

FITT Second Meeting (November 24, 2020)— Summary of Discussions

INTRODUCTION OF NEW FITT MEMBERS

1. The two new members of FITT—Mr. Philippe De-Rougemont (Eurostat) and Ms. Akhazzan Nabila (IMF), and three additional contributors—Mr. Floris Jansen and Mr. Martim Assuncao (Eurostat) and Mr. David Stephen Bailey (IMF), all representing the government finance statistics community, were introduced at the start of the meeting.

OUTCOMES OF THE RECENT MEETINGS OF THE IMF'S COMMITTEE ON BALANCE OF PAYMENTS STATISTICS (COMMITTEE) AND THE UNITED NATION'S ADVISORY EXPERT GROUP (AEG) ON NATIONAL ACCOUNTS

2. Mr. Harutyunyan (FITT Co-Chair) presented a summary of the outcomes of the public consultation and the outcomes of the October 2020 BOPCOM and AEG meetings on the FITT Guidance Notes (GNs) *F.5 Treatment of Credit Default Swaps* and *F.8 Valuation of Debt Securities at Both Market and Nominal Values* presented.

3. **GN F.5 Treatment of Credit Default Swaps:** Both public comments and the Committee supported the recommendation to maintain the current treatment of Credit Default Swaps (CDS) as option type and endorsed the proposal to forward the recommended supplementary breakdown by risk categories to the team working on *GN F.4 Financial Derivatives by Type*, for a comprehensive assessment. The co-authors were requested to prepare a final version of the GN for posting on the Committee's website and to be part of the proposed annotated outline of the seventh edition of the *Balance of Payments and International Investment Position Manual (BPM7)*. In the discussion, a point was made about the need to include in the updated manuals the possibility for a CDS to be treated as a post-paid option with two simultaneous entries at inception: a financial derivative and a matching payable/receivable. The issue is related to the broader one on gross versus net reporting for financial derivatives. It was clarified that the team handling GN F.4 would consider reviewing the scope of the topic to consider whether to address additional issues related to net versus gross reporting.

4. **GN F.8 Valuation of Debt Securities at Both Market and Nominal Values:** Both public comments and the Committees supported the proposals to strengthen the guidance in *BPM6* and *2008 SNA* for presenting stocks of debt securities at nominal value for liabilities; reporting supplementary items on the nominal value of the total amount of assets in debt securities and intercompany lending (in economies where it is relevant); and clarifying the definition of nominal value consistently across all

manuals. The co-authors were requested to prepare a final version of the GN for posting on the Committee's website and to be part of the proposed annotated outline of *BPM7*.

5. A question raised during the discussion as to how to determine the relevance for individual countries of total assets and intercompany debt at nominal value. Although it may not be feasible for the GN to prescribe specific thresholds, it would be useful to articulate the different aspects that compilers will need to consider in evaluating the relevance for individual countries. In addition, a comment was made on the impact of the observed practice of some (government) debt issuers to actively trade in their own securities for nominal valuation, as well as on the associated interest. On the recommendation related to the definition of nominal value, the need for harmonizing it across all the manuals and for ensuring clarity on the relationship between nominal and market value was highlighted.

ACTION POINTS

- *The co-authors of both GNs—F.5 and F.8—to prepare final versions of the GNs for posting on the Committee's website and to be part of the proposed annotated outline of the seventh edition of the Balance of Payments and International Investment Position Manual (BPM7). The co-authors of GN F.5 to consider adding a brief elaboration on different aspects that compilers need to consider in evaluating the relevance of total assets and intercompany debt at nominal value for individual countries.*

UPDATES IN THE RESEARCH AGENDA

6. Mr. Giron (FITT Co-chair) presented the proposed topics to be added to the research agenda comprised of:

- a. Treatment of crypto assets in macroeconomic statistics
- b. Treatment of Master Risk Participation Agreements
- c. Debt concessionality
- d. Subscription rights
- e. Factoring transactions

7. The addition of topics on the treatment of crypto assets in macroeconomic statistics and factoring transactions required coordination with other stakeholders, following FITT members' agreement. A related topic was raised in the discussion in terms of the definition of financial assets to include those without counterpart liabilities (including financial gold). Pending on clarifying with stakeholders the scope of the new research issue on crypto assets, the way forward will be considered. On factoring transactions, the Co-Chairs will coordinate with CATT on the possibility of transferring the current account related issues to CATT, and in case of not getting support, the whole topic on factoring transactions will be covered within F.14 and will be sent to CATT for review.

8. FITT members agreed to add to the research agenda the remaining three topics as medium priority. Countries/international organizations proposing these topics will need to take the lead with other volunteers in the preparation of the GNs.

9. As anticipated during the discussion on GN F.5, it was announced that the F.4 authoring team will reflect on extending the scope of F.4 to cover additional financial derivative issues.

ACTION POINTS

- *FITT Secretariat to add the following research topics as medium priority (i) treatment of Master Risk Participation Agreements; (ii) debt concessionality; and (iii) subscription rights.*

- *The Secretariat to request expression of interest for preparation of GNs on the above three topics.*
- *FITT Co-Chairs to coordinate with the UNSD and the Digitalization Task Team on the proposed new topic on crypto assets and with CATT on factoring transactions.*
- *F.4 authoring team to come up with a redefined scope of the GN.*

TAKEAWAYS FROM DRAFTING TEAMS, NEXT SET OF GNs, AND TIMELINE

10. Mr. Ishikawa (Co-Secretary) expressed appreciation for the extensive efforts made by the authors of the first GNs in view of the very tight schedule, including in the summer holiday period to ensure timely completion and submission for public consultation and to the Committee and AEG meetings. Key challenges noted included the very tight schedule, conflicting views among the authoring teams and FITT members, and diverging perspectives on the joint work between the National Accounts and External Sector Statistics communities. Some of the lessons learnt and shared with the FITT included the need to plan ahead and start drafting as early as possible, conducting consultations within the authoring team at an early stage, collaborating with team members from an early stage for their input and resorting frequently to (virtual) meetings to resolve conflicting views.

11. Mr. Harutyunyan (Co-Chair) presented the status of the GNs that are due for the February 2021 Committee meeting—*F.3: Reverse Transactions (RTs)* and *F.10: Treatment of Cash Collateral*. The GN for F.3 has already been reviewed by FITT members twice and following addressing the latest comments from FITT members will be sent to the Balance of Payments Task Team and AEG for review. Draft GN for F.10 was circulated to FITT members for comments.

12. Mr. Egesa (Co-Secretary) presented the timeline for the GNs scheduled for the February and June 2021 Committee meeting. Some GNs that may be completed ahead of schedule could be forwarded to the Committee for consideration by written procedure.

13. The Co-Chairs provided a summary of the meeting's discussions and agreed action points and thanked TT members for their participation in the meeting and activities of the FITT.

SUMMARY AND CONCLUDING REMARKS

14. The Co-Chairs summarized the discussion and the action points.

ACTION POINTS

- *The Secretariat to circulate the power point presentation and prepare summary of discussions.*

ATTENDANCE

Name	Country/International Organization
1. Mr. Artak Harutyunyan (co-Chair)	IMF (co-Chair)
2. Mr. Celestino Giron (co-Chair)	ECB (co-Chair)
3. Mr. Mher Barseghyan	Armenia
4. Ms. Pujiastuti Abassuni	Indonesia
5. Mr. Gabriele Semeraro	Italy
6. Ms. Masako Kominami	Japan
7. Ms. Paula Menezes	Portugal
8. Ms. Maja Gavrilovic	Serbia
9. Mr. Simon Boesenberg	Switzerland
10. Mr. Barend De Beer	South Africa
11. Mr. Emmanuel Ssemambo	Uganda
12. Mr. Perry Francis	United Kingdom
13. Ms. Ruth Judson	United states of America
14. Mr. Patrick McGuire	BIS
15. Mr. Branimir Gruic	BIS
16. Ms. Prunela Charles-Williams	ECCB
17. Mr. Enrico Infante	Eurostat
18. Mr. John Verrinder	Eurostat
19. Mr. Philippe De-Rougemont	Eurostat
20. Mr. Floris Jansen	Eurostat
21. Mr. Martim Assuncao	Eurostat
22. Mr. Jorrit Zwijnenburg	OECD
23. Mr. Benson Sim	UNSD
24. Ms. Esti Kemp	FSB
25. Mr. Carlos Sánchez-Muñoz	IMF
26. Ms. Nabila Akhazzan	IMF
27. Mr. David Stephen Bailey	IMF
28. Mr. Jose Carlos Moreno-Ramirez	IMF
29. Ms. Kazuko Shirono	IMF
30. Ms. Elizabeth Ball Holmquist	IMF
31. Ms. Berry Francien	IMF
32. Mr. Joji Ishikawa (co-Secretary)	IMF
33. Mr. Kenneth Egesa (co-Secretary)	IMF