

**Twenty-First Meeting of the  
IMF Committee on Balance of Payments Statistics  
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**Adoption of *BPM6***

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

## **Adoption of *BPM6***

The new draft of the manual is the culmination of seven years work by the IMF Statistics Department and the Committee in collaboration with compilers and other interested parties. The Statistics Department is most grateful for all the efforts of Committee members, members of the technical expert groups, and all those who contributed to this major project. This note sets out the process that has allowed us to reach this stage, and the work ahead, and asks Committee members to agree to adopt the new *Balance of Payments and International Investment Position Manual (BPM6)*.

### **A. Progress Report**

See also:

Implementation of *BPM6*—Strategy Going Forward (BOPCOM-07/14)

*BPM6* Implementation Plan, and Plans for Preparing a *Compilation Guide* (BOPCOM 08/10A)

#### ***BPM6 project 2001-2008—consultation and drafting processes***

##### *Background to BPM6*

1. At its 2001 meeting, the Committee decided to initiate an update of the manual to be completed by around 2008. It was considered that while the overall framework of the fifth edition did not need change, a new manual should incorporate the numerous elaborations and clarifications that had been identified since 1993, as well as strengthen the theoretical foundations and linkages to other macroeconomic statistics.
2. It was also decided to conduct the update in parallel with the update of the *OECD Benchmark Definition of Foreign Direct Investment*. Subsequently, the InterSecretariat Working Group on National Accounts decided to update the *System of National Accounts (SNA)* and to establish an Advisory Expert Group (AEG) to assist in this work. The update processes were coordinated to maintain consistency.

##### *Annotated Outline*

3. An important step in the process of producing *BPM6* was the release by the IMF of an *Annotated Outline* for the update of the manual in April 2004. It included proposals and options for the style and content of the revised manual. Questions were posed on specific issues to gauge views. It was circulated to central banks and statistical agencies, as well as being made available on the IMF website. Input was invited from compilers and others on a global basis. Altogether 33 countries provided written comments.

### *Technical Expert Groups*

4. Around this time, the Committee also established four technical expert groups, with membership from member countries and international agencies, to undertake detailed consideration of issues and make recommendations on currency unions (CUTEG), direct investment (DITEG), reserves (RESTEG), and other issues (BOPTEG). DITEG was chaired jointly with the OECD and had common membership and meetings with the OECD's Benchmark Advisory Group in order to bring about consistent treatments. The issues papers and outcomes were posted on the Fund's external website. Many of the issues discussed also were relevant for the update of the *SNA* and so there was close coordination with the *SNA*'s AEG.

5. In addition, other specialized groups provided inputs, including on trade in services, merchandise trade, tourism, and remittances. International organizations participated in all stages of the process directly and as members of specialized groups.

### *World-wide review*

6. Successive draft versions of the manual were published on the IMF website in March 2007 and March 2008.<sup>1</sup> In each case, world-wide comment was invited, with a deadline of three months. About 60 sets of comments were received on the 2007 version, and 20 on the 2008 version. In addition, other draft versions of selected chapters and the whole document were circulated to Committee members, other departments of the IMF, and other interested parties.

7. An expert review of the draft version was undertaken in January 2008 by Mr. Mahinder Gill, a retired IMF staff member and chief of the Balance of Payments Division for the drafting of *BPM5* to identify any inconsistencies, gaps or omissions in the document, and to check the consistency with the *SNA*.

8. A series of nine regional outreach seminars was conducted between January and September 2008 to explain the proposed changes in the manual and encourage comments on the content and drafting. Representatives from 173 IMF member economies participated in these seminars, along with a number of international agencies, and were able to provide many useful drafting suggestions.

9. Taking account of the written comments on the March 2008 draft, input from the regional seminars, and the finalization of Volume 1 the *2008 SNA* (approved by the bureau of the UN Statistical Commission in August 2008), a new draft version was circulated to Committee members in July 2008. In response to comments and a further round of internal

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<sup>1</sup> Available at: <http://www.imf.org/external/pubs/ft/bop/2007/bopman6.htm>

review, the October 2008 version was sent to Committee members on October 10, 2008 which incorporates changes as a result of this consultation.

### ***Major changes introduced***

10. The most significant changes from *BPM5* made in *BPM6* are identified as:
- elaboration of direct investment (consistent with the *Benchmark Definition*, notably the recasting in terms of control and influence, treatment of chains of investment and fellow enterprises, and presentation on a gross asset/liability basis as well as according to the directional principle);
  - revised treatment of goods for processing and merchanting;
  - new concepts for remittances;
  - introduction of the concept of reserve-related liabilities;
  - improved measures of financial sector services, including FISIM, insurance, pensions and standardized guarantees;
  - development of nonmonetary gold, in particular unallocated gold accounts;
  - strengthened concordance with the *SNA* (such as full articulation of the *SNA/MFSM* instrument classification); and
  - extensive additions to the manual—double the size because of increased detail and explanation, increased focus on balance sheets (including a chapter on other changes), and many new appendices (remittances, direct investment, etc.).

### ***Achievements***

11. Major accomplishments so far include that:
- harmonization among the various major international manuals, including the *SNA*, has been maintained. This has been supported by a good working relationship among all the consultative bodies and staff;
  - the timetable has been maintained;
  - there has been an enormous world-wide effort, with input from many countries, including wide involvement from outside the Committee;
  - nine regional workshops already been conducted, attended by participants from 173 Fund member economies;
  - the first general balance of payments course has been conducted on the basis of the new manual;
  - guidance in new manual seems to be well appreciated by economies; and
  - many countries have already begun to improve and update their source data to be consistent with the new standards. For example, many countries have improved or

begun to improve their surveys of direct investment to cover positions with fellow enterprises.

## **B. Further Work**

12. The following discussion of future work is intended to serve as a brief summary, so that the present paper spans the entire *BPM6* updating process, from the Committee's decision in 2001 to begin the process, to its conclusion some time in the future. Future work is discussed in greater depth in *BPM6* Implementation Plan, and Plans for Preparing a *Compilation Guide* (BOPCOM 08/10A) and *BPM5-to-BPM6* Conversion Matrix (BOPCOM 08/10B).

### ***Manual preparation***

13. After the November 2008 Committee meeting, a final version will be completed by incorporating suggestions for clarifications to the October draft made before or at the Committee meeting. The new version will be published on the IMF website in late 2008. This version will be final but subject to editing, so there will be no further changes in content.

14. The full document will be sent for professional editing and to the IMF graphics unit to prepare a print-ready version in final format. It is planned to publish the fully formatted version on the website sometime in 2009, and as a print version after that, possibly also in 2009.

15. The manual will also be translated, and the translated versions of the manual will be available on paper and on the IMF website.

### ***Conversion matrix***

16. A conversion matrix between *BPM5* and *BPM6* standard components has been developed by Fund staff. (The matrix is available separately as document BOPCOM-08/10B.)

### ***Adoption of BPM6 in IMF statistical publications***

17. The presentations in *International Financial Statistics* and the *Balance of Payments Statistics Yearbook* will be converted to a *BPM6* basis. The procedures and timetable are discussed in *BPM6* Implementation Plan, and Plans for Preparing a *Compilation Guide* (BOPCOM 08/10A).

### ***Support by the IMF***

18. The plans for training courses, the *Compilation Guide, Textbook*, and other manuals are discussed in *BPM6* Implementation Plan, and Plans for Preparing a *Compilation Guide* (BOPCOM 08/10A).

### ***Research agenda***

19. A research agenda covers issues ten topics identified as where further work is considered necessary. The topics are shown as paragraph 1.43 of the draft manual. Some progress may be made at the National Accounts Advisory Expert Group meeting to be held later in November. If so, the IMF will consult with Committee members if these require any consequential changes to the draft of *BPM6*.

20. Seven topics are on the *SNA* agenda and so will be subject to international review, and in which international accounts experts will be able to make substantial inputs. For these issues, there is yet to be a decision about procedures or timetable. Based on the continued emphasis on consistency between the international standards, it is expected that the balance of payments community would deal with these issues in the context of the *SNA* research agenda.

21. Three topics are specific to international accounts, namely ultimate investing economy/ultimate host economy, direct investment relationships through warrants and repos, and the definition of pass-through funds. These issues all involve direct investment and will be considered in conjunction with the OECD Working Group on International Investment Statistics.

22. The question arises as to which, if any, changes should be made on a continuing basis, and which made with a “big bang” as for the 1993 and 2008 revisions. Paragraphs 1.37-1.42 set out procedures adopted for making amendments between major revisions, as adopted at its 2001 meeting (see BOPCOM-01/33).

### ***BPM7 file***

23. Starting in November 2008, the IMF plans to begin a file to identify questions and problems raised that could be dealt with in the next edition or through interim updates. The Statistics Department has formed an internal group, the STA Methodological Task Force, that will be examining and performing research into unresolved methodological issues.

### ***SNA Chapter 26***

24. Chapter 26 of the *2008 SNA* is entitled Rest of the World Accounts. It deals with particular issues in units and residence associated with cross-border situations, and

differences in presentation between the *SNA* and *BPM6*. The Fund provided the first draft of the chapter, which was included in the review process for Volume 2 of the *SNA*.

### ***Review of the revision process***

25. At this or some future meeting, the Committee may wish to review the process for preparing the sixth edition of the manual, with a view to providing guidance to our successors undertaking subsequent revisions. In particular, the Committee may wish to identify lessons learned, commend approaches that were particularly effective, and suggest alternatives to aspects that could be improved.

### **Questions for the Committee**

- (1) Do Committee members agree to approve the draft of BPM6 (subject to any issues arising later in the meeting, from changes that may be introduced in the SNA in November 2008, and editing)?*
- (2) What is the Committee's assessment of the BPM6 update process? In particular, what went well? Where could improvements be made, and what alternative approaches would have been more effective?*
- (3) Does the Committee agree with the lists in this paper of "major changes introduced" and "achievements"? Were there any important items that are not listed?*