

**Twenty Second Meeting of the
IMF Committee on Balance of Payments Statistics
Shanghai, China, P.R., November 2--4, 2009**

Statistical Work on Sovereign Wealth Funds

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A. Introduction

1. The IMF's Statistics Department (STA) has briefed the Committee on its work on Sovereign Wealth Funds (SWF) annually beginning in 2007, and so this document is its third in the series. The Committee has supported the work by STA, and has encouraged its efforts to expand and improve the quality and availability of statistical information pertaining to SWFs.
2. This note provides background, sets out developments on these issues since last year's meeting, and discusses the way forward.

B. Background and Summary

3. Considerable progress has been made over the past 18 months in developing the conditions for the appropriate inclusion of SWF data in the external accounts, and other macroeconomic statistics.
4. First, as noted at last year's meeting, STA was actively involved in the work to develop a series of voluntary best practices called the "Santiago Principles," prepared by the International Working Group on Sovereign Wealth Funds (IWG) and released in October 2008. This included work on establishing a statistical definition of SWFs. Recognizing that the absence of comprehensive and high quality SWF data can hinder economic analysis and potentially mislead data users who are interested in following a country's economic performance, the fifth GAPP (Generally Accepted Principles and Practices) in the Santiago Principles of the IWG states: "the relevant statistical data pertaining to the SWF should be reported on a timely basis to the owner, or as otherwise required, for inclusion where appropriate in macroeconomic data sets."
5. Second, STA participated in the survey of 20 SWFs on their current institutional and operational practices. This survey included a section on statistics compilation and reporting. The results were reported in an IMF Working Paper (08/254) entitled *Sovereign Wealth Funds: Current Institutional and Operational Practices*, released in November 2008. The Working paper is available at: <http://www.imf.org/external/pubs/ft/wp/2008/wp08254.pdf>.
6. Third, the IMF's *Balance of Payments and International Investment Position Manual (BPM6)* released in December 2008 provides explicit guidance on the reporting of economic and financial data by SWFs. There is no "special treatment" of SWFs in the international statistical standards, but by explicitly discussing in *BPM6* flows and positions that especially pertain to them – such as questions about what is and is not considered to be a reserve asset – clarity is brought to the appropriate treatment.
7. Further, *BPM6* provides advice on the sectoral allocation of SWFs that is consistent with the principles of government finance, financial and monetary statistics, and the system

of national accounts; and on the functional classifications (such as portfolio and/or direct investment), if not held as official reserve assets. It also includes a supplementary item in the International Investment Position (IIP), covering holdings of SWFs that are not included in the reserve asset functional category. In addition, it includes a definition of SWFs taken directly from the Santiago Principles.

8. In April 2009, the IWG reached a consensus to establish the International Forum of Sovereign Wealth Funds (IFSWF) with the purpose "to meet, exchange views on issues of common interest, and facilitate an understanding of the Santiago Principles and SWF activities". The IFSWF had their inaugural meeting in October 2009. The IFSWF have established three sub-committees who will meet as needed to complete their assigned tasks and will report to the IFSWF at its regular meetings. STA will support the statistical work of the IFSWF and its sub-groups, as needed.

C. Statistical Data Reporting on SWFs

9. SWF data are relevant for various statistical initiatives.

10. The Coordinated Portfolio Investment Survey (CPIS) collects position data from securities holders, classified by country of issuer, and provides data separately for debt and equity securities. Some countries with SWFs do report on the CPIS, but reporting is by no means complete.

11. More recently, the Committee has promoted an internationally coordinated survey of Foreign Direct Investment (FDI) positions—the Coordinated Direct Investment Survey (CDIS). This voluntary survey has now been launched with a reference date of end-2009, with a focus on position data attributed by counterpart country. SWFs investments abroad are potentially captured by the outward survey of direct investment. Because of the nature of SWFs, there is unlikely to be inward direct investment in domestic SWFs, but inward surveys of recipient countries will capture SWF investment into the economy, from a counterpart perspective.

12. Also, since December 2005 the Fund has published, on a quarterly frequency, aggregate data from the Currency Composition of Foreign Exchange Reserves, a voluntary initiative. In addition, securities that constitute official reserves are covered through the voluntary Securities Held as Foreign Exchange Reserves (SEFER) exercise, and results are merged into the results of the CPIS exercise on a country of issuer basis. Thus, SWF assets included in reserve assets are covered by these two initiatives.

13. These initiatives are in addition to the need to cover SWF cross-border activities in the balance of payments and IIP data.

D. Looking Ahead

14. There remains a level of worldwide interest in the coverage of the activities of SWFs in macroeconomic statistics. The IWG supports (in the fifth Santiago Principle) the inclusion of data on SWFs in such statistics. Furthermore, in the full report of the Santiago Principles (available by clicking on a link near the top of the following page: <http://www.iwg-swf.org/pubs/gapplist.htm>), the IWG expressed support for a future effort to provide aggregate information on SWF operations. In particular, page 6 of the report states:

To facilitate this, the IWG has agreed to explore the establishment of a standing group of SWFs. This group would be able to keep the GAPP under review, as appropriate, and facilitate the dissemination, proper understanding, and implementation of the GAPP. The standing group also would provide SWFs with a continuing forum for exchanging ideas and views among themselves and with recipient countries. The group could also examine ways through which aggregated information on SWF operations could be periodically collected, made available, and explained.

15. To follow-up on this suggestion, STA (cooperating with the IMF's Monetary and Capital Markets Department (MCM)) could consider initiating a pilot exercise to determine the extent of the recording of SWFs activities in BOP and IIP estimates and report back to the Committee. If the Committee endorses moving ahead with this work, STA with MCM support would approach statistical agencies in the home countries of SWFs and the IFSWF, to advance this initiative.

16. Also, given the commitment of SWFs as set out in the Santiago Principles, a question is what role the Committee might play in encouraging improvements in the statistical coverage of SWFs. On this we would welcome the views of Committee members.

E. Questions for the Committee

1. What are Committee member views on how STA might encourage countries with SWFs to include the data of relevant scope in appropriate macroeconomic datasets?
2. For those Committee members in countries with SWFs, what is the experience in receiving relevant and timely data from SWFs to be included in macroeconomic datasets?
3. What are Committee member views regarding whether STA with MCM support should undertake a statistical exercise to determine whether data on SWF holdings are captured in BOP and IIP estimates?
4. Do Committee members agree that the statistical exercise should be conducted through national compilers? (The IFSWF would be kept fully informed.)