

**Twenty-First Meeting of the
IMF Committee on Balance of Payments Statistics
Washington D.C., November 4–7, 2008**

Summary of Discussion

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

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Introductory remarks

1. Mr. Murilo Portugal, IMF Deputy Managing Director, opened the meeting. He began by warmly welcoming the new Director of the IMF Statistics Department (STA), Ms. Adelheid Burgi-Schmelz.
2. Mr. Portugal's remarks covered three themes: major statistical initiatives of the IMF; recent achievements of the Committee; and the renewed mandate of the IMF. He noted the foresight of the Committee as reflected in its work on *BPM6*, and saw the manual's completion as a major achievement for which the Committee should be truly proud. Against the background of the IMF's refocusing of priorities, and in consideration of the renewed mandate from the international community to help coordinate international efforts to address the current financial turmoil, Mr. Portugal stressed the importance of the Committee's work. He observed that implementation of *BPM6* will provide more relevant data for assessing external stability and strengthen the IMF's ability to provide timely and relevant policy advice. He also expressed gratitude for the service of those Committee members who will be moving on, and wished the Committee every success in its deliberations.
3. Assuming the Chair, Ms. Burgi-Schmelz thanked Mr. Portugal for his kind words of introduction. She noted the importance of the meeting in adopting *BPM6*, which she saw as an impressive achievement. The Chair noted with regret the passing of a Committee member (Mr. Sergei Shcherbakov of Russia) since the last meeting and welcomed his replacement, Ms. Lidia Troshina, to the Committee. The Chair also outlined the key agenda items and conducted a *tour de table*.

Adoption of *BPM6*—BOPCOM-08/03

4. Mr. Dippelsman (STA) presented an overview of the project that led to the new draft manual, which was initiated by a Committee decision in 2001 to update the manual "by around 2008." The update thus is the timely culmination of seven years' work by STA and the Committee in collaboration with compilers and other interested parties worldwide. The update will be completed at about the same time as the updates of the *OECD Benchmark Definition of Foreign Direct Investment* and the *System of National Accounts (SNA)*. These updating processes were coordinated to maintain consistency.
5. The Committee established four technical expert groups to undertake detailed consideration of issues and make recommendations. The background papers, issues papers, and outcome papers prepared by these groups were posted on the IMF's external website. Other specialized groups also provided inputs. International organizations participated in all stages of the process directly and as members of the specialized groups.

6. Draft versions of *BPM6* were published on the IMF website in March 2007 and March 2008 to obtain worldwide comments. Between January and September 2008, nine outreach seminars were conducted, in all regions of the world, to explain the proposed changes in the manual and obtain feedback. Representatives from 173 jurisdictions and a number of international agencies participated in these seminars. A draft manual was circulated to the Committee in July 2008, reflecting the response to public comments, input from the regional seminars, changes needed to assure consistency with Volume 1 of the *2008 SNA*, and comments from Committee members. A revised draft was circulated to the Committee in October 2008, reflecting the response to Committee comments on the July 2008 draft.

7. The Committee was invited to adopt the manual (subject to any changes arising from the Committee's November 2008 meeting or that arose from changes to the *SNA* in November 2008), and this was accomplished by unanimous assent. After the November 2008 Committee meeting, a final version would be completed by incorporating suggestions for clarifications to the October draft made by Committee members. The final version would be published on the IMF website in late 2008, and would be final but subject to editing.

8. The Committee was also invited to comment on the lists of main changes in the manual and on notable achievements of the update project. Committee members expressed the view that the update of the manual was well managed, that the cooperation between international agencies had been excellent, and that the completion of the new manual was a great achievement.

9. There was broad appreciation for the issue, outcome, and background papers that were produced during the update process by the technical expert groups. It was noted that some of the issues addressed in these papers were not picked up in the update of the manual because no consensus was reached or the subject required further research. It was broadly agreed that these papers should remain accessible for potential future reference. It was suggested that some of the proposals that were not adopted might be addressed in the future work program. For proposals that had been rejected, the Committee thought that the maintenance of a record of the rationale for the rejection may prove valuable in the future.

10. Committee members also suggested that further clarification might be given on the sign convention in the new manual.

11. In regard to work ahead, it was noted that the implementation of the new manual may result in asymmetries, e.g., due to different implementation times or the use of estimates. Addressing potential asymmetries would need a practical rather than conceptual approach. In addition, it was noted that the *Government Finance Statistics Manual* and the *Monetary and Financial Statistics Manual* should be updated in line with the *2008 SNA* and *BPM6*. The Committee agreed as a general principle that issues on the research agenda common to the balance of payments and the national accounts will be taken up consistently and jointly

between the relevant bodies. The Committee also discussed whether the *BPM6* and the *Compilation Guide* (after its update) could be treated as ‘living’ documents, to be updated when considered necessary. No decision was taken, but the IMF will make further proposals.

12. A number of Committee members suggested projects that could be included on the Committee’s research agenda. Items that were suggested included research into the distinction between ordinary income and capital gains; interest; market valuation; identification of statistical units; definition of special purpose entities; emission permits; and insurance flows.

13. Mr. Kozlow summarized that the cooperation between international organizations had worked well, and that the list of potential issues for the research agenda may be revisited later in the meeting when discussing the Committee’s medium-term work program (the Committee did not further augment the list of potential projects for the research agenda). The Chair thanked the Committee for its invaluable contributions to the update process.

Remittances

Remittances—BOPCOM-08/9A and BOPCOM-08/9B

14. Mr. Kozlow reported on the release of the draft *Remittances Compilation Guide (RCG)*, noting that the *RCG* was posted on the IMF’s website in September 2008 for comments, and that, depending on the comments received, the *RCG* may be finalized by end-2008 or early 2009. He indicated that an economic definition of remittances was added to the *RCG*, resulting from a recommendation at last year’s Committee meeting. He summarized the content of the *RCG*, including its discussion of strengths and weaknesses of main data sources used in compiling data on remittances.

15. The Committee was also briefed on the G-8 Heads of State meeting in Japan in July 2008, which endorsed recommendations from the November 2007 Berlin High-Level Meeting. One recommendation from those meetings was for the Luxembourg Group to continue to play an active role in helping countries improve estimates of remittances. The IMF sought the Committee’s views on the interpretation of this recommendation, and indicated that the World Bank is considering hosting a meeting in February 2009 where it would take note of the *RCG* and consider the future role of the Luxembourg Group.

16. Mr. Kozlow also highlighted other work in the area of remittances, including the publication by the Center for Latin America Monetary Studies (CEMLA) of a *Manual on Best Practices for the Compilation of International Remittances*, and the joint Bank of Thailand-IMF-SEACEN (South East Asian Central Banks) workshop on International Remittances in Chiangmai, Thailand, for SEACEN member countries. He noted that the *RCG* received the endorsement of SEACEN member countries, and indicated that the IMF plans to hold similar workshops in Tunisia and in Singapore.

17. The Committee congratulated staff on completing the *RCG* and noted that, among its strengths, were the balanced evaluations of different methods of data collection, and its conclusion that a combination of different data collection methods should be the primary option for data compilers. There also was a request to elaborate on the economic definition of remittances in the *RCG* and *BPM6*.

18. On the future role of the Luxembourg Group, some members saw scope for the Group to work on asymmetries in bilateral and global remittances data, and in addressing methodological issues, and did not see provision of technical assistance as likely to be a primary role.

19. Discussions also focused on a related initiative led by the BIS Committee on Payments and Settlements Systems (CPSS) and the World Bank, who together led a task force to address payment system aspects of remittances. The task force produced a final report in January 2007, “General Principles for International Remittance Services,” that sets out general principles that are designed to assist countries in improving the market for remittance services. The BIS asked that the report be noted as an important element of the body of work on remittances.

20. The Committee also discussed the idea of a “super glossary” to ensure common definitions across statistical manuals. The IMF assured the Committee that the definitions used in the *RCG* were consistent with those of the United Nations and OECD, and indicated that, in finalizing the *RCG*, the source of key statistical definitions would be carefully reviewed. In response to questions by the Committee, the IMF clarified the treatment of migrant transfers, which is no longer a standard component in *BPM6*; transfers involving NPISHs; and the basis for including compensation of employees who work for international organizations, embassies, and nonresident enterprises in the remittances concept. The Chair thanked the international organizations for their collaboration in developing the *RCG*.

Direct investment

21. The Chair (Ms. Laliberté) introduced the direct investment topics and invited authors to present their papers to the Committee.

(a) Progress on the Coordinated Direct Investment Survey (CDIS)—BOPCOM-08/06

22. Mr. Joice presented the progress report on the CDIS, which will be conducted in 2010 for reference year 2009. The implementation of the CDIS is based on four pillars.

- Preparation of a survey guide. With input from the CDIS Task Force, the draft survey guide was completed in January 2008 and posted on the CDIS website¹ for

¹ See <http://www.imf.org/external/np/sta/cdis/index.htm>.

worldwide comments. The survey guide is being updated to reflect feedback from the CDIS seminars (discussed below; these updates will be minor). The translations of the survey guide in five additional languages are nearing completion.

- Extension of formal invitations. Formal invitations from the IMF Managing Director were sent to all IMF members and some non-IMF members in late 2007, inviting their participation in the CDIS. About 130 jurisdictions have now indicated an interest in participating in the CDIS.
- CDIS seminars. A total of ten CDIS seminars were conducted in 2008, in which 189 participants from 128 jurisdictions attended. The impression from these seminars was that many economies are well prepared to participate in the CDIS, whereas some others may need substantial assistance. The IMF is considering targeted assistance to economies where it may be especially helpful or important.
- Interagency cooperation. The IMF's interagency partners with an interest in direct investment were involved in the CDIS from the earliest beginnings. These include the OECD, Eurostat, the ECB, UNCTAD, and other organizations.

23. As next steps, the IMF will prepare additional model questionnaires and reporting templates, and develop software to process and disseminate the CDIS data. The views of the Committee members were sought on the process of conducting the CDIS, the next steps in providing assistance, especially for economies that may need it most, and a proposal to collect metadata, and information on data improvements, in the survey.

24. The Committee was encouraged by the large number of countries expressing an interest in participating in the CDIS, and expected the survey to enhance the quality of direct investment statistics. The Committee supported the proposal for the IMF to prepare additional model survey forms, and expressed views on the content of these forms. The IMF clarified that the model forms will include more variables than those needed to participate in the CDIS, such as portfolio and other investment. Another form will provide a means of integrating flows and stocks for direct investment. These model forms are intended to be used as a starting point for jurisdictions that have little or no experience in conducting direct investment surveys. The design of model survey forms should also promote the development of survey forms elsewhere that are fully harmonized with *BPM6* and *BD4*.

25. As regards targeted assistance, the Committee suggested visits to individual economies focused on country-specific issues in the form of seminars, workshops, and dialogue. Also, it would be useful if compilers conducted national workshops on direct investment for multinational enterprises, preferably with participation of IMF staff. Some Committee members proposed that the IMF consider providing additional assistance on how statistical sampling may be used in developing estimates of total transactions or positions.

26. The OECD shared its recent experience in the Middle East and indicated its willingness in helping to improve surveys of Middle Eastern and North African countries participating in the CDIS, in cooperation with IMF and UNCTAD, provided that resources for technical assistance are available.

27. The Chair noted that considerable progress has been made and that the CDIS is looking to become a very successful initiative. Assistance could be deepened by addressing sampling methods and preparing additional model survey forms.

(b) Update on Benchmark Definition of Foreign Direct Investment and work of the OECD Working Group on International Investment Statistics—BOPCOM-08/07

28. Ms. Bertrand (OECD) described the progress made on the *Benchmark Definition of Foreign Direct Investment (BD4)* and other work undertaken by the OECD Working Group on International Investment Statistics (WGIIS). The OECD Council adopted the *BD4* unanimously and without reservation in April 2008. Additionally, the WGIIS agreed on a research agenda that identified as priorities clarifying the directional principle, issues concerning voting power, treatment of multiterritory enterprises, funds in transit (also referred to as capital in transit), and globalization issues. These items have been taken up in small electronic discussion groups (EDGs) that will report to the WGIIS. Ms. Bertrand also indicated that IMF staff may participate in all of these EDGs, and that Committee members would be invited to comment on interim and final reports at the same time as the WGIIS members.

29. The Committee discussion regarding the WGIIS research agenda can be summarized as follows.

- The EDG for the directional principle had a mandate to provide further clarifications and examples for its application, and finished its report by October 2008 for review by the WGIIS. The Committee meeting addressed this item further in its next agenda item (see below).
- The Committee expressed some concerns regarding the inclusion in direct investment of enterprises where voting power may be effectively obtained by means other than direct ownership of equity, e.g., via holdings of derivatives. Ms. Bertrand explained that the WGIIS will consider its adoption in March 2009 on the basis of a revised EDG report.
- The Committee recommended reconsidering the mandate of the EDG for multiterritory enterprises in view of the very limited number of practical examples. The EDG will provide its final report to the WGIIS for deliberation in March 2009.
- Ms. Bertrand also explained that important research work has started on globalization statistics, including the reconciliation of direct investment statistics and activities of

multinational enterprise (AMNE) statistics, also referred to as foreign affiliates statistics (FATS). She informed the Committee of the creation of an OECD Network of experts dealing with both sets of statistics. The Network will also be responsible for the revision of the OECD *Handbook on Economic Globalisation Indicators*. The WGIIS research agenda on globalization also includes work pertaining to ultimate investing and ultimate host countries, greenfield investments, and extensions of capital.

- In view of the similar future data provisions of direct investment data to the IMF (CDIS) and the OECD, the Committee discussed whether the opportunity could be used to harmonize the SDMX (Statistical Data and Metadata Exchange) coding system used in electronically transferring data to or between international agencies by 2010. It was announced that the IMF, the ECB, and Eurostat have taken initiatives to harmonize the coding system. See below for Mr. Piché's (IMF) presentation on this topic.

30. The Chair thanked Ms. Bertrand for her presentation and congratulated her on the adoption of *BD4*, and on the work accomplished by the WGIIS on the list of issues for further research.

(c) Directional principle: Presentation by the ECB—BOPCOM-08/08

31. Mr. Sola (ECB) gave a presentation summarizing discussions in the European Union (EU) on the implementation of the directional principle (DP) in *BD4*. The presentation highlighted concerns about negative positions that may arise when the DP is applied to 'fellow' enterprises,² and the related deflation of direct investment in a given economy. These outcomes raised questions on the interpretation of direct investment and, in particular, whether direct investment will be very useful in assessing the relative attractiveness of economies for investment. As a possible approach to address these concerns, consideration may be given to treating treasury centers or financial intermediaries more generally as special purpose entities (SPEs). Additionally, the presentation of the direct investment data would require extensive communication with data users to avoid misinterpretations.

32. As noted, some members of the Committee questioned whether direct investment data per se are good indicators of investment attractiveness, and the Committee concluded that additional information was needed to assess attractiveness. It was also mentioned that negative results in direct investment data occurred under the data standards contained in *BPM5* and *BD3*. The Committee felt that negative positions are more likely to arise when one of the direct investment parties is an SPE or financial intermediary. Treating treasury centers

² Entities in a direct investment relationship that have less than 10 percent equity in each other and are under the control of the same investor.

or financial intermediaries more generally as SPEs (as suggested) could be useful, because positions of SPEs (using national SPE definitions) will be separately shown under the recommendations in *BD4*.

33. Some Committee members expressed concern that some compilers consolidate resident entities into local enterprise groups, while others treat each enterprise as a separate statistical unit and do not consolidate. No single approach is prescribed in *BPM6* and *BD4*, but classifications of inward and outward direct investment will be different when the DP is implemented. It was noted that the definition of units will also be discussed in the *BPM6 Compilation Guide*. There was broad agreement that the interpretation of direct investment data is difficult and that extensive communication on this aspect is essential. Data presentations could focus on detailed subsets of data, as the interpretation of aggregated information (that includes in particular data for financial intermediaries and SPEs) sometimes may be misleading.

34. The Chair thanked Mr. Sola for his presentation and the interesting discussion that it invoked. The Committee would welcome any follow-up report by the ECB.

The Updates of the *System of National Accounts (SNA)* and the *European System of Accounts (ESA)*

Progress Report on the 2008 SNA—BOPCOM-08/04

35. Ms. Harrison (World Bank) presented a short information paper on the *2008 SNA* (prepared by the Project Manager of the SNA Update, Mr. McCarthy). She reminded the Committee that the UN Statistical Commission (UNSC) agreed at its 2007 meeting to split the updated *SNA* into two volumes for practical reasons. Volume 1 would contain detailed descriptions of concepts and reflect all changes in treatment resulting from the 44 issues identified by the Advisory Expert Group (AEG), whereas Volume 2 was to provide an elaboration of the concepts contained in Volume 1. She noted that Volume 1 incorporated comments received in the period through April 2008, that it reflects the continuing close coordination with the editors of *BPM6*, and that a full draft of Volume 1 (not edited by the United Nations) was posted on the UN Statistics Division (UNSD) website. Statistical offices and central banks were informed of its availability. The draft (now called *2008 SNA* rather than *1993 SNA rev 1*) has subsequently gone through the United Nations editing process, and only a few changes are required, none of them substantive (with no consequences for other manuals). Volume 2 will be presented for approval at the February 2009 UNSC meeting.

36. Ms. Harrison indicated that the rest of the world chapter of the *2008 SNA* was drafted by the primary *BPM6* editor (Mr. Dippelsman) and that it was in strict conformity with *BPM6*. She indicated that an AEG meeting would be held in Washington, D.C., from November 12–14, 2008 to consider the few issues arising in the final stages of completing volume 1. The issues being considered by the AEG that are likely to be of interest to

BOPCOM are the treatment of emissions permits and insurance, particularly the current recommendation in the *2008 SNA* to allow insurance payouts to be treated as capital transfers in some situations. IMF staff will be involved in these discussions to assure continued consistency with *BPM6* and other IMF manuals. The *2008 SNA* is scheduled to be released in the second half of 2009, with the exact timing largely dependent on the extent of changes required at the UNSC meeting.

37. The Chair thanked Ms. Harrison and Mr. Dippelsman for their work on the *2008 SNA*, and requested further information about the AEG meeting. The UNSD responded, and also took the opportunity to highlight the three underlying principles of the *2008 SNA* implementation strategy: (1) developing strategic assessments, including in all data domains,³ (2) coordination at regional, subregional and international levels with a focus on regional leadership and ownership; and (3) statistical capacity building, including transparency in planning of technical cooperation programs to allow for greater synergies. The importance of knowledge bases was discussed (i) to render easy access to normative standards, compilation guides and best practices, and (ii) to monitor planning and cooperation programs. The IMF acknowledged the importance of coordinating technical assistance to maximize efficiency.

38. In summing up, the Chair noted that implementing *2008 SNA* was more complex than *BPM6*, not least because the *SNA* encompasses all the main branches of economic statistics, and therefore involves multiple stakeholders in the implementation process.

Update of the *European System of Accounts (ESA)*: Report by Eurostat — BOPCOM-08/05; and High-Level Timetable for the Implementation of the New Standards (*ESA*, *BPM6*) in ECB Legal Acts—Room Document by ECB.

39. Eurostat's representative was unable to attend the Committee meeting, and so Mr. Bier (ECB) agreed to present both the ECB and Eurostat papers, as they covered similar ground.

40. The ECB presentation stimulated a discussion of a “big-bang”, i.e. simultaneous, implementation of *BPM6*, the *2008 SNA*, and updated guidelines for monetary and banking statistics versus a separate or incremental approach. The Committee saw some advantages in the big-bang approach: (i) achieving coherency across data sets that would bring greater credibility to the outputs; (ii) potential cost efficiency; and (iii) minimizing multiple or inconsistent data series. However, some Committee members noted that, for practical reasons, such as manageability, resource limitations, the level of ease/difficulty in implementing some recommendations, and data quality trade-offs (e.g., adopting new

³ Data domains exist for numerous areas of statistics, including business statistics and sectoral statistics, such as energy statistics and tourism statistics.

methodologies versus producing data faster), a separate and incremental approach to implementing *BPM6* was probably more feasible for many countries.

41. Mr. Bier observed that the big-bang approach envisaged in the EU was mainly driven by user demands for coherent data sets, requiring integrated sectoral classifications and data production processes. He noted the efficiency gains of a unified implementation, in view of the number of institutions involved in the EU (27 national statistical institutions, 27 national central banks, the ECB, and Eurostat). He also noted the consistency already achieved between macroeconomic data sets following the implementations of the 1993 *SNA/ESA 95* and *BPM5*, and the desirability of maintaining consistency. The implementation process is supported by comprehensive legislation covering the statistics of the European Statistical System (Eurostat and the national statistical institutions) and of the European System of Central Banks (the ECB and the national central banks).

Compilation and Implementation Issues

(a) *BPM6* implementation plan, and plans for preparing a *Compilation Guide*: Report by the IMF—BOPCOM-08/10A and BOPCOM-08/10B

Implementation date

42. Mr. Van Wersch (STA) presented the paper on the implementation plan for *BPM6* and for updating the *Compilation Guide*. He summarized the outcome of last year's meeting in which the Committee provisionally decided for a conversion to *BPM6* presentation format in 2012 or 2013 in the IMF *Balance of Payments Statistics Yearbook (BOPSY)* and *International Financial Statistics (IFS)*. In view of the information gathered in the nine regional outreach seminars, and also to maintain momentum in the work, the IMF favored converting these publications in 2012 (with reference to data for 2011). As was the case in the conversion to *BPM5*, the IMF intends to 'bridge' the data that are submitted in the *BPM5* format after the conversion date to the *BPM6* format, and vice versa. The bridging of selected data items (perhaps most particularly, data on goods for processing) should be a tailored exercise that needs the judgment of a data analyst. Country approval and assistance will be sought before data are published in a format different from what country authorities provide.

43. The Committee expressed diverging views on the conversion date in *BOPSY*. Several Committee members agreed with conversion in 2012, as proposed by the IMF. Others would prefer the conversion to occur after a 'critical mass' had implemented *BPM6* standards. Some favored converting in 2014. Some representatives of the international agencies raised the pros and cons of an internationally coordinated conversion to the new manuals across all or most economic data sets. Others noted that within economies conversion of the balance of payments and the national accounts should coincide, with the implementation of major changes prioritized according to their importance in the respective economies. Some

concerns were expressed regarding the meaning of the estimates produced for IMF publications when data are “bridged” from a *BPM5* to a *BPM6* basis.

44. The IMF noted that it has much experience in supporting a timely conversion of data to a new basis, that the estimates the IMF and compilers collaborated in developing were well received by data users, and that compilers attending the regional *BPM6* workshops supported a timely implementation. The IMF also reminded the Committee that *BOPSY* has been an IMF publication for almost 60 years, and that a primary purpose is to provide consistent presentations of statistical data for the economies that are included. The five conversions that took place in the past were all implemented one or two years after the publication of the new manual. As noted above, the Committee provisionally agreed last year to convert to *BPM6* in 2012–13, or about four or five years after release of the updated manual.

45. The IMF believes that it needs to take the lead in setting the *BOPSY* conversion date for the effort to be successful. As noted, the IMF preference for 2012 reflects input that it received during the regional seminars on the new manual, which were attended by participants from 173 economies. The date was also set in light of input provided at last year’s Committee meeting. It should be noted that it cannot be expected that every economy will adopt all the updated standards in all of the manuals at the same time, or even quickly. For this reason, there will always be inconsistencies across macroeconomic datasets of an economy.

46. An important reason for presenting data for all economies on a similar (*BPM5* or *BPM6*) basis is that this is necessary for production of regional and world tables in *BOPSY*. That is, these datasets can only be compiled if consistent data presentations are available.

47. The Chair concluded that the Committee intends to move ahead with the *BPM6* implementation, but that no conclusion had been reached on the conversion date in *BOPSY* and *IFS*. The IMF will further consider this issue and consult again with the Committee. Because of the interest in resolving this question soon, the consultation will be conducted electronically soon after the meeting of the European Committee on Monetary, Financial and Balance of Payments Statistics (the meeting will be in February 2009).

Conversion matrix

48. At last year’s meeting, the Committee endorsed the construction on of a conversion matrix, mapping the *BPM5* and *BPM6* balance of payments and international investment position items, and providing concise comments to the nature of the changes. At its 2008 meeting a draft conversion matrix was presented to the Committee. The Committee supported the further development of the conversion matrix. Also, Committee members were invited to provide written comments by the end of January 2009, and several members agreed to trial-run the matrix in the forthcoming months.

Compilation Guide

49. During the regional outreach seminars, participants conveyed that the conversion matrix, as well as a timely update of the *Compilation Guide* should receive a high priority to enhance the implementation of the new manual. The IMF presented key elements of an approach for updating the *Compilation Guide*. The Committee agreed that many parts of the *Compilation Guide* would remain unchanged, and that the update could be focused on selected sections.

50. The IMF plans to use a modular approach by producing and disseminating the *Compilation Guide* in separate chapters and boxes—with priority given to methodological changes that are especially difficult to implement. Committee members supported the proposal to treat the *Compilation Guide* as a “living document,” and to publish updated chapters and new boxes in electronic form upon their completion. The Committee also agreed with a request to give attention to back casting of data in the *Compilation Guide*. Further, there was a proposal to coordinate the update of compilation issues that affect both *BPM6* and the *2008 SNA*.

51. The Chair welcomed contributions from BOPCOM (and others) that would address issues common to *BPM6* and the *2008 SNA*, and concluded that there was broad support for the proposed approach for updating of the *Compilation Guide*.

Implementation questionnaire

52. Mr. Austin briefed the Committee on IMF plans to conduct a survey in the first half of 2009 on *BPM6* implementation plans of IMF members. He indicated that the survey aims to identify areas where the Committee and the IMF itself can play a complementary role in supporting countries’ *BPM6* implementation plans, and to identify methodological changes that are especially difficult to implement. He noted that the questionnaire would help guide the work on the *Compilation Guide* and the *BPM6 Textbook*. The questionnaire will adopt a matrix format, presenting each of the major changes recommended in *BPM6*, and requesting country views on the range of difficulties and underlying factors affecting implementation of these changes.

53. The questionnaire results would help identify specific issues for attention in the *Compilation Guide*. The questionnaire would also inquire on countries’ plans for revising historical data, and identify those countries that plan to convert to *BPM6* before the *BOPSY* conversion date. The results of the *BPM6* implementation questionnaire would be reported to the Committee at its meeting in 2009, and supporting strategies could be proposed at that time.

54. The Committee supported a minimalist (not too complicated) approach to the questionnaire, but also saw scope for the questionnaire to identify country solutions to practical problems in implementing *BPM6* with a view to sharing this information with other

data compilers. The Committee agreed that the questionnaire will be sent to Committee members for their comments before its worldwide dissemination. A suggestion from the Committee was that the IMF consider utilizing results of the questionnaire in reaching its final decision on the date for conversion to the *BPM6* format in its statistical publications.

Compilation and Implementation Issues (continued)

(b) Goods for Processing and Merchanting: Papers by IMF, Hong Kong SAR, Canada, and Japan—BOPCOM-08/11, 08/12, 08/13, and 08/29

55. The Chair introduced the four presentations by noting that the methodological changes to processing and merchanting in *BPM6* were expected to have significant effects on the meaning of key balance of payments components for a number of countries. She welcomed the papers as contributing to the discussions of the impact of the changes on balance of payments data, and of implications for data collection.

56. The presentations were well received by Committee members. They sought clarification on whether the treatment of goods for processing in the *International Merchandise Trade Statistics Manual (IMTS)* would be realigned with *BPM6*. UNSD indicated that in the *IMTS* processed goods will continue to be recorded in goods trade on a country of shipment basis, and not on a change of ownership basis, although there may be a new item to separately identify these goods. The Committee stressed the importance of user education in explaining the differences in the *BPM6*- and *IMTS*-based merchandise trade data, as well as the impact of the changes in the balance of payments data.

57. In her paper, Ms. Ou-Yang Fong explained that Hong Kong SAR would adopt a pragmatic modular approach to implement the new statistical standards for goods for processing by combining a model-based and survey approach in compiling estimates at different stages. She also explained the development work being undertaken in Hong Kong SAR and the practical difficulties encountered. Model-based estimates would only be used for compiling provisional data and would subsequently be replaced by survey-based data. The potential for using input-output data in general equilibrium models for estimating goods for processing was also discussed. Discussions of the implications for data collection supported the view that the application of the new guidelines for goods for processing and merchanting would require a multiplicity of data collection strategies as no single method was likely to be sufficient.

(c) Allocation of Merchandise Trade Data to Partner Country: Challenges Facing Canada—BOPCOM-08/14

58. The presentation of Mr. Ridgeway (Statistics Canada) examined the differences between Canada's bilateral goods import estimates compiled on a country of origin basis versus a country of consignment basis. He noticed that *BPM5* favors a country of physical shipment basis, whereas *BPM6* favors a change in ownership basis, and that these concepts

do not equate with the country of origin and the country of consignment information collected by Canada.

Securities databases

(a) Update on Working Group on Securities Databases: Report by IMF

59. Mr. Alfredo Leone (STA) updated the Committee on the progress of the WGSD including the *BIS-ECB-IMF Handbook on Securities Statistics (Handbook)*. He reported that, following receipt of expert comments on the first draft that focuses on debt securities, a revised draft incorporating these comments was discussed by the Review Group during October 28-29, 2008 in Basel. Based on the outcomes of this meeting, the draft *Handbook* will be amended and undergo another round of review and comments. The final version of part 1 of the *Handbook*, on debt securities, is expected by April 2009.

(b) Progress on ECB's Centralized Securities Database: Report by ECB

60. Mr. Bier (ECB) updated the Committee on developments in the ECB's centralized securities database (CSDB). He reported that the main achievement during 2008 was that all 27 national central banks of the ESCB have online access to the CSDB Phase 2 system, which is undergoing user acceptance tests. He noted that beginning in 2009, Phase 2 would fully support balance of payments/IIP and investment fund data compilation. Regarding future developments, the CSDB is expected to support financial vehicle statistics in 2009, and statistics on securities issues and government finance in 2010. Looking further ahead, he envisioned further extensions that would allow the CSDB, including security-by-security reporting, to generate from-whom-to-whom statistics. Commenting on the lessons learned, Mr. Bier indicated that given the number of participants, project execution was a gradual process requiring common understanding and familiarization with the database, which are key to ensuring the quality of the reference data in the CSDB and the related output statistics.

61. Committee members saw positive value-added to the CSDB project in terms of strengthening the availability of securities statistics. Committee members noted that security-by-security databases have been long used in a number of countries, and Mr. Leone pointed out that the *Handbook* would include an annex discussing the benefits and costs of these databases.

Update on Developments in the Reporting of IIP Statistics: Report by IMF— BOPCOM-08/17 and BOPCOM-08/18.

62. Ms. Cardillo (STA) updated the Committee on developments in the reporting of IIP statistics. She described recent IMF-wide recognition of the growing importance of IIP data, and reported on the progress in work by STA, including on the IIP "pipeline" project which aims to expand the number of IIP reporters, and on STA's first steps in constructing IIP world and regional tables.

63. The Committee expressed strong appreciation for the IMF's work in developing IIP statistics in the context of its broader efforts to promote the balance sheet approach for assessing external vulnerabilities. The ECB noted that, in the regional tables, it would be important to include consolidated data for the euro area (such data are already compiled by the ECB). However it was recognized that, for other areas, compilation of consolidated regional tables could require substantial additional national efforts and resources.

64. Against the background of the progress to date, the Chair summed up the Committee's views in terms of a forward looking agenda: the need for high frequency IIP data, need for currency composition data, and dissemination of data that distinguishes changes in positions resulting from transactions and other changes. Given the growth in the collection of bilateral data, not least through such initiatives as the CPIS and the CDIS, the Chair saw scope for developing bilateral breakdowns of IIP in the longer term.

Current Financial Developments and Data Needs

65. The Chair (Ms. Burgi-Schmelz) introduced the topics and invited authors to present their papers to the Committee.

(a) Data provision to the IMF: Paper by IMF—BOPCOM-08/28

66. Mr. Rodriguez (IMF Strategy, Policy, and Review Department) gave an overview of the IMF Board paper, 2008 Review of Data Provision to the Fund for Surveillance Purposes, and a preliminary assessment of the value of key data initiatives for the surveillance of the current financial crisis. In the 2008 Review, the IMF Board's main conclusions were that the adequacy of data for surveillance improved in the last decade but that there is room for much further improvement for many countries; and that priority should be given to moving ongoing initiatives forward, especially those related to the measurement of (i) overall positions and exposures vis-à-vis the rest of the world, and (ii) sectoral positions and exposures. The lessons to be learned from the current crisis were not yet sufficiently clear to be fully considered in the 2008 Review.

67. In regard to external sector data, the presentation highlighted the value added of the IIP and CPIS statistics. Their value is however hampered as there is not universal coverage, no sectoral composition for the liability side, and limited information on exposures by individual currency. For the future, balance of payments and IIP data will remain key indicators, supplemented by the more detailed information in the CPIS on countries' holdings of securities and COFER data on the currency composition of reserves.

68. Areas for future work include (i) further coverage and improvement of the periodicity and timeliness of IIP and CPIS data; (ii) moving forward with the work program for Sovereign Wealth Funds; (iii) improved measurement of valuation changes; and (iv) geographic breakdowns in international investment position data. The importance of data on cross-border and sectoral exposures was highlighted.

69. The Committee appreciated the presentation and asked whether, with the benefit of hindsight, some indicators of rising risk exposures or financial bubbles associated with the current financial crisis may have been available from data that were already collected. It was noted that policy makers are not always informed about all of the available data. Also, statistical data can only be produced with a time lag which, in some instances, may hamper timely analysis. In that regard, the Committee questioned what statisticians can do to capture rising risk exposures in real time. (See also paragraph 76.)

70. Mr. Mesny (BIS) mentioned the relevance and value of the BIS financial statistics in view of the increased user interest in periods of financial stress. He informed the Committee of the actions continuously undertaken by the BIS to expand coverage (reporting country, instrument, and sector). The Committee welcomed and acknowledged the BIS efforts in this respect.

71. The Chair thanked Mr. Rodriguez for his interesting presentation.

(b) Implications for macroeconomic data in light of current financial market instability: Presentation by the ECB

72. In his presentation on data requirements following the current financial crisis, Mr. Bier (ECB) underscored that the production of statistics cannot solely depend on the needs arising from a single crisis. Instead, an integrated system of economic data is the most suitable tool to support policy makers. As a result of increased globalization, worldwide comparable data and worldwide aggregates are required, where possible broken down by regions. Integrated compilation processes and flexible micro databases (e.g., registers, security-by-security databases) are important tools for producing data of the highest quality. The best strategy for the long run is further strengthening of existing data systems.

73. A number of developments determine the statistical program for the coming years, including globalization, deregulation, financial innovation and progress in IT-tools. Key elements of future work needed to deal with these developments are (i) data collection on the risk exposures of consolidated groups; (ii) data on the transfer of credit risks; (iii) alignment of supervisory and statistical data; and (iv) cooperation with corporate associations and supervisory bodies.

74. The Committee discussed this presentation after Mr. Heath gave his views on the same subject. (See below.)

(c) Macroeconomic statistics and the recent financial crisis: Presentation by the IMF

75. In his presentation, Mr. Heath (STA) explained that the integrated macroeconomic statistical system that had been developed over the past 15 years supported analysis of the underlying trends behind the financial crisis, such as the global imbalances. Also, he cited a number of important initiatives in recent years, including (i) the increased coverage of IIP

data; (ii) the increasing availability of external debt data (via the Joint External Debt Hub); (iii) the promotion of bilateral data in the CPIS, the BIS international banking data and, in the near future, the CDIS; (iv) the Reserves Templates Data; and (v) the currency breakdown provided by the COFER data.

76. While more time may be needed to fully assess recent developments, a preliminary view is that future priorities may include (i) an improvement in the timeliness and frequency of data (e.g., IIP data); (ii) increased availability of sectoral information in balance sheet data; and (iii) further harmonization across macro-economic datasets to allow a more integrated analysis. The future work program also may need to address some potential data gaps, including more relevant data to monitor asset prices, derivative markets, and perhaps the ultimate risk embodied in financial instruments.

77. The Committee agreed that developing a concise, collective paper that identifies statistical priorities across the institutions represented would be helpful in securing or setting aside resources to tackle statistical problems.

78. The Chair thanked Mr. Bier and Mr. Heath for their forward looking presentations.

Sovereign wealth funds (SWFs): Report by the IMF Monetary and Capital Markets Department

79. Mr. Das (IMF, Monetary and Capital Markets Department) gave a presentation on SWFs and the progress made in the International Working Group (IWG) on SWFs. SWFs are not a new phenomenon, they have existed since the 1950s. Profound changes in the global economy have, however, led to a fast growth in their activities since 2002. The main focus of international interest in SWFs was in their links to external activities.

80. The IWG met on three occasions to identify and draft a set of generally accepted principles and practices that properly reflects SWF investment practices and objectives, and agreed on the Santiago Principles at its third meeting. An important milestone was the agreement on a definition.⁴ The generally accepted principles and practices (GAPP) are underpinned by the following guiding objectives for SWFs:

- To help maintain a stable global financial system and free flow of capital and investment.

⁴ SWFs are special purpose investment funds or arrangements that are owned by the general government. Created by the general government for macroeconomic purposes, SWFs hold, manage, or administer assets to achieve financial objectives, and employ a set of investment strategies, which include investing in foreign financial assets. SWFs have diverse legal, institutional, and governance structures. They are a heterogeneous group, comprising fiscal stabilization funds, savings funds, reserve investment corporations, development funds, and pension reserve funds without explicit pension liabilities.

- To comply with all applicable regulatory and disclosure requirements in the countries in which they invest.
- To invest on the basis of economic and financial risk and return-related considerations.
- To have in place a transparent and sound governance structure that provides for adequate operational controls, risk management, and accountability.

81. The Committee expressed appreciation for the considerable progress that had been made since last year, especially regarding transparency and disclosure. The focus should now be on the implementation of the principles. Mr. Das responded that the credit goes to the countries in the IWG who took ownership of the work, reached agreement on a set of principles, and are ready to move ahead. The Chair thanked Mr. Das for his presentation.

Sovereign wealth funds (SWFs): Report by the IMF Statistics Department

82. Mr. Heath described the statistical work on SWFs since last year's meeting. He emphasized that following the work of the IWG, a coherent framework for SWFs reporting within macroeconomic statistics was now established, and he congratulated the Committee for its farsighted decisions in 2005/06 to look into this issue. From the discussion, the Statistics Department agreed to update the table on how countries with SWFs report the information in their macroeconomic statistics, with particular reference to external statistics (see BOPCOM-07/06, Table 1). In this context, an interest was expressed in whether SWF assets are or are not included in reserves.

Reports by international organizations

83. The Chair (Ms. Laliberté) introduced the topics and invited authors to present their papers to the Committee.

(a) International banking statistics: Report by the BIS—BOPCOM-08/21

84. Mr. Mesny (BIS) updated the Committee on the BIS' work on international banking, debt securities, and foreign exchange and derivatives statistics. Regarding the international banking statistics, he noted that Malaysia has started reporting to the BIS and that Cyprus would soon follow. He encouraged those countries represented on the Committee that are not participating in the BIS reporting framework to join. On the foreign exchange and derivatives statistics, he noted that the content of the 2007 triennial survey was, for the first time, expanded to include data on credit default swaps. He informed the Committee of the establishment of a working group for credit risk transfer statistics that will report to the Committee on the Global Financial System in May 2009. He also noted that BIS work on trade credits for dissemination on the Joint External Debt Hub is recognized by users as filling an important gap in the external debt statistics of developing economies.

(b) World Investment Report: Report by UNCTAD—BOPCOM-08/22

85. Mr. Fujita (UNCTAD) presented highlights of the UNCTAD *World Investment Report 2008*, including the work on SWFs and FDI infrastructure. The Chair appreciated the work being undertaken by UNCTAD in these areas.

(c) International trade in services: Report by the OECD—BOPCOM-08/23

86. Mr. Cave (OECD) briefed the Committee on work on international trade in services statistics. A major initiative is the revision of the *Manual on Statistics of International Trade in Services (MSITS)* that is driven by the revisions to the *System of National Accounts* and the *Balance of Payments Manual*, and other frameworks and statistical classifications, as well as to take account of other conceptual improvements and countries' experiences. He noted that the Task Force on Statistics of International Trade in Services (TFSITS) aims to submit the revised *MSITS* for approval to the UNSC in March 2010. The period for worldwide consultation on the draft of the revised *MSITS* ends on November 24, 2008. An important element of the consultation concerns the set of proposals on the revision of the Extended Balance of Payments Services (EBOPS) classification. Mr. Cave also briefed the Committee on the global consultations that have taken place recently, and outlined plans for implementing the revised *MSITS*, including cooperation on training seminars, and a planned World Bank initiative for emerging and developing countries.

87. Committee members asked how much prominence is given in the revised *MSITS* to the Mode 4 delivery, and sought clarification of the distinction between the renamed foreign affiliates statistics (FATS) and activities of multinational enterprises (AMNEs). Mr. Cave responded that the revised *MSITS* does not accord any higher prominence to mode 4 delivery as such, but it does provide considerably more explanation and guidance on measurement of modes of supply of services generally. He noted that FATS could be viewed as a subset of AMNEs, as the activities of parent enterprises are excluded from FATS.

Coordinated Portfolio Investment Survey (CPIS): Presentation by the IMF—BOPCOM-08/24

88. Ms. Mochipisi (STA) presented the results of the 2006 CPIS. The Committee enquired on whether it is possible to separately estimate the price effect and transaction effect that contribute to the growth in portfolio investment data. Noting that the excel format for disseminating the results is not user friendly, the Committee asked whether it is possible to have the CPIS data in a data base format. The Committee expressed the view that the CPIS is very useful, and stressed the importance of more strongly promoting it. The IMF indicated that efforts will be made to develop a more user-friendly database that would more conveniently provide data in a time series format. The OECD noted that it uses the CPIS data in particular to calculate globalization indicators. It invited the IMF to participate in the development of a new chapter on globalization indicators for portfolio investment in the update of the OECD *Handbook on Economic Globalisation Indicators*.

89. The Chair (Ms. Burgi-Schmelz) introduced the agenda for the final day of the Committee meeting.

Monetary Presentation of the Euro Area Balance of Payments: Report by the ECB—BOPCOM-08/20

90. Mr. Sola presented an overview of the monetary presentation of the euro area balance of payments. The euro area monetary presentation is a tool to analyze the contribution of changes in external assets and liabilities on euro area monetary aggregates. The Chair thanked Mr. Sola for his interesting presentation.

Report on Reserve Assets: Report by the IMF-BOPCOM-08/25

91. Mr. Heath updated the Committee on developments with reserve asset issues since the last Committee meeting. He noted that due to work on SWFs, progress on updating the Reserves Template *Guidelines* had not been as rapid as envisaged. He also explained the changes to the Reserves Template to be proposed to the Executive Board in December. There was a brief discussion on the classification of gold and of IMF accounts in the currency composition item of the Reserves Template, and the Statistics Department agreed that this topic would be covered in the update of the *Guidelines*.

Overview of the Statistical Data and Metadata Exchange (SDMX), and its Use for Exchanging Balance of Payments Data: Presentation by the IMF

92. Mr. Piché gave an overview of the Statistical Data and Metadata Exchange (SDMX) initiative, which has developed technical standards for encoding statistical data using XML, and a registry infrastructure for storing and accessing information about available data. He briefed the Committee on the IMF's Pilot Project for Exchanging BOP Data Using SDMX. He indicated that STA has developed an SDMX coding structure (or Data Structure Definition) for the exchange of external sector data in close collaboration with the ECB and Eurostat, and was seeking volunteers for the test phase. A number of Committee members indicated their interest in participating in the pilot project.

Medium-Term Work Program of the Committee: Report by IMF (BOPCOM-08/26)

93. Mr. Kozlow introduced the discussion of the end-December 2008 medium-term work program by referring to the end-December 2007 medium-term work program of the Committee adopted last year and identifying areas where updates should be considered. The Committee agreed that implementation of *BPM6* should be a top priority. This priority embraces a number of specific sub-tasks, including communicating with users on major changes (such as in the treatment of “goods for processing” and in the compilation of data on direct investment), a Compilation Guide, and the use of SDMX. As before, other top priorities include finalizing *BPM6* and continuing the important progress that has already been made on the coordinated direct investment survey.

94. Work on sovereign wealth funds will move from high priority to medium priority, in recognition of the completion of substantial work in this area by the IWG and the IMF. Work on the coordinated portfolio investment survey will move from medium priority to high priority, in recognition of data user interest in further developing this data set and improving data dissemination.

95. Some minor changes in the titles of topics would also be reflected. For example, “security databases” will be renamed “securities statistics”, and “international banking statistics” will be renamed “international financial statistics”.

Other Business

(a) Next meeting

96. The Committee endorsed STA’s proposal to revert to a Committee meeting extending two and a half days now that *BPM6* has been adopted. It was tentatively agreed that next year’s meeting will be held October 28 – 30, 2009. Committee members were invited to host the meeting; in the absence of a volunteer, the meeting will be held in Washington, D.C.

(b) Other

97. The Chair informed the meeting that, due to the acceptance of new positions or retirements, Ms. Han, Mr. Brown, Mr. Ridgeway, and Mr. Cave will not attend the next meeting. She thanked these Committee members for their invaluable contributions in past years that have led to the revision of the *balance of payments manual* and other data improvements.

Close of meeting