

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

Summary of Discussion

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

**TWENTY SECOND MEETING OF THE IMF COMMITTEE ON BALANCE OF PAYMENTS
STATISTICS**

Summary of Discussion

Opening Remarks

1. In his opening remarks, Mr. Wang stated that the State Administration of Foreign Exchange was honored to welcome the members of the IMF Committee on Balance of Payments Statistics (the Committee) to Shanghai. Mr. Wang presented an overview of China's recent developments in external sector statistics. He noted that the SAFE has received tremendous support from the IMF, partner countries, and other international organizations—in the form of training and technical assistance—in this effort. Mr. Wang expressed his gratitude to these agencies and in particular, noted that the IMF Statistics Department (STA) was always very supportive of the activities of SAFE in improving the statistics. He thanked the IMF for its continuing support.

2. In her remarks, Ms. Burgi-Schmelz thanked Mr. Wang for his kind remarks. She noted that the Committee was originally established in 1992 to address, among other topics, issues related to asymmetries in the global current and (what was then called) the global capital account of the balance of payments. She noted a number of major initiatives in which the Committee has since been involved, including the Coordinated Portfolio Investment Survey (CPIS), External Debt Guide, the Reserves Guidelines, and, recently, the sixth edition of the *Balance of Payments and International Investment Position Manual (BPM6)*, the Coordinated Direct Investment Survey (CDIS), and the *Remittances Compilation Guide (RCG)*. She noted that, in the near term, a Committee focus should be on the rapid implementation of *BPM6*. She also noted that work should be done on improving the quality of existing data (including enhancements to CPIS and International Investment Position (IIP) data), and in closing data gaps. She noted that STA is looking for Committee support for converting the CDIS from a one-time effort to an annual exercise. In addition, she discussed considerations for membership on the Committee, and noted that it benefits from members' technical expertise, experience, and geographic diversification. Finally, she welcomed the six new and one returning members of the Committee: Ms. Cruz (the Philippines), Mr. Chen (Mainland China), Mr. Addison (Ghana), Mr. Al-Harbi (Oman), Mr. Khattak (Pakistan), Mr. O'Hagan (Canada, who was not in attendance), and Mr. Kanada (Japan, a returning member).

***BPM6*: Finalization and Implementation**

(i) Finalization of the *BPM6* (BOPCOM-09/03)

3. Mr. Kozlow (IMF) presented an overview of the tasks relating to the finalization of the *BPM6* since it was adopted at the 21st Meeting of the Committee. He noted a final version, subject to editing, was published on the IMF website in December 2008. This

version – referred to as the “pre-publication draft” – included changes suggested by the Committee during the 21st meeting. The *BPM6* has been further edited and formatted, and an extensive index added. Some non-substantive changes were made to maintain consistency with the *2008 System of National Accounts (2008 SNA)*. Also, the finalization process has taken account of the latest developments in IMF credit arrangements in relation to the global financial crisis. The previous standard component, “Credit and loans *from* the Fund” has been changed to “Credit and loans *with* the Fund” to reflect the existence of loans to the IMF that should be excluded from reserves.

4. The *BPM6* is on target to be published in English at the end of 2009. Translations into the five other IMF languages (Arabic, Chinese, French, Russian, and Spanish) are in various stages of completion, and most or all of the translated versions should become available during 2010.

5. The Committee noted that the completion of the *BPM6 Compilation Guide (BPM6 CG)* was considered essential in guiding the implementation of the *BPM6*. Mr. Kozlow noted that chapters of the *BPM6 CG* will be posted as a “living document”, i.e., as soon as they become available, and that issues will be first undertaken according to their perceived order of importance. A number of draft chapters will be available for the Committee’s review in time for the next meeting in 2010. Some Committee members asked whether the final *BPM6 CG* would be translated in other languages including Chinese and Arabic, and the IMF responded that it would. The *BPM6 CG* will be further addressed in BOPCOM-09/08.

(ii) Results of the 2009 IMF Survey on *BPM6* Implementation (BOPCOM-09/04)

6. Mr. Alexander (IMF) presented a paper on the results of the worldwide survey on the implementation of *BPM6*. He noted that the survey had the following goals: (i) to gauge the potential impact of the methodological changes introduced in the *BPM6* on balance of payments and IIP statistics; (ii) to identify methodological changes that are especially difficult to implement; and (iii) to determine the areas where STA or the Committee may support countries in implementing *BPM6*. STA conducted a similar survey in 1995 to gauge countries’ plans for implementing the fifth edition of the *Balance of Payments Manual*, and the information was useful in guiding the work on the *BPM6 CG*. STA received responses on the 2009 survey from 63 countries. This represents about one-third of all countries surveyed. Of the 63 respondents, 19 were advanced economies, mainly in Europe.

7. Based on the results of the voluntary survey, most countries have given consideration to the implementation of the key features of *BPM6*. In many cases, countries have already implemented selected features although none had yet fully implemented the *BPM6*. In regard to the difficulty of implementing the changes in *BPM6*, countries noted that the memorandum and supplementary items relating to remittances, the recording of transactions relating to investment funds, and various items relating to direct investment were the most difficult to compile. In regard to direct investment, countries noted that separately presenting

data on fellow enterprises on a gross asset/gross liability basis, and identifying ultimate controlling parents of fellow enterprises, were the two items that would be the most difficult and/or expensive to compile. The calculation of financial intermediation services indirectly measured (FISIM), and the recording of transactions related to insurance and pension schemes, were often identified as *moderately difficult/expensive* or *very difficult/expensive* to implement.

8. In regard to other findings, the paper noted that 30 countries agreed with the IMF's plans to undertake the conversion of its statistical publications in 2012 for data pertaining to 2011, whereas 27 disagreed.

9. Some Committee members expressed concern about the survey response rate, noting that only about one-third of the countries receiving the questionnaire had responded to it. The Committee inquired about the follow-up that was undertaken to ensure that countries completed the survey. Members also advised that some questionnaires were misdirected to individuals who were not responsible for balance of payments compilation. Finally, some members thought that the three weeks allowed to complete the survey may have been insufficient.

10. Committee members wondered whether the timing of the survey, so soon after the completion of the *BPM6*, may have lowered its response rate. They nonetheless noted that the survey was a useful exercise that sensitized countries to their need to begin *BPM6* implementation activities. Mr. Rodriguez-Tenes suggested that the survey be conducted again, in two to three years time, when most countries will be much farther along in implementing *BPM6*. The IMF agreed there was merit to this idea, and noted that the *BPM5* implementation survey was conducted two years following the release of that manual.

11. Despite a small number of responses (five) from Africa, the IMF noted that intense interest was expressed in *BPM6* by African countries during conversations with STA staff at the 2009 Annual Meetings. These countries also expressed interest in receiving technical assistance and training to assist in their implementation.

12. Some Committee members suggested an analysis of the countries that did not respond to the survey, such as according to a country's stage of statistical development, or by region. The IMF advised that such an analysis could be undertaken as the basic information is available.

(iii) Results of ECB/Eurostat Survey on *BPM6* Implementation (BOPCOM-09/05)

13. Mr. Bier (ECB) and Ms. Comini (Eurostat) presented a paper prepared jointly by the European Central Bank and Eurostat on implementing *BPM6* and the fourth edition of the *OECD Benchmark Definition of Foreign Direct Investment (BD4)*. The paper outlined the steps being taken to implement these revised manuals in the European Union (EU), in coordination with the implementation of the *System of National Accounts 2008 (SNA 2008)*

and related macroeconomic and financial statistics. The paper also presented an outline of the institutional framework for compiling statistics in the European Union (EU). Statistics are produced by the European Statistical System (the EU national statistical offices and Eurostat) and by the European System of Central Banks (the EU national central banks and the ECB). Moreover, the new European System of Accounts and the *BPM6* will be implemented in 2014 by all 27 Member States individually, and by Eurostat and the ECB for the European statistics. Ms. Comini informed the Committee that Eurostat and the ECB are jointly organizing three seminars (on FDI, financial issues, and non-financial issues) to support capacity building in European countries.

14. The Committee noted that the presentation was useful in explaining the unique nature of statistical compilation in the EU, a process that may not always be easily understood by persons who are not engaged in compiling statistics in the area.

15. The Chair thanked Mr. Bier and Ms. Comini for their useful presentation.

(iv) Outlook for Implementation of *BPM6* in Chile: Report by Central Bank of Chile (BOPCOM-09/06)

16. Ms. Cornejo (Central Bank of Chile) presented a paper outlining Chile's initial thoughts, activities, and plans for implementing *BPM6*. The paper noted that, while the Central Bank of Chile has not yet prepared a final action plan or set a date for implementing *BPM6*, several related activities have taken place, are being developed, or will be initiated shortly. The paper highlighted the useful application of the *BPM5-to-BPM6* conversion matrix that was developed by the IMF, and noted that the matrix was helpful in developing a list of issues that require further investigation. Further, the use of the matrix highlighted the need for a significant amount of additional information to convert to *BPM6*.

17. In setting a date for conversion, the paper noted that many factors will be taken into account, including the IMF's proposed timeline for converting data in the *Balance of Payments Statistics Yearbook (BOPSY)* and *International Financial Statistics (IFS)*, and the dissemination of the Chilean national accounts compiled for the 2008 reference year.

18. The Central Bank of Chile is taking a phased approach to implementation, with some changes having already been made. For example, data on investment income – including reinvested earnings – earned by resident pension funds on holdings of nonresident mutual funds were reflected in Chile's statistics for the first time in March 2006. Also, the recent allocation of SDRs will be reflected in Chile's data as a liability within *Other Investment* starting with data to be disseminated in November 2009. Changes in formats (including changes in names and presentations) may occur earlier than changes that are complex or costly to implement.

19. The paper noted that the Central Bank of Chile compiles both balance of payments statistics and national accounts statistics, and that there were significant issues relating to

coordinating implementation of *BPM6* and the *2008 SNA*. Several Committee members noted that many countries faced similar challenges, and that such problems could be magnified in countries where the two datasets are compiled by different agencies.

20. A Committee member noted that the paper was useful as it would guide his country in the development of a strategy for implementing the *BPM6*. In this regard, he suggested that a mechanism be established—perhaps through a website—where countries could share their experiences on the development of strategies for implementing *BPM6*. In his response, Mr. Kozlow noted that this was an excellent idea that will be considered.

21. A Committee member raised the issue of the treatment of the new SDR allocation, and noted that the recommended treatment could alter the debt service ratios of the recipient countries, although the allocations were not received on the initiative of the countries. He asked whether the IMF had been approached by credit rating agencies to exclude the SDR allocations from debt ratios.

22. Mr. Kozlow responded that several IMF departments jointly prepared a paper entitled, “Guidance Note for Fund Staff on the Treatment and Use of SDR Allocations,” which discusses accounting considerations, and proposes a treatment of SDR allocations in debt sustainability analyses that addresses the Committee member’s concerns.¹ A copy of the Guidance Note was provided to Committee members.

(v) Treatment of Resident-to-Resident Transactions in Foreign Securities: Report by Central Bank of Russia (BOPCOM-09/07)

23. Ms. Troshina (Central Bank of Russia) presented a paper on the treatment of resident-to-resident transactions in foreign securities. A concern is that, under the newly adopted standards, what had previously been considered international transactions in portfolio investment will now move into “other changes.” This outcome may result in a loss of information, because international transactions are regularly tabulated and closely monitored, whereas “other changes” may be only available annually when IIP data are released. Another concern is that users may wonder why some important BOP transactions “disappear” when the new standards are adopted.

24. The paper also discusses what types of external assets are referenced in paragraph 3.7 of the *Manual*, which pertains to reclassifications. Ms. Troshina noted that reclassifications in general are difficult to explain to users, and said that given the growing role of reclassifications in the *BPM6*, the question arises whether reclassifications should be classified further by type.

¹ Issued August 28, 2009 by the Strategy, Policy, and Review Department (in collaboration with the Finance, Legal, Monetary and Capital Markets, and Statistics Departments), SM/09/228.

25. The Chair thanked Ms. Troshina for her presentation. The presentation was also well received by the Committee members. They noted that, under both the *BPM5* and *BPM6* methodologies, there were significant practical difficulties in producing estimates that are consistent with the standards. It was concluded that this issue should be further analyzed in the *BPM6 CG*. Further, it will be taken forward in general terms in the BIS-ECB-IMF *Handbook on Securities Statistics, part II*. It might also be useful to further discuss this topic at the next Committee meeting.

26. The Committee was advised that it would be consistent with good statistical practices to identify changes from *BPM5* to *BPM6* that may have a significant impact on estimates, and to communicate to users in advance of releasing data on the updated basis, so that the users are well informed of pending changes. For example, the changes in the treatment of resident-to-resident transactions in foreign securities, goods for processing, and of direct investment, may be significant for many economies, and compilers were urged to consider bringing these changes to the attention of their data users.

(vi) Implementation of *BPM6* in Japan, the United States, and Australia: Room Document and Oral Reports

27. The Chair invited other Committee members to provide an overview of their plans to implement the *BPM6*. Mr. Ishikawa of the Bank of Japan presented an overview of his country's plans and noted that his agency plans to implement the *BPM6* in 2014 to coincide with the revision of the compilation system.

28. Mr. Whichard noted that the U.S. Bureau of Economic Analysis had not developed a firm timetable, but was targeting 2012 for introducing many changes.

29. The chair also referred to the excellent document from the Australian Bureau of Statistics (ABS) on its experience in implementing the *BPM6* and the *2008 SNA* entitled, "Information Paper: Implementation of New International Statistical Standards in ABS National and International Accounts"². The ABS also prepared a paper that was provided to the Committee as a room document, "Managing the Implementation of *SNA*, *BPM* and related International Standards in an NSO Context."

The IMF's Strategy for Implementing *BPM6* (BOPCOM-09/08)

30. Mr. Alexander presented the paper, "The IMF's Strategy for Implementing the *BPM6*." He noted that the strategy contains four key elements, these being: (i) preparation of the *BPM5* to *BPM6* conversion matrix, (ii) the conversion of statistics in IMF publications to a *BPM6* presentational format; (c) preparation of the *BPM6 CG*; and (iv) training. The

² ABS document 5310.0.55.002, released September 2009, available at www.abs.gov.au/australia/abs@.nsf/mf/5310.0.55.002.

conversion matrix had already been completed and will be distributed to compilers in coming weeks.

31. The paper noted that the IMF is considering the following procedure for the conversion from the *BPM5* to the *BPM6* data presentation in its publications:

- Until the conversion of its statistical publications in 2012, publish only *BPM5* basis data for all economies. Thus, data that are reported to STA on a *BPM6* basis would not be disseminated by STA until 2012 and later years; instead, through 2011, data that STA receives on a *BPM6* basis would need to be converted to a *BPM5* basis before publication to maintain data comparability across countries.
- After the conversion of its statistical publications in 2012, publish data in *BPM6* format for all countries. A decision will need to be taken regarding whether to convert *BPM5* basis data for an historical period to a *BPM6* basis. Data that are reported to STA on a *BPM5* basis in 2012 and later years (pertaining to data for 2011 and later years) will be converted to a *BPM6* basis.
- After the conversion of its statistical publications in 2012, resources permitting, publish data on both a *BPM5* and *BPM6* basis for all countries for an overlapping period. The length of this overlapping period needs to be considered.
- After the conversion of its statistical publications in 2012, publish the *BPM5* data series in electronic format only (on CD-ROM and the on-line database). Therefore, the hardcopy publications (*BOPSY* and *IFS*) would contain an historical series for *BPM6* basis data (or would contain a break in series).

32. The paper also noted that the IMF has prepared a broad outline for the *BPM6 CG*, which is based on the structure of the *BPM5 Compilation Guide*. The *BPM6 CG* will examine separately (i) the broad groups of data sources and (ii) the compilation of the various items of the balance of payments and IIP statistics in terms of the data requirements and the statistical techniques that could be used to estimate these items. It will also discuss a range of general issues of relevance to the compiler, such as data quality, the presentation of the balance of payments statistics, and the recording of exceptional financing.

33. On training, the paper noted that STA will soon be conducting training for IMF economists, including those engaged in surveillance, to further expose them to the concepts of *BPM6*. The paper noted that these economists represent a useful channel to sensitize countries on the new guidelines, as they may have more frequent interaction with the national statistical agencies.

34. Several Committee members noted the importance of providing an historical time series to users. They noted that, if users did not have an historical series on a consistent basis, then they would likely develop their own series by combining *BPM5* basis data with *BPM6*

basis data, which could be misleading. Committee members were generally undecided as to the length of the historical series. In addition, some noted that there were structural constraints in some countries that restricted how long the historical series may be revised.

35. A large majority of Committee members were in favor of the development of an overlapping period of data on both a *BPM5* and *BPM6* basis, but no consensus was reached on the length of the overlap. Some members supported an overlap of one year whereas others noted that a three-year overlap would be appropriate. Some Committee members indicated that they were willing to help the IMF develop overlapping series for their countries.

36. Members expressed varying views on their experiences in changing over from the fourth edition of the *Balance of Payments Manual* to the *BPM5*. One country was eager to undertake the changeover as soon as feasible and it was undertaken within one year of the adoption of the new manual. In some other cases, the process took much longer as the necessary procedures had to be developed.

37. Mr. Bier (ECB) lauded the comprehensiveness and transparency of the IMF's implementation strategy, and noted that he supported having an overlapping period, perhaps for data for 2012-2014. However, he also noted that he had concerns about the IMF's plans to convert *BPM5* basis data to a *BPM6* basis data before 2014, when EU member countries are required to compile data on a *BPM6* basis. In particular, he noted that the use of data on a *BPM6* basis in IMF economic surveillance reports before 2014 should be avoided. He also stressed the need to provide policymakers with consistent data in the publications produced by national authorities and the IMF.

38. Mr. Ishikawa (Japan) stated that Japan was also concerned that users could be misled if different datasets are released by national compilers and the IMF. Users could be unsure which dataset they should use.

39. It was recognized that, no matter which year the IMF selected for conversion of its publications to a *BPM6* basis, it will not match the conversion date for a significant number of countries. It was also recognized that, should the IMF develop an historical time series of data on a *BPM6* basis, the length of the historical time series may not match that of a significant number of countries.

40. Regarding the practical implementation of an overlap period, the IMF noted that it would probably entail a more mechanistic conversion of data from one standard to another as countries would not be able to undertake two distinct compilation efforts due to the unavailability of the requisite data or other resources. This in turn would affect the quality and validity of the dataset according to the respective other standard. These factors would therefore have an impact on the feasibility and length of an overlap period.

41. Several Committee members and international organizations indicated their interest in contributing material for the *BPM6 CG*. There was strong support for providing information on country practices from a range of countries.

42. The IMF agreed to consider the suggestion by one Committee member that work on the *BPM6 CG* focus on the new features of *BPM6*. For the other features of *BPM6*, the *BPM6 CG* could adapt material from the existing *BPM5 Compilation Guide* and other documentation that is still relevant. This would expedite the completion of the *BPM6 CG*, which some users may need to implement the *BPM6*.

43. In summary, there was a consensus that data should be presented in IMF statistical publications on a *BPM5* basis through 2012. Also, there was a consensus that data should be presented in IMF statistical publications on a *BPM6* basis in 2014 onwards, and that efforts should be made to produce back data, which users would otherwise estimate by themselves. The Chair noted that outstanding issues remained regarding the publication of data during 2012-2014. The Chair proposed that a working group be formed comprising representatives of the ECB, IMF and two or three other countries to further discuss outstanding issues associated with the changeover to the *BPM6*. The working group will take account of country views on the best way to present data after the changeover to *BPM6*. It will also consider data quality issues that may arise as a result of the IMF undertaking conversion of the data of reporting countries from one basis to the other.

44. At the suggestion of the Committee, the IMF agreed to set up a website where country experiences on the *BPM6* implementation can be posted.

The 2008 SNA Implementation (BOPCOM-09/09)

45. Mr. Kozlow presented a paper on behalf of the United Nations Statistics Division on the implementation of the *2008 SNA*. The paper notes that *2008 SNA* implementation is based on the principles of strategic planning, coordination, monitoring and reporting, and improving statistical systems. There is a staggered timetable for implementation, with Australia, Canada, and the US implementing the *2008 SNA* during 2009 – 2013 and the EU members and Japan targeting 2014. Other countries may adopt the *2008 SNA* at a later stage.

46. During the ensuing discussion, some Committee members noted that the paper did not address a number of implementation questions. A participant noted that joint planning and implementation efforts involving *BPM6* and the *2008 SNA* would help countries maintain consistency between their external and national accounts.

Direct Investment

(i) Coordinated Direct Investment Survey: Update on Progress (BOPCOM-09/10)

47. Mr. Kozlow presented the progress report on the Coordinated Direct Investment Survey (CDIS). The report noted that, since the 21st Meeting of the Committee, two additional countries, Russia and Aruba, have expressed interest in participating in the CDIS, bringing the total number to 132. In addition, many other countries have informally indicated that they may participate. STA modified its approach to outreach in 2009. Thus, rather than focusing on large seminars for many countries, STA has conducted a series of regional workshops, and also conducted workshops for a few individual countries, including Russia and China.

48. STA is close to finalizing the CDIS metadata questionnaire. The answers to the questionnaire will, for the most part, be readily aggregatable so that tables can be created to summarize how countries are addressing various issues. In addition, the Department is close to finalizing the questionnaire that seeks input from countries on how their data on direct investment has improved at least partly as a result of participation in the CDIS. The results of the questionnaire will be used to report to IMF Management, to demonstrate what has been achieved, and to show the effectiveness of the funds provided for the CDIS.

49. In regard to the next steps, STA plans to conclude its development of the electronic report forms for data and metadata over the next two to three months and is planning to approach a few countries to test the reporting framework. Participants in the CDIS will be asked to report preliminary data to the IMF by the end of September 2010. More complete and updated results will be requested at the end of March 2011.

50. The Statistics Department is considering conducting a series of regional post-survey workshops some time in 2011, to allow participants to discuss their results, compare them with counterpart country data, and review their practices to see to what extent they can learn from the experiences of other participants, so as to modify their procedures for the next survey.

51. The paper noted that the Committee will have to decide now, rather than after the survey is conducted, on whether to conduct the CDIS on an annual basis, to avoid any gaps in the annual time series of results.

52. The Committee expressed very strong support for conducting the CDIS on an annual basis. In addition to the reasons provided in the report, members noted that data users are requesting improvements in the quality of IIP data, and that data on direct investment as derived from the CDIS could become an important factor in the development of improved IIP data.

53. Committee members also agreed with STA's proposal to conduct post survey workshops on the CDIS. However, one member suggested that consideration be given to conducting the workshops some time after the results of the first CDIS are available, as more information may be available then. Another participant suggested that the workshops should be tailored appropriately for countries with different levels of experience in different regions of the world.

54. Members agreed on the general focus of the metadata questionnaire but had suggestions for improvements. STA invited members to continue to provide their suggestions after the meeting.

(ii) Work of the OECD Working Group on International Investment Statistics: *Report by OECD (BOPCOM-09/11)*

55. Ms. Bertrand presented the report of the Working Group on International Investment Statistics (WGIIS). The report presented a summary of the discussions of the WGIIS during 2009 on issues relating to the implementation of *BD4* and the harmonization and integration of the OECD's statistics on foreign direct investment and activities of multinational enterprises. The report highlighted a number of issues such as valuation, supplemental series, directional principle, recording intangible assets, and *BD4* communication policy. It highlighted the revised methodology adopted by France to value foreign direct investment equity stocks based on market capitalization ratio, and also highlighted the revised methodology adopted by Italy, which prepared estimates of direct investment positions for 2007 on both a *BD3* and *BD4* basis. (Italy's inward direct investment position was reduced by 6 percent, and its outward direct investment position was reduced by 7 percent, in moving from *BD3* to *BD4*, as a result of changes in debt positions.) The report also discussed the statistical treatment of transactions in intangible assets and options in connection with Italy's data on a recent transaction between auto companies.

56. The report noted that the WGIIS has finalized three reports within the framework of its research agenda, these being:

- Directional principle: an empirical study based on examples
- Issues concerning access to voting power
- The treatment of multi-territory enterprises

57. These reports were initially drafted by electronic discussion groups and later discussed and approved by the WGIIS. Upon recommendation by the Committee in 2008, the Secretariat also submitted draft reports to the Committee for comments. Outcomes of the reports will be disseminated on the OECD website.

58. The report noted that the OECD is considering the inclusion of CPIS data in a new chapter of the *Handbook on Economic Globalization Indicators*.

59. The Chair thanked Ms. Bertrand for her presentation.

(iii) FDI Statistical Units: Local Enterprise Groups and Enterprises: Report by IMF (BOPCOM-09/12)

60. Mr. Kozlow presented this paper. The main purpose of the paper was to note how differences in the choice of the statistical unit used for FDI may result in asymmetries and differences in high level statistics on FDI. It also noted how work is being carried forward to promote consistency in statistics on inward and outward FDI. The paper noted that the three types of affiliates that are included in FDI statistics—direct investor, direct investment enterprise, and fellow enterprise—are described in two fundamentally different ways by different economies. Some economies use the concept of an enterprise in describing these units, and others use the concept of local enterprise groups (LEGs). Under *BPM6*, either enterprises or LEGs may be used as the statistical unit for compiling and presenting direct investment statistics. There is no preference between the two.

61. The paper presented various alternative examples where the LEG is used as the statistical unit and where the enterprise is used as the statistical unit. The paper drew the following conclusions from the examples:

- A given position between fellow enterprises may switch from inward to outward direct investment (and vice versa) when the ultimate controlling parent changes. Much less switching occurs in economies that use LEGs as their statistical unit than in economies that use enterprises as their statistical unit, because the switching occurs only in connection with positions between fellow enterprises, and there are far fewer fellow enterprises in economies that use LEGs as their statistical unit.
- In economies that use enterprises as their statistical unit, the acquisition by a foreign investor of a resident enterprise might manifest itself as a net reduction in both inward and outward direct investment positions, rather than an increase in the inward position.

62. The paper also confirmed that LEGs or enterprises can be used as the statistical unit in compiling data on FDI for purposes of the CDIS, and that several model surveys are included in the CDIS Guide that reflect this circumstance.

63. Ms. Bertrand expressed her strong disagreement with the recommendations and conclusions of the paper. She stated that (i) *BD4* (and earlier versions) recommend a single unit, the ‘enterprise’, as the statistical unit; and (ii) the *Handbook on Economic Globalisation Indicators* recommends the enterprise as the statistical unit for affiliates (FATS statistics) and the “enterprise group” only for the series on headquarters activities

compiled on an ad hoc basis by the OECD. However, she pointed out that some countries may decide to maintain the LEG as the statistical unit for practical reasons (such as cost of changing the statistical system). She also sought to demonstrate, with an example, that the aggregate asset/ liability presentation is also affected by the choice of statistical unit, in contradiction of the statement in the document. However, some Committee members disagreed with these clarifications.

64. A brief discussion followed, and one Committee member asked whether sector or activity classification would be accurate if the LEG is used, as it could entail collecting information from FDI entities across more than one sector. Another noted that consistency with national accounts may need to be further assessed, e.g., in relation to reinvested earnings of members of local enterprise groups. It was also noted that applying the LEG concept in currency or economic unions could raise significant practical problems.

65. A member that uses LEGs in its FDI data collections stated that he was not previously aware that the *BD* should be interpreted as allowing the use only of enterprises as statistical units, and said that it was not practical for a large economy such as his to conduct FDI surveys of individual enterprises. He also questioned the meaning of FDI data compiled on this basis, because direct investors operate as consolidated businesses.

66. Mr. Lindner (OECD) drew the Committee's attention to important ongoing developmental work in the field of statistical units. This work is driven on the international level by the Wiesbaden UN City Group on Business Registers. At the last meeting of this group in November 2008 at the OECD, the use of the enterprise group as a statistical unit received much attention. He also noted that important statistical development work has been carried out in several countries. In particular, at end-2008, France published new recommendations on how to treat enterprise groups as statistical units. Given the weight of consolidated businesses in foreign direct investment, Mr. Lindner commented that it could be useful to consider the recommendations made with respect to definitions of statistical units.

67. Mr. Kozlow noted that there are advantages and disadvantages to using either enterprises or LEGs as statistical units. He emphasized that the main purpose of the paper was to mark this as an issue, and that he looked forward to cooperation with other international organizations and others interested in the subject. He reminded the Committee that this issue had been marked at prior Committee meetings as one that would be carried over to the *BPM6 CG*. Ms. Bertrand indicated that *BD4* is finalized and approved, and that there are no plans to discuss the statistical unit issue in the near future.

(iv) World Investment Report: *Report by UNCTAD (BOPCOM-09/13)*

68. Mr. Fujita (UNCTAD) presented highlights of the UNCTAD *World Investment Report 2009*. The presentation focused on two areas: (i) FDI Trends, Policies, and Prospects; and (ii) Transnational Corporations, Agricultural Production, and Development.

The Chair expression appreciation for the work being undertaken by UNCTAD in these areas.

Remittances - Publication of Final *Remittances Compilation Guide*, Other Recent Developments and Future Plans (BOPCOM-09/14)

69. Ms. Hammer (IMF) informed the Committee of the release of the final version of *International Transactions in Remittances: Guide for Compilers and Users* (which is also known as the *Remittances Compilation Guide (RCG)*). She noted that the public comments received on the content and structure of the draft *RCG* (posted on the IMF's website in December 2008) were highly favorable. She indicated that, since then, some minor clarifications were incorporated, the index and two text boxes were added, and the *RCG* now includes more discussion of the broadest measure of remittances (total remittances and transfers to NPISHs), resulting from a recommendation at last year's Committee meeting.

70. The Committee was also briefed on the International Technical Meeting on Remittances held at the World Bank in June 2009, which was organized by the World Bank in cooperation with the IMF. The meeting was organized in the context of Thematic Area 1 (Data) of the Global Remittances Working Group (GRWG) and was the second of its kind. Printed copies of the *RCG* were distributed for the first time at this meeting, and with the release of the *RCG*, the work of the Luxembourg Group on Remittances was officially concluded. The main objectives of the meeting were to assess the strengths and weaknesses of estimations currently produced by member countries, and to agree on a work program for improving remittances data in the context of the GRWG. In this respect, the Committee was also informed that a new technical working group will be established under Thematic Area 1 of the GRWG that will focus on improving remittances data. The Committee was asked whether it had views concerning the establishment of this new technical working group, and whether it would be interested in being involved in its work. Views were also sought on the new website that will be created under the World Bank's leadership, meant to serve as a global repository for metadata and bilateral data. Hard copies of the *RCG* were distributed to Committee members.

71. Some Committee members signaled their willingness to participate in the new working group on remittances. The IMF welcomed the volunteers to the group. The Committee was informed that the World Bank is leading the work, and that the IMF is lending its support.

Work of the Task Force on Statistics of International Trade in Services: *Report by OECD* (BOPCOM-09/15)

72. Mr. Lindner (OECD) briefed the Committee on the work of the Task Force on Statistics of International Trade in Services (TFSITS), which is chaired by the OECD. He noted that the Task Force is finalizing work on the revision of the *Manual on Statistics of International Trade in Services (MSITS)* that will be presented to United Nations Statistical

Commission in February 2010. He also noted that the TFSITS has received useful feedback from compilers and policymakers through the three worldwide consultations conducted on various versions of the draft *MSITS*. He also noted that the work of the TFSITS represents a collaborative effort involving both international organizations and country representatives. He expressed the appreciation of the TFSITS to the various international organizations and country representatives for their work on developing the *MSITS*.

73. The Chair thanked Mr. Lindner for his presentation.

Statistical Developments Arising from the Global Crisis (BOPCOM-09/16)

74. Mr. Kozlow updated the Committee on the work regarding the four major initiatives resulting from the global crisis, namely the 7th Review of the Data Standards Initiative; the creation of the Inter-Agency Group on Economic and Financial Statistics (IAG); the launch of the Principal Global Indicators (PGI) website; and the development of a report on the Financial Crisis and Information Gaps that will be presented to the Group of Twenty (G-20) Finance Ministers and Central Bank Governors during their meeting on November 6 and 7, 2009.

75. The Committee was informed of the request by the G-20 summit and the IMF's IMFC, both in April 2009 that the IMF and the Financial Stability Board (FSB) look into information gaps that were most relevant in the build up to the global crisis, and provide appropriate proposals for strengthening data collection. In order to ensure that the users are informed of these efforts and to obtain useful input, the IMF and the FSB organized a Users Conference at the IMF Headquarters in July 2009, in which international experts on financial stability and statistics primarily from G-20 economies and international agencies participated.

76. Some of the recommendations in the G-20 report (including those related to improvements to IIP data) are addressed in separate papers by the Committee discussed under other agenda items. The current paper therefore partly served as an overview of the recommendations affecting the Committee and as a useful summary of initiatives arising from the global crisis since last year's Committee meeting.

77. One recommendation in the G-20 report that is discussed in the current paper was the creation of a task force to identify and prioritize work to address CPIS data limitations. (It was noted that the Committee paper, "Report on the Coordinated Portfolio Investment Survey" (BOPCOM-09/18), provides a summary of CPIS data limitations, and describes work completed and still planned on the CPIS Data Improvements Project.) The Committee strongly supported the creation of this task force, to advise the IMF on possible improvements to frequency and timeliness of the CPIS data, and on other possible enhancements.

78. With respect to increasing the numbers of annual and quarterly IIP reporters, which is discussed at length in the Committee paper “International Investment Position: Improving Data Availability” (BOPCOM-09/19), Mr. Kozlow gave a preliminary overview of those discussion points to the Committee, i.e. increasing the number of annual and quarterly IIP reporters, and the implementation of the other enhancements that are introduced with *BPM6*. Furthermore, in view of the crisis-related work involving the CPIS and IIP, Mr. Kozlow proposed to the Committee the drafting of a report by IMF staff for next year’s meeting to follow-up on these particular issues.

79. Mr. Kozlow led the Committee through the PGI website, and illustrated the availability of external statistics data. He also briefed the Committee on the planned enhancements to the website by the IAG, i.e., the introduction of a layering approach to the indicators presented, with a top-level of 15-20 indicators of most interest; a second level with more detailed and internationally comparable data, leading to a third level of data that are nationally relevant but not necessarily internationally comparable.

80. Mr. Bier (ECB) expressed appreciation for this very timely document to make Committee members familiar with the G-20 requests. He urged the IMF and the Committee to react immediately in setting up a process that should serve as input to the report that was requested from the FSB and IMF for the G-20 June 2010 meeting. That report must identify actions taken up to that date, together with a concrete plan and timetable for addressing each of the outstanding G-20 recommendations. In this respect, Mr. Bier recommended that the task force look at the CPIS and IIP recommendations in parallel, and produce a not-too-technical output that can be reviewed around April 2010 and presented to G-20 political advisors before the June 2010 meeting. He stressed that this is meant as a stock-taking exercise for G-20 countries, i.e., setting up tables based on information on data availability in each of these countries, rather than a cost-benefit exercise that may be scheduled following the June 2010 meeting.

81. Two Committee members stressed the need for prioritization and close cooperation of international organizations to avoid overlapping work. They noted that data users have made a number of proposals, and that some may be feasible in the medium term, others not.

82. Mr. Kozlow emphasized the importance of the G-20 as a data user, and thanked the Committee for supporting the creation of a task force to look into enhancing CPIS data. The creation of this task force was seen as one of the major goals of this year’s Committee meeting.

83. The Chair thanked the Committee for the very strong support and the very fruitful discussions. She emphasized that the level of attention that is currently being directed to the statistical community should be seen as a major success and provides an important opportunity for statistical data improvements.

New Developments in the BIS International Financial Statistics (BOPCOM-09/17)

84. Mr. Mesny (BIS) updated the Committee on the latest developments in the BIS International Financial Statistics. The financial crisis has motivated enhancements in the BIS international banking statistics. Efforts are underway to increase the number of reporting countries. Currently, 42 countries and financial centers participate in the locational banking statistics, and 30 in the consolidated banking statistics. Cyprus is the latest country joining the BIS locational banking reporting system at end 2008. Work is in progress in other central banks (China, Russia, Saudi Arabia and South Africa, with South Africa the closest to completion), who have reconfirmed their interest in reporting to the BIS. He also mentioned that the Committee on the Global Financial System (CGFS) carried out a written consultation in September 2009 on a series of proposals for improving the quality and coverage of the international banking data. Results were expected in 2009 and might be used in the report to the G-20 recommendations on closing statistical gaps. A number of data users have suggested that a significant effort be undertaken to improve the comprehensiveness and the quality of the locational banking statistics. Calls for improvements to the international banking statistics are repeated in other Committee papers, such as “Improving the Tracking of Cross-border Financial Exposures Using Aggregate and Bilateral Data – A Template” (BOPCOM-09/23).

85. Mr. Mesny noted that, while the country coverage of the BIS international debt securities data is nearly comprehensive, the coverage of domestic securities data is currently limited to 49 countries. The BIS has launched a project to improve the quality of the BIS domestic debt securities and to reduce potential overlaps with the international debt securities dataset. This was triggered by the endorsement by the G-8 Finance Ministers of an Action Plan for Developing Local Bond Markets in Emerging Market Economies and Developing Countries, and is consistent with the framework recommended in Part I of the Handbook on Securities Statistics (see paragraph 98).

86. In regard to foreign exchange and derivatives statistics, Mr. Mesny mentioned a number of improvements in the forthcoming 2010 Triennial Central Bank Survey of Foreign Exchange and Derivatives Activity, including separate information on central counterparties for credit default swap instruments. Also, several modifications will be introduced in the semi-annual credit default swap (CDS) statistics on top of the distinct information on central counterparties, including a break down between special purpose vehicles/special purpose entities and hedge funds, and a breakdown of index products within multiname instruments. The publication lag of the semi-annual over-the-counter derivatives statistics has been reduced to four and a half months. A further reduction is targeted which depends on the capacity of the major reporting countries to submit data earlier. The publication lag for the exchange-traded derivatives statistics, which are provided by commercial sources, is only about two months.

87. The Chair thanked Mr. Mesny for his presentation.

Coordinated Portfolio Investment Survey: Report by IMF (BOPCOM-09/18)

88. Mr. Alexander presented the report on the CPIS. The report addressed the following areas: (i) the results of the 2007 CPIS that were initially released at the end of 2008; (ii) the CPIS Data Improvements Project; and (iii) CPIS limitations and suggestions for improvement. The paper highlighted the fact that the results of the 2008 CPIS are scheduled to be released at end-December 2009; it is quite possible that the results from the 2008 survey will provide interesting and unusual information, due to the sharp decline in asset prices resulting from the financial crisis that was deepening at the end-2008 measurement date. This paper notes that the one-year delay between the measurement date and the release of estimates highlights a need to improve the timeliness of the CPIS, as recommended in the G-20 report.

89. The paper presented an overview of STA's work on improving the quality of the data through the establishment of the CPIS Data Quality Improvements Team. The Team is addressing consistency issues. To help assure that the CPIS data are internally consistent, a number of cross-checks have been incorporated in the CPIS report forms starting with the 2008 CPIS; however, improving consistency between the CPIS and IIP is a more challenging undertaking.

90. The Committee stressed the need to improve the timeliness as well as the coverage of the CPIS, especially against the background of the G-20 recommendations. Moreover, the Committee agreed that consistency between the CPIS and the IIP was also important.

91. Committee members also discussed the possibility of increasing the frequency of the CPIS. However, members noted that it could be a challenge for some countries since it may be time-consuming and resource intensive. Members also noted that increasing the frequency may not result in substantial improvement in data usefulness, if there is no improvement in the timeliness of the statistics.

92. Mr. Sola (ECB) asked the Team to consider whether it may be possible to separately estimate the price effect and transaction effect that contribute to the change in portfolio investment levels. Ms. Bertrand noted her difficulties in compiling time series data from the IMF CPIS website, and also noted that some of the information collected on a voluntary basis is of great interest but is difficult to use due to limited coverage. Also, a Committee member suggested dealing with data gaps in connection with holdings of households, perhaps by surveying custodians of securities.

90. The Chair concluded that in line with recommendations 10 and 11 of the report "The Financial Crisis and Information Gaps", the Committee will consider the possibility of extending the coverage of the CPIS and improving consistency between the CPIS and the IIP. The CPIS data improvements work will be summarized and included in the mid-year progress report to the G-20.

International Investment Position- Expanding Coverage and the Development of World Tables (BOPCOM-09/19)

93. Ms. Hammer informed the Committee of the progress made over the past year by STA to improve the availability of IIP data, and in particular, on the second phase of producing IIP world and regional tables. She updated the Committee on developments in the reporting of IIP statistics, which serves as the primary source of the IIP world and regional tables. She reported that there are currently 9 countries in the IIP “pipeline”, notably those countries that STA considers could potentially develop IIP data in the near future. She also noted that improvements were made in reducing the number of late reporters of IIP data.

94. With reference to the recommendations on responding to the global crisis that are deemed most relevant to the Committee, as discussed in “Statistical Developments Arising from the Global Crisis” (BOPCOM-09/16), the Committee’s views were sought on the feasibility of, and approaches for, increasing the number of annual and quarterly IIP reporters, and the implementation of the other enhancements³ that are introduced with *BPM6*. At last year’s meeting,⁴ the Chair saw scope for developing bilateral breakdowns of IIP in the longer run. The growing demand for developing bilateral IIP data is also stressed in the companion paper “Improving the Tracking of Cross-Border Financial Exposures Using Aggregate and Bilateral Data—A Template” (BOPCOM-09/23).

95. Ms. Hammer also introduced and sought views of the Committee on the results of the second phase of producing the IIP regional and world tables, where estimates for nonreporters and late reporters are derived from the External Wealth of Nations (EWN) database, maintained principally by the IMF’s Research Department. This database, which is used extensively for multilateral surveillance and research purposes, currently comprises data for 180 countries and estimates information on external assets and liabilities from a variety of sources. The effect of including those estimates in the IIP world and regional tables varies by region and over time. In the longer term, the EWN database will be improved to also include estimates on offshore centers, and to distinguish between portfolio debt securities and debt included in other investment.

96. One Committee member suggested that the IMF consider sharing these methods and estimates with countries that could not yet produce IIP data on their own. Mr. Kozlow responded that this was a useful suggestion, but that there could be a downside, if countries

³ Such as provision of data on nonbank financial institutions (memorandum item), the effect of impaired loan assets (memorandum item for creditors if feasible), reserve-related liabilities (memorandum item), significant off-balance sheet commitments (supplementary item), currency composition of debt assets and liabilities (memorandum item), notional value of financial derivative positions (memorandum item), and detail on the remaining maturity of international assets and debt liabilities (supplementary item).

⁴ BOPCOM-08/30, “Summary of Discussion”

conclude that they could utilize the IMF estimates and not continue with their own data improvement efforts.

97. Mr. Kozlow took note of the suggestion that the IMF undertake a survey, similar to the recent one on *BPM6* implementation, to ask countries who do not currently compile an IIP for explanations of problems or limitations that they have encountered.

95. The Chair concluded that in line with recommendation 12 of the report “The Financial Crisis and Information Gaps”, the Committee supports the quarterly reporting of IIP data.

Handbook on Securities Statistics- Overview of a Joint BIS-ECB-IMF Initiative: Report by the BIS (BOPCOM-09/20)

98. Mr. Mesny (BIS) presented an overview of the initiative on the Handbook on Securities Statistics, which is a collaborative effort of the BIS, ECB, and IMF. Following a recommendation by the Committee on the Global Financial System (CGFS) in 2007, the BIS coordinated the drafting of Part I of the Handbook, which deals with debt securities issues, in 2008 and 2009. The draft was reviewed with several central banks at a meeting held in Basel at the end of October 2008 and published in April 2009. Mr. Mesny gave a broad overview of the objectives and content of the publication. He noted that work has started on Part II of the Handbook on holdings of debt securities. The publication of Part II of the Handbook is foreseen for spring 2010. The BIS-ECB-IMF Handbook, in particular its further development and its implementation, are considered in recommendation 7 of the report “The Financial Crisis and Information Gaps”.

99. This presentation was provided for information and members had no comments.

Use of the CSDB in the Production of the Euro area BOP and IIP: Report by the ECB (BOPCOM-09/21) (paper was not discussed)

100. This ECB paper updated the Committee on developments of the European System of Central Banks centralized securities database (CSDB). The paper informs the Committee that beginning in 2009, with the introduction of Phase 2, the CSDB fully supports (euro area) balance of payments/IIP and investment fund data compilation. All euro-area countries have now introduced security-by-security collection systems. While two-thirds actually use the CSDB in their production of BOP/IIP portfolio investment statistics as a source of information for a number of relevant attributes and for reference data information; one-third of the countries currently only use this information for cross-checking purposes or to complement their data. Several of those countries however plan to also introduce the CSDB for compilation in the near future.

101. The paper notes the advantages of the CSDB, such as: (i) providing higher flexibility to cope with financial markets innovation; (ii) providing potentially higher quality data by

more accurately applying statistical standards; (iii) the possibility of multiple uses of the data; and (iv) a reduction in the reporting burden.

102. Regarding future developments, the CSDB is expected to support production of statistics on financial vehicle corporations in 2009, statistics on securities issues and government finance in 2010, securities holding statistics including financial account statistics, and financial stability statistics. Looking further ahead, future extensions in security by security reporting, supported by the CSDB, may enhance information on holdings of securities, including (i) from-whom to-whom data to serve monetary policy purposes; (ii) data on exposures to support financial stability analyses; (iii) transactions in euro area securities for market operations analyses; and (iv) information on holders of euro-denominated securities for the ECB's analysis of the international role of the euro.

103. In regard to lessons learned, the paper notes that, given the number of participants, project execution had to be 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.

Medium-Term Work Program of the IMF Committee on Balance of Payments Statistics, Research Agenda: Report by the IMF (BOPCOM-09/22)

104. Mr. Kozlow presented the updated medium-term work program of the Committee and the research agenda, seeking the Committee's input. He noted that the work performed by STA staff is actively supported by Committee members who may volunteer to draft papers and undertake research. In the past year, the Committee's work agenda moved forward in all areas.

105. Looking forward, now that it is finalized, the implementation of *BPM6* remains a top priority. The next stage includes making further progress in preparations for collecting and disseminating data on the basis of the new manual. The IMF is developing the processing systems needed to generate and display balance of payments data in its publications. The IMF will continue to promote the rapid adoption and implementation of *BPM6* through seminars and courses. Linked to this exercise is the conversion matrix that the IMF has finalized and placed on the Committee's webpage. The implementation of *BPM6* will be considerably enhanced with the preparation and distribution of the *BPM6 CG*. Accordingly, the IMF hopes to provide the Committee with a first draft of most of the chapters for its meeting in 2010.

106. A top priority is also assigned to reserve assets, and other reserve-related issues, labeled as only medium priority in the 2008 Work Program. The substantial increase in the priority assigned to reserve assets is attributable to the considerable amount of recent interest expressed – both within the IMF and outside – in reserve asset issues. The work to update *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template* will

begin by the middle of 2010, in cooperation with the Reserve Asset Technical Expert Group (RESTEG).

107. As in previous years, the CDIS remains a top priority, as the survey will be launched for the first time in 2010. In September 2010, initial data will be reported to the IMF. In the meantime, the IMF will continue actively engaging with countries, to facilitate their participation. The IMF will also develop the collection, processing, and dissemination tools for the CDIS.

108. Improving the quality of the CPIS is proposed to remain a high priority. Possible enhancements to its coverage and periodicity will be considered, consistent with the G-20 recommendations. The development of IIP world and regional tables is added to the list of high priority items, in recognition of the fact that IIP data are key for Fund surveillance. Mr. Kozlow further mentioned that the G-20 may ask the IMF to continue its efforts to increase the number of countries reporting annual and quarterly IIP data. They also may ask for *BPM6* enhancements to the IIP to be adopted by G-20 economies as soon as feasible.

109. The finalization of the *RCG*, another high priority item from last year, was completed, and so work on remittances now moves to medium priority. All other medium priority items remain unchanged from last year.

110. The *BPM6* identifies a number of areas for potential future work. Mr. Kozlow explained that work on most items must be delayed so that countries are assured of stability in the standards while they are being implemented. Nonetheless, work is underway in a couple of areas, in particular on the treatment of emission permits, and in the direct investment area on identifying ultimate investing and ultimate host economy, and determining whether direct investment relationships can be achieved other than by economic ownership of equity, such as through warrants or repos. In this regard, the OECD reported that earlier this year, it completed research into the acquisition of voting power. The IMF noted that it will continue to coordinate work in these areas with its interagency partners, and will inform the Committee of progress.

111. Mr. Bier (ECB) recommended that work on the CPIS and the IIP, which were listed as high priority in the paper, be upgraded to top priority in light of the work going forward on the G-20 recommendations.

112. Mr. Kozlow accepted Mr. Bier's recommendation.

Improving the Tracking of Cross-border Financial Exposures Using Aggregate and Bilateral Data – A Template: Report by the IMF (BOPCOM-09/23)

113. Ms. Hammer introduced a paper prepared jointly by STA and the Strategy, Policy and Review Department of the IMF (SPR). Joint STA/SPR papers have been prepared for the Committee each of the last four years. The Committee feels that these papers provide a very

valuable means to ensure that the data produced remains policy relevant and adequate for surveillance, which the paper discusses.

114. The paper presented to the Committee last year provided a preliminary assessment of the value of key data initiatives for the surveillance of the global crisis and, in regard to external sector data, highlighted the value added of the IIP and CPIS statistics. Within the area of future work, the importance of data on cross-border and sectoral exposures, and the call for geographic breakdowns in IIP data was specifically mentioned.

115. This year's paper goes into the same direction as "Statistical Developments Arising from the Global Crisis" (BOPCOM-09/16), as it draws on the views expressed at the Users Conference on International Data Gaps by highlighting the importance of tracking cross-border exposures and the need for improvements in bilateral datasets. Ms. Hammer guided the Committee through the annex to this paper, which shows the current IMF initiative of providing a portal to IMF country teams that makes existing data on cross-border exposures more easily accessible for bilateral surveillance. This "template" combines aggregate and bilateral data using existing STA databases (such as IIP, external debt, CPIS, and Standardized Report Forms for monetary and financial statistics (SRFs)), and the BIS Consolidated and Locational Banking Statistics.

116. While it is recognized that existing datasets provide valuable information on liability and asset-side cross-border financial exposures, STA will continue its efforts to address bilateral data gaps as discussed in several papers at the meeting. In particular, the proposals for enhancement from the G-20 report on the improvement of cross-border data coverage, timeliness and periodicity, the conduct of the CDIS, and the assessment of the feasibility of countries to report bilateral IIP data for their top partner countries will be among STA's efforts to respond to the global crisis in the short- and medium-term.

117. Committee members greatly appreciated this exercise. During the discussion, the BIS, ECB, OECD, and some Committee members offered to provide data to support this exercise. One Committee member suggested complementing the tables with data covering the current account, including data on remittances.

Global Discrepancies: Report by the IMF

118. Mr. Kozlow provided some information on global discrepancies. In 2007, global net errors and omissions were negative \$133 billion (more credits than debits were reported), compared to negative \$169 billion in 2006. The discrepancy in the current account became more negative, and the discrepancy in the capital and financial accounts became more positive. Although the overall discrepancy was not sharply changed in 2007, it was noted that the overall discrepancy and the discrepancy for major sub-accounts could worsen in the future, because countries will be adopting new methodologies and converting to the updated international statistical standards at different times over the next several years.

Sovereign Wealth Funds: Report by the IMF (BOPCOM-09/24)

119. Ms. Hammer presented the paper and summarized the considerable progress that has been made over the past 18 months in developing the conditions for the appropriate inclusion of Sovereign Wealth Fund (SWF) data in the external accounts, and other macroeconomic statistics. The Committee has been supportive of the work on SWFs dating back to the establishment of RESTEG in 2005, and has encouraged STA in its efforts to expand and improve the quality and availability of statistics pertaining to SWFs. As already noted at last year's meeting of the Committee, STA has been actively involved, together with the Monetary and Capital Markets Department of the IMF (MCM), in the work of the International Working group on SWF (IWG) to develop a set of Generally Accepted Principles and Practices (GAPP), the so-called Santiago Principles, of which the 5th GAPP specifically states that "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".

120. STA has also been involved in the survey of 20 SWFs, which resulted in STA co-authoring an IMF Working Paper⁵. STA's efforts, within the framework of the IWG, included the establishment of a statistical definition of SWFs, which is now reflected in the *BPM6*. The *BPM6* also provides explicit guidance on the reporting of economic and financial data by SWFs and explicitly discusses flows and positions that especially pertain to them – such as questions about what is and is not considered to be a reserve asset. It also includes a supplementary item in the IIP, covering holdings of SWFs that are not included in the reserve asset functional category.

121. The Committee was informed that in April 2009, the IWG established the International Forum of SWFs (IFSWF) to replace the IWG. Subsequently, the IFSWF established three sub-committees that 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.

122. In regard to the way forward, the Committee was informed that STA, in cooperation with MCM, intends to consult the IFSWF on the proposal to approach statistical agencies in the home countries of SWFs to assess whether their SWF holdings are captured in macroeconomic datasets (BOP/IIP).

123. Further questions to the Committee were (i) how STA might encourage countries with SWFs to include the data of relevant scope in appropriate macroeconomic datasets; and

⁵ See *Sovereign Wealth Funds: Current Institutional and Operational Practices*, at: <http://www.imf.org/external/pubs/ft/wp/2008/wp08254.pdf>.

(ii) for those Committee members in countries with SWFs, what is the experience in receiving relevant and timely data on SWFs.

124. Some members of the Committee noted that much progress has recently been made to include SWFs in macroeconomic statistics, and informed the Committee of the initiatives being undertaken in their respective countries to collect data on SWFs. One Committee member suggested that the efforts to improve the availability of data on SWFs be discussed at the highest level when the IMF meets with ministers of finance and central bank governors at the annual meetings.

125. Ms. Bertrand indicated the OECD's interest in statistics on SWFs and its encouragement of continued efforts to compile and disseminate these statistics.

126. The Committee supported the proposal to undertake a statistical exercise to determine whether data on SWF holdings are captured in BOP and IIP estimates.

Selected Recent Initiatives in Reserve Asset Issues: Report by the IMF (BOPCOM-09/27)

127. Mr. Kozlow presented this paper, which informed the Committee of STA's intense activities in the past six months in advising member countries, international organizations, and the IMF on reserves-related issues. Interest in the subject was triggered by a decision by the International Monetary and Financial Committee (IMFC) to strengthen the IMF's lending capacity. This resulted, amongst others, in the recent SDR allocations, the bilateral loans from member countries to the IMF, and the note purchase agreements. The implementation of these measures has raised many questions about the definition of reserve assets and the correct recording of data in external sector statistics. STA has assumed a leading role in advising on the statistical treatments. It has provided clarifications of the statistical standards, and conducted missions to countries impacted by the crisis to help assess and improve the quality of their statistics. STA sent letters to central bank governors and balance of payments correspondents to explain the recording of the new allocations in balance of payments and IIP statistics. In addition, staff prepared a set of FAQs that was posted on the Fund's website at <http://www.imf.org/external/np/exr/faq/sdrallocfaqs.htm>.

128. Mr. Kozlow also advised the Committee that due to the intense work on reserves-related issues, the review of *International Reserves and Foreign Currency Liquidity: Guidelines for a Data Template* (Guidelines) is expected to gain momentum by the middle of 2010 in cooperation with RESTEG. Meanwhile, the changes to the Reserves Template that were detailed in last year's document to the Committee (BOPCOM-08/25) have been approved by the IMF Executive Board. The Board agreed to the staff's proposal to update the Guidelines to take account of *BPM6* and of staff experience in monitoring SDDS subscribers' observance of the Reserves Template.

129. A few changes to the Reserves Template became effective in August 2009, for the reporting of July 2009 data. These changes improve the consistency between the reporting of financial derivatives in the Reserves Template and the amendment to Annex A of Article VIII Section 5 of the IMF *Articles of Agreement*. These changes did not result in increased reporting burden for most compilers.

130. In the ensuing discussion, participants obtained clarifications and justifications of recommendations for reserve asset treatment. In particular, questions were raised regarding the treatment of Note Purchase Agreements in the Reserves Template, and on the treatment of income related to SDRs.

Activities of the Inter-Agency Task Force on Finance Statistics since the 2008 Meeting of the Committee: Report by the IMF (BOPCOM-09/26)

131. This paper was provided as information. It reported on the annual meeting of the Task Force on Finance Statistics (TFFS), which took place in March 2009. The meeting discussed various issues including (i) progress on the preparation of the public sector debt guide; (ii) the increase in the number of GDDS countries (GDDS countries are those who voluntarily agree to follow the IMF's General Data Dissemination System) providing data for the QEDS database (the QEDS database is the database containing Quarterly External Debt Statistics for developing and emerging market countries that is housed at the World Bank); (iii) the World Bank initiative to collect data on total central government debt; (iv) the upcoming changes in the External Debt Guide resulting from *BPM6*; and (v) and enhancements to the TFFS website.

132. The update of the External Debt Guide is expected by 2013. Considering the magnitude of the recent SDR allocations, and the STA decision to adopt immediately the *BPM6* treatment by including the SDR allocation as an external debt liability, the IMF consulted with all TFFS agencies and obtained unanimous agreement on the new treatment. The World Bank will encourage QEDS participants (both GDDS participants and SDDS subscribers) to report the SDR allocations as an external debt liability.

133. Ms Bertrand pointed out that OECD plays an important role in the collection and dissemination of central government debt. She said that the OECD maintains a database on central government debt of OECD countries, including metadata, and also said that the OECD Working Party on National Accounts is launching a new data development exercise on public corporations.

Summary of Discussion: Report of the IMF (BOPCOM-09/28)

Mr. Kozlow took the Committee through the Summary of Discussion.