(1) Topic: **Allocation of Financial Flows**

(2) Issues – see CUTEG Issues Paper #11

(3) Recommendations:

1. The group agreed that, in principle, financial flows and stocks in CU, economic union and other regional BOP/IIP statements are to be allocated on the creditor/debtor approach. However, members also recognized that collecting data on securities transactions according to the creditor/debtor principle can require a very complex data collection system, and might not be cost effective when there are limited cross-border transactions in securities.

2. The group noted the comments received from the US authorities regarding the US preference for the transactor principle for allocating bilateral financial flows—geographical (regional) breakdown of a single economy’s balance of payments. It was agreed that Fund staff should contact the US authorities on this matter.

(4) Rejected Alternatives:

From a conceptual viewpoint, the transactor approach for currency union, economic union and other regional BOP/IIP statements.

(5) Actions before the next meeting of CUTEG

- Fund staff to contact the US authorities over use of the transactor principle (Fund staff).