



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

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BOPCOMVM2—21/11.1  
For discussion

## F.16 Subscription Rights: Outcome of the Public Consultation

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

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## F.16 Subscription Rights: Outcome of the Public Consultation

*The public consultation of the guidance note (GN) F.16 Subscription Rights took place during the period May 4–June 2, 2021. A large majority of respondents supported the GN’s proposal of treating subscription rights as equity (Option 1). The respondents found Option 1 as superior on both conceptual and practical grounds as compared to the alternative option of treating subscription rights as financial derivatives (Option 2). The few respondents supporting Option 2 did not have a common view on whether a nonfinancial transaction—dividend or transfer, transaction in equity, or other flows in equity should be recorded for the counterpart of the flows of creation of the new financial derivative. There was also no common view on how the extinction of the financial derivative should be recorded (transactions or other flows with counterpart equity).*

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

1. *Do you agree with the classification and treatment of subscription rights as equity (Option 1)?*

- **A large majority of public consultation respondents supported Option 1.**

Respondents supporting Option 1 found it superior to Option 2 (i.e. financial derivatives) on both conceptual and practical grounds. Some of them commented that Option 1 is relatively straightforward to understand and simpler to apply. Others also highlighted that the equity treatment provides a fair reflection of the corporate value. One of the few respondents who supported Option 2, noted that there are common characteristics between subscription rights and warrants and employee stock options and, therefore, argued that subscription rights should not be treated differently.

2. *If not, and the treatment of subscription rights as a new financial derivative (Option 2) is preferred, what would be the counterpart of the flow of creation of the new financial derivative? (non-financial transaction—dividend or transfer, transaction in equity, or other flows in equity). How would the extinction of the financial derivative be recorded (transactions or other flows with counterpart equity)?*

- **The respondents supporting Option 2 did not have a common view on what would be the counterpart of the flows of creation of the new financial derivative and how the extinction of the financial derivative would be recorded.**

One of the respondents expressed a preference for the counterpart entry to the creation of the new financial derivative to be recorded as income (nonfinancial transaction—dividend or transfer), and for the extinction of the financial derivative, to be recorded as the counterpart of a transaction in equity (increase); another respondent preferred the recording of other flows (change in equity) as counterpart entries for both events; and a third one did not express any preference.

3. *Do you have any other views on the treatment of subscription rights?*

- Several respondents noted that the short life of subscription rights might advise for a treatment as equity on practical grounds, even if the derivative option is preferred. Another respondent noted practical difficulties for the coverage of subscription rights in security-by-security databases and explained that they are not currently covered in their securities statistics.