IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS

ANNUAL REPORT
2001

INTERNATIONAL MONETARY FUND

IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS

ANNUAL REPORT
2001

INTERNATIONAL MONETARY FUND
Statistics Department

JUNE 2002

recycled paper

Contents

Tables

Box

Appendices

List of Abbreviations

1993 SNA	*1993 System of National Accounts*
BIS	Bank for International Settlements
BOPSY	*Balance of Payments Statistics Yearbook*
BPM	Balance of payments manual
BPM5	*Balance of Payments Manual*, 5th edition
CPIS	Coordinated Portfolio Investment Survey
CPISG2	*Coordinated Portfolio Investment Survey Guide, Second Edition*
DQAF	Data Quality Assessment Framework
ECB	European Central Bank
ESA95	*European System of Accounts 1995* (Eurostat)
ESCB	European System of Central Banks
Esteva Report	*Final Report on the Working Party on the Statistical Discrepancy in World Current Account Balances*
EU	European Union
Eurostat	Statistical Office of the European Communities
External Debt Guide	*External Debt Statistics: Guide for Compilers and Users*
FATS	Foreign affiliates trade in services
GDDS	General Data Dissemination System (IMF)
Godeaux Report	*Final Report of the Working Party on the Measurement of International Capital Flows*
GSDB	Global securities database
IASB	International Accounting Standards Board
IATFFS	Inter-Agency Task Force on Finance Statistics
IIP	International investment position
ISWGNA	Inter-Secretariat Working Group on National Accounts
ITRS	International transactions recording system
LCFAR	Liabilities constituting foreign authorities' reserves
MFI	Monetary financial institution
NFI	Nonmonetary financial institution
OECD	Organisation for Economic Co-operation and Development
ROSC	Report on the Observance of Standards and Codes
SEFER	Survey of Securities Held as Foreign Exchange Reserves
SEIFiC	Small economy with international financial center
SDB	Securities databases
SDDS	Special Data Dissemination Standard (IMF)
SIMSDI	Survey of the Implementation of Methodological Standards for Direct Investment
SM	*European Union Balance of Payments/International Investment Position Statistical Methods* (ECB)
SPE	Special purpose entity
SSIO	Survey of Securities held by International Organizations
TFSITS	Inter-Agency Task Force on Statistics of International Trade in Services
TPH	Third party holdings
WFS	Working Party on Financial Statistics (OECD)
WG-BP&ER	Working Group on Balance of Payments and External Reserves Statistics (ECB)

Annual Report of the IMF Committee on Balance of Payments Statistics

I. Introduction

The IMF Committee on Balance of Payments Statistics was established in 1992 for the following purposes: to oversee the implementation of the recommendations contained in the reports of two IMF working parties that investigated the principal sources of discrepancy in global balance of payments statistics published by the IMF;[1] to advise the IMF on methodological and compilation issues in the context of balance of payments and international investment position statistics; and to foster greater coordination of data collection among countries. The membership of the Committee as of December 31, 2001 and its terms of reference are presented in Appendices 1 and 2, respectively. In 2001, the Committee held its fourteenth meeting in October, in Tokyo; the meeting was co-hosted by the Japanese Ministry of Finance and the Bank of Japan.

This report is structured as follows: Section II presents the Executive Summary. Section III provides an overview of statistical discrepancies in the global balance of payments statistics published by the IMF's Statistics Department. Section IV discusses the Committee's work program during 2001, and Section V concludes with a discussion of the issues that the Committee plans to address in the coming year.

II. Executive Summary

Recent Trends in Global Balance of Payments Statistics

Balance of payments statistics reported to the IMF's Statistics Department and published in the 2001 *Balance of Payments Statistics Yearbook* (*BOPSY*) continue to show large discrepancies in the global summations of current, capital, and financial transactions. The global imbalances of both the *current account* and the *financial account* showed significant increases in 2000. Within the

current account, there was a marked improvement in 2000 in the imbalance for trade in *goods* and also an improvement in the imbalance for *income*; however, the imbalances for the other components of the current account deteriorated. Within the financial account, the marked deterioration in the imbalance for *direct investment* seen in 1999 continued in 2000, and the imbalance for the *portfolio investment* component continued to be large.

The work of the Committee to address these global imbalances continued during 2001—notably, work on the 2001 Coordinated Portfolio Investment Survey (CPIS) and the 2001 update of the joint IMF-OECD survey of the implementation of methodological standards for direct investment (SIMSDI). The year 2001 also saw the continuation of complementary work by the Inter-Agency Task Force on Finance Statistics (IATFFS), including the release of the final draft of *External Debt Statistics: A Guide for Compilers and Users* (*External Debt Guide*), to help improve the measurement of international transactions related to external debt in the coming years, and work in the European Union (EU) towards eliminating bilateral discrepancies in the balance of payments statistics of EU member states.

Data Quality Assessment

The international financial crises in recent years have led policymakers and other users of statistics to give increased attention to the availability of comprehensive, timely, and reliable financial and economic data. Particular importance has been attached to the quality of statistics and the need for a systematic approach and a common language for the assessment of data quality. To meet this need, the IMF's Statistics Department has continued to develop the data quality assessment framework (DQAF) for macroeconomic statistics. In 2001, the generic and the data-specific frameworks were finalized and harmonized to the extent possible.

During the first half of 2001, the DQAF continued to benefit from discussions in various international fora. In July 2001, the IMF Executive Board decided that the DQAF would be incorporated into the Report on the Observance of Standards and Codes (ROSC) framework. Several Committee members, who had been involved in assessment of their country (or zone)'s statistics using

---

[1] *Final Report on the Working Party on the Statistical Discrepancy in World Current Account Balances* (the so-called *Esteva Report*), IMF, Washington D.C., 1987, and *Final Report of the Working Party on the Measurement of International Capital Flows* (the so-called *Godeaux Report*), IMF, Washington, D.C., 1992.

1

the DQAF, stressed the thoroughness, comprehensiveness, and usefulness of the framework.

Coordinated Portfolio Investment Survey

The Committee received a report on progress toward the implementation of the 2001 CPIS. This survey, which builds on the 1997 CPIS, is a survey of holdings of security assets, with information on the issues of these instruments by counterpart countries. As well as its use in improving each participating country's portfolio assets data, it provides information from which counterpart countries can estimate their own outstanding liabilities to nonresidents in these instruments. Further, the CPIS provides a more comprehensive measure of the size and composition of holdings of securities in international financial markets, and is thus an important complement to the international banking statistics produced by the Bank for International Settlements (BIS). About 60 economies are expected to participate in the 2001 CPIS, including about 20 small economies with international financial centers (SEIFiCs). The Committee agreed that the 2001 CPIS will become the first of a series of annual surveys. Work by IMF staff and CPIS participating economies over the past year has identified the need to develop more clearly the definition of residence used in macroeconomic statistics, as well as the statistical treatment of trusts and international business companies (that is, companies that do not conduct business in their place of registration).

Other Methodological Work

Direct investment: The Committee considered several methodological issues related to direct investment. They (a) recommended that the next SIMSDI should be undertaken in 2003; (b) proposed that, pending full agreement with the European Central Bank (ECB) and euro area member states, financial derivatives transactions and positions between enterprises in a direct investment relationship be classified to the *financial derivatives* standard component rather than to a separate subcomponent of direct investment; and (c) agreed with the clarifications of the *BPM5* statistical treatment of some specific transactions related to direct investment.

Reverse transactions: The Committee reviewed the statistical treatment of reverse transactions (repurchase agreements, securities lending, gold swaps and gold loans) and requested that the IMF's Statistics Department expedite the work of the working group on reverse transactions on estimating the size of the reverse transactions market and the potential contribution that these transactions may make to global asymmetries.

International Banking Statistics: The Committee reviewed (a) the work of the BIS in developing further its international banking statistics; (b) BIS' triennial surveys of the financial derivatives markets; and (c) a study undertaken by the BIS comparing creditor and debtor data on banking statistics.

Other topics: Among the other subjects reviewed by the Committee were the following: the appropriate basis for the statistical measurement of nonperforming loans; uses of balance of payments statistics; the statistical treatment of accrued interest on debt securities and the appropriate treatment of retained earnings of mutual funds and other collective investment schemes; the classification of trusts; a review of the concept of residence; a global securities database; and the statistical treatment of employee stock options. The Committee was apprised of the investigations being undertaken in the EU relating to balance of payments measurement issues such as direct investment and travel.

Updating of the Fifth Edition of the Balance of Payments Manual

The Committee agreed with the procedure proposed by IMF staff for updating the fifth edition of the IMF's *Balance of Payments Manual* (*BPM5*). They further agreed that the compendium of issues that is being developed by IMF staff is a useful way to identify issues that need to be explored in the updating process. They agreed on the target date of 2007 for publication of an updated manual that will incorporate editorial amendments, clarifications, and interpretations of *BPM5* as well as any needed changes to the concepts included in *BPM5*. Finally, the Committee proposed that a draft work program for updating *BPM5* be prepared for the next meeting of the Committee.

III. Recent Trends in Global Balance of Payments Statistics

Introduction

In principle, the combined surpluses and combined deficits arising from the current, capital, and financial transactions for all countries should equal zero, as the credits of one country or organization are the debits of another. In practice, however, the data do not offset each other, and significant statistical discrepancies occur in the global statistics, reflecting the incomplete coverage of transactions, and the inaccurate and inconsistent recording of cross-border transactions by countries resulting from, for example, differences in classification and valuation practices, or in the time of recording of

Table 1. Global Balances on Current Account
(In billions of U.S. dollars)

	1994	1995	1996	1997	1998	1999	2000	Average Imbalance 1994–99	Average Imbalance 1994–2000
Current account balance	−33.9	−27.0	−14.4	37.4	−43.9	−92.8	−127.5	−29.1	−43.2
Goods balance	94.8	118.2	99.0	115.0	76.4	46.7	16.4	91.7	80.9
Credit	4,234.4	5,089.8	5,337.2	5,545.8	5,427.1	5,609.5	6,309.3	. . .	. . .
Debit	4,139.6	4,971.6	5,238.2	5,430.8	5,350.7	5,562.8	6,292.9	. . .	. . .
Services balance	−6.8	−14.5	−9.3	1.7	−1.9	−6.9	−21.1	−6.3	−8.4
Credit	1,077.1	1,228.4	1,312.3	1,361.8	1,375.7	1,402.6	1,476.2	. . .	. . .
Debit	1,083.9	1,242.9	1,321.6	1,360.1	1,377.6	1,409.5	1,497.3	. . .	. . .
Transportation	−50.1	−59.8	−55.3	−56.8	−56.5	−57.9	−72.2	−56.1	−58.4
Travel	24.0	30.5	38.9	38.8	39.5	40.8	42.0	35.4	36.4
Government services	−7.6	−9.4	−9.8	−11.0	−5.9	−14.8	−21.0	−9.8	−11.4
Other services	27.0	24.2	16.9	30.7	21.0	25.1	30.1	24.2	25.0
Income balance	−67.5	−82.6	−72.9	−55.1	−93.4	−101.9	−91.5	−78.9	−80.7
Credit	924.5	1,107.6	1,176.8	1,237.5	1,320.7	1,353.1	1,557.0	. . .	. . .
Debit	992.0	1,190.2	1,249.7	1,292.6	1,414.1	1,455.0	1,648.5	. . .	. . .
Compensation of employees	−8.4	−8.6	−8.5	0.8	−1.8	−1.2	−2.3	−4.6	−4.3
Reinvested earnings	43.4	59.8	68.7	59.3	37.6	62.8	58.5	55.3	55.7
Other direct investment income	11.7	−14.3	−10.3	6.2	3.3	−32.4	−28.9	−6.0	−9.2
Portfolio and other investment income	−114.2	−119.4	−122.9	−121.4	−132.5	−131.1	−118.8	−123.6	−122.9
Current transfers balance	−54.4	−48.1	−31.2	−24.3	−25.0	−30.7	−31.3	−35.6	−35.0
Credit	292.7	322.6	367.7	356.7	372.3	381.0	370.9	. . .	. . .
Debit	347.1	370.7	398.9	381.0	397.3	411.7	402.2	. . .	. . .
Memorandum items									
Current account balance as percent of gross current account transactions	0.3	0.2	0.1	0.2	0.3	0.5	0.7	0.3	0.3
Goods balance as percent of gross goods transactions	1.1	1.2	0.9	1.0	0.7	0.4	0.1	0.9	0.8
Services balance as percent of gross services transactions	0.3	0.6	0.4	0.1	0.1	0.2	0.7	0.3	0.3
Income balance as percent of gross income transactions	3.5	3.6	3.0	2.2	3.4	3.6	2.9	3.2	3.2
Current transfers balance as percent of gross current transfers transactions	8.5	6.9	4.1	3.3	3.3	3.9	4.1	5.0	4.9

Source: IMF, *Balance of Payments Statistics Yearbook*, Volume 52, Part 2 (Washington, 2001).

transactions. It should also be noted that many errors and omissions in the data offset or cancel each other and are therefore not reflected in the data on global imbalances shown in Tables 1 and 2 of this report.

The Committee was presented with an IMF staff paper on trends in the global imbalances at its 2001 meeting, an updated version of which is summarized in the paragraphs that follow. Eurostat, in consultation with the ECB, also made a presentation to the 2001 meeting of the Committee on work being undertaken by the EU member states on resolving asymmetries in the euro area data—work that is seen as an important step towards reducing global imbalances.

Global Current Account

In 2000, as in all recent years except 1997, the current account showed an excess of recorded debits over recorded credits. The global current account data shown in Table 1 indicate a negative imbalance (an excess of recorded debits over recorded credits) of $128 billion in 2000—$35 billion, or 37 percent, higher than the level

Table 2. Global Balances on Capital and Financial Accounts[1]
(In billions of U.S. dollars)

	1994	1995	1996	1997	1998	1999	2000	Average Imbalance 1994–99	Average Imbalance 1994–2000
Capital account balance	21.5	18.8	3.7	5.7	−14.1	−16.6	21.6	*3.2*	*5.8*
Credit	45.2	41.2	58.1	52.1	44.1	47.3	70.7	...	...
Debit	23.7	22.4	54.4	46.4	58.2	63.9	49.1	...	...
Financial account balance	77.0	105.9	140.6	131.8	58.7	139.8	199.1	*109.0*	*121.8*
Direct investment	−19.7	−7.0	2.8	18.6	−0.9	57.6	110.5	*8.6*	*23.1*
Abroad	−264.3	−333.0	−369.5	−443.6	−677.4	−999.7	−1,190.7	...	...
In reporting economy	244.6	326.0	372.3	462.2	676.5	1,057.3	1,301.2	...	...
Portfolio investment	67.1	176.9	154.9	265.3	−135.6	220.4	126.6	*124.8*	*125.1*
Assets	−334.4	−408.0	−647.4	−734.8	−1,058.6	−1,317.9	−1,305.2	...	...
Liabilities excluding LCFAR[2]	401.5	584.9	802.3	1,000.1	923.0	1,538.3	1,431.8	...	...
Financial Derivatives	1.3	−10.5	−11.7	−6.2	−9.4	19.3	−8.0	*−2.9*	*−3.6*
Assets	3.1	41.2	27.4	37.7	77.6	99.1	120.3	...	...
Liabilities	−1.8	−51.7	−39.1	−43.9	−87.0	−79.8	−128.3	...	...
Other investment	70.2	−5.9	36.4	−101.4	217.6	−144.6	11.9	*12.1*	*12.0*
Assets	−261.1	−676.1	−764.3	−1,334.9	−341.4	−544.1	−1,280.0	...	...
Liabilities excluding LCFAR	331.3	670.2	800.7	1,233.5	559.0	399.5	1,291.9	...	...
Reserves plus LCFAR	−41.9	−47.6	−41.9	−44.5	−13.0	−12.9	−41.9	*−33.6*	*−34.8*
Reserves	−112.5	−189.1	−198.2	−104.3	−43.3	−151.2	−169.6	...	...
LCFAR	70.6	141.6	156.3	59.8	30.3	138.3	127.7	...	...
Net errors and omissions	−64.6	−97.8	−129.8	−174.7	−0.6	−30.4	−93.2		

Source: IMF, *Balance of Payments Statistics Yearbook*, Volume 52, Part 2 (Washington, 2001).

Note: in the financial account, a negative sign indicates an excess of recorded outflows; the absence of a sign in the balances indicates an excess of recorded inflows over outflows.

[1]Table 2 also includes the global balance on net errors and omissions.

[2]Liabilities constituting foreign authorities' reserves. The data in liabilities constituting foreign authorities' reserves were derived from information collected by the IMF from a sample of large reserve-holding countries. These data were used to adjust portfolio and other investment liabilities to align the data better with the corresponding asset series.

of the revised negative imbalance in 1999 of $93 billion. As in 1999, the level of the imbalance continued to be markedly higher as a percentage of gross current account transactions than the levels seen in the period from 1994 through 1998. In 2000, it was 0.7 percent, as indicated in the memorandum items of Table 1, compared with an average of 0.3 percent for the six years from 1994 through 1999.

Table 1 and Figure 1 show that the $35 billion deterioration in the current account balance occurred primarily because of a $30 billion decrease in the positive imbalance (an excess of recorded credits over recorded debits) for trade in goods, compounded by an increase in the negative imbalance for services of $14 billion, offset by a $10 billion decrease in the negative imbalance for income.

As in all years since 1994, recorded credits exceeded recorded debits for *goods*. The downward trend in the level of the imbalance since 1997 continued, with a fur-

ther marked decrease in 2000 to $16 billion, only one third of the revised 1999 level of $47 billion. Figure 2 shows that the imbalance in 2000 represented the lowest percentage of gross goods transactions since 1994—0.1 percent, compared with an average of 0.9 percent for the years from 1994 through 1999.

Services transactions showed a negative imbalance of $21 billion in 2000, which represented 0.7 percent of the total gross services transactions, the highest percentage for the period from 1994 through 1999, and significantly higher than the average for the period of 0.3 percent. (See the memorandum items of Table 1.)

The overall imbalance in services masked offsetting imbalances in the underlying components. As indicated in Table 1 and Figure 3, the largest change in 2000 was in the *transportation* component, which saw a $14 billion increase in the negative imbalance to a level of $72 billion, markedly higher than the average of $56 billion for

the period from 1994 through 1999. The imbalance reflected almost entirely a $69 billion negative imbalance for freight. The *Esteva Report* of 1987 identified the main contributing factor for the global freight imbalance as being the "missing fleet," that is, the fact that several economies with large maritime interests do not report the foreign earnings of their fleets registered in other countries. However, although the missing fleet problem remains, Committee members from European countries believe that the practice of estimating freight charges as a given percentage of the total c.i.f. value of imports may lead to an overstatement of freight debits, contributing to the imbalance. The Committee plans to carry this work further in 2002.

Figure 3 and Table 1 indicate that the positive imbalance for *travel* in 2000 of $42 billion continued the slow upward trend seen during most of the period from 1994 through 1999. Figure 3 and Table 1 also indicate that the negative imbalance for *government services* increased by $6 billion to $21 billion in 2000, the highest level since 1994, and more than double the average for the previous six years of $10 billion. As in all years since 1994, *other services* showed a positive imbalance, and the upward trend in the imbalance seen in the previous year continued in 2000, to a level of $30 billion.

Table 1 and Figure 1 indicate that *income* transactions—*compensation of employees* and *investment income*—continued to show negative imbalances in 2000, as in all years since 1994. However, the marked deterioration in the imbalance seen in 1998 and 1999 was reversed in 2000, with the level of the imbalance decreasing by 10 percent from the revised 1999 level of $102 billion to $92 billion. As a percentage of total gross income transactions, the 2000 imbalance also showed an improvement and declined to 2.9 percent—the lowest since 1997 and lower than the average of 3.2 percent for the period from 1994 through 1999.

As shown in Figure 4 and Table 1, the largest element of the income imbalance arose from *portfolio and other investment income.* This component also accounts for the largest part of the improvement in the discrepancy for income transactions in 2000—an improvement of $12 billion, from a revised negative imbalance of $131 billion in 1999 to a negative imbalance of $119 billion in 2000—the lowest imbalance since 1994.

As indicated in Figure 4, the increased level of the imbalance for *other direct investment income*—dividends and distributed branch profits, and income on debt (interest)—seen in 1999 continued in 2000, with only a $3 billion improvement from the revised negative imbalance of $32 billion in 1999. Table 1 and Figure 4 also indicate that, as in all years since 1994, *reinvested earnings* had a posi-

Figure 1. Current Account Imbalances 1994–2000: Components
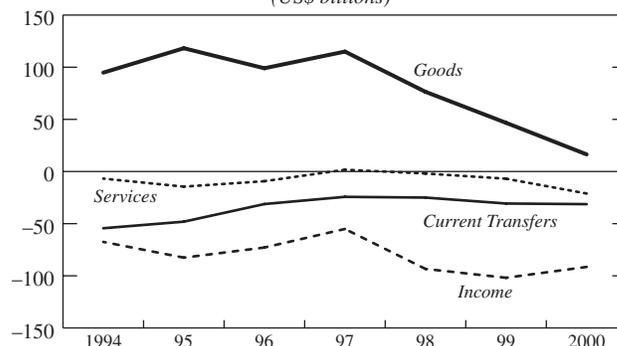
(US$ billions)

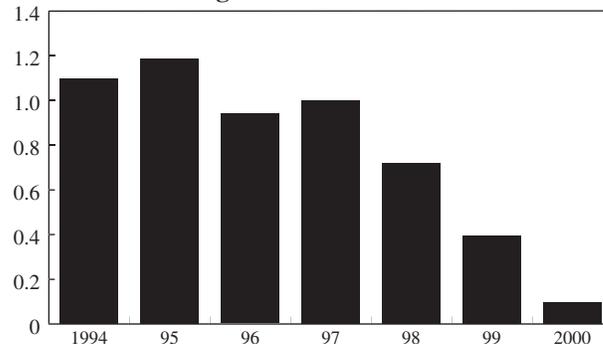**Figure 2. Goods Imbalances 1994–2000: As a Percentage of Gross Goods Transactions**

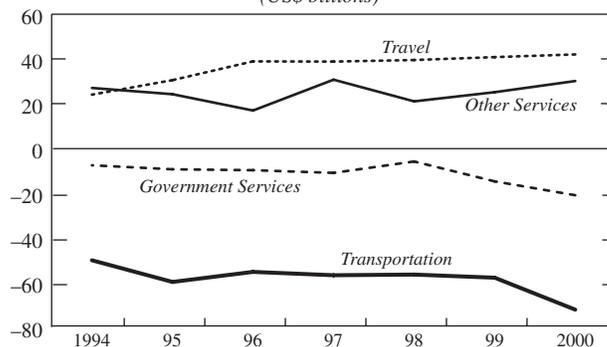**Figure 3. Services Imbalances 1994–2000: Components**

(US$ billions)

5

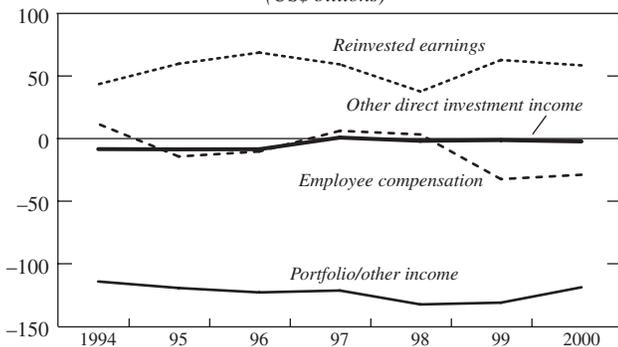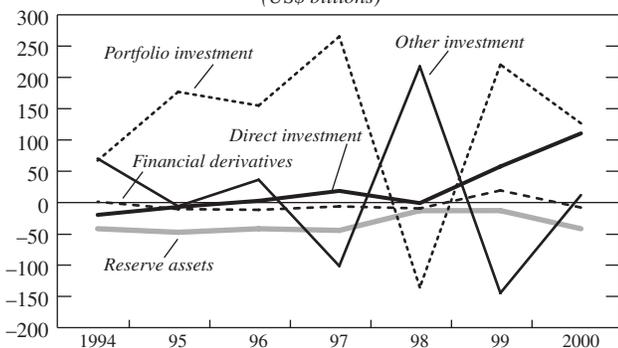**Figure 4. Income Imbalances 1994–2000: Components**

(US$ billions)

Figure 5. Financial Account Imbalances (Adjusted) 1994–2000: Components

(US$ billions)

tive imbalance in 2000 and that the level of $58 billion for 2000 was close to the average positive imbalance of $55 billion seen during the years from 1994 through 1999.

Table 1 and Figure 1 indicate that *current transfers* in 2000 showed a negative imbalance, as has been the case in all years since 1994. The level of the imbalance in 2000 of $31 billion was almost exactly the same as the revised negative imbalance for 1999. The imbalance as a percentage of gross current transfers transactions (4.1 percent) was higher than the average percentage for the previous four years of 3.6 percent, although markedly lower than the percentages in 1994 and 1995 of 8.5 and 6.9 percent, respectively.

Global Capital and Financial Account Balances

Table 2 shows that the *capital account*—comprising *capital transfers* and *acquisitions and disposals of non-produced, nonfinancial assets*—had an overall positive

imbalance (with recorded credits exceeding recorded debits) of $22 billion in 2000, a $38 billion turnaround from the revised 1999 negative imbalance of $17 billion. This turnaround resulted from a $23 billion increase in credits, compounded by a $15 billion decrease in debits.

Table 2 also shows that recorded net inflows for *financial account* transactions exceeded recorded net outflows in 2000, as in all other years since 1994. The level of the imbalance increased by $59 billion, from the revised 1999 level of $140 billion to $199 billion—a continuation of the increase in the net inflow imbalance seen in 1999. As indicated in Figure 5, the imbalances of the components of the financial account continued to be very volatile.

As indicated in Figure 5, the positive imbalance for *direct investment* increased by $53 billion in 2000, to a level of $111 billion, almost double the level of the imbalance in 1999 and the highest level at any time since 1994. Direct investment in the reporting economies increased by $244 billion to $1,301 billion, and direct investment abroad increased by $191 billion to $1,191 billion, a continuation of the significant increases seen in 1998 and 1999. The overall positive imbalance for direct investment in 2000 comprised a negative imbalance of $59 billion for reinvested earnings (the counterpart of the reinvested earnings item in the current account), offset by a positive imbalance for other direct investment (equity capital and other capital) of $170 billion.

The increase in the positive imbalance for direct investment in 2000 was more than offset by a decrease in the positive imbalance for *portfolio investment*[2] of $94 billion—a decrease to a level of $127 billion from a revised positive imbalance of $220 billion in 1999. As indicated in Table 2 and Figure 5, the 2000 imbalance continued the excess of recorded net inflows over recorded net outflows seen for every year since 1994 except 1998. Based on the unadjusted country and regional data,[3] almost all of the positive imbalance for portfolio investment in 2000 was in *debt securities* (of which approximately three-quarters of the imbalance involved bonds and notes, and one quarter involved money market instruments), which is a reversal back to the situation seen in the years from 1994 through 1998. The revised 1999 imbalance for *equity securities* of $98 billion fell to $12 bil-

---

[2]Excluding LCFAR, as derived from an IMF survey of major reserve-holding countries.

[3]In compiling the global aggregates, the IMF adjusts the data on portfolio investment and other investment liabilities to take account of those liabilities for which counterpart assets are classified as reserves assets. The unadjusted data for portfolio investment are shown in Tables B–27 to B–30 of Part 2 of the 2001 *BOPSY.*

lion in 2000, which is in line with the relatively low imbalances seen in earlier years.

As indicated in Figure 5, the movement in the imbalance of portfolio investment during the years from 1994 through 2000 has been the opposite of the movement in the imbalance of other investment during the same period, with the movement in opposite directions being particularly marked during the financial crises of 1995 and 1997–1999.

Other investment in 2000 had a positive discrepancy of only $12 billion, a turnaround of $157 billion from the revised negative imbalance of $145 billion in the previous year. (See Table 2.) However, the low level of the imbalance masked significant offsetting imbalances in the unadjusted components,[4] with a positive imbalance for *loans* almost exactly offset by a negative imbalance for *other financial assets and liabilities*.[5]

Table 2 and Figure 5 show that *financial derivatives* saw a $27 billion turnaround from a revised positive imbalance in 1999 of $19 billion to a negative imbalance of $8 billion in 2000, with net asset flows of $120 billion exceeding net liability flows of $128 billion. However, as countries were first asked by the IMF's Statistics Department to provide data on financial derivatives only in 1999, the 2000 figures should continue to be viewed with a great deal of caution.

In compiling the global aggregates, the IMF's Statistics Department adjusts the data for portfolio investment and other investment liabilities to take account of those liabilities for which counterpart assets are classified as *reserves assets*.[6] The adjustments may be imprecise given that some significant reserve-holding countries do not report this information.

IV. Work Program Undertaken by the Committee in 2001

The work undertaken by the Committee in 2001 reflected the priorities established in the medium-term work program at the end of 2000. Continuation of the development of a framework on data quality for macroeconomic statistics, preparations for conducting the 2001 CPIS, and the development of a new guide for the compilation and use of external debt statistics remained top priority items of the Committee in 2001. Work undertaken by the BIS on international banking statistics, on financial derivatives, and comparisons of debtor and creditor data were also given top priority. The development of a global securities database (GSDB) was also a top priority, and while there was not as much headway as had been expected at the end of 2000, work continues in this area. High priority was given to methodological work on the conceptual framework and classification of statistics on trade in services; the clarification of the concepts and the appropriate statistical reporting of reverse transactions; the extent to which countries report balance of payments data to the IMF's Statistics Department on the basis of the classification system of *BPM5*; work on updating *BPM5*; the harmonization of reporting of data by multinational corporations for balance of payments purposes; and pursuing a resolution of the appropriate basis for accruing interest on debt securities. Other work undertaken during the year included the clarification of certain direct investment methodological issues, updating the 1997 SIMSDI, and preparation for the next SIMSDI, to be held in 2003. In addition, the Committee reviewed work on a range of other issues, including (a) ways that EU member states are changing their collection systems for the estimation of travel to take account of the impact of the introduction of the euro; (b) the uses of balance of payments statistics; (c) the statistical treatment of nonperforming loans; (d) the treatment of retained earnings of mutual funds and other collective investment schemes; (e) the classification of trusts; (f) a review of the concept of residence; and (g) the treatment of employee stock options. The Committee received papers from the ECB and Eurostat on developments on balance of payments and international investment position (IIP) statistics in the EU and euro area. The Committee agreed to the creation of a web page (on the IMF's Balance of Payments website *http://www.imf.org/bop*) on travel methodology.

Data Quality Assessment Framework

Recent financial crises have led policymakers and other users of statistics to give increased attention to the availability of comprehensive, timely, and reliable financial and economic data. Because of the importance attached to the quality of these statistics, the IMF's Statistics Department has continued to develop its DQAF, providing a systematic approach and a common language for the assessment of data quality.

---

[4]The unadjusted data for other investment are shown in Tables B–31 to B–33 of Part 2 of the 2001 *BOPSY*.

[5]Data on *other financial assets and liabilities* include trade credits, currency and deposits, and miscellaneous items such as capital subscriptions to international nonmonetary institutions.

[6]The information used to make these adjustments is derived from a confidential survey of the instrument composition of reserve assets in the major reserve-holding countries, which the IMF began to conduct in response to a recommendation of the *Godeaux Report* of 1992. The data compiled from the survey information are used only at the global level.

There have been three main stimuli to this work. The first stimulus had its origin in the Mexican financial crisis of 1994–95, which highlighted the need for countries to provide high quality data to the IMF in support of its responsibility for surveillance of members' economic policies. The second stimulus to the recent work on data quality centers around the standards set up to provide guidance to countries on the dissemination of data to the public—the Special Data Dissemination Standard (SDDS) established in 1996 and the General Data Dissemination System (GDDS) established in the following year. The SDDS identifies best practices for disseminating economic and financial data in four dimensions, one of which is data quality. It calls for the dissemination of information, such as methodological statements, that permits users to make their own assessment of data quality. The GDDS focuses explicitly on encouraging countries to improve data quality and helping them to evaluate their needs for data improvement. The third stimulus can be traced to the more recent international financial crises, which led to requests from the international community for the IMF to prepare assessments of the extent to which countries meet the internationally recognized disclosure standards (ROSCs). More recent ROSCs also assess the quality of the data available to the public, reflecting the experience that the earlier reports dealing only with the disclosure aspects of the standards did not provide sufficient information.

In view of the IMF's responsibility for economic surveillance of its members' economic policies, and to assist users of the data to evaluate their quality, in 2001, the IMF's Statistics Department continued to develop the DQAF. The framework comprises a generic assessment framework, as well as specific assessment frameworks for the main aggregates used for macroeconomic analysis and policy. The Committee was apprised that the IMF's Statistics Department has now developed specific DQAFs for monetary and financial, government finance, balance of payments, national accounts, and consumer and producer price statistics. In the past year, comments received and the results of field testing have been taken into account in preparing revised versions of the generic and data-specific frameworks. Further, the data-specific DQAFs have been harmonized to the extent possible. Following an IMF Executive Board decision in July 2001, the DQAFs are now used as part of the IMF's ROSC framework. There is thus an overarching, generic framework for assessing data quality as part of the IMF's overall surveillance work, thereby raising the profile of statistics and prompting more emphasis on accuracy and reliability.

Building on the Committee's review of this topic at its 2000 meeting, the discussion at its 2001 meeting was very productive and led to a very useful exchange of views. Japan and the United Kingdom presented papers that reflected the compilers' perspective and a self-assessment based on the forms, respectively. Several members of the Committee from countries in which a ROSC had recently been conducted or that had undertaken a DQAF self-assessment stressed the thoroughness, comprehensiveness, and coherence of the framework. They noted the framework is very helpful; several members said that they may undertake a self-assessment. The Committee indicated that the revised format is a significant improvement compared with the version that the Committee had reviewed at its meeting in 2000. The Committee was advised that the revised version of the framework will remain in force for the coming year, to allow a fuller evaluation of its appropriateness for assessing a wide range of countries, with varying degrees of statistical sophistication, recognizing that the degree to which the practices identified in the framework are followed will vary, depending on the circumstances of the country concerned. The Committee heard of work on developing a quality assessment framework, based largely on that of the IMF, for euro area member states. The Committee was also informed of the focus that the EU and the euro area member states are placing on quality as a means of producing harmonized balance of payments statements for the EU and euro area. It is expected that the DQAF will be used as part of that process in due course.

The Committee specifically addressed the DQAF dimension of accuracy and reliability. This is an area of prime concern to most users, and one that compilers should be constantly reviewing and aiming to improve. The Committee recognized that assessment and improvement of accuracy and reliability of the balance of payments statistics are particularly difficult because of the multidimensional nature of the data sources. The IMF's Statistics Department has studied the approaches taken by various countries and international agencies to the assessment of accuracy and reliability and identified the following: examination of statistical discrepancies; comparisons with other data; analysis of revisions; and judgmental evaluation. The Committee agreed on the importance of reviewing accuracy and conducting revisions analysis and encouraged countries to undertake such studies on a regular basis. Eurostat's work towards the elimination of bilateral discrepancies of EU members was discussed. Eliminating such discrepancies is an important step towards reducing global imbalances. The possibility of extending such studies to include comparisons between the EU and its major trading partners was raised.

The Coordinated Portfolio Investment Survey

Since its inception, the Committee has maintained a keen interest in the CPIS. The first survey was conducted as at end-December 1997 (1997 CPIS), under the aegis of the IMF. The results were published in December 1999[7] and provide data on the securities holdings of the 29 participating countries, broken down by counterpart country of issue. The data helped to fill an important statistical gap by providing a database that counterpart debtor countries may use to construct estimates of their outstanding securities liabilities, as well as assisting other data analysts in understanding this fast growing cross-border exposure. The survey also helped countries to address data gaps in their measurement of financial flows in securities, as well as the associated income flows (see Tables 1 and 2 and Section III above). The survey also helped to foster bilateral contacts and data exchange. At its meeting in 1999, the Committee decided that the CPIS should be repeated at end-December 2001.

In 2000, the IMF invited its members and several non-member SEIFiCs to participate in the 2001 CPIS. It is expected that about 60 jurisdictions will participate, although the final number will not be known for some time. All the participants of the 1997 CPIS have agreed to participate, as have about 20 SEIFiCs, and it is now expected that nearly all of the major investing countries will participate in the 2001 CPIS. The willingness of so many countries to participate reflects the benefits that these countries anticipate will flow from the availability of data on creditor holdings of securities issues. Given that only one SEIFiC participated in the 1997 CPIS, the response from this group of countries to the invitation to participate in the 2001 CPIS reinforces this view. The main features of the 2001 CPIS are provided in Box 1.

In preparation for the 2001 CPIS, the IMF's Statistics Department organized five meetings of national compilers to discuss the draft *Coordinated Portfolio Investment Survey Guide, Second Edition* (*CPISG2*), together with the more complex conceptual and measurement issues; to exchange experiences; and to offer those undertaking the survey for the first time the opportunity of hearing some of the experiences from those jurisdictions that had participated in the 1997 CPIS. These meetings of national compilers were held in January and February 2001, to allow the maximum amount of time before the survey date for participants to take advantage of the discussions at these meetings. Participants were offered advice on matters such as how to plan the survey in detail, establish the survey frame, make contacts with respondents (as well as with national compilers in other countries, from whose expertise they may be able to benefit), establish appropriate collection and processing systems, and train staff.

In view of the large number of participating countries, and the likelihood that many would wish to send two representatives, it was felt that it would be impractical and counter-productive to emulate the 1997 CPIS national compilers' meetings, when all participating countries participated at the same meetings. Accordingly, meetings were hosted by the authorities in Australia, Belgium (two), the Cayman Islands, and Costa Rica. These meetings were primarily regional but there was also cross-regional expertise to allow for a fuller discussion of the various options and experiences. The Japanese authorities, in recognition of the importance of this undertaking, agreed to fund the travel expenses of the 60 non-industrialized countries, including the SEIFiCs, to enable them to attend these meetings.

The final draft *CPISG2* was dispatched to compilers a few weeks after the Committee's 2001 meeting. The final draft, which is subject only to editing, modifies and refines some of the discussion in the earlier draft that had been made available to all compiling countries in 2000, and changes the sequencing of the last two chapters to better reflect the logic of the presentation. Nonetheless, the final draft is substantially the same as the first draft. This later draft will replace an earlier draft on the IMF Balance of Payments website (*http://www.imf.org/bop*). In due course, and after editing, the final draft will be released as an official IMF publication.

At the same time that the 2001 CPIS is to be conducted, the IMF's Statistics Department will repeat the survey of the securities held as part of the reserve assets of major-investing countries (SEFER) that was conducted as a supplement to the 1997 CPIS. For many countries, the detail of the geographic distribution of reserve assets is a sensitive issue, so information will be sought on a confidential basis; countries' holdings will be aggregated into a single vector so that no individual country's holdings will be identifiable. Similar information will be sought from some large international organizations through the Survey of Securities held by International Organizations (SSIO). This additional information is needed to provide as comprehensive a picture as possible of securities held as assets so that countries (and other users) may construct counterpart liabilities.

Countries will be asked to report the results of their 2001 portfolio investment survey, together with the results from SEFER, by the end of September 2002. If

---

[7]See *Results of the 1997 Coordinated Portfolio Investment Survey*, IMF, Washington, D.C., 1999.

Box 1. The 2001 CPIS, SEFER, and SSIO

The 2001 CPIS is a benchmark survey designed to collect data on the outstanding holdings of portfolio investment assets as at year end, with the data broken down by the counterpart country of residence of the issuer. The 2001 CPIS builds on the success of the first such internationally coordinated survey of portfolio investment, conducted in 1997 under the aegis of the IMF. The Committee has decided that the CPIS will become an annual survey with the first in the time series to be conducted as of December 31, 2001. About 60 jurisdictions are expected to participate in the 2001 survey, including about 20 SEIFiCs.

The survey will provide estimates, at market value, as at the reference date, of countries' holdings of portfolio investment securities issued by a nonresident entity, broken down by country of residence of the issuer, for:

- equities;
- long-term debt securities; and
- short-term debt security holdings.

Securities held as part of direct investment are to be excluded.

In addition, for the 2001 CPIS, countries are encouraged (but not required) to produce data on (a) their portfolio investment liabilities, broken down by counterpart country of holder; (b) the sector of holder of the portfolio investment assets, using either the *BPM5* sector breakdown or the *1993 SNA* sector breakdown (or a subgroup thereof); and (c) the breakdown of the currencies of the portfolio investment assets, in aggregate.

Separately, the IMF's Statistics Department will request jurisdictions to report their holdings of securities that are held as part of their reserve assets in SEFER and some large international organizations to report their holdings of securities in SSIO. The data from these two surveys will be published in aggregate, in conjunction with the CPIS, so there will be no loss of confidentiality in an area considered to be highly sensitive by many jurisdictions. By assembling the securities held as part of reserve assets and those held by international organizations (these latter holdings are not included in any country's assets), the data from these two surveys, together with the CPIS, will provide as comprehensive a picture as possible of the counterpart liabilities, thus helping to reduce the measured global imbalance between portfolio investment assets and liabilities.

Moreover, not only will the CPIS provide countries with the opportunity to establish a benchmark of their outstanding portfolio investment assets, it also should assist in improving data on the financial flows of these instruments and the associated income flows. The survey should help countries to establish best statistical practice by benefiting from the experiences of other countries as well as through the use of *CPISG2,* which is a revised and updated version of the survey guide used in the 1997 CPIS.

The data for the 2001 CPIS, with associated metadata, are scheduled to be released in late 2002 or early 2003. The results of the 2001 CPIS, together with those from SEFER and SSIO, will provide analysts and balance of payments and IIP compilers with a very useful additional database, intended to complement the BIS' international banking statistics. These two databases will provide users and balance of payments compilers with creditor data sources, from which it is possible to supplement the data of the debtor countries.

---

final data are not available at that time, preliminary data will be acceptable, so that the first results from the survey can be made available as early as possible, either in late 2002 or in early 2003. When final data are available, the results will be updated. As the CPIS is now to be undertaken on annual basis, the data will become part of a time series, and the data will be placed in a database that will be made available to the public. A standard procedure will be established for revisions to be incorporated into the database in a comparable manner to that for the *International Financial Statistics* and the *BOPSY.*

In a similar manner to the 1997 CPIS, participants in the 2001 CPIS will be asked to provide metadata on the approaches they used, including the methodology employed, the survey frame, the response rate, and related issues, and also indicate their experiences in dealing with particular problems encountered. The information will play an important role in the analysis of the results and in the exchange of information between and among the participating countries and will be valuable for users and compilers. Knowledge of the metadata is an integral part of analyzing the data.

Issues Related to the Coordinated Portfolio Investment Survey

The Committee was brought up-to-date on work being undertaken to address several areas of importance to the CPIS that had been identified by the task force on the 2001 CPIS, but which have wider application to other elements in the balance of payments and the IIP, as well as other parts of the suite of macroeconomic statistics. These are (a) a global securities database; (b) third party holdings (TPH); (c) repurchase agreements and securities lending; (d) trusts; (e) the definition of residence.

Global Securities Databases

At its 1999 meeting, the Committee had recommended that an inter-agency working group, comprising BIS, ECB, and IMF staff, be set up to explore the development of a GSDB. During 2000 the working group sent out a questionnaire to all countries that had participated in the 1997 CPIS, to determine the size of the securities market in the participant's jurisdiction; whether they had their own securities databases (SDBs); if so, what use(s) they were put to and what were the start-up and maintenance costs; any plans they had to establish or change their SDB; and any potential problems they might see from the use of other jurisdictions' SDBs regarding the coverage of securities issued by their residents abroad.

The survey response had been very positive and strongly in favor of the development of a GSDB. In light of this response, the BIS indicated that it was prepared to investigate the feasibility of expanding its collection of information on domestic issues of securities. The BIS proposal (which might be characterized as the *clearing house* approach) was to have member countries send information to the BIS, which would then reproduce them as part of its SDB. One notable benefit would be the availability of such a GSDB for the 2001 CPIS. In response to the BIS proposal, the working group contacted all but Bermuda of the jurisdictions that participated in the 1997 CPIS, and also Germany and Luxembourg, to see whether they would be prepared to participate. The responses varied: some were enthusiastic; others indicated that there were a number of issues that had to be resolved, including coverage and certain legal and confidentiality concerns; and still others felt that the use of commercial databases was a more suitable approach.

During 2001, the work on the development of the centralized SDB of the European System of Central Banks (ESCB) proceeded, and this development, together with the responses to the working group's questionnaire, prompted the working group to review the viability of the *clearing house* approach. The ESCB's approach, called the *network* approach, essentially supplements the benefits from the *clearing house* approach with data from commercial sources, with an added quality dimension as it requires each participating country in the ESCB to review the data on the securities that have been issued by its own country's residents, to verify that the information is correct. The Committee expressed interest in this potentially very beneficial tool; however, the development of the ESCB's centralized SDB will not be completed until after the 2001 CPIS so that it will not be available for that purpose. However, given that benefits from a GSDB are multi-dimensional (examples are: for external debt statistics; for the collection of data on international reserves and official sector foreign currency liquidity; and for the construction of monetary and financial statistics) and also given that the CPIS will be an annual survey, the work in developing a GSDB continues.

Third Party Holdings

At its 2000 meeting, the Committee heard that a working group on TPH had been set up. TPH are securities that are placed directly by end-investors resident in one jurisdiction with custodians resident in another jurisdiction. During preparatory work undertaken for the 2001 CPIS, it became evident that there were possibly many instances of TPH, especially by households or small or medium-sized enterprises. In these latter cases, the securities were either not reported or were covered only to the extent that a country had a collection system capturing direct holdings abroad by end-investors. As no country had a direct end-investor survey of households, it is possible that there are substantial holdings that are not reported by any participant in the CPIS.

The working group on TPH is investigating how this gap in the data might be closed. There are several potential problems, covering double counting and legal aspects, that have yet to be fully addressed.

Reverse Transactions

Reverse transactions (commonly known as repurchase agreements, securities lending, gold swaps, and gold loans or deposits) have expanded in volume and complexity in recent years and are not fully discussed in *BPM5*. The appropriate statistical treatment of these transactions had been the subject of discussion at several meetings of the Committee in recent years; at its 2000 meeting, the Committee gave in-principle support to a IMF staff working paper that reflected in-depth research in this area. The paper presented to the 2001 Committee meeting, which took into account the Committee's decision at its 2000 meeting, had been taken to the Inter-Secretariat Working Group on National Accounts (ISWGNA), given the broad implications across macroeconomic statistical systems. In the event, the ISWGNA had been unable to give the paper sufficient attention and will consider it again at its meeting in 2002.

The Committee reconfirmed its decision, taken at the 2000 meeting, that the best option is (a) to pursue the current recommended treatment of recording repurchase agreements and gold swaps as collateralized loans; (b) to assess further the availability of supplementary information on the sector of the counterparty and the issuer of the security; and (c) not to record a transaction at all for

securities lending and gold loans/deposits, but instead to provide supplementary information similar to that recommended for repurchase agreements and gold swaps. The Committee felt that in the event of the "on-sale" of the underlying instrument, the on-seller should record a "short" (or negative) position. However, it was also recognized that, for practical reasons related to data sources or institutional arrangements, the recommendations may not be appropriate in some countries.

Following the 2000 meeting of the Committee, a working group on reverse transactions was set up to clarify the international statistical guidelines in this area. The working group, comprising representatives of about ten countries, the ECB, and the BIS (including compilers of monetary and financial statistics, of flow of funds accounts in the national accounts, as well as of balance of payments and IIP statistics) provided a report on its work to the Committee at its 2001 meeting. The working group is developing a set of questionnaires (a) to obtain an indication of recording practices of financial institutions, as end-investors, as fund managers, or as custodians, and (b) to determine appropriate changes to information systems to more readily identify transactions that are not presently readily identifiable.

As an indication of the importance and complexity of these transactions, the Committee was presented with a paper from France, which, while stressing the difficulties of such an exercise, set out the methods used for the identification of repurchase agreements and securities lending activities. The French paper indicated that the market for repurchase agreements is large and that, while banks were able to identify their own account repurchase agreements, which represent a substantial share of their outstanding portfolios, it was more difficult for them to identify those of their customers.

Trusts

The task force on the 2001 CPIS, during its deliberations, had found that there was insufficient guidance in the *BPM5* and the *1993 SNA* on the appropriate classification of trusts. In particular, it was not clear whether trusts represent statistical units in their own right or whether they should be "looked through." While this issue has clear implications for balance of payments and IIP statistics and the CPIS, it also affects other parts of the suite of macroeconomic statistics. In effect, trusts are legal devices wherein there is a separation of legal from beneficial ownership. The assets of a trust are owned by a trustee with a fiduciary responsibility to the beneficiaries of a trust to ensure that the assets of the trust, and any income that flows from these assets, are managed prop-

erly and in the best interest of the beneficiaries. Trusts are used for many different purposes—they serve as financial institutions (such as unit trusts, which are a form of mutual fund), as substitutes for corporations or partnerships in certain jurisdictions, or as a vehicle through which one generation may provide for a later one. Family trusts, where assets can earn an income, but which cannot be easily disposed of, are also quite common. Even within a given economy, it is not clear how they should treated. It is even less clear how they should be treated when the trustee (with legal ownership of the assets) is resident of one jurisdiction and the beneficiaries are resident of another (or even more than one other). For the balance of payments, the IIP, and the CPIS, the solutions to these problems have important consequences depending on where the claims and liabilities are held.

The Committee agreed that this is an important topic and agreed that IMF staff and Canada should report back to the Committee in 2002 on the work they are undertaking in this area.

Residence

IMF staff presented a paper to the Committee on the manner in which the various international statistical standards (*BPM5*, *1993 SNA*, the *Balance of Payments Compilation Guide*, the *Balance of Payments Textbook*, and *CPISG2*) address the concept of residence. In some instances, these documents differ (for example, with regard to the definition). In addition, there is no adequate basis for addressing non-producing units, such as those that act solely as asset holders. Although the *1993 SNA* indicates that *ancillary units* and *holding companies* are not statistical units, indicating that the former should be included with the "parent" company, and the latter should be included with the predominant producing unit in the "group," no guidance is provided for such situations when these relationships cross international borders. For example, where a mutual fund is registered in one jurisdiction, managed in a second, and administered in a third, neither *BPM5* nor *1993 SNA* provide an indication of the appropriate attribution of residence. Further, while the concept of *center of economic interest* is the basis for attribution of residence in macroeconomic statistics, the international statistical standards suggest that physical presence is a necessary condition for a unit to be resident in any given jurisdiction. These are major concerns for SEIFiCs; however they also have a wider application. Although *CPISG2* and the *External Debt Guide* offer guidance on these problems, the Committee felt that this topic should be included in its research agenda.

External Debt Guide for Users and Compilers

The Committee was advised of the work of the IATFFS on the development of the new guide for external debt statistics (the *External Debt Guide*). The IATFFS is in the process of finalizing the guide, after taking account of the comments from users in all regions of the world, and placing it on the IMF's website in final form, subject only to editing. The *External Debt Guide* replaces the inter-agency document *External Debt Definitions, Statistical Coverage and Methodology*, which was published in 1988. The new guide takes the *1993 SNA* and the *BPM5* as the basis of its construction, while allowing for other users' needs.

One purpose of the new guide is to provide guidelines that meet the prescriptions and recommendations, respectively, for external debt that were introduced into the SDDS and the GDDS in March 2000. In many countries, the work to meet the SDDS prescriptions is significant and, for that reason, the transition period for SDDS subscribers to compile quarterly external debt statistics runs to March 31, 2003. To assist countries in this effort, IMF staff, with assistance from other members of the IATFFS and with financial support from the Government of Japan, has conducted seven regional seminars for SDDS subscribers and other strategically important countries in external debt statistics. The final draft of the *External Debt Guide* has benefited from the input the IATFFS has received from potential users and compilers of these statistics.

One of the tasks of the IATFFS has been to explore means of improving data from both the creditor and the debtor sides. The Committee was apprised of a BIS study that was undertaken with the objective of closing gaps between creditor and debtor source data, of other work at the BIS to improve the coverage of the international banking statistics. The Committee found the study very useful and encouraged the BIS to continue its work to study the sources of the gaps and to improve creditor source data.

Direct Investment

The Committee gave consideration to a number of issues related to direct investment.

The Committee discussed SIMSDI, a joint project of the IMF's Statistics Department and the OECD, designed to obtain metadata to determine the extent to which countries implement the methodological standards for direct investment. The Committee was informed that the information provided for the 1997 SIMSDI has been updated for the OECD countries and that, for the non-OECD IMF member countries, the update is expected to be completed in early 2002. The Committee recom-

mended that IMF staff consult with the OECD and its Working Party on Financial Statistics (WFS) to determine a suitable timing for the next SIMSDI. The Committee was of the view that the next SIMSDI should be conducted in 2003, rather than adhering to the original timetable for 2002. The Committee agreed that there were insufficient time and resources for the IMF's Statistics Department to conduct the survey during 2002. Further, as the update to the 1997 SIMSDI is still in progress, it would be too soon to conduct the next survey in 2002.

The Committee also confirmed its decisions clarifying the *BPM5* statistical treatment of some specific direct investment transactions and approved the promulgation of these decisions. First, it clarified that any transactions, apart from those in permanent debt and equity, between two affiliated enterprises that are (a) other depository corporations (other than the central bank); (b) other financial intermediaries, except insurance companies and pension funds; and (c) financial auxiliaries would be excluded from *direct investment*. Second, all financial transactions with the sole purpose of financial intermediation between a unit that is not a financial intermediary and an affiliated special purpose entity (SPE) should be recorded under *direct investment*. The Committee had discussed and approved in principle these decisions at its meeting in 1999 but the decision was deferred until the ECB's Working Group on Balance of Payments and External Reserves Statistics (WG-BP&ER) and the OECD's WFS had considered them. These bodies having demonstrated their support for the proposal, the Committee then made its decision final. Practical aspects connected with these new methodological principles will be studied in a joint ECB/Eurostat task force on direct investment. It should be noted that the decision involving transactions between units that are not financial intermediaries and affiliated SPEs is contrary to the guidance in the *Balance of Payments Textbook*. The Committee took note that both the ECB's WG-BP&ER and the OECD's WFS recommended that this last decision should be reviewed in due course, possibly as part of the updating of *BPM5*. This view was also strongly supported by a paper from Japan. Because this last decision is subject to review, the Committee recommended that countries that exclude such transactions from their direct investment data are encouraged to explain their practices and, if possible, publish memorandum items to assist international comparability.

The Committee reconfirmed its 1999 decision regarding (a) the classification of the payment for the right to set up a direct investment enterprise as *direct investment*; and (b) the treatment of charges for shutting down a

direct investment enterprise involved in extraction of subsoil assets, which should be in accordance with the principles set out in *BPM5*—that is, the charges should be shown in the reconciliation statement of the IIP, in the period in which the setup or shutdown occurs, as an *other adjustment*, with no further charges thereafter. These decisions had been placed on hold for the same reason as those above; as both the ECB's WG-BP&ER and the OECD's WFS support the decisions, the Committee agreed that they be finalized.

The Committee also reviewed the treatment of financial derivatives in direct investment. When the treatment of financial derivatives was clarified,[8] the provisional decision was that any financial derivative transactions between enterprises in a direct investment relationship (other than a relationship between two affiliated financial intermediaries) should be shown as a separate component of *direct investment*. The final decision on this recommendation was, however, deferred until there had been an opportunity to examine the significance of these transactions and the ability to measure them. The Committee was apprised that the experience in the EU member states had led them to the view that the significance was very low and that the quality of the data was very poor. Pending agreement of the ECB's WG-BP&ER, the Committee proposed that financial derivatives transactions and positions between enterprises in a direct investment relationship would be classified to the *financial derivatives* standard component rather than to a separate subcomponent of direct investment, although it recognized that some such transactions could not, in practice, be identified and would continue to be recorded in *direct investment*. The Committee confirmed, however, that where financial derivatives are held as part of reserve assets and are liquid and available for use as reserves, then they should be classified to *reserve assets*, as set out in the original clarification.

The Committee considered a paper from IMF staff on whether direct investment relationships can exist between mutual funds. While the weight of opinion in the Committee was to exclude such a possibility, it was recognized that there are certain types of mutual funds (professional and private) with which the Committee has limited experience, as these funds are held, for the most part, in SEIFiCs. As a result, the Committee recommended that further research be undertaken in this area.

The Committee also received a paper from Eurostat on developments in direct investment and foreign affiliates

trade statistics in Europe. The potential usefulness of such a set of data was noted, as was the need for cooperation among international organizations to pursue this matter further. Similarly, Eurostat reported on progress on implementing a proposal to harmonize reporting in Europe by multinational corporations—to cover their current account, and capital and financial account transactions for the balance of payments, as well as the IIP. The Committee felt that this proposal had considerable merit and asked that Eurostat and the ECB keep it informed, given the possible broad implications for other countries' data collection systems.

The OECD provided a paper on the development of a practical guide to the implementation of *direct investment* guidelines. While the Committee agreed that such a proposal had merit, in the absence of a delegate from that organization, there was no discussion on this topic.

Nonperforming Loans

The Committee was presented with two papers on the issue of the valuation of outstanding nonperforming loans, one by IMF staff, the other by Canada.

Nonperforming loans have become an important concern for statisticians and policy makers in recent years. The standard statistical treatment is to record loans at their nominal value until such time that they are either repaid or they are written down or written off. There is concern that this treatment, while appropriate for the debtor, which remains liable for the full amount owed until either going bankrupt or renegotiating the terms and/or amount outstanding, will overstate the value of the assets of the creditor if the loan is considered to be bad or doubtful.

The paper by IMF staff pointed out the divergences that appear to be emerging between statistical standards and new international accounting standards. The Committee noted the potential impact that would result from such a divergence and recommended that the IMF's Statistics Department maintain close contact with the International Accounting Standards Board (IASB) to ensure that statistical considerations are part of the IASB's work.

The paper from Canada presented the approach that Canada has adopted to this problem. Canada shows in its IIP statement the gross amount owed by nonresident debtors, provides an estimate (based on the information provided by financial institutions and the Government of Canada) of the amount of the loan that is considered to be bad or doubtful, and then derives the net amount outstanding, which is included in the total value of Canada's assets in its IIP. While this treatment is in conflict with the recommended approach in *BPM5*, the Committee

---

[8]See *Financial Derivatives: A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual*, IMF, Washington, D.C. 2000.

saw that it had merit. It decided that this issue be placed on its research agenda.

International Trade in Services

The Committee was provided with an update on the work of the Inter-Agency Task Force on Statistics of International Trade in Services (TFSITS). This task force has focused on the statistical requirements of the World Trade Organization in the context of the General Agreement on Trade in Services and has been developing a *Manual on Statistics of International Trade in Services*. This manual goes beyond *BPM5* in several respects—most notably by extending the detail of the list of cross-border services items to include those in the Joint OECD-Eurostat Trade-in-Services Classification, and adding some limited further extensions, and also describing statistical methodology for the measurement of foreign affiliates trade in services (FATS) statistics.

The manual was released in draft form in early November 1999 for international discussion and comment. Following worldwide discussions with users during 2000, a revised version was produced in late 2000 and was approved by the UN Statistical Commission in March 2001. It is expected that the manual will be published during 2002. A final draft is available on the UN Statistical Division website at *http://esa.un.org/unsd/tradeserv/*.

Travel

The Committee was presented with papers from Eurostat and France on the changes necessary to systems for estimating *travel*, in light of the introduction of the euro currency on January 1, 2002. Nearly all euro area member states will need to make changes to their systems; in general, those countries with more contiguous members of the EU will need to make the greater changes. At present most EU member states are using an international transactions recording system (ITRS) as their main data source.

There are four main options for future data collection and compilation for travel: frontier surveys; frontier surveys combined with ITRS collection; household surveys; a hybrid of administrative sources; and credit card sources. Frontier surveys are not appropriate for all countries, particularly those with a high number of entry points. They are high-cost surveys, often conducted in uncomfortable or busy environments (so that the respondents are unlikely to be prepared to give much time and attention to the information being requested), special training of the interviewers is required, and for many Schengen countries there are no land border controls. Household surveys have some advantages but they are expensive, there may be difficulties with sampling, and

they provide data on travel debits only; to obtain travel credits, compilers need to link to other countries' data series. Further, respondents often have difficulty recalling expenditure some time after the event.

It was noted that partner country data can be an important source for some countries. The Committee was advised that Eurostat is willing to participate in bilateral reconciliations with any other countries that wish to do so. The Committee welcomed these initiatives as it recognizes the importance of regional work in the ongoing effort to reduce global imbalances (see Section III of this report).

France advised the Committee of the approach that the French authorities have decided to adopt. The new system is costly. It will be based on a border survey (for credits) and a household survey (for debits). There have been some teething problems, especially with respect to the household survey as the aged are over-represented and therefore the use of credit cards is underestimated. These problems are expected to be transitory.

The Committee was informed by IMF staff that a web site on travel methodology, recommended by the Committee at its meeting in 2000, had been established. The first papers to be placed on the web site will be those that have been presented to the Committee since its inception. The web site can be found at *http://www.imf.org/bop*. It was agreed that a hyperlink be set up to the Eurostat web site and that the wider balance of payments community should be advised through the *Balance of Payments Statistics* newsletter.

Income

The Committee considered several papers on income: one, from Belgium, on the retained earnings of mutual funds; a second from the United Kingdom on work carried out in estimating the impact of adopting the so-called *creditor* approach for the accrual of interest on debt securities; and a third from Japan, on employee stock options.

The paper on mutual funds' retained earnings highlighted the differences between the international statistical standards (*BPM5* and *1993 SNA*) and Eurostat's *European System of Accounts 1995* (*ESA95*) and the ECB's *European Union Balance of Payments/International Investment Position Statistical Methods* (*SM*). Whereas all four methodological documents recommend that investments in mutual funds be regarded as equity, regardless of the type of assets that the mutual fund invests in (equity, debt instruments, real estate, and so on), the manner in which income that accrues to the mutual fund is treated quite differently. Following *BPM5* and the *1993*

SNA, all income distributed out of the earnings of a mutual fund are regarded as dividends, and are recorded as payable when declared. In *ESA95* and *SM*, as income accrues to the mutual fund, it is deemed to flow through immediately to the investor. The differences were not resolved by the Committee but it was recommended that further work be done on this subject, as part of the work of updating *BPM5*.

The United Kingdom presented a paper showing the impact of a change in the treatment of the accrual of interest on debt securities from the so-called *debtor* approach (that rate implicit at the time the security is issued) to the so-called *creditor* approach (the current market rate) on the national accounts statistics. Data for the three years 1993, 1996, and 2000 are included in the paper; these represent the peaks and troughs of the interest rate cycle in the last ten years. While the research is not complete, the impact on the current account balance in 2000 was quite large, representing about one half of one percent of GDP. For the other two years, the impact was noticeably smaller. Further work on this subject will be undertaken by IMF staff.

The paper from Japan on the treatment of employee stock options in balance of payments statistics pointed to the complexity of the issues involved, in particular with ensuring that the transactions are valued correctly and recorded in the appropriate period. The Committee noted that statisticians had considered the treatment of employee stock options to be a matter of more importance to national accountants than balance of payments compilers but that the Japanese paper had indicated that there are potentially cross-border implications. The Committee noted that the appropriate treatment has not yet been decided by the ISWGNA but that initial indications are that employee stock options should be treated as compensation of employees, with the contra-transactions being recorded in financial derivatives. Views differ about the timing of recording of compensation of employees, with some suggesting that it should accrue over time, others think that it should be recorded when the stock option is vested, and still others feel that it should be recorded at the exercise of the option. The valuation would differ, depending on which alternative is adopted. The treatment of cross-border transactions raise additional complications. The Committee deferred its deliberations until there is further input from the ISWGNA.

Uses of Balance of Payments Statistics

The Committee received two papers on the uses of balance of payments statistics, one from the ECB, the other from the United Kingdom.

The paper from the ECB stressed the importance of balance of payments statistics for monetary policy making at that institution. Monetary policy in the ECB is based on two pillars: the first is money (as reflected in the importance placed on the link between money growth and the growth in GDP in volume terms over time); and the second covers a variety of economic and financial indicators, including balance of payments statistics. However, the balance of payments statistics can be used as a mirror image of the net external asset position of the euro area monetary financial institutions (MFIs) as shown in the consolidated MFI balance sheet. This breakdown between transactions by MFIs and non-monetary financial institutions (NFIs)—the so-called monetary presentation of the balance of payments—relates the change in the net asset position of MFIs to the balance of payments transactions of the euro area's NFIs. The focus at the ECB is on direct investment, portfolio investment, and trade credits, as investment and borrowing decisions by the NFIs are difficult to forecast and the information from the balance of payments for these sectors is very valuable.

The paper from the United Kingdom explored the uses to which the balance of payments statistics are put in the United Kingdom. The paper places the balance of payments within the broader context of the macroeconomic position of the United Kingdom and noted how shocks to the system may be reflected in the balance of payments data. The paper also drew out the importance of partner countries, globalization, and the means of funding the deficit in the current account. The paper also indicated issues related to sustainability and the international financial architecture. The paper is a work in progress, but it will be developed as part of a training program for compilers and users, and is aimed at an audience that has some familiarity with the topic.

The Committee members discussed the issue of uses of balance of payments statistics in their various countries and suggested that further work be undertaken by IMF staff in this area, particularly as part of the work of updating *BPM5*.

Reporting Under BPM5

The Committee reviewed the progress countries were making in reporting balance of payments and IIP data to the IMF's Statistics Department on the basis of the classification system of *BPM5* and their use of electronic reporting. For the 2001 *BOPSY*, 144 countries reported balance of payments data using the coding system of *BPM5* (an increase of one from 2000). One hundred and thirty one countries reported to the IMF's Statistics De-

partment in electronic form (up from 113 in 2000), of which 121 reported by electronic mail (up from 91 in 2000). Eighty-four countries are now reporting quarterly balance of payments statistics. While reporting of IIP data on the basis of *BPM5* is not as advanced as the reporting of balance of payments statistics, there is a growing number of countries reporting such data: for 2001, the number reporting rose to 78, a major improvement from 2000, when 62 countries reported IIP data.

International Banking Statistics

The Committee was advised of the work of the BIS on international banking statistics. Following the international financial crises of the late 1990s, a further 20 jurisdictions were invited to participate in the provision of data to the BIS on international banking positions and a number have commenced reporting. India, the Channel Islands and the Isle of Man have recently begun to provide these data and it is hoped that Brazil will soon join them.

During 2001, the BIS conducted its triennial survey of international financial derivatives markets. Transactions data were collected during April 2001, and stocks data were provided as of the end of June 2001. Credit derivatives have shown very strong growth and are now comparable to derivatives for commodities. These data were released in October 2001 and are available on the BIS' web site (*http://www.bis.org/*).

In cooperation with the IATFFS, the BIS has produced a paper comparing data on the residual term to maturity for short-term external debt from both creditor and debtor sources. The creditor data are included in a database with hyperlinks to the websites of the IMF, the ECB and the World Bank. The data include BIS international banking data that are reported on two bases: *consolidated* and *locational*. The concept of residence used for the *locational* data is the same as that for balance of payments. However, these data do not provide a maturity breakdown, whereas the *consolidated* data do have a maturity breakdown. To address the issue, the BIS used the *consolidated* data from creditor countries as a proxy for the *locational* data to provide comparison data for balance of payments and IIP statistics in debtor countries. The study employed a number of approaches to using the consolidated data, and the results showed that once the same maturity concept is used, differences still remain between the creditor and debtor data on short-term debt. The Committee felt that the work was an important step in developing external debt data and addressing imbalances in global balance of payments statistics. The Committee was informed that the BIS intends to hold a workshop in 2002 to explore how the data

sources can be further used and how the differences might be further reduced.

Updating BPM5

At its 2000 meeting the Committee reviewed an IMF staff paper that listed various aspects of the balance of payments framework that might be reviewed, extended, or clarified in a new edition of the balance of payments manual (BPM). The process of updating and revision was also discussed at that meeting and it was agreed that IMF staff should draft documents outlining the issues that need to be covered in the next edition of the manual. The Committee also asked that IMF staff prepare a paper indicating the way forward.

In light of this request, the IMF staff provided two papers for the Committee's consideration in 2001. The compendium of issues for consideration was considered to be useful and addressed many of the areas of concern. These included several of the issues discussed by the Committee at the 2001 meeting, such as a refinement of the concept of *residence*, the statistical treatment of trusts, nonperforming loans, accrual of interest on debt securities, financial intermediation services indirectly measured (FISIM), dividends, reverse transactions, increased emphasis on services, and employee stock options. The Committee agreed with the items, and suggested additional issues that might be considered, such as practical issues related to such areas as the valuation of direct investment stocks at market prices and the problems inherent in measuring *transportation* services. The sectoral breakdown recommended in *BPM5* will be reviewed. The Committee also felt that emphasis should be placed on the links between the BPM and the SDDS and GDDS, between macro- and micro-data, and between international statistical standards and international accounting standards, and on the interpretation that should be placed on *net errors and omissions*. The Committee stressed the importance of including a chapter on the purposes and uses of balance of payments, and felt it important to increase the focus on the IIP and external debt statistics. Consideration will also be given to including material on the IMF data quality standards.

The Committee concurred with the typology proposed by IMF staff (the same as that used by the ISWGNA for the *1993 SNA*), that papers be classified according to whether they were considered to be (a) an editorial amendment; (b) a clarification beyond dispute; (c) an interpretation; or (d) a change to the framework. The Committee agreed that the process of updating *BPM5* should be as public and transparent a process as possible and that the *Balance of Payments Statistics* newsletter would

serve as the medium for dissemination of the discussion and decisions, as would the IMF balance of payments website *http://www.imf.org/bop*. It was agreed that all proposed changes to the framework, as well as alternative treatments that have an impact on other parts of the suite of macroeconomic statistics, should be routed through the ISWGNA as well as other expert groups. While this will make the process of updating somewhat slower, it is necessary to ensure that the whole system remains consistent. The Committee accepted the IMF staff proposal that 2007 be the target date for the release of the new manual. It was agreed that IMF staff would provide the Committee with a range of papers on updating *BPM5* at the 2002 meeting, including a detailed draft timetable.

V. Future Work Program

Appendix 3 sets out in detail the medium-term work program agreed by the Committee in 2000. Subjects are ranked by priority. The rankings are not intended to reflect the absolute importance of each topic but rather to reflect the relative priority assigned to each topic by the Committee, given the limited time and resources available for research and investigation.

A top priority for the Committee is the updating of *BPM5*. IMF staff will produce a detailed work program to cover the period through 2007 when it is planned to produce the next edition of the BPM. Also given a top priority is work on data quality assessment. IMF staff will provide the Committee with an update of the IMF's Statistics Department's work in the field. In addition, the ECB and Eurostat will provide papers on the work on quality assessment that is being carried out in Europe. Also assigned top priority is the CPIS. IMF staff will present papers on (a) the results of the 2001 survey, including metadata for the participating economies, and plans for making the results available to the public; (b) steps being taken to prepare for the next CPIS; and (c) progress of the working group on TPH. In addition, BIS, ECB, and IMF staff will present a joint paper on progress toward the creation of a centralized securities database. The working group on reverse transactions also receives top priority, in light of the importance that these transactions have not only for the CPIS and the IIP, but also for external debt statistics, the balance of payments income and financial accounts. This working group will present a report on progress towards providing a resolution of the statistical problems posed by reverse transactions. In addition, IMF staff will provide a report on the outcome of the discussions of the ISWGNA on this issue.

High priority has been given to the statistical treatment of nonperforming loans, in view of the growing impor-

tance of this topic for macroeconomic statistics. A paper will be provided by IMF staff, building on the work that has been presented to the Committee in 2001 as well as work being undertaken at the ISWGNA. High priority has also been given to several areas of direct investment. The United States will present a paper on the valuation of direct investment positions at market prices. The ECB will provide a paper on the valuation of stocks of direct investment and a report on the joint ECB/Eurostat task force on direct investment (including reinvested earnings). The OECD and IMF staff will present a joint paper on progress on (a) updating the metadata of national practices that are obtained from the SIMSDI and (b) preparing for the next SIMSDI. Belgium will present a paper on the practical application of the directional principle in direct investment, Eurostat will present a paper on the fully consolidated system, and France will provide a paper describing how reinvested earnings are estimated for the most recent years. High priority has been given to an issue that is related to direct investment: identifying where the borderline lies between direct investment and other types of investment. The United States, Japan, the ECB, and Eurostat will each prepare papers on borderline areas such as the activities of SPEs, the concept of permanent debt, cash management services, and collective investment schemes. In addition, the issue of classification of financial derivatives transactions between affiliates has been given a high priority; IMF staff will report on the final outcome of deliberations in international fora on this topic. France and IMF staff will provide a paper on potential sources of global discrepancies that may be attributable to the way that transportation services are estimated. Eurostat will report on its work on the statistical measurement of transportation services in EU member states. Classification concerns regarding trusts and limited partnerships has also been given high priority. A paper will be presented to the Committee by IMF staff as to whether or not trusts and limited partnerships are statistical units. In addition, Canada will provide a paper on developments identifying trusts and limited partnerships in Canada, and how they should be treated. High priority was also given to the clarification of the concept of *residence*; IMF staff will provide a paper on this topic.

Medium priority has been given to global imbalances, continuing the work of the Committee in this important area. Continuing its practice in recent years, IMF staff will present a paper to the Committee on the most recent data available on global imbalances; it will also provide the Committee with a paper investigating whether revisions reduce global imbalances. Eurostat will present a paper on asymmetries between EU member states' bal-

ance of payments statistics. Also in line with the Committee's mandate for addressing global imbalances, Eurostat and the ECB will provide a joint paper on developments in adopting a harmonized balance of payments and IIP report for multinational corporations. Reflecting the Committee's view that the new BPM should provide more emphasis on the purpose and uses of these statistics, the Russian Federation, Saudi Arabia, South Africa, and the United Kingdom have all indicated that they will provide papers on this subject. The Russian Federation will also present a paper on the adequacy of international reserves. Similarly, as part of the process for revising the BPM, the ECB will provide a paper on a possible breakdown of *other sectors*, as currently included in the balance of payments framework. Medium priority has also been given to the discussion of issues related to income. IMF staff and Belgium will each present papers clarifying the treatment of retained earnings of collective investment schemes, the ECB will present a paper on the main findings of the task force on portfolio investment income, and Belgium will present a paper on the accrual of interest on debt securities. IMF staff will also apprise the Committee on the ISWGNA's deliberations on this topic. Also given medium priority are papers from Chile, Hong Kong SAR, and Saudi Arabia on the practical difficulties in implementing *BPM5*. IMF staff will also provide a paper on countries' overall adoption of *BPM5*. The Committee expressed a strong interest in IMF staff exploring changes in international accounting standards and how they might have an impact on macroeconomic statistics; IMF staff will present a paper on this topic. IMF staff will also apprise the Committee on progress by the TFSITS toward the implementation of the new man-

ual on this subject. France will provide a paper on the results of the estimation of FATS statistics in France. IMF staff will report on the work of the IATFFS relating to external debt, and the BIS will report on the outcome of a workshop on external debt statistics, which will include work on the comparisons of creditor and debtor sources of external debt data. Both have been given a medium priority. The BIS will also provide an update of its work on international banking statistics. The Committee has also accorded a medium priority to a paper updating the work being done in the Russian Federation on drug trafficking. Issues related to the travel account have been accorded a medium priority: the United Kingdom will present a paper on asymmetries in travel data and France will provide a paper on the first results from its new travel estimation methods. In addition, IMF staff will provide the Committee with a report on the development of a website for travel methodology.

If time permits, and as part of the overall work on developing conceptual issues for the next manual on balance of payments statistics, IMF staff will present papers on the treatment of nonproduced, nonfinancial assets in the balance of payments and the IIP and the treatment of income that flows from the use of these assets. Also as a low priority, IMF staff will update the Committee on developments at the ISWGNA regarding the treatment of employee stock options in the national accounts.

VI. 2002 Meeting

The next meeting will be hosted by the Australian Bureau of Statistics in Canberra. The meeting will be held from October 21 to 25, 2002.

Appendix 1
IMF Committee on Balance of Payments Statistics
Composition as of December 31, 2001

Chairwoman

Carol S. Carson
  IMF, Statistics Department

Members

Abdulrahman Al-Hamidy[1]
  Saudi Arabian Monetary Agency
Antonello Biagioli
  Ufficio Italiano dei Cambi
Stuart Brown
  Office for National Statistics, United Kingdom
Jung-Ho Chung
  Bank of Korea
Teresa Cornejo
  Banco Central de Chile
Antal Gyulavári
  National Bank of Hungary
Ivan King
  Australian Bureau of Statistics
Ralph Kozlow
  U.S. Department of Commerce
Guido Melis
  Banque Nationale de Belgique
Ernest van der Merwe
  Reserve Bank of South Africa
Philippe Mesny
  Banque de France
Toru Oshita
  Ministry of Finance, Japan

Lily Ou-Yang Fong
  Census and Statistics Department,
  China, Hong Kong SAR
Neil Patterson
  IMF, Statistics Department
Art Ridgeway
  Statistics Canada
Sergei Shcherbakov
  Central Bank of Russia
Takashi Yoshimura
  Bank of Japan

Representatives of International Organizations

Rainer Widera
  Bank for International Settlements
Jean-Marc Israël
  European Central Bank
Ayse Bertrand[2]
  Organization for Economic
  Cooperation and Development
Jean-Claude Roman

Statistical Office of the European Communities

Secretariat
Simon Quin
  IMF, Statistics Department
Margaret Fitzgibbon
  IMF, Statistics Department
John Joisce
  IMF, Statistics Department

---

[1]Mr. Al-Hamidy was accompanied by Mr. Jamal al-Khamees at the 2001 Committee meeting.

[2]Ms. Bertrand did not attend the meeting in 2001.

Appendix 2
Terms of Reference of the
IMF Committee on Balance of Payments Statistics

1. The Committee will oversee the implementation of the recommendations presented in the Report on the Measurement of International Capital Flows and in the Report on the World Current Account Discrepancy, advise the IMF on methodological and compilation issues in the context of balance of payments and international investment position statistics, and foster greater coordination of data collection among countries.

2. The Committee will bring to the attention of the IMF new developments that impact on the compilation of statistics of cross-border transactions or related stocks of financial assets and liabilities, and work with the IMF in determining how these activities should be treated in accordance with *BPM5*.

3. The Committee will investigate ways in which data collection can be better coordinated among countries, with a view, inter alia, to facilitating the exchange of statistics among countries (e.g., bilateral transactions or stock data). It will also identify related areas for study and determine how work in those areas should be carried forward.

4. In carrying forward its work, the Committee will collaborate with other national compilers and with appropriate international organizations.

5. In consultation with the IMF's Statistics Department, the Committee will determine its work program and will meet under IMF auspices at least once a year.

6. The Committee will prepare an annual report for presentation to the Managing Director of the IMF.

Appendix 3
Medium-Term Work Program of the IMF Committee on
Balance of Payments Statistics: End-December 2001

Subject	Issue	Action
Top Priority		
Updating BPM5	Preparation of draft work program for updating *BPM5*	Papers by IMF staff
Data Quality	Framework for assessing data quality	Papers by ECB, Eurostat, and IMF staff
Coordinated Portfolio Investment Survey (CPIS)	Results of the 2001 CPIS	Paper by IMF staff
	Preparations for the next CPIS	Paper by IMF staff
	Third party holdings	Paper by IMF staff
Securities Database	Development of database	Joint paper by BIS, ECB, and IMF staff on working group's investigations
Reverse transactions	Practical aspects of treatment of reverse transactions	Outcome of discussion of ISWGNA
	Paper by working group on reverse transactions	Paper by IMF staff
High Priority		
Nonperforming loans	Clarification of treatment in macroeconomic statistical frameworks	Paper by IMF staff
Direct investment	Exchange of experiences in compiling direct investment data	Paper by the United States on valuing direct investment positions at market prices
		Paper by ECB on valuation of stocks and reinvested earnings
		Report on the work of the joint ECB/Eurostat task force on direct investment
		Paper by OECD and IMF staff on progress on updating metadata for national practices and progress towards next SIMSDI
		Paper by Belgium on the practical application of the directional principle
		Paper by Eurostat on the fully consolidated system
		Paper by France on estimating most recent year(s) reinvested earnings data
Transactions between affiliated enterprises	Exploration of borderline between direct investment and other types of investment	Papers from the United States, Japan, ECB, and Eurostat on borderline issues, such as those relating to special purpose entities, the concept of permanent debt, cash management services, and collective investment schemes
		Report by IMF staff on classification of financial derivatives
Transportation	Sources of global discrepancies in transportation	Paper by France and IMF staff
		Report by Eurostat
Treatment of trusts and limited partnerships	Clarification of treatment of trusts and limited partnerships	Papers by IMF staff and Canada
Residence	Updating *BPM5*	Paper by IMF staff

Subject	Issue	Action
Medium Priority		
Global discrepancies	Indication of imbalances in global balance of payments statistics	Paper by IMF staff on global imbalances
		Paper by IMF staff on revisions to global discrepancies
		Paper from Eurostat on asymmetries in EU member states
	Harmonization of balance of payments: data requirements of multi-national corporations	Joint paper by Eurostat and ECB
Policy application	Use of balance of payments data	Papers by the Russian Federation, Saudi Arabia, South Africa, and the United Kingdom
	Reserve adequacy	Paper by the Russian Federation
User needs for a more detailed breakdown of *other sectors*	Updating *BPM5*	Paper by ECB
Income	Clarification of treatment of reinvested earnings of collective investment schemes	Papers by IMF staff and Belgium
		Progress report by ECB on its task force on portfolio investment income
	Accrual of interest on debt securities	Paper by IMF staff on deliberations of ISWGNA
Implementation of *BPM5*	Update on implementation and practical difficulties in implementing *BPM5*	Papers by Chile, Hong Kong SAR, and Saudi Arabia
		Paper by IMF staff on *BPM5* reporting to the IMF's Statistics Department
Relationship between international accounting and statistical standards	Possible amendments to international statistical standards to reflect changes in international accounting standards	Paper by IMF staff
International trade in services	Implementation of *Manual on Statistics of International Trade in Services*	Paper by IMF staff on activities of the Task Force on Statistics of International Trade in Services
	Implementation of FATS statistics	Paper by France
External debt and IIP	Improve reporting of external debt data within international investment position framework	Paper by IMF staff on developments at Inter-Agency Task Force on Finance Statistics
		Paper by BIS on outcome of workshop on external debt statistics
International Banking Statistics	Use and improvement of international banking statistics	Paper by BIS
Unrecorded transactions	Update on drug trafficking	Paper by the Russian Federation
Travel account	Issues on measurement of travel account	Paper by the United Kingdom
		Paper by France
		Paper by IMF staff on the development of a website on travel methodology
Low Priority		
Nonproduced, nonfinancial assets	Treatment of nonproduced, nonfinancial assets in the balance of payments and the IIP and the treatment of income from use of nonproduced, nonfinancial assets in the balance of payments	Papers by IMF staff
Employee stock options	Treatment of employee stock options in national accounts and balance of payments	Paper by IMF staff on work of ISWGNA