Balance of Payments Task Team (BPTT): Progress and Next Steps

Third (virtual) Meeting
April 13, 2021
Outline

- Summary of Discussions of the BOPCOM Meeting and Next Steps
  - BPTT GNs Preparation
  - Review of GNs of other TTs
Summary of Discussions of BOPCOM Meeting (February 22–25, 2021)

• Nine Guidance Notes (GNs) and one paper presented for discussion

• Eight GNs were approved: BPTT (1), CATT (1), DITT (5), and FITT (1)

  ▶ Approved GNs will be part of the proposed annotated outline of BPM7 (with suggested modifications and after a final review of BOPCOM, in some cases).

  ▶ GN F.10 *The treatment of Cash Collateral*: FITT to propose a way forward based on the guidance from the Committee and the AEG.

• Paper on Sustainable Finance: Developing Guidance for Data to Address Climate Change was presented for seeking Committee’s inputs on the way forward.

• Summary of Discussions and papers presented to BOPCOM for discussion (as well as for information) are posted on the IMF BOPCOM website: Thirty-Fifth Meeting.

• All Committee members supported the need for additional guidance on the recording of tax amnesty related transactions on an accrual basis.

➢ Analytical box providing a brief scope of the issue will be included in the BPM7, and detailed practical guidance with examples in the BPM7 CG.

➢ BPM7 CG to present different possibilities of recording, such that countries can choose an appropriate method considering the availability of resources and data, and impact on balance of payments.

• To ensure complete consistency with the national accounts and government finance statistics, the proposals should be checked with GFS compilers in BPTT and the AEG.

• Final version of the GN (stating the agreed proposals that should go into BPM7 and removing the questions to the Committee) to be circulated to the Committee (via written procedure) for final approval and subsequent posting on the BPM6 Update website.
CATT GN C.8: Recording of Fines and Penalties

• The Committee agreed with the proposed definition of fines and penalties transactions as being punitive in nature to differentiate these payments from payments for compensation of damages.

• The majority also agreed that the fines and penalties should be recorded in statistics when all court appeals are exhausted.

• National accounts community should be consulted considering the recording them in primary income would impact GDP and GNI, and further exploration is needed of the effects of the choice on other macroeconomic accounts.

• CATT to revise the GN in light of the discussions and to consult with AEG to ensure consistency with national accounts.

• The updated version (stating the agreed proposals that should go into BPM7 and removing the questions to the Committee) to be recirculated to the Committee for final approval via written procedure.
## DITT GNs: D.1 and D.3

### D.1 Greenfield Investment and Extension of Capital

**Committee members supported**

- A clear definition of the GI and extension of capacity to be included in *BPM7*.
- Testing proposed approaches before inclusion in the *BPM7* (DITT and WGIIS collaboration)
- Majority supported transactions approach; the relevance of the capital approach was also highlighted.
- Clarifying the scope of coverage (debt/equity) and recording (gross or net).
- Updated GN will be circulated to the Committee for final approval via written procedure.

### D.3 Treatment of Collective Investment Institutions (CIIs)

**Committee members supported**

- Alternatives A3.2 and A3.3 with a slight preference for A3.2
- Recognizing the practical challenges in implementing either alternative, though A3.2 is easier on practical grounds
- Additional clarification could be included as part of the *BPM7 CG* on practical implementation, the type of funds concerned, and their institutional sector classification.
- Updated GN (stating the agreed proposals) to be recirculated to the Committee for final approval via written procedure.
## DITT GNs: D.4 and D.12

### D.4 Corporate Inversions (CIs)

<table>
<thead>
<tr>
<th>Committee members supported the need for</th>
<th>An official definition of corporate inversion for statistical purposes in <em>BPM7</em>. Clarify borderline between CIs and other forms of corporate restructuring (changes in registered offices), which can have a similar economic effect but need to be treated differently.</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>A voluntary supplemental data collection for those countries where this may be important.</td>
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<td></td>
<td>A typology of corporate actions, indicating in each case whether the actions should be treated as transactions or as other changes in volume (OCV) would be helpful.</td>
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<td></td>
<td>Consulting the GZTT in finalizing the GN.</td>
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<td></td>
<td>Updated GN to be circulated to the Committee (via written procedure) for final approval.</td>
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### D.12 Including Intra-concern Financial Derivatives (FDs) in DI

<table>
<thead>
<tr>
<th>Committee members unanimously supported no change in current standards</th>
<th>Adding a supplementary breakdown of transactions and positions ‘of which between affiliated parties’, on a voluntary basis.</th>
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<tbody>
<tr>
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<td>Include guidance in the <em>BPM7 CG</em>.</td>
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<tr>
<td></td>
<td>Research into financial derivatives within company groups as they may behave differently and serve different purposes (e.g., shifting income) than FDs between unaffiliated parties.</td>
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<td></td>
<td>Finalize the GN stating the final recommendation.</td>
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</table>
D.17 Superdividends

Committee members supported

Alternative 3: Discard the concept of superdividends for accumulated reserves from ordinary earnings for DIEs.

Maintaining the term ‘superdividends’ in BPM7.

Consulting the AEG to ensure consistency with national accounts.

Considering the outcomes from the discussion on GN F.2 “Asymmetric Treatment of Retained Earnings Between Direct and Portfolio Investment and Potential Extension to Domestic Relationships” and D.16 “Treatment of Retained Earnings”, after which final decision will be taken.
FITT GNs: F.3 and F.10

• F.3 Reverse Transactions
  - Committee supported the proposed recommendations on the six issues presented in the GN.
  - FITT to finalize the GN after approval from the AEG for posting on the BPM6 Update website.
  - Detailed practical guidance on all aspects of reverse transactions to be included in the BPM7 CG.

• F.10 Treatment of cash Collateral
  - There were mixed views on the proposed options, and it was recognized that this is a borderline case.
  - Some Committee members supported option 3 (to treat cash collateral as deposits) and considered that it should be applied with no exception for certain types of institutional units.
  - Other Committee members favored option 2—treating cash collateral as loans, while a few members preferred option 1—other accounts receivable/payable.
  - The Committee decided that in the absence of substantive agreement, the fallback solution of no change to the current standards would prevail (other accounts receivable/payable).
  - FITT to propose a way forward based on the guidance provided by the Committee and the AEG.
Outline

- Summary of Discussions of the BOPCOM Meeting and Next Steps
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Timeline for the Next Committee Meetings in 2021

June 21–24
BPTT: 5 GNs
Other TTs:
14 GNs *

October 26–28
BPTT: 3 GNS
Other TTs:
13 GNs**

* of which, three BPTT GNs and four GNs of other TT will be presented to the Committee via written procedure (WP).
** except GZTT.
# Timeline until June 2021 Committee Meeting

## Proposed Timeline for the June 2021 Committee Meeting

<table>
<thead>
<tr>
<th>Action</th>
<th>Duration</th>
<th>Starting Date as from</th>
<th>End Date to provide comments</th>
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<tbody>
<tr>
<td>Review of the BPTT GNs</td>
<td>Up to 2 weeks</td>
<td>April 2021</td>
<td>No later than April 30*</td>
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<tr>
<td>Review of GNs from other TTs</td>
<td>1 week</td>
<td>March 2021</td>
<td>No later than April 30*</td>
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<tr>
<td>Posting for public consultation</td>
<td>4 weeks</td>
<td>May 3, 2021</td>
<td>No later than June 3</td>
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<tr>
<td>GN final version including recommendations completed and sent to BOPCOM (via BPTT) including public consultation summary</td>
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<td></td>
<td>End Date to share with BOPCOM members</td>
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<tr>
<td>Committee Meeting</td>
<td></td>
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<td>June 21–24, 2021</td>
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* GNs listed for WP will be sent during May
## Work Plan and Progress: BPTT GNs

<table>
<thead>
<tr>
<th>Topic</th>
<th>End Date to Provide BPTT Comments/Current Status</th>
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<tbody>
<tr>
<td><strong>HIGH PRIORITY</strong></td>
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<tr>
<td>B.1 Nationality concept</td>
<td>End-August 2021</td>
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<tr>
<td>B.2 Standardized definition of net international reserves/revisit reserves-related liabilities definition*</td>
<td>Mid-May 2021**</td>
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<tr>
<td>B.3 Treatment of centralized currency unions in macroeconomic statistics*</td>
<td>Mid-May 2021**</td>
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<td>B.4 Reconciliation between flows and stocks</td>
<td>Approved by the Committee in October 2020</td>
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<td>B.5 International account supporting the analysis of welfare</td>
<td>OECD proposed this topic earlier—suggested to delete this from the list</td>
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<td>B.6 Sustainable finance</td>
<td>End-August 2021 (stocktaking presented in Feb 2021 Committee meeting)</td>
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<td><strong>MEDIUM PRIORITY</strong></td>
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<td>B.7 Arrears in IIP</td>
<td>BPTT review completed. Will be posted for public consultation around April 25</td>
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<td>B.8 Recording citizenship by investment programs</td>
<td>April 30, 2021</td>
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<tr>
<td>B.9 Treatment of external assets and related income declared under tax amnesty in external sector statistics</td>
<td>Approved by the Committee in February 2021 meeting. Sent for the AEG/GFS members’ review</td>
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<tr>
<td>B.10 Auxiliary reconciliation tables</td>
<td>End-August 2021</td>
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<tr>
<td>B.11 Other economic flows on insurance and pension reserves</td>
<td>ABS proposed this topic earlier—suggested to drop this from the list</td>
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<tr>
<td>B.12 Treatment of equity in international organizations that is in the form of unlisted shares or nonnegotiable equity*</td>
<td>April 30, 2021</td>
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* Presented to the Committee via written procedure

** These GNs have significant importance for IMF’s surveillance. Therefore, both these GNs are circulated for a review of the IMF’s departments prior to sending them for BPTT review.
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Work Plan and Progress: Review of GNs

- **Review of 51 GNs** prepared by other task teams (TTs) before public consultation—CATT (9), DITT (18), FITT (15), and GZTT (9)

- Reviewed nine GNs between the Committee meetings in October 2020 and February 2021.
  - two from CATT, five from DITT, and two from FITT

- **Review of GNs for the June 2021 Committee meeting**
  - three from CATT (review of one GN C.6 already completed and GN 5.2 via WP)
  - five from DITT (two GNs D.11 and D.18 via WP to the Committee)
  - four from FITT (review of one GN F.4 already completed)
  - two from GZTT (review of both the GNs completed and GN G.4 via WP to the Committee)
Thank you!