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For information

Overview of the Work of the Financial and Payments Systems Task Team

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

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Overview of the Work of the Financial and Payments Systems Task Team¹

This report presents an overview of the activities and the progress made by the Financial and Payments Systems Task Team (FITT) since the last meeting of the IMF's Committee on Balance of Payments Statistics (the Committee) in February 2021. FITT's current work plan includes the preparation of 17 guidance notes (GNs), three more than originally scheduled, covering methodological issues primarily associated with the evolution of financial and payments systems. The implementation of the work plan has been broadly consistent with the pre-established time frame and adjusted to incorporate new topics. Three GNs were already endorsed by the Committee and the Advisory Expert Group on National Accounts (AEG) at their previous meetings and posted on the IMF's website on the updates of the sixth edition of Balance of Payments and International Investment Position Manual. The Committee and the AEG requested that additional work be done on GN F.10 Treatment of Cash Collateral. Another four GNs will be discussed during this Committee meeting. In addition, three GNs will be discussed via written procedure after this Committee meeting, following endorsement by the Balance of Payments Task Team (BPTT) and the AEG, and public consultation. The final batch of six GNs will be prepared for discussion at the October 2021 Committee meeting, with a possibility of discussing some of them earlier or after the meeting via written procedure (see the details in Appendix I).

INTRODUCTION

- 1. The Financial and Payments Systems Task Team (FITT) primarily deals with research issues related to the financial and payments systems and specific issues relating to equity income.** It is one of the joint task teams established by the IMF's Committee on Balance of Payments Statistics (the Committee) and the Intersecretariat Working Group on National Accounts (ISWGNA) in the process of revising the IMF's *Balance of Payments and International Investment Position Manual, sixth edition (BPM6)* and *the System of National Accounts 2008 (SNA 2008)*.² As expected for the Phase I of the BPM6 update process, the FITT 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 guidance notes (GNs) before being sent to the IMF's Committee on Balance of Payments Statistics (the Committee) and to the AEG/ISWGNA for final endorsement.
- 2. The timeline to produce the GNs follows the calendar of the 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 the GNs are posted for public consultation.

¹ Prepared by Joji Ishikawa, Kenneth Egesa, and Borys Cotto—FITT Secretariat; and reviewed by Mr. Celestino Giron (European Central Bank—ECB) and Mr. Artak Harutyunyan (IMF)—Co-Chairs of the FITT.

² The FITT was officially launched on June 10, 2020, with a mandate that spans until March 2022. 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](#). The Co-Chairs of FITT are the IMF and ECB, while the Secretariat is the IMF. Its membership comprises 11 countries and eight international organizations.

OVERVIEW OF THE FITT'S WORK

3. **FITT's current work plan includes the preparation of 17 GNs, covering methodological issues primarily associated with the evolution of financial and payments systems.** The FITT was initially assigned 14 research topics, but adjustments have been made to include four new relevant topics and drop one topic.³ FITT members are organized in authoring teams for the preparation of the GNs, consisting of lead author(s) and contributors (see Appendix I).

4. **The FITT's work plan is being implemented following the agreed time frame and the sequence established by the Committee.** Three out of the 17 GNs have already been endorsed by the Committee. They were also endorsed by the AEG and posted on the IMF's *BPM6* Update website. The GNs *F.5 Treatment of Credit Default Swaps* and *F.8 Valuation of Debt Securities at Both Market and Nominal Value* were endorsed in October 2020, and *F.3 Reverse Transactions* was endorsed in February 2021. The Committee requested that additional work be done on GN *F.10 Treatment of Cash Collateral* with a view for FITT to propose a way forward; this was also backed by the AEG. Following public consultation, the following four GNs will be discussed during this Committee meeting: *F.2 Asymmetric Treatment of Retained Earnings*, *F.4 Financial Derivatives by Type*, *F.6 Non-bank Financial Intermediation*, and *F.16 Subscription Rights*.

5. **The preparation of the remaining nine GNs is ongoing.** Three GNs are expected to be discussed by the Committee and AEG via written procedures sometime after this Committee meeting. The final batch of six GNs will be prepared for discussion at the October 2021 Committee meeting, with a possibility of discussing some of them earlier or after the meeting via written procedure. Appendix II provides the timetable ahead of the Committee's meeting in October 2021. FITT Co-Chairs and Secretariat have advised the authoring teams to follow existing guidelines to timely draft and update GNs. Among them, streamlining the draft GNs to keep their length around six pages (excluding annexes) is strongly recommended.

6. **Frequent communication and adequate coordination between FITT Co-Chairs and Secretariat, and authoring teams are among the key factors to keep FITT's work plan on track.** After the previous FITT meeting in November 2020, FITT Co-Chairs and Secretariat have maintained regular communication with the authoring teams as necessary, and FITT members have been kept abreast of the progress through 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.

³ Four additional GNs are *F.15 Debt Concessionality*, *F.16 Subscription Rights*, *F.17 Master Risk Participation Agreements*, and *F.18 Crypto Assets (jointly with the Digitalization Task Team)*. *F.11 Treatment of Electricity Forwards* has been dropped.

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

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

Issue No.	Research Topic	Teams (Lead and Contributors)	Proposed Timing of Meeting
Medium-Priority Items			
F.10	Treatment of cash collateral	Lead: ECB Contributors: Netherlands, BIS, Eurostat	February 2021 Committee Meeting
F.11	Treatment of electricity forwards	Topic dropped	
F.12	Covering hybrid insurance and pension products	Lead: Japan Contributors: ECB, Serbia	October 2021 Committee Meeting
F.13	Measurement of margins on buying and selling of financial instruments	Lead: ECB Contributors: USA, UK	October 2021 Committee Meeting
F.14	Treatment of factoring transactions	Lead: Armenia Contributors: Uganda, ECB, Eurostat	June 2021 Committee Meeting (written procedure)
F.15	Debt concessionality (new topic)	Lead: Eurostat Contributors: Portugal, IMF	June 2021 Committee Meeting (written procedure)
F.16	Subscription rights (new topic)	Lead: ECB Contributors: Portugal, South Africa	June 2021 Committee Meeting
F.17	Master risk participation agreements (new topic)	Lead: Indonesia Contributors: South Africa	October 2021 Committee Meeting
F.18	Crypto Assets (new topic)	Lead: OECD, ECB, IMF, and USA	October 2021 Committee Meeting

Appendix II. Proposed Timeline for GNs Scheduled for the October 2021 Committee Meeting

Action	Timeline
	October 2021 Meeting
Draft GN to be ready for FITT review	No later than June 25, 2021
Draft GN to be submitted to AEG/BPTT for review	No later than July 19, 2021
GN to be posted for public consultation	No later than August 16, 2021
GN to be sent to the Committee	No later than October 11, 2021