

**Fifteenth Meeting of the
IMF Committee on Balance of Payments Statistics
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Updating *BPM5*: Compendium of Issues

**Prepared by the Statistics Department
International Monetary Fund**

UPDATING *BPM5*: COMPENDIUM OF ISSUES

At its meeting in 2000, the Committee agreed that it would be useful to keep a compendium of work that would need to be carried out as part of the process of updating the fifth edition of the *Balance of Payments Manual (BPM5)*, along with a list of the changes that have already been made since *BPM5* was published in 1993.

Included are items that were listed in BOPCOM-01/32, items that the Committee requested to be added to the list at its meeting in October 2001, and other issues that have arisen in the past year. Items added since the October 2001 meeting are shown in italics.

The last three columns of the compendium have been included to provide extra information on each issue. The column marked “reference” indicates where further detail on the issue might be found. Following this, the next column will be used to indicate the type of change, following the typology proposed in BOPCOM-01/33, with the addition of a further category “addition” to indicate issues that are not covered in *BPM5*, but have been proposed for inclusion in the new manual. The last column, the “status” column, indicates what, if any, work is being done on the issue, and shows if such work is completed. In some cases, it is not known at this stage what type of change would be the outcome of the resolution of the issue; in such cases, a “?” is shown.

The items listed in this compendium will be incorporated into the annotated outline of the proposed update of *BPM5* that will be produced in 2003.

Questions for the Committee:

1. Are there other items to be added to or removed from this compendium of issues?
2. Does the Committee wish the classification included in the column headed “Type of change”?

Attachment: Compendium of issues for consideration for updating BPM5

This compendium provides a list of issues for inclusion in any future update to BPM5. Items added since October 11, 2001 are shown in italics.

Item	Description	Reference	Type of change ¹	Status
I. THEORETICAL FRAMEWORK (INCLUDING CHANGES TO EXISTING RECOMMENDATIONS)				
1. Integration of macroeconomic statistics frameworks	Given the linkages between the national accounts and balance of payments frameworks, and also the links with the updated standards of the new <i>Monetary and Financial Statistics Manual (MMFS)</i> and the <i>Government Finance Statistics Manual</i> , include a more complete discussion of the linkages with these frameworks.		<i>CL</i>	
2. Links between <i>International Merchandise Trade Statistics: Concepts and Definitions</i> and <i>BPM5</i>	Include a discussion of the relationship between the balance of payments framework and the merchandise trade statistics as recommended in the <i>International Merchandise Trade Statistics: Concepts and Definitions</i> .	Committee 2000	<i>CL</i>	
3. <i>Goods</i> component	<p>a. Re-exports of goods are included in goods and transit trade is excluded from <i>goods</i>. There is a need to consider whether this distinction is still appropriate and whether it is practical.</p> <p>b. Expand the discussion of the recommendations to use physical transfer rather than change of ownership—for example, for financial leases, goods for processing, merchant goods, and goods shipped between a direct investment parent and its branches and affiliates. <i>BPM5</i> paragraphs 119–120 suggest physical flows are preferable in these cases, but does not explain why.</p>		?	
			<i>CL</i>	

¹ Editorial amendment (EA), clarification beyond dispute (CL), interpretation (I), or change (CH). *Some issues are identified as “addition” to indicate that they were not covered in BPM5.*

Item	Description	Reference	Type of change ¹	Status
	c. Include discussion on the valuation of trade in goods—in particular the calculations for allocation of freight costs to transportation and insurance services.	Committee 2000	CL	
4. Financial derivatives	The treatment of financial derivatives has now been clarified, and revisions to both <i>BPM5</i> and <i>1993 SNA</i> have been agreed and promulgated ² . These would be incorporated, if practicable, in the text of any reprinting of <i>BPM5</i> .		CH	completed
	<i>Incorporate the direct investment clarifications.</i>		CH	completed
5. Financial intermediation services indirectly measured (FISIM)	The treatment of FISIM in the balance of payments, including in areas such as financial derivatives, might be reconsidered. A number of countries are moving towards the estimation of FISIM as part of the financial services component of the balance of payments classification.		CH	
6. <i>Income</i>	Reconsider the treatment of dividends (as a disbursement of capital in the financial account).		CH	
	<i>Review the current treatment of reinvested earnings of direct investment enterprises.</i>		CH	
	<i>Include a discussion on the definition of interest and what is being measured.</i>		CL	
	<i>Include clarifications for example of the treatment of retained earnings of collective investment schemes, and earnings of pension funds, insurance corporations, and mutual funds.</i>		CL	
	<i>Add rent as a separate subcomponent within income.</i>		CH	
7. Trusts	Address issues of identification, classification, and residence.	BOPCOM-01/12	I	
8. Valuation	What is the appropriate valuation of financial assets and liabilities? In particular consider the debtor/creditor approaches. It may be appropriate to include more than one valuation (as in external debt statistics). <i>Include discussion of the valuation of direct investment stocks; also effect of dividends declared on the valuation of shares (ex- and cum-dividend share pricing)</i>		?	

² In the case of balance of payments statistics, in the publication *Financial Derivatives: A Supplement to the Fifth Edition (1993) of the Balance of Payments Manual*. Further clarifications, for the treatment of financial derivatives in direct investment, have been separately provided to balance of payments correspondents.

Item	Description	Reference	Type of change ¹	Status
9.	Add a discussion on the substance of the purpose of external statistics along the lines of the material for users that was discussed by the Committee in 2000 and clearly indicating links to other macroeconomic statistics.	BOPCOM-00/12	<i>addition</i>	
10.	“Balance of Payments” is quite narrow. Expand title to refer to international investment position.		<i>addition</i>	
11.	Include discussion on <i>volume measures</i> . Also add a discussion of export and import price indexes, unit value indexes, and terms of trade indexes (possibly as an annex).	Committee 2001	<i>addition</i>	
12.	Review the balance of payments and international investment position classifications for (1) appropriateness, including the distinction between goods and services and that among financial instruments; (2) possible further breakdown of other sectors; (3) instrument split for direct investment.	Committee 2001	<i>CH</i>	
13.	Review treatment of such assets in the balance of payments and international investment position statements, and review the treatment of the income flow from the use of such assets.		<i>CH</i>	
14.	Review the BPM5 recommended treatment – are these really transactions?		<i>CH</i>	
15.	Expand the discussion of financial instruments (in a separate chapter).		<i>addition</i>	
16.	Include a discussion on this.		<i>addition</i>	
17.	Provide definitions and discuss their importance in statistical measurement and data collection.		<i>addition</i>	
18.	Should this continue to be treated as a good, or should it be regarded as a financial instrument?		?	
	II. NEW AND EMERGING ISSUES			
1.	Incorporate discussion on the relationship between external debt statistics and the IIP framework, in light of the Debt Guide, and consider whether supplementary data might be appropriately added to the IIP and/or the balance of payments statement, including:	Debt Guide	<i>addition</i>	Debt Guide <i>now final</i>

Item	Description	Reference	Type of change ¹	Status
(Issues raised in the development of <i>External Debt Statistics: Guide for Compilers and Users (Debt Guide)</i>)	a. Primacy of the sectoral classification in the <i>Debt Guide</i> ahead of the functional classification (which has primacy in <i>BPM5</i>).			
	b. Distinction between debt denominated in foreign currencies and debt denominated in the domestic currency.			
	c. Need for information on foreign currency based derivative instruments.			
	d. Need for data on remaining maturity of debt as well as original maturity.			
	e. Clarify a range of valuation issues such as the valuation of debt where repayment is determined in terms of quantities of goods rather than money or where an official debtor buys back nontraded debt at a reduced price. Also discuss market and nominal value.			
	f. Expand the discussion of debt forgiveness to consider, inter alia, debt/equity swaps, debt buybacks, and the clarification of definitions and valuation related to debt forgiveness, revaluation of debt, and debt write-offs.			
2. Sectoral classification	Review the <i>BPM5</i> sectoral classification. For example, the IMF's <i>MMFS</i> more closely aligns its sectoral classification with that of the <i>1993 SNA</i> , and downgrades the importance of the monetary authorities sector.	<i>BOPCOM-02/??</i>	<i>CH</i>	
3. Reverse transactions	a. The statistical treatment of repurchase transactions, securities lending, gold swaps, and gold loans/deposits is under discussion.	<i>BOPCOM-00/13</i>	<i>I</i>	work under way
	b. Clarify the classification of fees associated with gold swaps and securities lending.	<i>BOPCOM-00/13</i>	<i>I</i>	work under way
4. Accrued interest	The issue of the appropriate treatment and valuation of accrued interest in both the balance of payments and the national accounts frameworks is currently under discussion.	<i>BOPCOM-00/14</i>	<i>I</i>	under discussion
5. Loans sold at a discount	Discussion and guidance on the most appropriate way to value loans on sold by the initial creditor at a discount.	<i>BOPCOM-00/15</i>	<i>I</i>	
6. Services transactions in <i>BPM5</i>	The negotiation of the General Agreement on Trade in Services has led to a greater focus on trade in services statistics. Outcomes of the work on developing the <i>Manual on Statistics of International Trade in Services (Services Manual)</i> for updating <i>BPM5</i> include:			<i>Services Manual</i> being finalized

Item	Description	Reference	Type of change ¹	Status
(issues arising from the development of the <i>Services Manual</i>)	<p>a. Clarifications of the definitions of the various services components.</p>		CL	
	<p>b. An update to Annex 3 of <i>BPM5</i> (which shows a partial correspondence between the <i>BPM5</i> services classification and the provisional Central Product Classification (CPC)) will be needed.</p>		CL	
	<p>c. Need to consider whether the classification in <i>BPM5</i> remains appropriate; in particular, how much of the extended balance of payments services classification that is recommended in the <i>Services Manual</i> might be incorporated into an updated <i>BPM</i>.</p>		CH	
	<p>d. Consideration should be given to the question of whether the <i>BPM5</i> classification of services might be even more closely aligned with a future version of the CPC, and that the transactor-based parts of the classification (in particular <i>travel</i> and <i>government services n.i.e.</i>) might become memorandum items to the <i>BPM</i> classification.</p>		CH	
7.	<p>Employee stock options</p>	BOPCOM-01-30	CL	
8.	<p>Pricing levels and distribution margins</p>		addition	
9.	<p>Revisions to international accounting standards</p>	BOPCOM-01-34	?	
10.	<p>Provisioning for nonperforming loans</p>	BOPCOM-01-23, BOPCOM-01-34	?	
11.	<p>Data dissemination and data quality</p>		addition	

Item	Description	Reference	Type of change ¹	Status
III. CLARIFICATIONS OF BPM5				
1.	<p>Reserve assets</p> <p>A data template on international reserves and official sector foreign currency liquidity has been developed by the IMF for use by countries in their reporting of both on- and off-balance sheet data, along with operational guidelines for the compilation of the template data. While the reserves template moves beyond the framework of <i>BPM5</i>, the operational guidelines provide clarifications of the guidelines included in <i>BPM5</i> for distinguishing reserve assets from other assets.</p> <p><i>Clarify the treatment of reserve assets held by regional central banks.</i></p>		CL	
			CH	addressed in BOPCOM-02/59
	<p><i>Discuss (1) the circumstances under which commercial banks' foreign currency holdings might be considered reserves; and (2) whether reserves can be held in a country's own currency.</i></p>		CL	
	<p>Clarify the treatment of income earned on reserve asset holdings (including SDRs).</p>		CL	
	<p><i>Clarify the inclusion or otherwise in reserves of the working balances of governments held abroad</i></p>		CL	
2.	<p>Direct investment</p> <p>Issues for clarification: transactions with affiliated financial intermediaries and SPEs, payments associated with the acquisition of a right to undertake direct investment, and the shutdown of foreign direct investment enterprises that were set up to undertake exploration of natural resources.</p> <p>Individuals purchasing property in countries of which they are not resident constitutes a different type of direct investment to that carried out by enterprises. Should such investment be separately identified?</p> <p>There are some inconsistencies between <i>BPM5</i>, the <i>Textbook</i>, and the <i>Compilation Guide</i> with respect to direct investment. Examples include (1) the recommendations related to transactions with financial intermediaries, where the <i>Textbook</i> appears to contradict <i>BPM5</i>, while the <i>Guide</i> supports it, and (2) the recommended treatment for investment in real estate in the <i>Textbook</i> and <i>Compilation Guide</i> is not in accordance with <i>BPM5</i>.</p>	BOPCOM-99/19	CL	completed
			CH	
			CL	

Item	Description	Reference	Type of change ¹	Status
	<i>Review the appropriateness of the ten percent rule for distinguishing direct investment.</i>		?	
	<i>Should "greenfields" investment be identified separately from mergers and acquisitions?</i>		?	
	<i>Discuss (extend classification?) transactions between direct investment "cousins".</i>		?	
	<i>Review appropriateness of existing recommendations about the fully consolidated system.</i>		?	
	<i>Consider whether alternative presentations (for example, through supplementary data) might be appropriate, such as for data on ultimate beneficial owner/ultimate exposure.</i>		addition	
	<i>Expand on treatment of financial institutions in direct investment.</i>		CL	
3.	Goods Treatment of barter trade, shuttle trade, and smuggling to be directly addressed.	BOPCOM-98/1/3, Committee 2001	CL	
4.	Nonproduced, nonfinancial assets Address the treatment of nonproduced, nonfinancial assets (both the assets and their associated payments), such as mobile telephone licenses, patents and other intellectual capital, franchises, <i>purchase/sale of land leases</i> , and the acquisition of rights to fish in territorial waters. Treatment to be directly addressed.		CH	
5.	Capital subscriptions to international and regional organizations Treatment to be directly addressed.		I	
6.	Concessional loans Should the grant element of a concessional loan be recorded as a transfer?		?	
7.	Residence/economic territory The criteria for residence need to be reviewed; in particular:			<i>being addressed through BOPCOM-02/59</i>
	(i) There are differences between <i>BPM5</i> paragraph 78 and <i>1993 SNA</i> paragraph 14.23. This affects, among other things, the coverage of offshore financial institutions, for which there are differences in interpretation between the <i>Debt Guide</i> , the <i>CPIIS Guide</i> , and the <i>MMFS</i> .	BOPCOM-01/13	CL	

Item	Description	Reference	Type of change ¹	Status
	(ii) <i>BPM5</i> paragraph 59 provides two different definitions of economic territory.		CL	
	(iii) how to classify holding companies?		CL	
	(iv) consider the relevance of residence concept to modern (“globalized”) multinationals.		CL	
	(v) discuss regional aggregates, and consider regional institutions.	Committee 2000, 2001	I	
	(vi) discuss individuals with multiple territories of residence.		CL	
	(vii) discuss treatment of binational enterprises.		I	
	(viii) discuss changes to economic territory, for example the Panama Canal Zone, and the associated residence and ownership of assets and liabilities.		I	
	(ix) discuss joint ownership of financial assets (for example deposits) by residents of different economic territories		I	
8.	Geographic attribution Expand the discussion of the geographic attribution of both transactions and positions, given the increasing tendency towards to compilation of partner country data.	Committee 2000	addition for positions	
9.	Financial leases Clarify definition and distinction from operating leases, and ensure the same definition is used in <i>BPM</i> and <i>SNA</i> .	<i>Debt Guide</i>	CL	
	Discuss the treatment of the residual value of the lease, on which the lessee may have an option to buy.	<i>Debt Guide</i>	CL	
10.	Sectoral classification of currency and deposits liabilities <i>BPM5</i> identifies two sectors (monetary authorities and banks) that can hold currency and deposit liabilities; however all four sectors are included in the reporting forms and some countries report all four.		CL	
11.	Treatment of purchase/sale of software Good or service or royalties and license fees transaction?		I	
12.	Treatment of purchase/sale of downloadable products Good or service?		I	
13.	Goods for processing Clarification of the statistical treatment of goods for processing when the goods leave an economy in one period and are returned in a later period. <i>BPM5</i> is silent on the classification of the financial asset and liability that are created.		CL	

Item	Description	Reference	Type of change ¹	Status
14. Capital gains and losses	Discussion of the distinction between capital gains/losses incurred as a result of holding some types of financial assets and income.	Committee 2000	<i>addition</i>	
15. Spread earnings	Include guidance on the estimation of spread earnings.	Committee 2000	<i>addition</i>	
16. “Short” sales	Include a discussion on the appropriate treatment of “short” sales in general (that is, where an entity sells financial assets that it does not own).	Committee 2000	<i>addition</i>	
17. Insurance services	Review and elaborate on the recommendations for estimating insurance services and other insurance flows, noting the problems that arise under the present recommendations in the event of catastrophic claims. <i>Reinsurance services—examine the principles underlining the treatment recommended in BPM5</i>	Committee 2000	?	
18. Exceptional financing transactions	Expand the discussion of the principles of exceptional financing. Include discussion of appropriate statistical treatment of short-term loans that are continuously rolled-over (under the existing format for exceptional financing, the rolling over of short-term loans overstates exceptional financing).	,	?	
19. Technical assistance	Review the recommended treatment for short-term technical assistance personnel.		?	
20. Guarantees and contingencies	<i>Include a discussion on these—consider whether supplementary data or satellite accounts might be appropriate</i>		<i>addition</i>	
21. Transactions and positions of countries with the IMF	<i>The appropriate treatment in the accounts should be discussed more fully.</i>		<i>CL</i>	
22. Penalty payment for non-fulfillment of a contract	<i>Clarification of appropriate classification of such payments</i>		<i>I</i>	