

**Fifteenth Meeting of the
IMF Committee on Balance of Payments Statistics
Canberra, Australia, October 21–25, 2002**

Letter to UNSD on Accrued Interest

Prepared by the U.K.'s Office for National Statistics

2 September 2002

Cristina Hannig
United National Statistical Department
Chairperson, ISWGNA

Dear Cristina

I would like to propose something to help the ISWGNA and the international community of official statisticians through the issue of whether to use the creditor or debtor approach in measuring interest flows associated with coupon bonds, in the national accounts. The UK uses the debtor approach at present, but recent discussion and papers submitted to the Electronic Discussion Group sponsored by the ISWGNA under the auspices of the IMF have persuaded us that the creditor approach is the correct one. An important reason for our change in view was the paper by Wright and Joice which was part of the EDG material. Our view was not changed by the paper by Laliberte, which sets out the case for the debtor approach.

The issue is of particular importance because of the emerging view from the Balance of Payments Committee members that the treatment should be changed to the creditor approach. It would be very regrettable if the harmony achieved between the Balance of Payments manual and the SNA93 should be challenged by this development. As you may know, the national accounts and balance of payments are wholly integrated in the UK, and we would be faced with an impossible dilemma if the two supported different approaches. This is a serious responsibility of the international institutions and one I know you will give due consideration. The view of the European Central Bank has a special significance for European Union members.

I believe that this is on the agenda of the ISWGNA meeting in October, and Adriaan Bloem has informed me that he will be submitting the IMF view reflecting the Laliberte paper. In view of the existence of these two substantive papers advocating different lines, there are two further steps that should be taken before the UNSC is asked to agree the ISWGNA recommendation.

1. Organise a special workshop for those countries and institutions which have taken an interest in the subject and studied it. The two main inputs would be the Wright / Joice and Laliberte papers, with succeeding comments.
2. Organise a further consultation with UNSC members, providing copies of the two key contributions and asking them for their views. I hope you would feel able to agree the specific form of the consultation with all interested parties, to ensure the response was not affected by the manner of presentation..

Yours sincerely

Robin Lynch
Director, National Accounts