Summary of Discussions

Introduction

1.   The twenty-eighth meeting of the IMF Committee on Balance of Payments Statistics (Committee) was hosted by the Banco Central do Brazil in Rio de Janeiro, Brazil (October 27–29, 2015). This summary of discussions includes the action points agreed during the meeting and the forward work program of the Committee.

2.   In his opening remarks, Mr. Louis Marc Ducharme, Director, IMF Statistics Department (STA), mentioned that IMF's policy work with the membership and the broader evolving economic and financial environment are contributing to emerging data needs and provide both the background and challenges for rethinking strategies for statistical development going forward. In this regard, the main themes that will drive the Committee's work in the coming years include: (i) the resurgence of interest in balance sheet analysis as a tool for mainstreaming macro-financial surveillance; (ii) financial interconnectedness that heightens the demand for more detailed from-whom-to-whom data on external positions; and (iii) building statistical capacity in fragile states and low income economies. He also underlined the challenging agenda prepared for the meeting and noted the importance of reaching agreements in four broad areas: (i) implementation of the sixth edition of *Balance of Payments and International Investment Position Manual (BPM6)*; (ii) cross-border financial interconnectedness; (iii) reserve assets; and (iv) process for updating *BPM6*.

BPM6 Implementation and Strategy

Progress in Implementing *BPM6*

Topics Presented for Discussion:

3.   An overview of the implementation of *BPM6* in member countries was presented by the IMF, including: status of implementation; timeliness; length of revised historical time series; dissemination practices; and capacity development.

4.   The Committee's views were sought on improving the timeliness of balance of payments/international investment position (IIP) on a *BPM6*-basis and on developing and disseminating a longer *BPM6*-based historical time series.

5.   Member countries shared their experiences in implementing the *BPM6* (Brazil, China, and European Central Bank (ECB)/Eurostat).

Summary of Discussions:

6.   The Committee emphasized the need to provide longer time series on a *BPM6* basis when countries implement *BPM6*. It noted that guidance is needed on the optimal length of time series on a *BPM6* basis given data constrains. It also encouraged members to improve consistency of external sector statistics (ESS) time series, and their consistency with other macroeconomic statistics (e.g., national accounts, government finance and monetary

statistics, *OECD Benchmark Definition of Foreign Direct Investment,* forth edition *(BD4),* etc.).

7.   The Committee stated that the balance of payments and the IIP constitute an integral accounting framework for the analysis of developments of the external sector of the economy. As *BPM6* and *2008 System of National Accounts* (*2008 SNA)* are fully harmonized, the Committee stressed the importance of producing consistent or reconcilable balance of payments, IIP, and the rest-of-the-world accounts. Some Committee members emphasized that it should be left to the countries to decide how they would achieve consistency.

8.   International organizations (IOs) to work on improving consistency of information in public domain.

9.   The need for improving the frequency moving from annual to quarterly balance of payments /IIP data was emphasized. Countries should consider tradeoff between timeliness and quality, and granularity and accuracy.

10.   Publication of *BPM6*-based data should include a carefully designed communication strategy to inform users on changes brought by the *BPM6* implementation and to provide methodological guidance (e.g., interpretation of sign convention, different presentational basis of direct investment, fellow enterprises, and other).

11.   Suggestion was made that the IMF keeps an inventory of *BPM6* compilation challenges, possibly including links to country surveys.

12.   It was also suggested to consider fully harmonizing the data structure definitions (DSDs) for *2008 SNA*, *BPM6,* and *BD4* as a high number of dimensions would not necessarily imply additional complexity.

13.   Countries that move to *BPM6* framework should be encouraged to use *BPM6* sign convention in national publications.

14.   As highlighted by the new recommendation under the G-20 Data Gaps Initiatives Phase II (G-20 DGI Phase II), data sharing among national agencies, facilitated by supportive statistical law, and IT development, is essential to preserve and enhance statistical data quality and to answer to the increasing policy demand for granular data.

15.   Confidentiality of statistical data should be preserved. At the same time, IOs have a role in promoting bilateral and national data sharing for reconciliation purposes taking into consideration confidentiality constraints.

Action:

- IOs to undertake steps toward harmonizing the national definitions of confidentiality of statistical data and defining best practices for data sharing.

A Strategy for Implementing *BPM6*—Towards a Tailored Approach

Topics Presented for Discussion:

16.   The length of the time series converted to *BPM6* and the number of subcomponents reported in the *BPM6* framework differ by groups of economies. Low-income and post-- conflict economies face different challenges in implementing *BPM6* and improving quality of data. IMF proposed a tailored approach for providing guidance to countries with low capacity in the implementation of *BPM6* considering analytical and policy needs, structure of economies, and capacity for statistical development. The Committee's views were sought on the merits of a tailored approach in implementing *BPM6* in countries with low capacity and on main indicators to focus or how to set priorities.

17.   Member countries shared the strategies applied in implementing the *BPM6* (Uganda and Philippines).

Summary of Discussions:

18.   The Committee members agreed that a tailored approach by means of prioritization should be applied for implementing the *BPM6,* specifically in economies with limited resources and statistical capacity.

19.   A gradual approach in implementing the *BPM6* should be promoted for economies with low capacity.

20.   Guidance should be provided on setting priorities for aggregates that countries should focus on.

21.   No simplified report forms should be developed for reporting. Instead, the same reporting forms should be used for all countries where the components to be reported should be prioritized (e.g., by using different shade) to foster gradual convergence of the level of detail in the reporting by countries. A roadmap should be developed by IMF in cooperation with the Committee members for working towards full implementation of the complete reporting form.

Actions:

- A working group comprising the Committee members to be established to (i) prioritize the balance of payments /IIP components; (ii) provide guidance on the implementation of *BPM6* in countries with limited capacity applying the tailored

approach; and (iii) develop a roadmap for the implementation of *BPM6* by all economies;

- The paper on strategy for implementing the proposed tailored approach to be discussed at the 2016 meeting of the Committee.

Global Discrepancies

Topics Presented for Discussion:

22.   The topic covered issues related to investigating the causes and offering solutions to reduce the asymmetries. The IMF stressed that efforts should be refocused on monitoring and addressing global discrepancies through identifying and resolving bilateral discrepancies among main trade and investment partners.

23.   The Committee could support a more bilateral-focused approach to addressing statistical discrepancies by:

- o encouraging countries to engage in bilateral comparisons;
- o monitoring progress (e.g., by encouraging countries to disseminate annual reports on the progress made through bilateral comparisons); and
- o promoting initiatives aimed at advancing knowledge exchange on country/regional experiences.

Summary of Discussions:

24.   Global discrepancies and bilateral asymmetries are a symptom of more fundamental issues in underlying statistics.

25.   Countries should be encouraged to disseminate and/or share bilaterally the data as a pre-requisite to reduce bilateral asymmetries.

26.   Conducting bilateral comparison of data is costly and faces confidentiality issues; however this work (which relates to the accuracy of data) should be increasingly pursued on a continued basis.

27.   In some cases, reconciliation can be conducted only at methodological level but not at data level, due to data confidentiality issues.

28.   When work on bilateral asymmetries is carried out, the outcome is sometimes frustrating because the asymmetry can be explained but cannot be solved. However, the Committee agreed that a better understanding of the origin of asymmetries is an improvement, per se.

29.   Often asymmetries are identified (e.g., Eurostat publishes an annual Commission Working Document assessing the quality of data reported by member states on balance of payments, international trade in services, and foreign direct investment, and Organisation of Economic Co-operation and Development (OECD) produced country-specific reports on asymmetries in trade in goods) but more actions should be taken by countries to reduce them. IOs could send letters to the authorities in partner countries involved asking to work on asymmetries, where identified as important.

30.   IMF and other IOs are encouraging and facilitating initiatives for bilateral data sharing.

31.   IOs to investigate inconsistencies between the data in their public dissemination platforms for the same countries and to work towards harmonization.

Actions:

- IMF and other IOs will continue conducting the studies on bilateral discrepancies on a regular basis and facilitating interactions among countries. The results should be shared with member countries; however ultimately only actions by partner-countries will identify the reasons for and can resolve discrepancies. Committee members should start this work in their countries to show example.

- IMF and other IOs to support studies on asymmetries through conducting methodological surveys on components of the accounts (e.g., joint IMF/OECD survey of implementation of methodological standards for direct investment, and the recent joint Eurostat-OECD detailed metadata collection on trade in services).

- Eurostat to provide a paper for the 2016 Committee meeting on its bilateral reconciliation work for foreign direct investment (FDI).

Cross-Border Interconnectedness

Coordinated Portfolio Investment Survey (CPIS)

Topics Presented for Discussion:

32.   The IMF updated the Committee on progress in compiling the CPIS enhancements, capacity development activities, and way forward, including the work program to be undertaken as part of the G-20 DGI Phase II recommendation on CPIS. A proposal for updating the *CPIS Guide* was also presented.

33.   Member countries shared their experiences in compiling enhancements to the CPIS (Turkey and Netherlands) and described plans and difficulties in compiling CPIS data (U.S.A. and Russian Federation).

34.   The Committee views were sought on (i) their experiences on compiling enhancements to CPIS, (ii) quarterly CPIS, (iii) the possibility of collecting data on the nationality of the issuer and on third party holdings, and (iv) experiences that could be used in the updated *CPIS Guide*.

Summary of Discussions:

35.   CPIS enhancements: countries compiling portfolio investment data on security-by-security basis can more easily comply with CPIS enhancements than those using data on aggregated basis. Priorities for compiling sectoral breakdown will comprise: 1) sector of the holder, 2) sector of the issuer, and 3) cross-sector (holder and issuer) classification.

36.   Quarterly CPIS: Countries of the Euro area could move to quarterly CPIS (as the reporting is based on security-by-security data) and preserve consistency with the IIP. Several other members indicated that it is also feasible for them to report quarterly CPIS.

37.   CPIS data collection on the nationality of the issuer and on third party holdings: CPIS data on the nationality of issuer will be an important contribution to better assess exposures. However, collecting data on nationality of the issuer is too costly and challenging at this stage. More research is needed to review the feasibility of data collection on third party holdings.

38.   Sharing the existing databases on sector of issuer managed by central banks could help in achieving a better identification of the sector of the issuer. However, legal and contractual constraints governing re-use and sharing of granular data from such databases need to be examined (e.g., for data purchased from commercial providers, licensing issues would need careful consideration).

Actions:

•   IMF to make efforts in encouraging countries with substantial portfolio investment holdings to collect data on CPIS enhancements.

•   IMF to investigate if it is feasible for a greater number of economies to report quarterly CPIS in order to allocate resources to initiate quarterly CPIS collection.

•   The *BPM6* update to consider conceptual issues for nationality and third party holdings.

•   IMF to provide more guidance in the updated *CPIS Guide* on the residual approach for estimating portfolio investment liabilities and on the treatment of depository receipts (e.g., currency and sector of issuer classification).

- Draft updated *CPIS Guide* to be sent to the Committee for comments as indicated in the timetable included in the Committee paper.

Coordinated Direct Investment Survey (CDIS)

Topics Presented for Discussion:

39.   The IMF updated the Committee on recent development in the CDIS, including changes in data collection and dissemination, the release of the final version of the *CDIS Guide* and of a set of Frequently Asked Questions, and the forward work program to increase participation and improve data quality. The G-20 participation in the CDIS, following the new recommendation under the G-20 DGI Phase II was also covered.

40.   Member countries reported on their experiences in compiling CDIS granular data (France and Russian Federation) and their plans and difficulties in compiling such data (China and Canada).

41.   The Committee views were sought on the proposal to regularly examine bilateral asymmetries and efforts to encourage relevant economies to report more granular data and outward direct investment.

Summary of Discussions:

42.   The Committee recommended focusing efforts on reporting the equity/debt split and the breakdown of net debt instruments into gross liabilities and gross asset positions in the CDIS, increasing the coverage of countries, and regularly examining bilateral asymmetries.

43.   The presentation of direct investment data in two different bases (directional principle and assets/liabilities presentation) may lead to challenges in dissemination and confusions among users. However, it was recognized that each presentation has its own distinct use and analytical value.

44.   IOs to take steps to streamline the reporting of direct investment data to different IOs for avoiding duplication.

Actions:

- IMF to make efforts in encouraging countries to report the equity/debt split and the breakdown of net debt instruments into gross liabilities and gross asset positions.

- IMF to continue conducting regular analysis of bilateral asymmetries in CDIS data.

Enhanced Data to Analyze International Banking and Changes to the Bank for International Settlements (BIS) International Debt Securities

Topics Presented for Discussion:

45.   BIS presented enhancements to international banking statistics including further sectoral and currency breakdowns. Additional details are available but not yet published because there are key countries yet to report.

46.   The currency composition of external liabilities to and assets placed with banks is now published by U.S. dollar, Euro, Japanese yen, Swiss franc, pound sterling, other, and unallocated. Other currencies are known but coverage is incomplete. For many countries, anecdotal evidence suggests that unallocated currencies are likely to be denominated in the currency of the counterparty.

47.   In the international debt securities statistics, the BIS revised the way that it classifies the sector of the issuer on a nationality basis. In addition to the allocation by residence and sector of the issuer, data are now available based on the nationality and sector of the issuer's parent. The BIS discussed the analytical value of these new splits.

Summary of Discussions:

48.   BIS experience is that users are particularly interested in nationality rather than in residence (country and sector allocation based on the parent company). Members noted increasing interest for nationality-based statistics beyond banking sector for analytical purpose, but reinforced the primary need for resident-based statistics.

49.   The use of mirror information from BIS as data source or for cross-checking purposes was discussed. In this respect the extended sectoral classification was welcomed.

50.   Members expressed interest in accessing this information; BIS offered to share unpublished data with national statistical offices, subject to the approval of the reporting central bank in the case of bilateral data.

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IIP Enhancements and Capital Flows

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IMF/BIS/FSB: Work on Foreign Currency Exposures - Report to G-20 Economies

Topics Presented for Discussion:

51.   The IMF presented the report to G-20 economies on foreign currency exposures.

52.   The IMF will continue to encourage countries to close data gaps in the reporting of foreign currency information within the existing data initiatives (IIP, CPIS, external debt,

reserves data template, balance sheet of financial corporations, government finance statistics, and the new template for sectoral accounts and balance sheets).

53.   Way forward include the continuation of outreach activities and more explicit incorporation of data on foreign currency exposures in the recommendations of G-20 DGI Phase II.

Summary of Discussions:

54.   The first step to help understanding exposures is analyzing currency composition arising from cross border positions.

55.   Further information would be needed to understand exposures, but will take much longer to achieve (financial derivatives, other hedging activities, exposure to exchange rates, analysis on countries who borrow, exposures in the asset side, and a combination of qualitative information). Some members saw risks of overburdening the macroeconomic framework and suggested risk related frameworks (e.g., in the field of micro- and macro-prudential policies) to be considered as well.

Actions:

- Netherlands and France to prepare papers for next year's meeting on their experiences in compiling balance of payments/IIP statistics on financial derivatives.

- The Committee to provide guidance on the treatment of loans to be repaid with goods (natural hedging) including on its allocation by currency (the merchandise transaction depends on price of commodity and exchange rate component).

- Australia to prepare a paper on natural hedging for next year's meeting.

- Financial derivatives to be added to the future research agenda in the context of *BPM6/2008 SNA* revision.

IIP: Implementing the *IIP* Enhancements

Topics Presented for Discussion:

56.   User interest has grown in additional breakdowns in position data. To address their needs, four enhancements have been recommended to IIP: (i) reporting of currency composition of financial assets and liabilities; (ii) reporting of remaining maturity of debt liabilities; (iii) reporting of data for other financial corporations; and (iv) separate identification of nonfinancial corporations (NFC) in IIP framework.

57.   The IMF proposed a survey of a few countries to develop strategy for compilation of IIP enhancements. It would include targeted IIP reporters on data availability, feasibility, and future plans.

58.   Member countries shared their experiences in compiling enhancements to the IIP statistics (Canada, Egypt, and Japan). ECB presented recent developments in external statistics in European Union countries.

59.   The Committee members' views were sought on separately identifying nonfinancial corporations in the IIP data reporting framework; also their support was requested for the proposed IIP survey with a summary of results to be presented to the 2016 Committee meeting.

Summary of Discussions:

60.   The Committee members supported conducting the survey of targeted IIP reporters. However, views have been expressed that its practical implementation could be challenging. Survey should also focus on exploring the feasibility of compiling currency composition and remaining maturity data. The launch of survey should be preceded by circulating explanations on the survey's scope. Questions can be included in the survey on capacity, resources, and roadmap for the implementation of IIP enhancements.

61.   The Committee agreed with separate identification of NFC in IIP which will increase its analytical value and provide some insights on interconnectedness. This analysis would benefit of having consistency between sector accounts and the IIP.

62.   Members noted difficulties in the compilation of *BPM6* memorandum tables A.9 and sought guidance in this respect.

63.   There is increasing interest in other changes in financial assets and liabilities account which in some cases explains most of the changes in position data. The most important is splitting revaluations (price and exchanges rates) and other changes. The more financial system becomes complex, the more demand on other changes account.

64.   It was suggested to include the topic of other changes in financial assets and liabilities account in future agenda.

65.   Coordinated revisions policy should be promoted among macroeconomic statistics, at least between national accounts and external sector statistics and should aim at improving data consistency of time series.

Actions:

- IMF to provide guidance and clarification on the compilation of the memorandum table A9.1.

- IMF to conduct the survey of potential countries to propose strategy for IIP enhancements and to present a paper at the 2016 Committee on survey's results. The survey questionnaire should be vetted by the Committee.

Measuring International Financial Flows of Households

Topics Presented for Discussion:

66.   Some flows of the current and financial account are easily attributable to households such as travel, compensation of employees, and remittances. The position of real estate and portfolio investment assets can also be attributed to households without difficulties. When security-by-security data is available (or the relevant sectoral breakdown), financial flows related to the investment in securities directly held by households, and the related income, can also be isolated.

67.   As far as financial flows are concerned, the limited relevance of the household sector may not merit priority efforts to improve the compilation of their financial flows. Regarding options for improving the data collection, a household survey on assets abroad and flows would have a very low response rate and serious bias issues, and as a result it may not seem to be a feasible option.

Summary of Discussions:

68.   Growing interest in separately identifying portfolio investment and real estate investment by households was noted. For some economies some information is available.

69.   In some countries households actively participate in shuttle trade, in others a significant underestimation of cross-border remittances was observed.

70.   Use of administrative sources, including tax data, and mirror information was suggested.

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Conceptual Issues

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Clarifying the Concept of Reserve Assets and Reserve Currency

Topics Presented for Discussion:

71.   Users and compilers of data on reserve assets have been asking for practical guidance from IMF staff on how to determine reserve currencies and querying whether a list of reserve currencies exists. At present, IMF does not provide a formal list of reserve currencies. The recent discussions on the SDR valuation have highlighted the need to clarify the *BPM6* concept of reserve currencies, and for a framework to assess whether a currency meets the requirements of a reserve currency.

72.   With the purpose of clarifying the *BPM6* concept of reserve assets and establishing a framework for assessing reserve currencies, IMF proposed a four-step approach for determining a reserve currency.

73.   The Committee's agreement was sought on the proposed four-step approach for determining reserve currencies, and its views on the specific criteria to be used to determine reserve currency.

Summary of Discussions:

74.   The Committee members welcomed the development of a framework for the statistics involving reserve currencies. Establishment of such a framework is practical and would improve transparency as well as informed discussions.

75.   The Committee agreed with the proposed four-step approach to frame the statistics of reserve currency. There was a general consensus on conducting the Survey of Currency Composition of Official Foreign Currency Assets on a triennial basis.

Action:

•   A communication note explaining the proposed framework, after its finalization, is to be prepared to inform various stakeholders and users of data on reserve assets.

Remaining Maturity Classification

Topics Presented for Discussion:

76.   *BPM6* is not clear regarding the definition of remaining maturity: Paragraph 5.104 speaks of "the final contractually scheduled payment" but paragraph 5.105 speaks of "due for payment".

77.   The IMF sought the Committee's agreement that the definition of remaining maturity included in *BPM6* should be clarified, and should be based on the debt payments due as explained in the *2013 External Debt Statistics Guide (EDS Guide)*.

Summary of Discussions:

78.   Members agreed that the remaining maturity definition in *BPM6* needs to be clarified. *EDS Guide* is the right way to go conceptually. Countries with considerable external debt should follow the proposed classification on the remaining maturity.

79.   Practical implementation of the remaining maturity classification is challenging as it requires debt schedule information based on security-by-security and loan-by-loan for both assets and liabilities, which is very difficult to achieve.

Actions:

- IMF to initiate a consultation process to ensure consistency with other manuals, in particular in national accounts, government finance statistics, and monetary finance statistics.

- IMF to provide a timetable on the procedure for clarifying *BPM6*.

Roadmap for Updating *BPM6*

Process and Timeline for Updating the *BPM6*

Topics Presented for Discussion:

80.   The IMF stressed that to maintain the relevance of the international accounts, there is a need to start discussions on updating *BPM6*. Update would need to proceed in parallel with the international statistical community's work on updating the *2008 SNA*. A timetable was proposed for updating *BPM6* with work starting in 2016 to be finalized in 2025.

81.   Australia presented a list of issues to be considered for updating *BPM6*. It was stressed that emphasis should be placed on a coherent conceptual framework based on consistent application of underlying principles; pragmatic considerations should be addressed through compilation guidance.

82.   The Committee's views were sought on proposed timetable and process for updating *BPM6* and also on the extent and scope of the update.

Summary of Discussions:

83.   Some Committee members expressed views that it is too early to start the discussion on *BPM6* update; instead the Committee's efforts should be directed to the implementation of *BPM6*. Most members considered that the timing to start discussion process is right.

84.   It is important for *BPM6* to be updated in parallel with most macroeconomic frameworks, especially with *2008 SNA* and *BD4*.

85.   Developing the scoping of the update is the hardest part. It was suggested that the IMF should seek written input from the Committee members on key issues.

86.   The Committee should start thinking on the strategy for developing the scope: instead of coming with a list of items to be discussed, emphasis should be put on why there is need to consider a topic—for example, what changed in the world that requires reconsidering/considering the topic.

Actions:

• The Committee to initiate work on the scope of *BPM6* update which could be discussed at future Committee meeting; IMF to prepare and circulate a template for inputs from the Committee.

• Collaborate with other statistical domains (e.g., Intersecretariat Working Group on National Accounts; Task Forces: Finance Statistics; Foreign Trade Statistics; Statistics of International Trade in Services: Government Finance Statistics Advisory Group, etc.) on scoping the *BPM6* update and agreeing on process and timetable for the update of *BPM6* and *2008 SNA*.

Medium-term Work Program of the IMF Committee on the Balance of Payments Statistics

87. The medium-term program was discussed by the Committee.

Action:

• IMF will update the medium-term program based on the Committee's comments and will include it in the *BOPCOM Annual Report* that will be sent to Committee members for comments.

Other Issues

88. The IMF updated the Committee on IMF's Data Standard Initiatives.

89. The Committee asked if there were plans to include flexibility options in the SDDS Plus. The IMF clarified that there are no such plans.

90. Eurostat indicated that it provides technical assistance support to European Union member countries on their steps for adhering to SDDS Plus and expects to report to the Committee in the next meeting on the results.

91. The OECD provided an integrated overview of selected statistical activities in the areas of balance of payments, international trade, and FDI statistics.

92. The United Nations Conference on Trade and Development presented an overview of the 2015 *World Investment Report*.

93. Four papers were provided for the Committee for information. The paper on G-20 Trade Aggregates based on IMF's Balance of Payment Database included a question and the Committee members were asked to provide written comments. A summary of the written comments will be provided to the Committee members.

94.   The next Committee meeting will be held during October 24–26, 2016, in Washington, D.C.