciliation allows to estimate returns on external positions. Availability of those data would help in better understanding the functioning of the international monetary system and systematic/predictable valuation changes, in addition to highlighting the role of financial returns in IIP dynamics. It is emphasized that the reconciliation breakdown in current tables is not sufficient for thorough analysis. Hence, as a key user of these data, RES strongly supported the proposals in the GN for introducing the integrated IIP in the standard components. Regarding separate reporting of debt cancellation/write-offs and reclassifications, a suggestion was made to include it as a standard component as opposed to an encouraged component. In addition, the need for clarifying the treatment of errors and omissions within the integrated framework was underscored.

Summary of Discussions:

7. The majority of the Committee members supported the proposal to make the integrated IIP a central piece of the *BPM7*, by including it under standards components (like balance of payments and IIP tables in Appendix 9A/9B, *BPM6*). Acknowledging the importance of the current account in general, the language in the GN will be appropriately modified to convey the message that introducing the integrated IIP in the new Manual in no way overshadows the importance of the current account. There was a general agreement on the proposal to present the external statistics framework as being composed of three major intertwined elements and use of the term “accumulation accounts”. Overall, there was a strong consensus that the inclusion of the integrated IIP under standard components will signal to compilers the direction in which the external sector accounts are likely to evolve in the next two decades.

8. In terms of implementation, some noted that many countries would face significant challenges in preparing a detailed reconciliation between flows and stocks in the initial stages, so they suggested starting with minimal disaggregation in the integrated IIP statement. Some members

proposed the inclusion of the integrated IIP as part of a next version of the data dissemination standards to assist the compilers in getting additional support from policy makers.

9. The Committee agreed that the introduction of the integrated IIP in the new Manual should be followed by capacity development support to countries focusing on technical assistance/training based on best practices for compiling these data. Further, the Committee noted that the updated Compilation Guide should provide guidance on the compilation of the integrated IIP covering the following issues: (i) the compilation of the currency composition of IIP including a minimum set of currencies to be considered; and (ii) the compilation of the integrated accounts for direct investment (due in part to the role of SPEs on other changes) and financial derivatives.

10. The majority of Committee members was not in favor of introducing an “unallocated” category in the integrated IIP statement nor of preparing a separate GN on this topic. Instead, the Committee strongly supported the proposal included in option 2 to present “other changes in volume” with a total and two encouraged “of which” categories, namely “Reclassifications” and “Debt Cancellations and Write-offs”.

11. The Committee welcomed the proposal to add an analytical section on selected IIP issues to Chapter 14 explaining the analytical power of revaluations and other changes in volume. On the calculation of rates of return, the members urged that additional practical guidance be provided. It is noted that the financial derivatives are excluded in the proposed rate of return table, while financial derivatives will also have revaluation changes.

Actions:

- BPTT to finalize the GN considering the above comments, stating the final recommendations, (considering the Committee’s strong support to the proposal to present the “other changes in volume” with a total and two encouraged “of which” categories, namely “Reclassifications” and “Debt Cancellations and Write-offs”) and removing the questions to the Committee. The reworked GN will be sent for a further checking by the Committee (via written procedure) before being posted on the Committee’s website;
- The (updated) GN will be part of the proposed annotated outline of *BPM7*;
- The updated *BPM Compilation Guide* to include additional practical guidance on the compilation of the integrated IIP covering issues such as the currency composition of the IIP, the compilation of the integrated accounts for direct investment and financial derivatives, etc.

A.2. CURRENT ACCOUNT TASK TEAM (CATT)

BOPCOM 20/03 AND 20/03.1 – RECORDING TRANSACTOR-BASED COMPONENTS OF SERVICES (C.1)

PAPER BY CATT

Topics Presented for Discussion:

12. The classification in the *BPM6* of transactor-based services (relating to the provider/acquirer rather than the product itself) which are travel, construction, and government goods and services not included elsewhere (n.i.e.) differ from their classification in the *2008 SNA* and the Central Product Classification. Unlike other services components, these services encompass some goods items in addition to services.

13. The GN presents two options: (i) keeping the current status quo of transactor-based recording for travel, construction, and government goods under services, and (ii) introducing the change from transactor-based services to product-based services for these three types of services. The second option implies separation of goods and services that can be classified in goods and other services categories from respective transactor-based services to allow closer alignment to a product-based classification and better delineation between goods and services.

14. The GN also recommends a methodological change in the treatment of construction input goods from being owned by the construction services provider to being owned by the construction services buyer which would result in some transactions currently treated as resident/nonresident to be treated as resident/resident transactions and vice versa (although there would be no impact on the trade balance).

Outcomes of Public Consultations:

15. The opinions on separating the components of the transactor-based services and classify them into the respective goods and services categories were split. The comments indicate that further reflection is needed on the multiple consequences of adopting this proposal, and a closer coordination with the ongoing work of various task teams and working groups is necessary to ensure that harmonized standards are adopted. In the light of the outcome of the public consultation, the Committee was invited just to hold an initial discussion at the meeting (i.e., without taking a decision) and to return the paper to CATT for them to incorporate the Committee's and the Public Consultation's comments and, if relevant, send back a new proposal to the Committee.

Summary of Discussions:

16. All Committee members agreed that the topic needs to be given more thorough consideration, applying a more holistic approach considering new forms of digital services and broadening the perspective of the proposed changes to focus on classification of trade in services that will provide the most analytically valuable data over the life of the manual and including users/policy makers in the discussion. It was however noted that the proposal is in the spirit of the recently adopted regulation on European Business Statistics.

17. On **introducing the change from transactor-based services to product-based services**, most Committee members advocated for maintaining the transactor-based approach. Specific concerns were expressed regarding the travel category, for which the move to a product-based approach would lead to a significant loss of information on the tourism industry and practical issues given the way these data are collected.

18. Regarding government goods and services, members indicated that *BPM6* recommends the classification of goods and services acquired/provided by the government under the relevant categories, when information is available. The classification under government goods and services n.i.e. should be only when the breakdown of such goods and services is unknown. One Committee member stressed the need for developing a clear definition of government goods and services n.i.e. that should include a defined list of transactions to be included under this category that would allow for a bridge between BPM and SNA/Central Product Classification, while keeping the transactor-based classification of these services.

19. Those who spoke considered the proposal to change the treatment of construction input goods as being owned by the construction services buyer as deviating from the main balance of payments concept of change of ownership; this proposal does not have enough justification in the GN.

Actions:

- CATT to re-consider the topic and revise the GN in light of the discussions, applying a more holistic consideration to revisions to the trade in services classification, including the possibility for linking to the national accounts (e.g., by developing a detailed product view), while considering the Committee preference for keeping the existing classification;
- If there is a new proposal, the Committee to consider again the item via written procedure. Otherwise, no related changes will be considered in the next version of the Manual.

BOPCOM 20/04 AND 20/04.1 – GOODS, SERVICES, AND INVESTMENT INCOME ACCOUNTS BY ENTERPRISE CHARACTERISTICS (C.2)
PAPER BY BPTT

Topics Presented for Discussion:

20. Goods, services, and investment income by enterprise characteristics is not part of the current account reporting recommended in the *BPM6*. The integration of trade by enterprise characteristics (TEC) and services trade by enterprise characteristics (STEC) statistics within the conceptual framework of the balance of payments would be the first step in a potential future development by countries of statistics by individual trading partner.

21. The GN recommends the inclusion of enterprise characteristics as part of the annual reporting of the current account, as supplementary items, as presented in Annex I. Goods, services, and investment income by enterprise characteristics could build on on-going data collections (Eurostat-OECD TEC and STEC statistics), as well as the proposed data collection using the GVC reporting template (Annex IV) developed by the IMF and OECD. In addition, these data could provide significant improvements to the quality of trade in value added (TiVA) estimates and international

integrated economic accounts. Some countries with advanced statistical systems already produce these statistics, so their inclusion into annual balance of payments data submission should be easy, at least at the most aggregated level. To assist those countries with less developed statistical systems to develop the proposed breakdown, the update of *BPM6 Compilation Guide* should offer clear advice and techniques for the linking between the Business Registry with trade and investment income data.

Outcomes of Public Consultations:

22. Overall, the opinions were largely favorable for including additional breakdown by enterprise characteristics as supplementary items¹ in the annual data collection. However, respondents also noted the potential risks of overloading the BPM framework with supplementary tables, potentially duplicating other manuals and guides, and suggested to consider moving most of the proposal in Annex I into these subsidiary manuals and guides. In the light of the wide agreement received during the public consultation, the GN was proposed to be considered by the Committee for final decision.

Summary of Discussions:

23. The Committee fully agreed on the proposal to include enterprise characteristics as part of the annual reporting of the current account, as supplementary items, as presented in Annex I. Regarding the thresholds (on product, industry, size and ownership classifications), the Committee agreed that the updated Manual could provide some general criteria, but the countries should decide on their own thresholds. It was stressed that this initiative may fit appropriately as part of the foreign affiliates trade statistics (FATS). The Committee noted the need for providing further clarification around classifications and collections, as well as for including the definitions of foreign-owned/domestically owned enterprises in the updated Manual. There was a suggestion to delete from paragraph 12 of the GN the statement “provide important insights on fiscal optimization”, as this objective does not need to be highlighted as a motivation of macroeconomic statistics efforts.

Actions:

- CATT to finalize the GN considering the above comments, stating the final recommendations, removing the questions to the Committee, etc.;
- CATT to liaise with DITT to further develop details on investment income reporting;
- The reworked GN will be sent for a further checking by the Committee (via written procedure) before being posted on the Committee’s website;
- The (updated) GN will be part of the proposed annotated outline of *BPM7*.

¹ In BPM terms, supplementary reporting indicates items outside the standard components as in *BPM6*.

BOPCOM 20/05 AND 20/05.1 – STATISTICAL IMPACT OF THE CHANGE IN TREATMENT OF OPERATING LEASES IN BUSINESS ACCOUNTING (C.5.1)

PAPER BY CATT

Topics Presented for Discussion:

24. International Financial Reporting Standard on Leases (IFRS 16) introduced in January 2019 are not aligned with the 2008 SNA and the BPM6 standards on leases. Applying a different recording principle for leasing activities in order to be in line with IFRS 16 would create a severe inconsistency with a fundamental recording principle of economic ownership recommended in the 2008 SNA/BPM6. IFRS 16 based data reporting from business accounting will potentially create the risks of misclassifications, inconsistencies, and asymmetric recording in countries' current and financial accounts for leasing activities.

25. The GN recommends no change to the recording standards of the 2008 SNA/BPM6 concerning the principle of economic ownership (to align with the IFRS 16). It suggests that the updated BPM (BPM7) should provide clear guidance to compilers on how to separate the reported leasing activities under IFRS 16 into operational and financial leasing and make them aware of potential bilateral asymmetries.

Outcomes of Public Consultations:

26. Overall, the consultation process confirmed a strong agreement in favor of the proposed option not to change the recording principle according to economic ownership in SNA/BPM and to maintain a separate recording of operational and financial leases based on the concept of risks and rewards. All the respondents requested additional practical guidance (especially on adjustments to surveys data from business accounts) in the updated BPM Compilation Guide. In the light of the wide agreement received during the public consultation, the GN was proposed to be considered by the Committee for final decision.

Summary of Discussions:

27. The Committee strongly supported the proposal to maintain the status quo and not to make any changes to the 2008 SNA and BPM6 recording standards on leases to align it with the IFRS 16. Further, there was full agreement on the need for providing additional guidance in the updated BPM6 Compilation Guide in preparing the macroeconomic statistics estimates from the business accounting data based on IFRS 16.

Actions:

- CATT to prepare a final version of the GN stating the final recommendations, removing the questions to the Committee, etc., for posting on the Committee website;
- CATT to send the revised version to the AEG (and, in case of substantial comments, also to BOPCOM) for comments before final posting;
- Subject to the outcome from the drafting of the GN on Economic Ownership in the Context of Financial and Operating Lease Transactions Pertaining to Aircrafts (C.5.2), the Committee

decision on topic C.5.1 may be revisited and a consolidated GN covering both topics may be drafted;

- The final GN covering the GNs C.5.1 and C.5.2 to be part of the proposed annotated outline of *BPM7*;
- The updated *BPM Compilation Guide* to include additional practical guidance—especially on adjustments of surveys data from business accounts.

A.3. GLOBALIZATION TASK TEAM (GZTT)

BOPCOM 20/06 – VALUATION OF IMPORTS AND EXPORTS (CIF-FOB ADJUSTMENTS) (C.11) PAPER BY GZTT

Topics Presented for Discussion:

28. The *2008 SNA* recommends recording of imports and exports of goods at free-on-board (FOB) values which is aligned with the valuation principles of trade in goods in the *BPM6*. However, the FOB recording is not fully reconciled with the principles governing the recording of transactions in the manuals. To resolve these challenges, different options were considered: (i) change the recommended treatment of domestic transportation back to the recommendations in the *1968 SNA* where transport services would be treated as services; (ii) maintain the recommendation of the *2008 SNA* to record imports and exports using an FOB-type valuation; or (iii) propose changing the *SNA* recommendation for the valuation of imports and exports to the observed transaction value.

29. Most GZTT members favored option (iii) as this is considered as conceptually correct. The respondents acknowledged that this approach would require changes in both the *SNA* and of course by extension the *BPM* to keep the consistency between the standards. They suggested further consultations regarding the practical considerations related to the option chosen. The concerns expressed included (i) the need for new data sources, (ii) the difficulty in obtaining accurate transaction values even when the data sources are available, and (iii) the need for harmonizing with other statistical manuals (namely, with *IMTS 2010*).

Summary of Discussions:

30. The discussion centered around options (ii) and (iii), since (i) was a step backwards. While most members didn't challenge the conceptual validity of option (iii) (invoice values), its feasibility was put into question by many Committee members on the grounds of lack of access to the required data (although it was also recognized that the current practices required often significant use of such data sources or assumptions to construct supply-use tables and indeed global input-output tables). All members agreed that further investigation is needed to assess the availability of and compilers' access to detailed data on invoice prices from customs; the impact of varying degrees of access to bilateral asymmetries; as well as how to collect additional data for freight and insurance services. The World Customs Organization may be consulted on whether existing customs regulations impose mandatory recording of invoice prices in customs declarations and whether compilers can get access to the data. The assessment should also focus on analyzing whether the differences between both

options prove important enough to justify the huge investment required to modify data collection systems.

31. The Committee agreed that an overarching objective of the final decision on the valuation of imports and exports should be keeping the consistency between the SNA and the BPM. Before deciding on whether a change is warranted, the Committee supported the plans of the GZTT to test whether most countries can get access to invoice values from customs and assess the differences with the FOB valuation. The test should comprise a large enough sample of countries representing different circumstances concerning access to the required data.

Actions:

- GZTT to seek volunteer countries from the SNA and the BPM community to undertake a feasibility test across a large enough sample of countries representing different circumstances concerning access to the required data.

A.4. DIRECT INVESTMENT TASK TEAM (DITT)

BOPCOM 20/07 AND 20/07.1 – ULTIMATE INVESTING ECONOMY/ULTIMATE HOST ECONOMY AND IDENTIFYING PASS-THROUGH CAPITAL (D.6)

PAPER BY DITT

Topics Presented for Discussion:

32. Complex financing and ownership structures of Multinational Enterprises can “inflate” direct investment (DI) flows and positions as each flow in and out of each economy is counted even if the funds, or income, is just passing through. This can make it difficult to interpret DI statistics and does not provide information on the ultimate sources and destinations of DI when the statistics are compiled by immediate partner economy. The GN recommends the development of supplemental presentations of DI statistics by ultimate partner economy and identifying pass-through funds to greatly enhance the interpretability and usefulness of DI statistics. It discusses different definitions of the ultimate investing and ultimate host economies, but the DITT could not reach agreement on the best definitions to use. It also proposes a presentation by residency of the ultimate investor as an indication of funds and income passing through an economy.

Discussant:

33. Mr. Gian Maria Milesi-Ferretti stressed that developing the supplemental presentations of DI statistics by ultimate investment economy (UIE) and identifying pass-through funds is a very important objective. Even if solutions are not perfect, this would be a great improvement to the currently available data. Points to be considered in further developments on this topic could be (i) the role of large investors; (ii) benefits of symmetry in ultimate host economy (UHE) and UIE statistics; (iii) role of large multinational enterprise (MNE) investors; and (iv) residence vis-a-vis nationality of ultimate investor.

Outcomes of Public Consultations:

34. The majority favors a supplemental presentation of DI statistics by UIE, UHE, and separate identification of pass-through funds, and the need to streamline the number of concepts for ultimate investor. Some practical concerns were raised for the supplemental presentation on DI flows and income and for allocating data to the UHE, due to difficulties in getting the necessary ownership information. In the light of the wide agreement received during the public consultation, the GN was proposed to be considered by the Committee for final decision.

Summary of Discussions:

35. The Committee agreed with the usefulness of data on UIE, UHE, and pass-through funds, as well as with the need for streamlining the number of concepts and methods used in compiling such statistics and make the methods available to users in their metadata. It fully agreed with the development of supplemental presentations of DI statistics by ultimate partner economy and identifying pass-through funds. The Committee also supported the identification of different approaches to reallocate the DI position from the immediate to the UIE however strongly encouraged that a single recommended/preferred method be identified for cross-country comparability and that if further approaches are deemed acceptable, they should be ranked. The approach preferred by most Committee members, on practical grounds, is the control—also called ‘winner takes all’ (WTA)—approach. The Committee also supported the inclusion of positions in the supplemental presentation, given the interest in better understanding how the benefits of globalization are distributed and to develop it as a stand-alone presentation for DI statistics to be developed within the DITT in coordination with the GZTT.

36. Regarding UHE, the Committee acknowledged the overall challenges of the proposed alternatives. Some Committee members emphasized their preference to choose the first operating unit as a proxy for UHE as this approach can be regarded as an acceptable compromise combining feasibility and analytical value.

Actions:

- DITT to prepare a final version of the GN stating the final recommendations (including the selection of a single recommended method and the possible ranking of any additional options), removing the questions to the Committee, etc.;
- In the process, DITT should ensure coordination with other TTs and across manuals;
- The reworked GN will be sent for a further checking by the Committee (via written procedure) before being posted on the Committee’s website;
- DITT in collaboration with GZTT to develop the template for recording the data on UIE, UHE, and pass-through funds;
- The (updated) GN to be part of the proposed annotated outline of *BPM7*.

**BOPCOM 20/08 AND 20/08.1 – SECTORAL BREAKDOWN OF DIRECT INVESTMENT (D.7)
PAPER BY DITT**

Topics Presented for Discussion:

37. Direct investment (DI) is the functional category in the balance of payments and in the IIP, for which the financial instruments are not presented by resident institutional sectors. Sectoral breakdowns provide a convenient way to analyze net foreign lending or borrowing of each domestic sector. The GN proposes to (i) include the sectoral breakdown of DI in the standard components of the balance of payments and the IIP, (ii) include the current standard breakdown used to derive the directional data as memorandum items to the standard presentation, and (iii) review the current classification of the DI to avoid numerous components under a single functional category.

Outcomes of Public Consultations:

38. The majority favors the adoption of the sectoral breakdown of DI in the standard components of the balance of payments and the IIP and moving the directional breakdowns to memorandum items. The minority, which expressed diverging views, have put forward arguments that the sectoral breakdown will have less significant analytical value and moving the current components as memorandum items can ultimately run the risk that countries stop reporting those details. In view of the broad agreement received during the public consultation, the GN is proposed to be considered by the Committee for final decision.

Summary of Discussions:

39. The Committee strongly supported the proposal to introduce the sectoral breakdown for DI as standard component in the balance of payments and the IIP; it also agreed to include the directional breakdowns as memorandum items to the standard presentation, and to review the current classification of the DI to avoid numerous components under a single functional category. Most Committee members supported incorporating the sectoral classification of DI also to the currency composition, external debt statistics, and the related items in the primary income account of the balance of payments.

Actions:

- DITT to prepare a final version of the GN stating the final recommendations on incorporating the sectoral classification of DI also to the currency composition, external debt statistics, and the related items in the primary income account of the balance of payments, and to include the directional breakdowns as memorandum items to the standard presentation also removing the questions to the Committee, etc.;
- The reworked GN will be sent for a further checking by the Committee (via written procedure) before being posted on the Committee's website;
- The (updated) GN to be part of the proposed annotated outline of *BPM7*.

BOPCOM 20/09 AND 20/09.1 – RECONCILING BPM-BASED DIRECT INVESTMENT AND AMNE STATISTICS (D.9)

PAPER BY DITT

Topics Presented for Discussion:

40. Both direct investment (DI) and Activities of MNE (AMNE) statistics provide valuable insights into the operations and financing of MNEs. Currently, no agreed framework for reconciling DI with AMNE statistics exists. Slightly different populations and residency vs nationality concepts can lead to problems in reconciliation. Therefore, developing such framework could include many different stages towards reconciling DI with AMNE statistics in practice. The GZTT is examining how to better capture the activities of MNEs. This includes the possible breaking down institutional sector accounts and gross value added (GVA) into foreign-controlled corporations, domestic MNEs, and other corporations within the framework of the national accounts.

41. The GN recommends developing a framework for reconciling DI and AMNE statistics (for possible inclusion in the *BPM7*). Such framework would include identification of additional breakdowns of either sets of statistics, new supplemental presentations, and additional variables to enable the two sets of statistics to be used together. Further, the GN provides some options that compilers could follow towards reconciling DI with AMNE statistics.

Outcomes of Public Consultations:

42. The general view favored a framework for reconciling DI and AMNE statistics and its inclusion in the *BPM7*, with a focus on control relationships, even though it goes beyond the existing balance of payments framework. Practical concerns raised include co-ordination, distinct allocation of responsibilities among data producing institutions, as well as the possibility of additional burden imposed on respondents. In the light of the broad support received during the public consultation, the GN was proposed to be considered by the Committee for final decision.

Summary of Discussions:

43. The Committee expressed strong support for developing a framework for reconciling DI and AMNE statistics for possible inclusion in the *BPM7* and launching a survey to gather feedback from the compilers on such framework. The Committee asked the task team to include a definition of MNE in the GN. Some considered that such a framework should be included in an appendix of the updated Manual rather than in the main text. In general, the members suggested that the focus of such survey should be clear on the ideas to be tested and aspects of reconciliation to be considered in the framework.

44. The Committee considered that the framework should not only aim to reconcile DI with AMNE statistics but should also be fully coordinated and ultimately aligned with the work on MNEs by the GZTT. Further, the Committee welcomed introducing additional breakdowns of DI statistics to better align with the concept of MNEs used in AMNE. Such breakdowns should also be coordinated and aligned with the recommendations to be made by the GZTT.

Actions:

- The DITT to coordinate and align with the work on MNEs to be made by the GZTT;
- Subject to this, the DITT to prepare a final version of the GN, adding a definition of MNE (agreed with GZTT), stating the final recommendations, removing the questions to the Committee, etc. for posting on the Committee website;
- The DITT to take steps to prepare and launch a survey in coordination with the IMF and the OECD WGIIS;
- The (updated) GN to be part of the proposed annotated outline of *BPM7*.

A.5. FINANCIAL AND PAYMENT SYSTEMS TASK TEAM (FITT)

BOPCOM 20/10 AND 20/10.1 – VALUATION OF DEBT SECURITIES AT BOTH MARKET AND NOMINAL VALUE (F.8)**PAPER BY FITT****Topics Presented for Discussion:**

45. The valuation method for debt securities recommended in the *2008 SNA/BPM6* is market value. The GN discusses whether there should be explicit guidance in the *SNA/BPM* to compile stocks of debt securities at nominal value, as a supplement to the existing compilation at market value. *2008 SNA/BPM6* already mention the possibility of reporting nominal values of debt securities as supplementary statistics. However, the guidance is weakly phrased and there is no description of the way in which such supplementary statistics could be presented. Following the market value presentation, a potentially counter-intuitive improvement in the net IIP may be observed for an economy during the periods of financial crisis. The divergence in the market and nominal value of debt securities at a particular moment in time, and over time, is of strong analytical value (*External Debt Statistics: Guide for Compilers and Users, 2013 (EDS Guide)*, para. 7.55).

46. The GN recommends using the existing guidance presented in the *EDS Guide*, supplemented by materials from other manuals, as a possible way forward for strengthening the available information on nominal value for analytical purposes. Within this option, a decision needs to be taken on whether to cover both assets and liabilities at nominal value, or whether to concentrate on nominal value of liabilities. Further, the GN recommends a presentation table that provides a framework for reconciling nominal and market valuation of debt securities liabilities.

Outcomes of Public Consultations:

47. The public consultation showed strong support for the proposals in the GN. Most respondents supported the proposal to strengthen the existing guidance in *BPM6* and *2008 SNA* for presenting stocks of debt securities at nominal value for liabilities. Conversely, extending the nominal valuation to total debt securities assets and intercompany debt using debt securities received limited support. The feedback also highlighted the need to clarify and harmonize across all manuals the definition of nominal value. Some of the comments highlighted the need to develop guidelines for compilers on

how to implement the proposals. In the light of the wide agreement received during the public consultation, the GN was proposed to be considered by the Committee for final decision.

Summary of Discussions:

48. The Committee strongly supported the proposal for strengthening the guidance in *BPM6* and *2008 SNA* for presenting stocks of debt securities at nominal value for liabilities and introducing a supplementary table presenting the reconciliation between debt securities valued at nominal and market value for liabilities. It also agreed with the proposal to report (in economies where it is relevant) supplementary items on the nominal value of the total amount of assets in debt securities and intercompany lending in debt securities. Further, the Committee agreed on the need for clarifying the definition of nominal value and strengthening its consistency across macroeconomic statistics manuals, including the *Handbook on Securities Statistics*.

Actions:

- FITT to prepare a final version of the GN stating the final recommendations, clarifying the definition of nominal value and strengthening its consistency across macroeconomic statistics manuals; removing the questions to the Committee, etc. for posting on the Committee website;
- The (updated) GN will be part of the proposed annotated outline of *BPM7*.

BOPCOM 20/11 AND 20/11.1 – TREATMENT OF CREDIT DEFAULT SWAPS (F.5)
PAPER BY FITT

Topics Presented for Discussion:

49. The current guidance on the statistical reporting of credit default swaps (CDS) classifies CDS as being option-type. However, certain CDS characteristics are forward-type in nature which poses the question whether CDS should be reclassified as forward-type contracts in the next generation of statistical standards. The GN explores the characteristics of CDS and considers whether there are sufficiently strong grounds to recommend a change in classification from option-type to forward-type.

50. Three options/recommendations were considered: (i) continue to classify CDS as option-type; (ii) reclassify CDS as forward-type; or (iii) introduce a supplementary breakdown of financial derivatives by risk categories where credit derivatives would be separately identified. CDS share characteristics common to both forward-type and option-type derivatives; however, there are no characteristics that would align CDS better with either forward-type or option-type derivatives. The decision should be on which set of characteristics should be given greater emphasis when determining the optimal place to classify CDS. There were insufficient grounds to propose a change to the current classification.

Outcomes of Public Consultations:

51. The public consultation showed strong support for the proposals in the GN. Most comments supported the proposal to maintain CDS as options and introduce a 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. 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.

Summary of Discussions:

52. Most Committee members supported the proposal to maintain the current treatment of CDS as option-type. Some members requested that the next version of the Manual clarifies that, despite their classification as option-like, the CDS value can turn from positive to negative and vice versa. The Committee also indicated that the proposal for a supplementary table breaking down financial derivatives by risk categories—where the credit risk would be identified separately—should be forwarded to the F.4 team (dealing with the classification of financial derivatives by type) and comprehensively assessed. Depending on the final recommendations of the F.4 team (on the classification of financial derivatives by type versus by risk categories as well as on whether to maintain the distinction between option-like and forward-like derivatives), the Committee could decide revisiting its decisions.

Actions:

- FITT to prepare a final version of the GN stating the final recommendations, removing the questions to the Committee, etc. for posting on the Committee website;
- The (updated) GN to be part of the proposed annotated outline of *BPM7*;
- FITT to consider the guidance of the Committee in the context of the work on F.4 Financial Derivatives by Type.

A.9. SUSTAINABLE FINANCE

BOPCOM 20/22 – SUSTAINABLE FINANCE: HOW TO MOVE FORWARD
PAPER BY IMF AND NETHERLANDS

Topics Presented for Discussion:

53. During the 2019 meeting of the Committee, the members agreed to include exploratory work on the feasibility of measuring cross-border flows and positions on sustainable finance. The paper presents a brief update on the work so far and asks the Committee for guidance on next steps.

54. An important work stream with a common focus is the European Central Bank Statistics Committee's Expert Group on Climate Change and Statistics (ECB STC EG), chaired by the DNB. IMF participated in the ECB STC EG as an observer and has approached the Committee members for their inputs for the stocktaking exercise. The response from the members is not very encouraging. IMF and ECB are currently co-chairing the "bridging the data gaps" workstream of the Network on Greening the Financial System (NGFS). STA anticipates intensified needs for climate change-related data and is working on a project to collect data on climate change to develop a Climate Change Indicators Dashboard (CID).

Summary of Discussions:

55. The Committee welcomed the work undertaken so far and agreed filling out the stocktaking survey, in collaboration with relevant agencies in their countries. In general, Committee members suggested focusing the future work on climate change. There were suggestions to explore how tools like OECD's Analytical Database on Individual Multinationals and Affiliates (ADIMA) could help in the future work, to extend the work more broadly covering other aspects such as COVID health related issues and to closely follow up on the developments related to sustainability aspects undertaken by the task team on wellbeing & sustainability. In addition to the variables covering portfolio/direct investment proposed in the paper (e.g., green bonds), there was a suggestion to look at other variables such as international transfers to support climate change/sustainable development, insurance/financial derivatives related to climate change, etc., for possible inclusion in the *BPM7*. Some of the members (Brazil, Morocco, and UK) agreed to follow up with the relevant agencies in their countries and provide feedback to the drafting team of the GN bilaterally.

Actions:

- The drafting team of the B.6 GN to prepare a stocktaking survey and request Committee members to get feedback from the relevant agencies in their countries;
- The drafting team to prepare the GN considering the above suggestions and present it to the Committee meeting in October 2021.

B. BOPCOM 2021 WORK PROGRAM

BOPCOM 20/12 – 2021 WORK PROGRAM OF THE IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS PAPER BY IMF

Topics Presented for Discussion:

56. The 2021 work program will be influenced by the update on international statistical standards, including the sixth edition of the BPM, launched in March 2020. It integrates two important facets of IMF Statistics Department's mandate: its mission as provider of statistical services to support the IMF operations, and its traditional role of assisting the IMF membership and the world statistical community.

Top priorities are:

- providing high-level direction to the drafting of guidance notes;
- discuss, refocus—where relevant—and ultimately endorse the solutions proposed by the task teams on research topics identified in the *BPM6 Compendium of Research Issues*;
- hold two additional meetings (in addition to the meeting in October) to discuss and approve the guidance notes prepared by the Committee task teams as well as by the joint task teams on the issues listed in the *BPM6 Compendium of Research Issues*;
- oversee the launch of a data collection on special purpose entities through an annual survey.

Medium priorities are:

- addressing global discrepancies in cross border statistics – support will continue to be given to a bilaterally focused approach for addressing statistical discrepancies building on the finding of last year’s analysis of net errors and omissions;
- continue the work on improving the availability of data on issuer sectors of securities in the CPIS – the Committee members will be invited to continue/start participating in the annual exchange of sector information on securities issuers.

Summary of Discussions:

57. All Committee members agreed to include as the top priority for 2021 the work on the update of the BPM. The envisaged testing should demonstrate whether the proposed changes be feasible to compilers. It was suggested to develop a viable communication strategy, for instance by clustering the proposals for change by types (e.g., methodological changes; clarification/compilation issues; core changes (i.e., additional standard components); additional supplementary items, etc.). Given the importance of SNA-BPM consistency, there was a plea for seeking AEG endorsement for additional items with an impact on the SNA, even beyond the work of the joint Task Teams (e.g., C.5.1 The treatment of operating leases).

58. The updated manual should set a medium-term benchmark of where external sector statistics want to be in about 20 years. With this in mind, before starting to draft the *BPM7* annotated outline the Committee is expected to undertake a holistic assessment of all the proposals, trying to ensure coherence and feasibility. Some committee members requested this to be recognized.

59. The medium-priority topic on addressing global discrepancies in cross-border statistics was already in 2020 work program, but the work had to be delayed due to the pandemic. While the situation remains complicated, if there is additional progress, it will be presented to the Committee in October 2021.

Actions:

- The Committee endorsed the work program for 2021 with the agreed change of stating explicitly that before starting to draft the *BPM7* annotated outline the Committee will undertake a holistic assessment of all the proposals, trying to ensure coherence and feasibility.

OTHER ISSUES:

The next two additional meetings will be held virtually during February 22–24, 2021, and June 21–24, 2021. The location of the next annual Committee’s meeting will be Washington D.C., USA (proposed dates October 26–28, 2021—if virtual, October 25–28, 2021).

Items for Information: *Some documents prepared for information have been presented at the meeting, but no discussion took place, others have not been presented during the meeting (*). However, all of them will be part of the official BOPCOM papers and will be posted on the BOPCOM webpage.*

BOPCOM 20/14	Overview of the Work of the Balance of Payments Task Team <i>Report by BPTT</i>
BOPCOM 20/15	Overview of the Work of the Current Account Task Team <i>Report by CATT</i>
BOPCOM 20/16	Overview of the Work of the Direct Investment Task Team <i>Report by DITT</i>
BOPCOM 20/17	Overview of the Work of the Financial and Payments Systems Task Team <i>Report by FITT</i>
BOPCOM 20/18	Progress Report on Work Undertaken by the Globalization Task Team <i>Report by GZTT</i>
BOPCOM 20/19	Progress Report on Work Undertaken on Informal Economy <i>Report by IETT</i>
BOPCOM 20/20	Progress Report on Work Undertaken on Intellectual Property Products <i>Report by IPTT</i>
BOPCOM 20/21	Progress Report on Work Undertaken on Islamic Finance <i>Report by IFTT</i>
BOPCOM 20/23	Progress Report on Work Undertaken by the Communication Task Team <i>Report by CMTT</i>
BOPCOM 20/24	Collaborative Compilers Hub <i>Report by CMTT</i>
BOPCOM 20/25	Progress Report on Other External Sector Statistics Initiatives Underway in the IMF's Statistics Department (*) <i>Report by IMF</i>
BOPCOM 20/26	Special Purpose Entities: Guidelines for a Data Template (*) <i>Report by IMF</i>
BOPCOM 20/27	World Investment Report 2020: Key Messages and Overview (*) <i>Report by UNCTAD</i>