



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

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For information

## Overview of the Work of the Financial and Payment Systems Task Team

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

INTERNATIONAL MONETARY FUND



## Overview of the Work of the Financial and Payments Systems Task Team<sup>1</sup>

*This report presents an overview of the activities and the progress made by the Financial and Payments Systems Task Team (FITT) since its inception in June 2020. FITT's current work plan includes the preparation of 14 guidance notes (GNs), covering methodological issues primarily associated with the evolution of financial and payments systems. Out of the 14 GNs, four have already been prepared, of which two have been circulated to the Balance of Payments Task Team and the Advisory Expert Group on National Accounts for simultaneous consultation and have moved to the stage of public consultation. These two GNs are presented for discussion at this meeting. One of the remaining two is under revision following the review by the FITT members while the other is due for distribution to the FITT members for their comments. Going forward, the FITT has adopted a staged approach for producing the remaining guidance notes ahead of the end of its mandate in March 2022 (please, see the details under Appendix 1).*

### INTRODUCTION

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- 1. The Financial and Payments Systems Task Team (FITT) is one of the joint Task Teams (TTs) established for the review of the statistical standards, which deals primarily with research issues related to the financial and payment systems and specific issues relating to equity income.** It works closely with the Balance of Payments Task Team (BPTT) and the Advisory Expert Group on National Accounts (AEG), which are in turn responsible for examining GNs before being sent to the IMF's Committee on Balance of Payments Statistics (the Committee) and to the Intersecretariat Working Group on National Accounts (ISWGNA) and the AEG for final endorsement. The Co-Chairs of FITT are the IMF and ECB, while the Secretariat is the IMF. Its membership comprises 11 countries and seven international organizations.
- 2. The FITT was officially launched on June 10, 2020, with a mandate that spans until March 2022.** Within that time frame, FITT is expected to undertake thorough research on both high and medium priority research topics associated with financial and payments systems, discuss, reach conclusions, and present proposals for endorsement by the Committee and the ISWGNA. Key issues to be addressed by FITT, as drawn from the research agenda of the Committee, are presented in the Compendium of Issues adjoining its [terms of reference](#).

### OVERVIEW OF THE FITT'S WORK

- 3. At its inaugural meeting, the role of FITT members, working procedures, research issues, approval process for the GNs and tentative timeline for producing the GNs were discussed and agreed.** The target dates to produce the GNs closely follow the calendar of the upcoming Committee and AEG meetings to allow for discussion therein, although some of them may be approved via written procedure. The FITT has a publicly accessible [website](#), where all relevant documents can be consulted and where public consultations are taking place.

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<sup>1</sup> Prepared by Joji Ishikawa and Kenneth Egesa—FITT Secretariat and reviewed by Mr. Celestino Giron (ECB) and Mr. Artak Harutyunyan (IMF)—Co-Chairs of the FITT.

4. **The FITT was initially assigned 14 research topics to prepare respective GNs for the Committee’s and ISWGNA’s consideration.** Different sub-groups have been designated for the production of each GN, consisting of lead author(s) and contributors (see Appendix I). Of the 14 topics, four GNs were prepared, of which two were finalized and have passed public consultation—F.5 “*Treatment of Credit Default Swaps*” and F.8 “*Valuation of Debt Securities at Both Market and Nominal Value*”. These two GNs are presented to the Committee for consideration. Of the other two GNs, F.3 “*Reverse Transactions*”, was distributed to FITT members, and comments are being incorporated by the co-authors, while the other, F.10 “*Treatment of Cash Collateral*”, is to be distributed to FITT members for their review.

5. **The AEG Secretariat received the two GNs submitted by the FITT for distribution to its members for comments.** During this review round, the distribution to the AEG members occurred after the BPTT review, which allowed the AEG to examine amendments stemming from the BPTT comments which were specific to national accounts. Due to the time constraint, comments from the AEG for the two GNs will be incorporated together with those from the public consultation. Future consultations to the BPTT and the AEG are expected to run in parallel.

6. **The FITT is proposing to drop topic F.11 “*Treatment of Electricity Forwards*” from its research agenda.** This is because FITT believes the topic is not of a high priority compared to other topics in the Committee’s list of research topics and dropping it will allow members to focus on more important and relevant topics. Given that Germany had suggested the addition of this topic to the Committee’s research agenda, the member of the Committee has been consulted and she agrees with this proposal.

7. **Moving forward, the production of the remaining GNs is being sequenced to allow for more flexibility along the process.** The co-authoring teams will be given sufficient time to integrate and discuss comments received from within the FITT, as well as other relevant task teams, and have the GNs sent for public consultation before being presented at the Committees (see Appendix II for the timetable ahead of the Committee’s meetings in February and June 2021). While no meeting has been held with FITT members following the inaugural meeting, the Co-Chairs and Secretariat have had regular coordination meetings, including with co-authoring teams as necessary, and members have been kept abreast of the progress through regular emails including provision of revised GNs and notifications on how their comments have been addressed in the revisions. The FITT will be holding occasional virtual meetings to apprise its members about future plans, to discuss the work plan and also to inform them on the overall work associated with the update of the manuals. The next meeting will take place after the October meeting of the Committee and the AEG to notify about the outcomes.

## Appendix I. FITT Research Issues – Sequence and Timing of the GNs

Issue No.	Research Topic	Teams (Lead and Contributors)	Proposed Timing of Meeting
<b>Financial and Payments Systems Task Team (FITT)</b>			
<i>High-Priority Items</i>			
F.1	More disaggregated definition of the financial sector and financial instruments	<b>Lead: IMF &amp; OECD</b> Contributors: South Africa, Portugal, ECB, UNSD	October 2021 Committee Meeting
F.2	Asymmetric treatment of retained earnings between direct and portfolio investment and potential extension to domestic relationships	<b>Lead: ECB &amp; IMF</b> Contributors: Armenia, Switzerland, Serbia	June 2021 Committee Meeting
F.3	Reverse transactions	<b>Lead: BIS &amp; IMF</b> Contributors: South Africa, UK, FSB	February 2021 Committee Meeting
F.4	Financial derivatives by type	<b>Lead: BIS &amp; ECB</b> Contributors: UK, IMF, USA	June 2021 Committee Meeting
F.5	Treatment of credit default swaps	<b>Lead: UK</b> Contributors: BIS, IMF, USA	October 2020 BOPCOM Meeting
F.6	Non-bank Financial Intermediation	<b>Lead: OECD &amp; IMF</b> Contributors: FSB, BIS, ECB, South Africa, UNSD	October 2021 Committee Meeting
F.7	Impact of FINTECH and other financial innovations	<b>Lead: IMF</b> Contributors: Switzerland, Indonesia, Serbia, USA, OECD, UNSD, FSB	October 2021 Committee Meeting
F.8	Valuation of debt securities at both market and nominal value	<b>Lead: Portugal &amp; Eurostat</b> Contributors: Armenia, Indonesia, BIS, Italy	October 2020 BOPCOM Meeting
F.9	Valuation of loans (fair value)	<b>Lead: Armenia &amp; Italy</b> Contributors: Eurostat, South Africa, ECCB	June 2021 Committee Meeting

Issue No.	Research Topic	Teams (Lead and Contributors)	Proposed Timing of Meeting
<b>Medium-Priority Items</b>			
F.10	Treatment of cash collateral	<b>Lead: ECB</b> Contributors: Netherlands, BIS, Eurostat	February 2021 Committee Meeting
F.11	Treatment of electricity forwards	<b>FITT is proposing to drop this topic</b>	
F.12	Covering hybrid insurance and pension products	<b>Lead: Japan</b> Contributors: ECB, Serbia	October 2021 Committee Meeting
F.13	Measurement of margins on buying and selling of financial instruments	<b>Lead: ECB</b> Contributors: USA, UK	June 2021 Committee Meeting
F.14	Treatment of factoring transactions	<b>Lead: Armenia</b> Contributors: Uganda, ECB, Eurostat	June 2021 Committee Meeting

**Appendix II. Proposed Timeline for GNs Scheduled for the February and June 2021 Committee Meetings**

<b>Action</b>	<b>Timeline</b>	
	<b>February 2021 Meeting</b>	<b>June 2021 Meeting</b>
Draft GN to be ready for FITT review	No later than November 6, 2020	No later than February 26, 2021
Draft GN to be submitted to AEG/BPTT for review	No later than November 23, 2020	No later than March 15, 2021
GN to be posted for public consultation	No later than December 18, 2020	No later than April 16, 2021
GN to be sent to the Committee	No later than February 5, 2021	No later than June 4, 2021