



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

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BOPCOMVM2—21/09.1  
For discussion

## **F.4 Financial Derivatives by Type: Outcome of the Public Consultation**

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

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## **F.4 Financial Derivatives by Type: Outcome of the Public Consultation**

*The results of the public consultation showed strong support for all the proposals in this guidance note (GN). Respondents overwhelmingly supported (a) the new classification of financial derivatives by market risk category, (b) the classification of credit default swaps (CDS) in the new market risk category of credit risk or risks to other underlying instruments, and in the new instrument category of credit derivatives, (c) emphasizing in the updated standards the importance of compiling notional values of foreign currency derivatives, (d) recording all revaluations as price changes when it is not practical to separate revaluations due to price or exchange rate changes, (e) providing methodological guidance on the recording of novation and portfolio compression, and (f) ensuring clarity on cases when net recording of financial derivative transactions is acceptable, including cases when gross recording is impractical.*

*This GN is presented to the Committee for final decision.*

1. *Do you agree with the proposals to discontinue the current breakdown by broad type and introduce the new breakdowns: (i) by market risk category (standard component); (ii) by instrument (supplementary item); and (iii) by trading venue and clearing type (supplementary item)?*

- **Public consultation respondents overwhelmingly supported the proposals (i) and (ii), and most respondents also supported proposal (iii).**

Respondents who supported proposal (i) mentioned that it will be of more analytical value compared to the current classification and complement the approach adopted in the BIS global derivative statistics. Respondents also supported proposal (ii) to be compiled as a supplementary item. Although most respondents supported proposal (iii), a few indicated that such classification would have less analytical value and should be surveyed in a more specialized data collection focused on financial derivatives. Respondents who did not support these proposals indicated that it would unduly increase reporting and compilation burden. There was also a suggestion to include maturity breakdowns as standard components.

2. *Do you agree with the proposal to review the recommendation in GN F.5 Treatment of Credit Default Swaps in light of the outcome of this GN related to discontinuation of derivatives aggregate breakdown by broad type?*

- **All except one respondent supported the proposal.**

The respondents supported the proposals to classify the Credit Default Swaps by market risk category under credit risk (as a standard component) and by instrument under credit derivatives (as a supplementary item).

3. *Do you agree with the proposal to emphasize in the main text of the updated Balance of Payments and International Investment Position Manual and System of National Accounts the importance of*

*compiling notional values of foreign currency derivatives by currency as described in Tables A9-I-1b and A9-I-2b of BPM6 Appendix 9?*

- **A large majority of respondents supported the proposal.**

Respondents who supported the proposal mentioned that information by currency is important for a better understanding of foreign currency debt sustainability and cross-border currency mismatches. Respondents who did not support the proposal, and some that supported it, indicated challenges regarding source data availability and resources that the reporting and compilation would require.

4. *Do you agree with the proposal to change the convention in BPM6, paragraph 9.31, so that for those types of financial derivatives where it may not be practical to separate exchange rate changes from other revaluations, all revaluations are due to (other) price revaluations rather than exchange rate revaluations?*

- **A large majority of respondents supported the proposal.**

Respondents who supported the proposal preferred recording price revaluations rather than exchange rate revaluations when these two cannot be clearly separated. They did not provide strong reasons, but mentioned that the European Central Bank's Working Group on External Statistics also reached the same conclusion in 2015. Respondents who did not support the proposal did not indicate specific reasons. There was also a suggestion to continue recording revaluations as exchange rate changes for exchange rate-related financial derivatives and, for other financial derivatives, record these as other price changes when it's not practical to separate these two types of revaluations.

5. *Do you agree with the proposals to introduce a Box in Chapter 8 (Financial Account) of BPM6 and in Chapter 11 of 2008 SNA providing methodological guidance for the recording of novation and portfolio compression as financial transactions?*

- **A large majority of respondents supported the proposal.**

Respondents who supported the proposal welcomed guidance on these types of transactions. Respondents who did not support the proposal argued that this is not a methodological issue and should be discussed in a compilation guide.

6. *Do you agree with the proposals to recommend in paragraph 8.34 of BPM6 and in Chapter 17 of 2008 SNA recording of transactions on a gross basis, while permitting net recording when gross recording is impractical (i.e., for those financial derivatives that can be either an asset or a liability depending on the valuation—e.g., swaps)?*

- **All the respondents supported the proposal.**

The respondents welcomed this practical proposal which reduces the reporting and compilation burden, although some of them stressed that the compilation should be on a gross basis to the extent possible.