June 2002

Classification of Financial Derivatives Involving Affiliated Enterprises in the Balance of Payments Statistics and the International Investment Position (IIP) Statement

In 2000, the IMF published *Financial Derivatives: A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual*, which, amongst other things, changed the structure of the balance of payments financial account and the IIP to include a new functional category for financial derivatives. The *Supplement* also reflected a provisional decision of the IMF Committee on Balance of Payments (BOPCOM) to include financial derivative transactions involving affiliated enterprises (other than those between affiliated banks and financial intermediaries)[1] in the direct investment category under a new sub-category for financial derivatives. In making the provisional decision, the BOPCOM recognized that the continued classification of financial derivatives within direct investment would depend on country experience in implementing the recommendations.

The IMF subsequently sought the advice of regional groups of balance of payments compilers on their country experience in implementing the provisional recommendations on the classification of financial derivative transactions in direct investment. The issue was discussed at meetings of the European Central Bank (ECB) Working Group on Balance of Payments and External Reserves, and the Organisation for Economic Cooperation and Development (OECD) Working Party on Financial Statistics, as well as within the BOPCOM itself. The member countries of the ECB and OECD groups did not support the creation of a separate component for financial derivative transactions within the direct investment category. Consequently, in October 2001 the BOPCOM decided to update its provisional decision on this issue, and reached the final decision that financial derivative transactions involving affiliated enterprises should be classified under the financial derivatives category of the balance of payments statistics and the IIP. In reaching this decision, the Committee noted that some such financial derivatives may not be able to be identified and would therefore be included indistinguishably in the data for direct investment other capital.

[1] "Affiliated enterprises" means enterprises that are in a direct investment relationship. Direct investment excludes transactions between affiliated banks and financial intermediaries, except those transactions that involve equity and permanent debt. The amount of financial derivatives transactions either between affiliated enterprises, or between an affiliated enterprise and an affiliated bank or financial intermediary, is therefore considered to be relatively small.

The final decision regarding the classification of financial derivatives was promulgated in 2002 in a letter from the IMF to the official Balance of Payments Correspondents of each IMF member country. At the same time, the official Correspondents were also sent a document that indicated the relevant changes to the text of Part II of the 2000 *Supplement* [2] that reflect the final decision on the classification of financial derivatives in the balance of payments and IIP.

[2] Changes to the text of pages 19, 20, 23, 30, 33, 34, 41, 43, and 45 of Part II of the 2000 Supplement (*Financial Derivatives:* A *Supplement to the Fifth Edition (1993) of the Balance of Payments Manual.*)

FINANCIAL DERIVATIVES

A SUPPLEMENT TO THE FIFTH EDITION (1993) OF THE

BALANCE OF PAYMENTS MANUAL

INTERNATIONAL MONETARY FUND

VIII. Classification and Standard Components of the Balance of Payments

[. . .]

Capital and Financial Account

[. . .]

Financial account (2.B)

176. The classification of standard components in the ***financial account*** is based on these criteria:

All components are classified according to type of investment or by functional subdivision (*direct investment, portfolio investment, financial derivatives, other investment, reserve assets*).

For the category of *direct investment*, there are directional distinctions (abroad or in the reporting economy) and—for the equity capital, and other capital, components within this category—asset or liability distinctions.

For the categories of *portfolio investment, financial derivatives,* and *other investment,* there are the customary asset/liability distinctions.

Particularly significant for *portfolio investment* and *other investment* is the distinction by type of instrument (equity or debt securities, trade credits, loans, currency and deposits, other assets or liabilities). In this *Manual*, traditional and new money market and other financial instruments are included in *portfolio investment*.

For *portfolio investment, financial derivatives*, and *other investment,* there are distinctions by sector of the domestic creditor for assets and by sector of the domestic debtor for liabilities. These distinctions serve to facilitate links with the income accounts, the international investment position, the SNA, and other statistical systems.

The traditional distinction, which is based on original contractual maturity of more than one year or one year or less, between long- and short-term assets and liabilities applies only to *other investment*. In recent years, the significance of this distinction has clearly diminished for many domestic and international transactions. Consequently, the long- and short-term distinction is accorded less importance in the *1993 SNA* and in the fifth edition of the *Manual* than previously. However, because the maturity factor remains important for specific purposes—analysis of external debt, for example—it is retained, in the fifth edition of the *Manual*, for *other investment*.

177. *Direct investment*—reflecting the lasting interest of a resident entity in one economy (direct investor) in an entity resident in another economy (direct investment enterprise)—covers all transactions between direct investors and direct investment enterprises. That is, *direct investment* covers the initial transaction between the two and all subsequent transactions between them and among affiliated enterprises, both incorporated and unincorporated. Direct investment transactions occurring abroad and in the reporting economy are subclassified into equity capital, reinvested earnings, and other capital (intercompany transactions). For equity capital, and other capital, claims on and liabilities to affiliated enterprises and to direct investors are distinguished. Transactions between affiliated banks and between other affiliated financial intermediaries are limited to equity and permanent debt capital. (See paragraph 372.)

178. *Portfolio investment* covers transactions in equity securities and debt securities; the latter are ~~subsectored~~ subclassified into bonds and notes and money market instruments. ~~and financial derivatives (such as options) when the derivatives generate financial claims and liabilities~~. Various new financial instruments, other than financial derivatives, are covered under appropriate instrument classifications. Transactions covered under *direct investment* and *reserve assets* are excluded.

New paragraph

178a. The *financial derivative* category covers financial instruments that are linked to other specific financial instruments, indicators, or commodities and through which specific financial risks (such as interest rate risk, foreign exchange risk, equity and commodity price risks, credit risk, etc.) can, in their own right, be traded in financial markets. Transactions in financial derivatives should be treated as separate transactions rather than as integral parts of the values of the underlying transactions to which they are linked.

Standard Components of the Balance of Payments

Credit Debit

1. Current Account

A. Goods and services

a. Goods

1 General merchandise
2. Goods for processing
3 Repairs on goods
4 Goods procured in ports by carriers
5. Nonmonetary gold
5.1 Held as a store of value
5.2 Other

b. Services

1. Transportation
1.1 Sea transport
1.1.1 Passenger
1.1.2 Freight
1.1 .3 Other
1.2 Air transport
1.2.1 Passenger
1.2.2 Freight
1.2.3 Other
1.3 Other transport
1.3.1 Passenger
1.3.2 Freight
1.3..3 Other
2. Travel
2.1 Business
2.2 Personal*
3. Communications services
4. Construction services
*5. Insurance services***
6. Financial services
7. Computer and information services
8. Royalties and license fees
9. Other business services
9.1 Merchanting and other trade-related services
9.2 Operational leasing services
9.3 Miscellaneous business, professional, and technical services*

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* See **Selected Supplementary Information** table for components.
** Memorandum items: 5.1 Gross premiums
5.2 Gross claims

Standard Components of the Balance of Payments

	Credit	Debit
10. Personal, cultural, and recreational services		
10.1 Audiovisual and related services		
10.2 Other personal, cultural, and recreational services		
11. Government services, n.i.e.		

B. Income

1. Compensation of employees

2. Investment income

2.1 Direct investment
2.1.1 Income on equity
2.1.1.1 Dividends and distributed branch profits**
2.1.1.2 Reinvested earnings and undistributed branch profits**
2.1.2 Income on debt (interest)
2.2 Portfolio investment
2.2.1 Income on equity (dividends)
2.2.2 Income on debt (interest)
2.2.2.1 Bonds and notes
2.2.2.2 Money market instruments ~~and financial derivatives~~
2.3 Other investment

C. Current transfers

1. General government
2. Other sectors
2.1 Workers' remittances
2.2 Other transfers

2. Capital and Financial Account

A. Capital account

1. Capital transfers

1.1 General government
1.1.1 Debt forgiveness
1.1.2 Other

* See **Selected Supplementary Information** table for components.
** If distributed branch profits are not identified, all branch profits are considered to be distributed.

Standard Components of the Balance of Payments

Credit Debit

1.2 Other sectors
- 1.2.1 Migrants' transfers
- 1.2.2 Debt forgiveness
- 1.2.3 Other

2. Acquisition/disposal of nonproduced, nonfinancial assets

B. Financial account

1. Direct investment

1.1 Abroad
- 1.1.1 Equity capital
  - 1.1.1.1 Claims on affiliated enterprises
  - 1.1.1.2 Liabilities to affiliated enterprises
- 1.1.2 Reinvested earnings
- 1.1.3 Other capital
  - 1.1.3.1 Claims on affiliated enterprises
  - 1.1.3.2 Liabilities to affiliated enterprises

1.2 In reporting economy
- 1.2.1 Equity capital
  - 1.2.1.1 Claims on direct investors
  - 1.2.1.2 Liabilities to direct investors
- 1.2.2 Reinvested earnings
- 1.2.3 Other capital
  - 1.2.3.1 Claims on direct investors
  - 1.2.3.2 Liabilities to direct investors

2. Portfolio investment

2.1 Assets
- 2.1.1 Equity securities
  - 2.1.1.1 Monetary authorities
  - 2.1.1.2 General government
  - 2.1.1.3 Banks
  - 2.1.1.4 Other sectors
- 2.1.2 Debt securities
  - 2.1.2.1 Bonds and notes
    - 2.1.2.1.1 Monetary authorities
    - 2.1.2.1.2 General government

	Credit	Debit
2.1.2.1.3 Banks		
2.1.2.1.4 Other sectors		
2.1.2.2 Money market instruments		
2.1.2.2.1 Monetary authorities		
2.1.2.2.2 General government		
2.1.2.2.3 Banks		
2.1.2.2.4 Other sectors		
~~2.1.2.3 Financial derivatives~~		
~~2.1.2.3.1 Monetary authorities~~		
~~2.1.2.3.2 General Government~~		
~~2.1.2.3.3 Banks~~		
~~2.1.2.3.4 Other sectors~~		
2.2 Liabilities		
2.2.1 Equity securities		
2.2.1.1 Banks		
2.2.1.2. Other sectors		
2.2.2 Debt securities		
2.2.2.1 Bonds and notes		
2.2.2.1.1 Monetary authorities		
2.2.2.1.2 General government		
2.2.2.1.3 Banks		
2.2.2.1.4 Other sectors		
2.2.2.2 Money market instruments		
2.2.2.2.1 Monetary authorities		
2.2.2.2.2 General government		
2.2.2.2.3 Banks		
2.2.2.2.4 Other sectors		
~~2.2.2.3 Financial derivatives~~		
~~2.2.2.3.1 Banks~~		
~~2.2.2.3.2 Other sectors~~		
3. Financial Derivatives		
3.1 Assets		
3.1.1 Monetary authorities		
3.1 2 General government		
3.1.3 Banks		
3.1.4 Other sectors		
3.2 Liabilities		
3.2.1 Monetary authorities		
3.2.2 General government		
3.2.3 Banks		
3.2.4 Other sectors		
4. ~~3~~ Other investment		
4. ~~3.~~1 Assets		

Standard Components of the Balance of Payments

Credit Debit

4. ~~3.~~1.1 Trade credits
4. ~~3.~~1.1.1 General government
4. ~~3~~.1.1.1.1 Long-term
4. ~~3~~.1.1.1.2 Short-term
4. ~~3~~.1.1.2 Other sectors
4. ~~3~~.1.1.2.1 Long-term
4. ~~3~~.1.1.2.2. Short-term
4. ~~3~~.1.2 Loans
4. ~~3~~.1.2.1 Monetary authorities
4. ~~3~~.1.2.1.1 Long-term
4. ~~3~~.1.2.1.2 Short-term
4. ~~3~~.1.2.2 General government
4. ~~3~~.1.2.2.1 Long-term
4. ~~3~~.1.2.2.2 Short-term
4. ~~3~~.1.2.3 Banks
4. ~~3~~.1.2.3.1 Long-term
4. ~~3~~.1.2.3.2 Short -term
4. ~~3~~.1.2.4 Other sectors
4. ~~3~~.1.2.4.1 Long-term
4. ~~3~~.1.2.4.2 Short-term
4. ~~3~~.1.3 Currency and deposits
4. ~~3~~.1.3.1 Monetary authorities
4. ~~3~~.1.3.2 General government
4. ~~3~~.1.3.3 Banks
4. ~~3~~.1.3.4 Other sectors
4. ~~3~~.1.4 Other assets
4. ~~3~~.1.4.1 Monetary authorities
4 ~~3~~.1.4.1.1 Long-term
4 ~~3~~.1.4.1.2 Short-term
4. ~~3~~.1.4.2 General government
4 ~~3~~.1.4.2.1 Long-term
4 ~~3~~.1.4.2.2 Short-term
4. ~~3~~.1.4.3 Banks
4. ~~3~~.1.4.3.1 Long-term
4. ~~3~~.1.4.3.2 Short-term
4. ~~3~~.1.4.4 Other sectors
4. ~~3~~.1.4.4.1 Long-term
4. ~~3~~.1.4.4.2 Short-term
4. ~~3~~.2 Liabilities
4. ~~3~~.2.1 Trade credits
4. ~~3~~.2.1.1 General government
4. ~~3~~.2.1.1.1 Long-term
4. ~~3~~.2.1.1.2 Short-term
4. ~~3.~~2.1.2 Other sectors
4. ~~3~~.2.1.2.1 Long-term
4. ~~3.~~2.1.2.2 Short-term

Standard Components of the Balance of Payments

Credit Debit

4. ~~3~~.2.2 Loans
    4. ~~3~~.2.2.1 Monetary authorities
        4. ~~3~~.2.2.1.1 Use of Fund credit and loans from the Fund
        4. ~~3.~~2.2.1.2 Other long-term
        4. ~~3~~.2.2.1.3 Short-term
    4. ~~3~~.2.2.2 General government
        4. ~~3~~.2.2.2.1 Long-term
        4. ~~3~~.2.2.2.2 Short-term
    4. ~~3~~.2.2.3 Banks
        4 ~~3~~.2.2.3.1 Long-term
        4 ~~3~~.2.2.3.2 Short -term
    4. ~~3~~.2.2.4 Other sectors
        4.~~3.~~2.2.4.1 Long-term
        4.~~3~~.2.2.4.2 Short-term
4. ~~3~~.2.3 Currency and deposits
    4. ~~3~~.2.3.1 Monetary authorities
    4. ~~3~~.2.3.2 Banks
4. ~~3~~.2.4 Other liabilities
    4. ~~3~~.2.4.1 Monetary authorities
        4. ~~3~~.2.4.1.1 Long-term
        4. ~~3~~.2.4.1.2 Short-term
    4. ~~3~~.2.4.2 General government
        4. ~~3~~.2.4.2.1 Long-term
        4. ~~3~~.2.4.2.2 Short-term
    4. ~~3~~.2.4.3 Banks
        4. ~~3~~.2.4.3.1 Long-term
        4. ~~3~~.2.4.3.2 Short -term
    4. ~~3~~.2.4.4 Other sectors
        4. ~~3~~.2.4.4.1 Long-term
        4. ~~3~~.2.4.4.2 Short-term

5.~~4~~ *Reserve assets*
    5.~~4.~~1 Monetary gold
    5.~~4.~~2 Special drawing rights
    5.3 Reserve position in the Fund
    5.4 Foreign exchange
        5.~~4.~~4.1 Currency and deposits
            5.~~4.~~4.1.1 With monetary authorities
            5.~~4.~~4.1.2. With banks
        5.~~4.~~4.2 Securities
            5.~~4.~~4.2.1. Equities
            5.~~4.~~4.2.2 Bonds and notes
            5.~~4.~~4.2.3 Money market instruments ~~and financial derivatives~~
        5.4.3 Financial derivatives
    5.~~4.~~5 Other claims

XIII. Other Services

[. . .]

Definitions

[. . .]

258. *Financial services* cover financial intermediary and auxiliary services (except those of insurance enterprises and pension funds) conducted between residents and nonresidents. Included are intermediary service fees, such as those associated with letters of credit, bankers' acceptances, lines of credit, financial leasing, and foreign exchange transactions. (For the latter, the spread between the midpoint rate and the buying/selling rate is the service charge.) Also included are commissions and other fees related to transactions in securities—brokerage, placements of issues, underwritings, and redemptions; ~~and arrangements of swaps, options, and other hedging instruments;~~ commissions and fees paid for the arrangement of financial derivative contracts; commissions of commodity futures traders; and ~~services related to~~ asset management services, financial market operational and regulatory services, security custody services, etc. [6b] Service charges on purchases of International Monetary Fund resources are included among an economy's financial service payments, as are charges (similar to commitment fees) associated with undrawn balances under stand-by or extended arrangements with the IMF.

[6b] Financial derivative transactions may take place directly between two parties or through intermediaries. In the latter case, there may be implicit or explicit service charges. It is not usually possible to distinguish implicit service charges. Therefore, it is recommended that net settlement payments of derivative contracts be recorded as financial transactions. However, when possible, service charge components should be recorded separately.

XIV. Income

[. . .]

Definition and Classification

[. . .]

274. *Investment income* (property income in the SNA) covers income ~~derived from a resident entity's ownership of foreign financial assets~~ earned on the provision of nonproduced capital. Such provision is usually evidenced by the ownership of foreign financial assets. Financial derivative assets do not represent the provision of finance capital; their value derives from changes in the prices of factors used to construct derivative contracts. Therefore, no investment income is earned on financial derivatives. The most common types of *investment income* are income on equity (dividends) and income on debt (interest). Dividends, including stock dividends, are the distributed earnings allocated to shares and other forms of participation in the equity of incorporated private enterprises, cooperatives, and public corporations. Dividends represent income that is payable without a binding agreement between the creditor and the debtor. Among other types of income on equity are (i) earnings of branches and other unincorporated direct investment enterprises and (ii) direct investors' shares of earnings of incorporated direct investment enterprises. (The latter type of earnings, which are not formally distributed, are earnings other than dividends.) Shares of reinvested earnings attributed to direct investors are proportionate to the participation of the direct investors in the equity of the enterprise. Also, in principle, income is imputed to households from net equity in life insurance reserves and pension funds and included indistinguishably ~~under~~ within *other investment*. Interest, including discounts in lieu of interest, comprises income on loans and debt securities (i.e., bank deposits, bills, bonds, notes, and trade advances). ~~Net interest flows arising from interest rate swaps also are included (See paragraph 406)~~. Interest is payable in accordance with a binding agreement between the creditor and the debtor.

[. . .]

Portfolio investment income

280. Portfolio investment income comprises income transactions between residents and nonresidents and is derived from holdings of shares, bonds, notes, and money market instruments ~~and associated with financial derivatives~~. This category is subdivided into income on equity (dividends) and income on debt (interest). See Chapter 19 for details on new financial instruments ~~and treatment of financial derivatives, such as option~~s. included in *portfolio investment.* The financial instrument classification scheme for portfolio investment income is consistent with that in the ***financial account*** and with that in the international investment position. Subsectoring into domestic institutional sectors (monetary authorities, general government, banks, and other) is shown under **Selected Supplementary Information.** (See the table at the end of Chapter 8.) A variety of other supplementary disaggregations by foreign sector, etc. may be desirable for specific analytical purposes.

XVI. Structure and Characteristics of the Capital and Financial Account

Coverage

[. . .]

308. The standard components of both the **current account** and the **capital and financial account** are discussed in Chapter 8. Coverage of the **capital and financial account** is described in paragraphs 172 through 181, and the classification of components appears at the end of the chapter. Capital and financial account transactions presented in this *Manual* are the same as those reflected in the capital and financial accounts of the SNA external accumulation accounts. However, in the balance of payments, the primary basis for classification of the ***financial account*** is functional category (i.e., *direct investment*, *portfolio investment*, *financial derivatives*, *other investment*, and *reserve assets*) while the SNA classification is primarily by type of instrument: monetary gold, currency and deposits, loans, etc. (See Chapter 3 for details of the relationship between the two sets of accounts.) The structure of the **capital and financial account** also is generally compatible with other statistical systems of the IMF and is consistent with the classification of related income components of the **current account** and with the international investment position.

[. . .]

Financial Account

Coverage

[. . .]

315. ~~However, options and other~~ Financial derivatives are included among financial items; ~~in accordance with the treatment of these items in the *SNA*. These instruments~~ this treatment is consistent with the SNA treatment of financial derivatives. There are active financial markets in these instruments, and they can be valued by reference to the market prices of the derivatives themselves or to the market prices of the ~~commitments~~ real or financial items underlying the derivatives. ~~Thus,~~ Both parties to a derivative contract recognize a financial ~~instrument~~ asset; one party recognizes a liability and the other recognizes a claim. Alternatively, this value could be viewed as the amount one party must pay to the other party in order to extinguish the contract. As a result, derivatives satisfy the definition (see paragraph 314) of foreign financial assets and liabilities. A full discussion of financial derivatives ~~instruments~~ appears in ~~Chapter 19~~ the chapter devoted to that subject.

[. . .]

Transactions in assets

[. . .]

318. To establish whether a transaction involving a foreign asset is a transaction between a resident and a nonresident, the compiler must know the identities of both parties. The information available on transferable claims constituting foreign assets may not, however, permit identification of the two parties to the transaction. That is, a compiler may not be able to ascertain whether a resident, who acquired or relinquished a transferable claim on a nonresident, conducted the transaction with another resident or with a nonresident, or whether a nonresident dealt with another nonresident or with a resident. Thus, a recommendation that the balance of payments be confined solely to asset transactions between residents and nonresidents would be difficult or impossible to implement. Also, the introduction, in the *Manual*, of a domestic sectoral breakdown for the *portfolio investment, financial derivative,* and *other investment* components of the ***financial account*** makes it necessary to record certain transactions between resident sectors within the economy—although such transactions cancel each other for the total economy. As a result, recorded transactions may include not only those that involve assets and liabilities and take place between residents and nonresidents but also those that involve transferable assets of economies and take place between two residents and, to a lesser extent, transactions that take place between nonresidents. (See paragraph 334.)

[. . .]

Net recording

324. Two or more changes in a specific asset, or changes in two or more different assets classified in the same standard component, are consolidated in a single entry. This entry reflects the net effect of all the increases and decreases that occur during the recording period in holdings of that type of asset. For example, purchases (by nonresidents) of securities issued by resident enterprises of an economy are consolidated with sales (by nonresidents) of such securities, and the net change is recorded for that item. Net decreases in claims or other assets and net increases in liabilities are recorded as credits; net increases in assets and net decreases in liabilities are recorded as debits. There is one exception: it is recommended that transactions in financial derivatives classified as *reserve assets* be recorded only as a single amount; that is, after the change in liabilities is deducted from the change in assets. It is recognized that, in practice, this approach may be the only means by which transactions in financial derivatives classified in the other category (*financial derivatives*) can be recorded.

[. . .]

Functional types of investment

330. ~~Four~~ Five broad categories of investment, each of which is dealt with in a subsequent chapter, are distinguished.

Direct investment

The direct investor seeks a significant voice in the management of an enterprise operating outside his or her resident economy. To achieve this position, the investor must almost invariably provide a certain, often substantial, amount of the equity capital of the enterprise. The direct investor may also decide to supply other capital to further enterprise operations. Because of the direct investor's special relationship to the enterprise, his motives in supplying capital will be somewhat different from those of other investors. Thus, the capital supplied by a direct investor will probably exhibit characteristic behavior. *Direct investment* is classified primarily on a directional basis—resident direct investment abroad and nonresident investment in the reporting economy—and is subdivided into equity capital, reinvested earnings, and other capital. Equity capital and other capital, in turn, are subdivided into asset and liability transactions. (Related income, however, is shown on a net basis in the **current account**.)

Portfolio investment

Cross-border investment in equity and debt securities (other than *direct investment*) is both quantitatively and analytically significant. Such cross-border investment therefore warrants separate recording and coverage, particularly in view of the trend towards free international movement of capital and the growth of new financial instruments and new market participants. Coverage of this category is expanded to reflect these developments and to include money market debt instruments ~~and financial derivatives,~~ as well as longer-term debt and equity securities.

Financial Derivatives

The number and the importance of transactions (particularly those taking place outside organized markets) in options and forwards (including swaps) have increased in recent years. The treatment of financial derivatives as a separate functional category reflects their increased importance, as well as the differences between financial derivatives and other types of financial instruments. With financial derivatives, no capital is advanced or repaid; nor is any interest accrued. In the first and second printings of the *BPM*5, data on financial derivatives were formerly classified within a subcategory of *portfolio investment.* Compilers may continue with this approach if activity in financial derivatives is too limited to justify presenting data on these instruments in a separate functional category, but compilers should separately classify data if activity in financial derivatives is significant.

Other investment

This residual group comprises many different kinds of investments. In practice, it is not feasible to draw any further functional distinctions among the various types because the reasons underlying the flows are too numerous and varied. Other breakdowns are therefore used to distinguish behavioral differences among components of this category (i.e., trade credits, loans, currency and deposits, use of Fund credit, loans from the Fund, etc.).

Reserve assets

These are foreign financial assets available to, and controlled by, the monetary authorities for financing or regulating payments imbalances or for other purposes. *Reserve assets* consist of monetary gold, SDRs, reserve position in the Fund, foreign exchange, and other claims. Changes in the holdings of reserves may reflect payments imbalances or responses to them, official exchange market intervention to influence the exchange rate, and/or other actions or influences.

[. . .]

Type of instrument

332. For *portfolio investment*, the type of instrument is the primary classification (i.e., equity and debt securities). Debt securities are subdivided into bonds and notes and money market instruments. ~~and financial derivatives~~. Although the sectoral subdivision for *portfolio investment* is secondary, there is no implication that, in certain instances, it may not be of equal interest to the compiling economy. The same holds true for *financial derivatives* and *other investment*.

Domestic sector

333. For assets, the institutional sector of the domestic (resident) creditor and, for liabilities, that of the domestic debtor often are factors that influence transactions in financial items. The sectoring also improves links with the IMF and other statistical systems, including the SNA. This *Manual* distinguishes four sectors—monetary authorities, general government, banks, and other sectors—for ~~both~~ *portfolio investment, financial derivatives,* and *other investment*.[8]

[. . .]

Long- and short-term investment

[. . .]

[8] See Appendix 2.

339. In the categories of *direct investment*, *portfolio investment*, *financial derivatives,* and *reserve assets*, long- and short-term investments are not formally distinguished. For *direct investment*, such a distinction is not made because it is essentially determined by arbitrary enterprise decisions and because of the fact that there is no meaningful analytic distinction between the two maturities for intercompany flows. For *portfolio investment, financial derivatives,* and *reserve assets*, formal maturity is not likely to be a significant factor affecting the behavior of components in these categories.

XVIII. Direct Investment

[. . .]

Direct Investment Capital

[. . .]

369. The components of direct investment capital transactions, which—as noted in paragraph 330—are recorded on a directional basis (i.e., resident direct investment abroad and nonresident direct investment in the recording economy), are equity capital, reinvested earnings, and other capital associated with various intercompany debt transactions. Equity capital comprises equity in branches, all shares in subsidiaries and associates (except nonparticipating, preferred shares that are treated as debt securities and included under *direct investment*-other capital—see paragraph 370), and other capital contributions. Reinvested earnings consist of the direct investor's share (in proportion to direct equity participation) of earnings not distributed as dividends by subsidiaries or associates and earnings of branches not remitted to the direct investor. If such earnings are not identified, all branch earnings are considered, by convention, to be distributed. Because undistributed (reinvested) earnings result in additions to direct investors' equity in subsidiaries and branches, these earnings are included as direct investment capital transactions in amounts equal to (and with opposite sign) the corresponding entries recorded under direct investment income. (See paragraphs 278, 288, and 321.)

[. . .]

[. . .]

372. The recording of intercompany transactions that (1) take place between affiliated banks (depository institutions) and affiliated financial intermediaries (e.g., security dealers) or SPEs serving solely as financial intermediaries and (2) are recorded as direct investment capital transactions is limited to those transactions associated with permanent debt (loan capital representing a permanent interest) and equity (share capital) investment or, in the case of branches, to transactions associated with fixed assets. Deposits and other claims and liabilities (including financial derivatives) related to the usual banking transactions of depository institutions and claims and liabilities of other financial intermediaries are classified, as appropriate, within the categories of *portfolio investment*, *financial derivatives*, or *other investment*. The stock of foreign assets and liabilities of banks and other financial intermediaries (international investment position) should be treated in a parallel manner.

[. . .]

Extent of Net Recording

375. *Direct investment* is often referred to as an asset for the economy of the direct investor and as a liability for the economy in which the direct investment enterprise operates. Actually, investor and enterprise have claims on, or liabilities to, each other—although the investor could be expected to have net foreign claims and the enterprise to have net foreign liabilities. It is recommended in the *Manual* that direct investment transactions in equity capital, and other capital (intercompany debt), be recorded for assets (claims) and liabilities. Thus, in addition to a net investment transaction for each of these components, separate entries are made for the change in claims of direct investors on, and the change in liabilities to affiliated enterprises. These entries are made under *direct investment*-abroad and vice versa for *direct investment*-in reporting economy. For recording *direct investment* in the international investment position, the same entries are made. See the table presenting the standard components of the international investment position at the end of Chapter 23. However, as noted in Chapter 23, the related direct investment income on equity and debt is shown on a net basis for each direction.

XIX. Portfolio Investment

Coverage

385. *Portfolio investment* includes ~~in addition to~~ equity securities and debt securities in the form of bonds and notes and money market instruments. ~~and financial derivatives such as options.~~ Excluded are any of the aforementioned instruments included in the categories of *direct investment* and *reserve assets*. The expanded coverage in transactions reflects changes in international financial markets in recent years and includes the introduction of many new financial instruments within the framework of continuous innovation.
[. . .]

Classification and Definitions

387. The categories of financial instruments classified and defined in the *Manual* are generally consistent with those in the SNA. The major components of *portfolio investment*, which are classified under assets and liabilities, are equity securities and debt securities. Both are usually traded (or tradable) in organized and other financial markets. Debt securities are subdivided into bonds and notes and money market instruments. ~~and financial derivatives, including varieties of new financial instruments~~.
[. . .]

389. Debt securities cover (i) bonds, debentures, notes, etc. and (ii) money market or negotiable debt instruments. ~~and (iii) financial derivatives or secondary instruments, such as options, that usually do not extend to actual delivery and are utilized for hedging of risks, investment, and trading purposes~~.

390. Bonds, debentures, notes, etc. usually give the holder the unconditional right to a fixed money income or contractually determined variable money income. (Payment of interest is not dependent upon the earnings of the debtor.) With the exception of perpetual bonds, bonds and debentures also provide the holder with the unconditional right to a fixed sum as a repayment of principal on a specified date or dates. Included are nonparticipating preferred stocks or shares; convertible bonds; and bonds with optional maturity dates—the latest of which is more than one year after issue.~~[9]~~ This category also includes negotiable certificates of deposit with maturities of more than one year; dual currency bonds; zero coupon and other deep discounted bonds; floating rate bonds; indexed bonds; and asset-backed securities, such as collateralized mortgage obligations (CMOs) and participation certificates. (Mortgages are not classified as bonds but are included under loans.)

[. . .]

~~**392.** Certain financial instruments give the holder the qualified right to receive an economic benefit in the form of cash, a primary financial instrument, etc. at some future date. These instruments are referred to as derivatives or secondary instruments in that they are linked to either specific financial instruments or indicators (foreign currencies, government bonds, share price indices, interest rates, etc.) or to particular commodities (gold, sugar, coffee, etc.) that may be purchased or sold at a future date. Derivatives also may be linked to a future~~

~~[9] The conversion (into equities) option may be considered a tradable derivative (i.e., an asset separate from the underlying security). See paragraph 392. Separation of the value of a transaction into the value of the bond and the value of the option may be effected by reference to transactions in similar bonds traded without options.~~

~~exchange, according to a contractual arrangement, of one asset for another. The instrument, which is a contract, may be tradable and have a market value. When that is the case, the characteristics of the instrument as a contingent asset or liability (not to be recorded in the balance of payments or in SNA sectoral balance sheets) change and give rise to treatment of the instrument as an actual financial asset or liability in the **financial account**. Among derivative instruments are options (on currencies, interest rates, commodities, indices, etc.), traded financial futures, warrants, and arrangements such as currency and interest rate swaps.~~

~~**393.** Transactions in derivatives are treated as separate (mainly financial) transactions rather than being included as integral parts of underlying transactions to which they may be linked as hedges. There are several reasons for this treatment, which is consistent with that in the SNA. The counter party to a derivative transaction will be a different transactor than the transactor for the underlying transaction being hedged. Also, the two parties to the derivative transaction may have different motives — hedging, dealing in the instrument involved, or acquiring the derivative as an investment. Even if both parties are hedging, the hedging may be associated with different financial or other assets. If derivative transactions were included as integral parts of underlying transactions, such treatment would lead to asymmetries of measurement in the balance of payments accounts. For example, the counter party to a derivative contract that hedges an underlying position with a resident may also be a resident. In such an instance, the inclusion of the derivative as part of the underlying transaction would result in the incorrect inclusion of transactions in the balance of payments.~~

Selected Recording Issues

395. The expanded coverage, which includes traditional and new money market ~~and derivative~~ instruments and innovative long-term securities, of *portfolio investment* raises issues concerning the recording of balance of payments entries associated with these instruments. Such issues are discussed, for selected instruments, in subsequent paragraphs.

[. . .]

~~**398.** Among money market and derivative instruments and arrangements, the treatments of short-term notes issued under NIFs, options, warrants, swaps, traded financial futures, and forward rate agreements are noted subsequently.~~

[. . .]

~~**401.** Options are contracts that give the purchaser of the option the right, but not the obligation, to buy (a call option) or to sell (a put option) a particular financial instrument or commodity at a predetermined price (strike price) within a specific time span or on a specified date. Some leading types of options are those on foreign currencies, interest rates, equities, commodities, specified indexes, etc. The buyer of the option pays a premium (the option price) to the seller (writer or issuer) for the latter's commitment to sell or purchase the specified amount of the underlying instrument or commodity or to provide, on demand of the buyer, appropriate remuneration. By convention, in this *Manual* and in the *SNA*, that commitment is treated as a liability of the seller and represents the current cost to the seller of buying out his contingent liability.~~

~~**402.** Conceptually, the payment of the premium referred to previously includes two elements: the purchase price of a financial asset and a service charge. In practice, it often is not possible to identify the service element separately. If the latter can be distinguished, it should be entered under financial services. If not, it is recommended that the full premium be recorded in the balance of payments as the acquisition of a financial asset by the buyer and as an incurrence of a liability by the seller. Subsequent trading (sales) of options is~~

~~recorded in the **financial account**, as is the exercise or purchase/sale of the underlying financial instrument. If an option actually proceeds to delivery, which is not the usual case, the acquisition or sale of the underlying asset (real or financial) is recorded at the prevailing market price in the appropriate balance of payments component. Offsetting that entry is the actual amount payable or receivable; the difference between that amount and the prevailing market price is reflected in an entry that extinguishes the option contract. If an option contract is closed out prior to delivery, the actual amount payable or receivable is offset by the entry extinguishing the option contract. When initial margin payments and subsequent increases or decreases are payable by the parties to options, the payments should be recorded as both assets and liabilities in the financial account under other investment, currency and deposits in the* **financial account***. Payments into, and withdrawals from, these accounts sometimes may be reflected in transactions in the traded options to which the accounts relate and, if so, are recorded under option transactions in the* **financial account***.~~

~~**403.** Warrants (a particular form of option) are tradable instruments giving the holder the right to buy from the issuer of the warrant (usually a corporation) a certain number of shares or bonds under specified conditions for a designated period of time. Warrants can be traded apart from the underlying securities to which the warrants are linked and thus have a market value. The treatment of warrants is the same as that for other options, and the issuer of the warrant is considered, by convention, to have incurred a liability, which is the counterpart of the asset held by the buyer and reflects the current cost of buying out the issuer's contingent liability.~~

~~**404.** Another variety of tradable warrant (usually issued by investment intermediaries) is a currency warrant, the value of which is based on the amount of one currency required to purchase another currency at or before the expiration date of the warrant. Currency warrants and cross-currency warrants with payments denominated in third currencies should be treated in a similar manner to other warrants.~~

~~**405.** A swap is a contractual arrangement involving two parties who agree to exchange, over time and according to predetermined rules, streams of payment on the same amount of indebtedness. The two most prevalent varieties of swaps are interest rate swaps and currency swaps. An interest rate swap involves an exchange of interest payments of different character (e.g., fixed rate and floating rate, two different floating rates, fixed rate in one currency and floating rate in another, etc.). A currency swap involves an exchange of specified amounts denominated in two different currencies and subsequent repayments reflecting principal and/or interest. (Central bank currency swap arrangements usually undertaken for exchange rate policy purposes and involving the temporary exchange of deposits as of a particular date and the reversal of the transaction at a future date are referred to in paragraph 434.)~~

~~**406.** Balance of payments entries for streams of interest payments associated with swap transactions are recorded, on a net basis, in the **current account**, and streams of principal repayments are recorded in the* **financial account***. Although neither party to a swap arrangement is considered to be the provider of a service to the other, any payment to a third party involved in arranging the swap is recorded under financial services.~~

~~**407.** A futures contract is an agreement between two parties to exchange a real asset for a financial asset, or to exchange, on a specified date at a predetermined rate, two financial assets. Traded financial futures, including those for interest rates, currencies, commodities, equities, or other indices, are recorded in the* **financial account*** in a manner similar to the recording of options. Transactions associated~~

~~with nontraded financial futures are likely to occur infrequently and are recorded under the other assets or other liabilities components of *other investment*~~.

408. ~~A forward rate agreement (FRA) is an arrangement according to which two parties agree on an interest rate to be paid, on a specified settlement date, on a notional amount of principal that is never exchanged. At that time, the settlement payment (i.e., the difference between the rate agreed upon and the prevailing market rate at the time of settlement) is recorded as a transaction in the balance of payments. The buyer of the FRA receives payment from the seller if the prevailing rate exceeds the rate agreed upon; the seller receives payment from the buyer if the prevailing rate is lower than the rate agreed upon. These payments are recorded as interest income in the **current account** of the balance payments. Because there is only a notional (not an actual) underlying asset, there are no entries in the ***financial account***~~.

XX. Other Investment

Coverage

411. *Other investment* is a residual category that includes all financial transactions not covered in *direct investment, portfolio investment*, *financial derivatives*, or *reserve assets* (discussed in Chapter 21).

Classification

412. As is the case with *portfolio investment*, assets and liabilities for *other investment* are classified primarily on an instrument basis. The sectors of domestic creditor or debtor—the secondary basis for the classification—are monetary authorities, general government, banks, and other sectors. (For the definitions of sectors, see Appendix 2.) In contrast to those for *direct investment*, ~~and~~ *portfolio investment*, and *financial derivatives,* the maturity distinction (long- or short-term) for *other investment* is a third-level basis of classification.

413. The instrument subclassification for *other investment* (as is that for *portfolio investment*) is closely linked to the SNA categories for financial assets. (See Chapter 3.) While the relative importance of types of investment differs considerably among economies, the types reflect most of the financial instruments and channels utilized for the acquisition of assets and incurrence of liabilities—other than for *direct investment, portfolio investment, financial derivatives*, and *reserve assets*. The instrument classification comprises trade credits, loans (including the use of Fund credit and loans from the Fund), currency and deposits (both transferable and other), and other assets and liabilities (for example, miscellaneous accounts receivable and payable).

Definitions and Recording

[. . .]

421. Deposits comprise both transferable and other deposits. Transferable deposits consist of deposits that are exchangeable on demand at par without restriction or penalty, freely transferable by check or giro order, and otherwise commonly used to make payments. Deposits may be denominated in domestic or foreign currencies. With the exclusion of transferable deposits, other deposits ~~include~~ comprise all claims, including repayable margins for financial derivatives, that reflect evidence of deposit. Typical examples are non-transferable savings deposits, time deposits; and shares (evidence of deposit),which are legally or practically redeemable on demand or on short notice, in savings and loan associations, credit unions, building societies, etc.

422. Other assets and liabilities cover any items other than loans and currency and deposits. For example, capital subscriptions to international nonmonetary organizations are classified ~~under this category~~ within this subcomponent, as are miscellaneous accounts receivable and payable. In countries where repayable margins for financial derivatives are not classified as deposits, the repayable margins should be recorded as other assets and liabilities.

423. As noted in paragraph 372, transactions (other than those associated with permanent debt and equity investment) of banks and other financial intermediaries in ~~a~~ direct investment relationships are included in *portfolio investment, financial derivatives*, or *other investment*. Thus, loans and deposits of such institutions are included, as described in paragraphs 415 and 421, within those components.

XXI. Reserve Assets

Concept and Coverage

424. *Reserve assets*, the ~~fourth~~ fifth major functional category of the ***financial account***, is an important component of balance of payments statistics and an essential element in the analysis of an economy's external position. *Reserve assets* consist of those external assets that are readily available to and controlled by monetary authorities for direct financing of payment imbalances, for indirectly regulating the magnitude of such imbalances through intervention in exchange markets to affect the currency exchange rate, and/or for other purposes. (See paragraphs 425 and 432.) The category of *reserve assets,* as defined in this *Manual,* comprises monetary gold, SDRs, reserve position in the Fund, foreign exchange assets (consisting of currency and deposits, ~~and~~ securities, and financial derivatives), and other claims. (See paragraph 443.) Securities that do not satisfy the requirements of *reserve assets* are included in *direct investment* and *portfolio investment*.

[. . .]

Classification

[. . .]

New paragraph

442a. Transactions in financial derivatives (for example, forwards, futures, swaps, and options) that take place with nonresidents should be recorded in *reserve assets* only if such transactions pertain to the management of reserve assets, are integral to the valuation of such assets, and are controlled by monetary authorities. In addition, such financial derivatives must be highly liquid and settlement payments must be made in foreign currency. Unlike transactions in all other items, financial derivative transactions in *reserve assets* should be recorded after transactions in liability positions are subtracted from transactions in asset positions. This method of recording will sometimes result in negative net asset positions.

XXIII. International Investment Position

[. . .]

Classification

464. Classification of the international investment position (and of changes to the IIP) has two dimensions. (See the table at the end of this chapter.) In the rows of the table, the primary distinction is between assets and liabilities; the difference between the two represents the net position. Fully consistent with the balance of payments ***financial account***, the first IIP subclassification is by function. Assets are divided into *direct investment*, *portfolio investment*, *financial derivatives*, *other investment*, and *reserve assets*; liabilities are divided the same way (except for *reserve assets*).

465. Within the functional categories and in concordance with the *income* component of the **current account** and with the ***financial account*** in the balance of payments, *direct investment* is subdivided into equity capital plus reinvested earnings, and other capital (intercompany debt). Claims on, and liabilities to, affiliated enterprises are shown separately. *Portfolio investment* is classified primarily by instrument—equity securities and debt securities ~~and financial derivatives—~~and secondarily by appropriate sectors. *Financial derivatives* are classified by sector. *Other investment* also is classified first by instrument and then by sector. ~~Included are~~ *Other invest-ment* covers trade credits, loans, currency and deposits, and other assets and liabilities (such as capital subscriptions to international, nonmon-etary organizations and miscellaneous accounts receivable and payable). *Reserve assets* are largely interchangeable from a functional standpoint. (See paragraphs 437 through 443.)

[. . .]

Valuation of Components

[. . .]

468. *Portfolio investment* (equity securities and debt securities ~~and financial derivatives~~) is valued at current market prices at the appropriate reference dates. For equities that are listed in organized markets or are readily tradable, the value of outstanding stocks should be based on actual prices. The value of equities that are not quoted on stock exchanges or otherwise traded regularly should be estimated by using the prices of quoted shares that are comparable as to past, current, and prospective earnings and dividends. Alternatively, the net asset values of enterprises to which the equities relate could be used to estimate market values if the balance sheets of the enterprises are available on a current value basis. For debt securities that are listed in organized markets or are readily tradable, the outstanding value of stocks also should be determined on the basis of current market prices. For debt securities that are not readily tradable, the net present value of the expected stream of future payments/receipts associated with the securities could be used to estimate market value. (The net present value of any future receipt is equal to the value of that receipt when discounted at an appropriate interest rate.)

469. *Financial derivatives* are valued, for the international investment position, at market prices current on appropriate reference dates. It is recommended that gross asset and gross liability data be compiled by summing, respectively, the values of all individual contracts in asset positions and the values of all individual contracts in liability positions. [13a] If market prices data are unavailable, other fair value methods, such as option models or discounted present values, may be used to value financial derivatives. ~~Principles for valuation of financial derivatives in the investment position are, in some respects, less definitive than for other portfolio investment instruments. There are ongoing efforts by national and international accounting bodies to define standards for the measurement and recording of derivatives. Thus, in the *Manual*, a thorough treatment of derivative valuation is not attempted—particularly in view of continued innovations in this area. Rather, brief valuation guidelines that are consistent with those in the *SNA* and applicable to a number of existing derivatives are presented subsequently.~~

470. ~~Traded options, warrants, and traded financial futures, all of which are treated as financial assets, are included in the position at market values on the appropriate accounting dates.~~ For an option, the market value recorded is either the current value of the option—that is, the prevailing market ~~rate~~ price—or the amount of the premium paid as a proxy. The counterpart liability is attributable, by convention, to the writer of the option and is valued at the current ~~value~~ cost of buying out the rights of the option holder. For a warrant, the counterpart liability of the issuer is the current ~~value of buying out~~ outlay required to buy out the exercise rights of the holder. ~~A contract for a currency swap~~ A forward is recorded at market value; when payments are effected, the value of the asset and associated liability is amortized and subsequently reflected in the position on the appropriate accounting date. The market value of a forward contract can switch from an asset position to a liability position (and vice versa) between reporting dates. The switch is a result of movement in the price of the underlying item(s) from which the value of the forward is derived. All price changes, including those that result in such switches of position, are treated as revaluations. When a switch in position occurs (and there are no settlement payments), the market value of the gross asset/liability position at the close of the previous accounting period is revalued to zero, and the gross liability/asset position is revalued from zero to the market value at the end of the present accounting period.

[. . .]

New paragraph

473a. The net marked-to-market values of financial derivative contracts (forwards, futures, swaps and options, for example) with nonresidents should be recorded in *reserve assets* only if the derivative contracts pertain to the management of reserve assets, are integral to the valuation of such assets, and are controlled by the monetary authorities. In addition, such derivative contracts must be highly liquid, and settlement thereof must be executed in foreign currency. Unlike all other items recorded in the position, financial derivatives—if reported as *reserve assets*—should be recorded after liability positions are deducted from asset positions, even if the result is a negative net asset position.

[13a] There is one exception, which pertains to *reserve assets,* to this recommendation. See paragraph 473a.

Standard Components of the International Investment Position

	Changes in Position Reflecting					
	Position at Beginning of Year	Trans-actions	Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
A. Assets						
*1. Direct investment abroad**						
1.1 Equity capital and reinvested earnings						
1.1.1 Claims on affiliated enterprises						
1.1.2 Liabilities to affiliated enterprises						
1.2 Other capital						
1.2.1 Claims on affiliated enterprises						
1.2.2 Liabilities to affiliated enterprises						
2. Portfolio investment						
2.1 Equity securities						
2.1.1 Monetary authorities						
2.1.2 General government						
2.1.3 Banks						
2.1.4 Other sectors						
2.2 Debt securities						
2.2.1 Bonds and notes						
2.2.1.1 Monetary authorities						
2.2.1.2 General government						
2.2.1.3 Banks						
2.2.1.4 Other sectors						
2.2.2 Money market instruments						
2.2.2.1 Monetary authorities						
2.2.2.2 General government						
2.2.2.3 Banks						
2.2.2.4 Other sectors						
~~2.2.3 Financial derivatives~~						
~~2.2.3.1 Monetary authorities~~						
~~2.2.3.2 General government~~						
~~2.2.3.3 Banks~~						
~~2.2.3.4 Other sectors~~						

*Because direct investment is classified primarily on a directional basis—abroad under the heading **Assets** and, in the reporting economy, under the heading **Liabilities—**claim/liability ~~breakdowns~~ disaggregations are shown for the components of each, although these sub-items do not strictly conform to the overall headings of **Assets** and **Liabilities.**

Standard Components of the International Investment Position

	Changes in Position Reflecting					
	Position at Beginning of Year	Trans-actions	Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
3. Financial Derivatives						
3.1. Monetary authorities						
3.2 General government						
3.3 Banks						
3.4 Other sectors						
4. ~~3~~. Other investment						
4. ~~3~~.1 Trade credits						
4. ~~3~~.1.1 General government						
4. ~~3~~.1.1.1 Long-term						
4. ~~3~~. 1.1.2 Short-term						
4. ~~3~~. 1.2 Other sectors						
4. ~~3~~. 1.2.1 Long-term						
4. ~~3~~. 1.2.2 Short-term						
4. ~~3~~. 2 Loans						
4. ~~3~~.2.1 Monetary authorities						
4. ~~3~~.2.1.1 Long-term						
4. ~~3~~.2.1.2 Short-term						
4. ~~3~~.2.2 General government						
4. ~~3~~. 2.2.1 Long-term						
4. ~~3~~. 2.2.2 Short-term						
4. ~~3~~. 2.3 Banks						
4. ~~3~~.2.3.1 Long-term						
4. ~~3~~. 2.3.2 Short -term						
4. ~~3~~.2.4 Other sectors						
4. ~~3~~. 2.4.1 Long-term						
4. ~~3~~. 2.4.2 Short-term						
4. ~~3~~. 3 Currency and deposits						
4. ~~3~~.3.1 Monetary authorities						
4. ~~3~~.3.2 General government						
4. ~~3~~.3.3 Banks						
4. ~~3~~.3.4 Other sectors						
4. ~~3~~. 4 Other assets						
4. ~~3~~. 4.1 Monetary authorities						
4. ~~3~~. 4.1.1 Long-term						
4. ~~3~~. 4.1.2 Short-term						

Standard Components of the International Investment Position

	Changes in Position Reflecting					
	Position at Beginning of Year	Trans-actions	Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year

4. ~~3~~. 4.2 General government
4. ~~3~~. 4.2.1 Long-term
4. ~~3~~. 4.2.2 Short-term
4. ~~3~~. 4.3 Banks
4. ~~3~~.4.3.1 Long-term
4. ~~3~~.4.3.2 Short-term
4. ~~3~~.4.4 Other sectors
4. ~~3~~.4.4.1 Long-term
4. ~~3~~.4.4.2 Short-term

5. ~~4.~~ Reserve assets

5. ~~4.~~ 1 Monetary gold
5. ~~4.~~ 2 Special drawing rights
5. ~~4.~~ 3 Reserve position in the Fund
5. ~~4.~~ 4 Foreign exchange
5. ~~4.~~ 4.1 Currency and deposits
5. ~~4.~~ 4.1.1 With monetary authorities
5. ~~4.~~ 4.1.2 With banks
5. ~~4.~~ 4.2 Securities
5. ~~4.~~ 4.2.1 Equities
5. ~~4.~~ 4.2.2 Bonds and notes
5. ~~4.~~ 4.2.3 Money market instruments ~~and financial derivatives~~
5.4.3 Financial derivatives (net)
5. ~~4.~~ 5 Other claims

B. Liabilities

*1. Direct investment in reporting economy**

1.1 Equity capital and reinvested earnings
1.1.1 Claims on direct investors
1.1.2 Liabilities to direct investors
1.2 Other capital
1.2.1 Claims on direct investors
1.2.2 Liabilities to direct investors

Standard Components of the International Investment Position

	Position at Beginning of Year	Changes in Position Reflecting: Trans-actions	Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
2. Portfolio investment						
2.1 Equity securities						
2.1.1 Banks						
2.1.1 Other sectors						
2.2 Debt securities						
2.2.1 Bonds and notes						
2.2.1.1 Monetary authorities						
2.2.1.2 General government						
2.2.1.3 Banks						
2.2.1.4 Other sectors						
2.2.2 Money market instruments						
2.2.2.1 Monetary authorities						
2.2.2.2 General government						
2.2.2.3 Banks						
2.2.2.4 Other sectors						
~~2.2.3 Financial derivatives~~						
~~2.2.3.1 Monetary authorities~~						
~~2.2.3.2 General government~~						
~~2.2.3.3 Banks~~						
~~2.2.3.4 Other sectors~~						
3. Financial Derivatives						
3.1. Monetary authorities						
3.2 General government						
3.3 Banks						
3.4 Other sectors						
4. ~~3~~ Other investment						
4. ~~3~~.1 Trade credits						
4. ~~3~~.1.1 General government						
4. ~~3~~.1.1.1 Long-term						
4. ~~3~~.1.1.2 Short-term						

*Because direct investment is classified primarily on a directional basis—abroad under the heading **Assets** and, in the reporting economy, under the heading **Liabilities—**claim/liability ~~breakdowns~~ disaggregations are shown for the components of each, although these sub-items do not strictly conform to the overall headings of **Assets** and **Liabilities.**

Standard Components of the International Investment Position

		Changes in Position Reflecting				
	Position at Beginning of Year	Trans-actions	Price Changes	Exchange Rate Changes	Other Adjust-ments	Position at End of Year
4. ~~3~~.1.2 Other sectors						
4. ~~3~~.1.2.1 Long-term						
4. ~~3~~.1.2.2 Short-term						
4. ~~3~~.2 Loans						
4. ~~3~~.2.1 Monetary authorities						
4. ~~3~~.2.1.1 Use of Fund credit and loans from the Fund						
4. ~~3~~.2.1.2 Other long-term						
4. ~~3~~.2.1.3 Short-term						
4. ~~3~~.2.2 General government						
4. ~~3~~.2.2.1 Long-term						
4. ~~3~~.2.2.2 Short-term						
4. ~~3~~.2.3 Banks						
4. ~~3~~.2.3.1 Long-term						
4. ~~3~~.2.3.2 Short-term						
4. ~~3~~.2.4 Other sectors						
4. ~~3~~.2.4.1 Long-term						
4. ~~3~~.2.4.2 Short-term						
4. ~~3~~.3 Currency and deposits						
4. ~~3~~.3.1 Monetary authorities						
4. ~~3~~.3.2 Banks						
4. ~~3~~.4 Other liabilities						
4. ~~3~~.4.1 Monetary authorities						
4. ~~3~~.4.1.1 Long-term						
4. ~~3~~.4.1.2 Short-term						
4. ~~3~~.4.2 General government						
4. ~~3~~.4.2.1 Long-term						
4. ~~3~~.4.2.2 Short-term						
4. ~~3~~.4.3 Banks						
4. ~~3~~.4.3.1 Long-term						
4. ~~3~~.4.3.2 Short-term						
4. ~~3~~.4.4 Other sectors						
4. ~~3~~.4.4.1 Long-term						
4. ~~3~~.4.4.2 Short-term						