



Twenty-Ninth Meeting of the IMF Committee on Balance of Payments Statistics

Washington D.C., USA
October 24–26, 2016

BOPCOM—16/18

Summary of Discussions

INTRODUCTION

1. The twenty-ninth meeting of the IMF Committee on Balance of Payments Statistics (Committee) was held at the IMF headquarters in Washington, D.C., during October 24–26, 2016. This summary of discussions includes the actions points agreed during the meeting and the forward short-term program of the Committee.
2. In his opening remarks, Mr. Louis Marc Ducharme, Director, IMF Statistics Department (STA), highlighted two key takeaways of the recent IMF Annual Meetings that impact the statistical agenda. First, is the nexus between the “too slow growth” message and concerns about whether the growth of the digital economy is reflected in macroeconomic statistics; and more particularly—on the requisite data gaps precluding a full understanding of the scale and policy challenges of digital cross-border trade. Second, he underlined the high value IMF members place on statistical capacity building work, and the importance of technical assistance delivery being responsive to the needs particularly of low income and post-conflict countries, while also serving the broader goals of surveillance, through better and faster data. In this regard, he viewed the Committee’s meeting agenda as relevant, and underscored the need to begin scoping emerging methodological issues so as to ensure that external sector statistics (ESS) mirror global realities and maintain policy relevance.

EXTERNAL SECTOR STATISTICS IN COUNTRIES WITH LOW STATISTICAL CAPACITY

Topics Presented for Discussion:

3. To advance the work on implementing the tailored approach for compiling ESS in countries with low statistical capacity (CLSC) as agreed at the 2015 Committee meeting, a Committee working group (WG) was established in June 2016. The WG prepared a prioritization of the balance of payments and IIP components in the report forms used by STA to collect data compiled by the CLSC. The prioritization was done to meet the needs of (i) policymakers who require key data for monitoring and addressing external sector developments; (ii) IMF’s surveillance work; and (iii) requirements of the IMF’s Enhanced General Data Dissemination System’s. The implementation of the prioritized report forms will significantly reduce the reporting burden for CLSC.
4. The first phase of the implementation of the CLSC strategy will be mainly executed through STA technical assistance (TA) missions to the CLSC. A list of steps is presented that will be undertaken by the TA missions to advance the implementation of the first phase for compiling prioritized components.
5. The IMF also developed (i) a list of actions for implementing the CLSC strategy; and (ii) a list of actions for advancing the implementation of *BPM6* framework in non-CLSC.
6. The Committee’s views were sought on the list of prioritized balance of payments and IIP components, proposed actions for implementing the strategy for the compilation of ESS in

CLSC, and the proposal for advancing the implementation of the *BPM6* framework in IMF members other than CLSC.

Discussants:

7. The discussants (Jordan and Uganda) highlighted the experiences of ESS compilation in countries in the Middle East and Africa. The main challenges in compiling ESS and implementing *BPM6* in METAC countries are security constraints, weak data sources, outdated surveys, confidentiality issues (specifically for oil producing countries), and lack of inter-agency cooperation. They viewed the CLSC strategy as an important initiative that would allow countries to benchmark their progress. Key proposals were to (i) create a repository where technical issues specific to CLSC (e.g., examples, case studies) is stored for knowledge exchange among CLSC; (ii) apply a consistent prioritization of standard components and related exceptional financing items; (iii) include a consistent sectoral breakdown between same balance of payments and IIP components; and (iv) label level 2 items as “second priority items” instead of “encouraged items”.

Summary of Discussions:

8. **The Committee generally agreed with the proposed CLSC strategy.** Some members considered strong endorsement from senior country officials and IMF’s Area Departments is needed for a successful CLSC strategy. While the level 1/level 2 split is meant only to give a sense of priorities to CLSC, the importance of flexibility to match country-specific policy needs was stressed.

9. Source data constitute the basis for all macroeconomic statistics and efforts should be directed at getting access to additional data sources, including administrative ones, through better communication/cooperation with other public and private institutions.

10. The need for progress on integrated data collection frameworks in CLSC was also highlighted. In addition, there were calls for stronger cooperation between advanced economies and CLSC, with the former lending greater support to building ESS in CLSC.

11. There was also a proposal for better integration of the two strategies suggested in the paper: for the implementation of the first phase of CLSC strategy and for the implementation of *BPM6* by all IMF members. Particularly, it was considered that the timetable of the CLSC strategy should take into account the results of the survey on *BPM6* implementation.

Actions:

- The IMF will consult IMF Departments and will reflect on the issues raised by the discussants and Committee members, among others: (i) including a consistent prioritization of the sectoral breakdown both in balance of payments and IIP components; (ii) labeling level 2 items as “second priority items” instead of “encouraged items”; and

(iii) applying a consistent prioritization of exceptional financing items and the related higher-level components.

- The timetable proposed for the implementation of the first phase of the CLSC strategy will take into account the results of the survey on *BPM6* implementation to assure their consistency.
- IMF TA initiatives in CLSC to examine how an integrated data collection framework could be fostered.

CPIS DEVELOPMENTS

Feasibility of Compiling Quarterly Coordinated Portfolio Investment Survey—Survey Results

Topics Presented for Discussion:

12. Under the Data Gaps Initiative Phase 2 (DGI-2), the recommendation on the Coordinated Portfolio Investment Survey (CPIS) calls for an examination of the feasibility of reporting quarterly CPIS data. STA conducted a feasibility survey of CPIS reporters during March 2016. The results indicate that over 60 percent of the CPIS reporters are readily able to compile quarterly CPIS data, and 80 percent can do so within a three-year horizon.

13. The feasibility survey also identified possible challenges of moving to quarterly data reporting, including (i) data quality issues, (ii) the possibility of more “confidential” data flags, and (iii) heavier workloads for national compilers and respondents.

14. On the demand side, there is continued internal and external interest in enhancing data on capital movements to support analysis of spillovers and interconnections. However, the IMF will need to weigh the benefits against the costs of moving to quarterly CPIS collections. The IMF propose shifting to a quarterly CPIS in 2019; and would aim to assist CPIS reporting economies by promoting awareness of the requisite preparation work for conducting quarterly CPIS, and by facilitating the sharing of experiences of advanced ESS compilers with other ESS compilers.

15. The Committee’s agreement was sought on the proposal to move to a quarterly frequency in 2019.

Discussant:

16. The IMF Research Department (RES) highlighted the CPIS as one of the most useful IMF-sponsored surveys as it enhances surveillance of capital flows, allows to back-out information on offshore financial centers (it is the only indirect data source for many tax havens), and provides valuable information on the composition of reserves by issuing country. In addition, it has research uses for balance of payments vulnerabilities, estimation of financial

spillovers across countries and sectors, analysis of international imbalances, and prediction of balance of payments crisis.

17. RES fully supports efforts to move to quarterly CPIS and also to expand country coverage (particularly in the Middle East and in offshore financial centers).

Summary of Discussions:

18. **Committee members agreed on the proposal to move to quarterly CPIS by 2019 with the proposed timeliness.** They agreed on the importance of quarterly CPIS reporting in enhancing balance sheet analysis and in complementing current efforts on promoting quarterly IIP data availability. For statistical compilation, the Committee also noted the value of more high frequency CPIS in estimating/validating data on portfolio investment liabilities and investment income.

19. Several Committee members noted that **timeliness** is crucial to the usability of the data, and suggested that the proposed six-month lag for disseminating quarterly CPIS data on the IMF's CPIS website should be reduced. While recognizing that a shorter lag may impact country coverage, they suggested the possibility of advance access to the IMF CPIS database by statistical compilers. In this regard, a suggestion was also made to draw on the experiences of the BIS's international banking statistics in designing an early dissemination policy for the quarterly CPIS.

20. Some members are ready to provide quarterly data to the IMF with the proposed four-month reporting lag while others indicated that they would not meet the 2019 target.

Actions:

The IMF to:

- follow up on the Committee's agreement to move to quarterly CPIS by 2019 with the proposed shorter timeliness; and
- investigate how more timely access by CPIS participants to quarterly CPIS data for compilation purposes can be achieved.

Improving the Sectorization of Nonresident Issuers in the Context of CPIS Reporting

Topics Presented for Discussion:

21. Among the three enhancements to the scope of the CPIS introduced as encouraged items, the Table (5) on "Reported Portfolio Investment Assets by Sector and Economy of Nonresident Issuer" is crucial for deriving portfolio investment liabilities by sector.

22. At an economy level, this new table facilitates the identification of the sector of the issuer on a from-whom-to-whom basis. However, the number of reporters of Table 5 has stagnated with only 26 economies (only partially) reporting December 2015 data.

23. The Committee has raised this issue previously attracting the attention of the Inter-Agency Group on Economic and Financial Statistics (IAG) and the Financial Stability Board (FSB) Secretariat that have recommended seeking the views of the Committee as to whether a centralized exchange of information across countries could help improve the sectorization of nonresident issuers in the area of portfolio investment.

24. Subject to securing the relevant resources internally, the IMF proposes the establishment of such a centralized exchange of information for the consideration of the Committee and proposes to run a pilot during 2017 (also subject to resources), with results to be presented to the Committee at its 2017 annual meeting.

25. The views of the members were sought on: the usefulness of establishing such centralized worldwide exchange of information; specific suggestions as to the characteristics of the exchange of information; and on the proposed pilot initiative.

Summary of Discussions:

26. Committee members **agreed on the usefulness** of a centralized worldwide exchange of information on the sector of the issuer which would in turn benefit all participants to get better insights of their derived **portfolio investment liabilities by sector**. **Collaboration** both at global level from international organizations (IOs) and individual countries would be essential, and this initiative could be taken as a **model for the exchange of information** on securities, in line with recommendation 20 in the DGI-2.

27. The ECB favors this initiative and agreed to participate in it, provided copyright issues in relation to the data supplied by commercial data providers could be overcome. There might be **technical difficulties** in identifying securities and eliminating duplicates unless ISO standards are used. In this regard, the ECB is proactive on the **standardization of the use of ISO codes** for financial reporting as this development can be instrumental to statisticians in handling and processing efficiently micro-financial data. In this regard, the ECB issued an Opinion on 17 March 2016 supporting the mandatory use of the ISIN and the Legal Entity Identifier on the European legislation governing the information to be contained in the prospectus to be published when securities are offered to the public or admitted to trading.

28. While the **absence of a security-by-security database** could hamper participation, alternative data sources could be explored. All countries (including those without a security-by-security data collection) would benefit from participation in the exercise, since this would help them sectorize their portfolio investment liabilities using counterpart mirror information.

29. Conceptual aspects such as consistent sectorization, particularly for financial arms of entities, and the treatment of artificial entities and special purpose entities (SPEs) could pose challenges. The IMF clarified that the classification by sector refers to **institutional sector** as currently used in the CPIS.

30. Some members proposed enhancing this database to include **currency of denomination**, but the idea was in principle disregarded (at least for the pilot), since it could entail additional difficulties with the information coming from commercial data providers. The IMF clarified that in addition to the ISIN code countries should also report the ISO code corresponding to the **issuer country**. It was agreed that a technical note describing the information to be transmitted would be circulated for comments through written procedure prior to launching the exercise.

Actions:

- Provided that sufficient internal resources can be secured, the IMF to prepare a **technical note** for the consideration of the Committee (comments should be provided through written procedure), and approach CPIS reporters to promote the pilot.
- Committee members to check on any constraints to share information based on the contracts with commercial and other data providers.

Progress in Updating the *CPIS Guide*

Topics Presented for Discussion:

31. The IMF has initiated work on updating the second edition of the *CPIS Guide* (published in 2002) mainly to reflect: (i) implementation of *BPM6*-based concepts and definitions; (ii) more recent experiences of CPIS-reporting economies; and (iii) enhancements in the scope of the CPIS.

32. Important progress has been made in the last year. Most of the draft chapters have been updated and are under internal review. Some of the CPIS participating economies and international organizations have contributed to this process, and the *CPIS Guide* update website will be activated with a view to initiating posting of the draft chapters for worldwide consultation.

33. A key consideration is making the updated model forms available online (on the CPIS website) with supporting web links to the portfolio investment survey forms/instructions used by economies experienced in collecting the data on portfolio investment.

Summary of Discussions:

34. **The Committee agreed on the revised timetable and on the circulation of the draft *CPIS Guide* to the Committee by written procedure.**

35. Members generally agreed on the streamlined model forms for internal data collection being disseminated only in electronic format; and on the addition of web links to disseminate the survey forms/guidelines of CPIS-reporting economies.

36. While some members would prefer retaining the reporting forms in hard copy, this would run counter to flexibility in introducing modifications. Therefore, the IMF indicated that model forms will be disseminated only by electronic means; and clarified that the forms will continue being translated into different languages.

37. Several members requested CPIS report forms be transmitted simultaneously in excel and also in **SDMX format**. One member requested that any slight technical adjustment to forms be done through electronic consultative process, as it may have technical implications for CPIS-reporting economies.

Actions:

The IMF to:

- present the revised *CPIS Guide* to the Committee by written procedure;
- streamline the *CPIS Guide* by disseminating model forms in electronic format and survey forms/guidelines of CPIS-reporting economies through web links on the CPIS website;
- examine the status of work on facilitating CPIS submissions through SDMX; and to conduct electronic consultative process with countries when any technical adjustment is done to the form.

NEW CONCEPTUAL ISSUES AND ISSUES FOR CLARIFICATION

Compiling Data on Special Purpose Entities

Topics Presented for Discussion:

38. There is an increasing need for developing an appropriate strategy for addressing existing data gaps in the coverage and identification of SPEs in ESS. Such data gaps hinder international comparability and give rise to bilateral asymmetries.

39. The coverage of SPEs has been promoted by the IMF. The OECD and Eurostat disseminate separate direct investment (FDI) time series on SPEs. However, only a few (mostly European) economies release cross-border statistics with SPEs separately identified; and for many jurisdictions where SPE activity is important—data are unavailable.

40. There are challenges in data collection, including lack of statistical capacity, unavailability of information due to the confidential nature of these entities, and unwillingness to invest in compilation due to the limited economic impact of SPEs on the domestic economies.

41. The views of the Committee were sought on the need for a stronger IMF involvement in assisting to further improve data in this area and on the creation of a Committee Task Force to examine the need for developing broader initiatives to collect and disseminate internationally-comparable statistics on SPEs.

Special Purpose Entities within EU Direct Investment Statistics

Topics Presented for Discussion:

42. SPEs generate significant cross-border transactions between subsidiaries in different countries and continue being an important instrument in multinational enterprises (MNEs) organization. For this reason, when moving from *BPM5* to *BPM6*, Eurostat adopted a new FDI statistics transmission strategy requesting FDI to be reported separately for resident SPEs.

43. For some countries, the share of FDI positions through SPEs is nearly the full amount of FDI positions (Luxembourg and Malta), while for others the SPEs contribution is less than 10 percent (Belgium, Denmark, Spain, Poland, or Sweden).

44. There is also an important element in the assessment of the economic distribution of FDI capital and their controlling countries. An appropriate methodology for FDI statistics based on the ultimate ownership in addition to immediate counterpart should be developed.

45. The Committee views were sought on: data availability in countries outside the European Union regarding SPEs related FDI; favoring separate reporting of these data; the role of SPEs related FDI on asymmetries; and the potential for reducing asymmetries by using the ultimate ownership concept.

Discussants:

46. The discussants (Netherlands and Russia) highlighted the importance of initiating the work on enhancing the SPEs coverage in ESS. While both countries include SPEs in their ESS statistics, the activities in each country are distinct: Netherlands is one of the main destinations of SPEs and deals mainly with pass-through funds, and Russia is characterized by outward investment in SPEs in form of companies for buyback operations, holding companies, and conduit companies. Another difference is that the former separately identifies SPEs in its ESS while the latter does not. Differences in SPEs coverage determine a large part of direct investment asymmetries. Discussants supported the importance of developing an internationally agreed definition of SPEs, which may require further specifications if the purpose of identifying SPEs is aimed at measuring pass through funds. With its long tradition in measuring pass-through funds, the Netherlands stand ready to contribute to the proposed task force on SPEs.

47. Key proposals to the IMF paper were to (i) initiate written procedures for finalizing the terms of reference for the SPE task force; (ii) involve in SPE task force users (e.g., financial stability, multinational surveillance) and national accountants; (iii) narrow the scope of the work

on SPEs to the balance of payments/IIP framework, covering all its relevant components (including portfolio investment and other investment) rather than on FDI statistics, since the latter serves different user needs and faces much broader challenges. In this respect, the Netherlands view annual FDI statistics as increasingly developing into statistics in their own right, excluding SPEs and including (balance of payments/IIP-unrelated) concepts such as M&A, Greenfield, directional principle, ultimate ownership, ultimate destination and an industrial classification. For that reason, a member even suggested to rename FDI statistics, clearly distinguishing them from the direct investment component in the balance of payments/IIP.

Summary of Discussions:

48. The Committee supported the need for stronger IMF involvement in improving the coverage of SPEs. Some members suggested the separate identification of SPEs in balance of payments and IIP. The task force to be formed would consider this and other possibilities as part of its Terms of Reference (TOR).

49. In some cases, inclusion of SPEs data in direct investment has impacted FDI analysis and compilers have faced criticism of inflating FDI flows by including flows that allegedly are not FDI in economic terms. For over 10 years, the United Nations Conference on Trade and Development (UNCTAD) has been analyzing and reporting FDI data excluding flows related to SPEs for countries for which such data are available. With regard to the proposed task force, some Committee members stressed the importance of coordination across statistical domains (including national accounts). It was also emphasized that the task force should cover SPEs in the full balance of payments/IIP framework, and not only in relation to direct investment. Further, a careful review of the TOR should be done through written procedure to focus more on conceptual issues (e.g., definition) and not on data collection.

50. Committee members also noted that the determinants to the SPEs definition should consider different types of entities, including those involved in transactions that can involve significant FDI flows and positions but little real economic impact, such as corporate inversions; and called for a clear, uniform definition to facilitate data comparison.

51. The IMF welcomed the Committee's endorsement of, and planned contributions to the SPE task force. A high number of members and IOs volunteered to join the SPE task force. The task force will not deal with data collection issues but with methodological aspects. If needed, the Committee may decide to extend the lifetime of the SPE task force. The timeframe for the interim progress report (January 2017) could be too tight, although it is only meant to contain a work plan with deadlines/deliverables.

Actions:***The IMF to:***

- create the SPE task force; and
- launch a written procedure for the Committee to comment on the draft TOR for the SPE task force and on the proposed time table.

Treatment of Negative Interest Rates***Topics Presented for Discussion:***

52. A number of central banks have introduced negative interest rates on deposits in recent years as part of their toolkit of unconventional monetary policy measures. *BPM6* and other macroeconomic statistics manuals do not distinguish between positive and negative interest rates (the concepts and definitions associated with interest implicitly assumed that interest rates are positive); consequently, no explicit guidance on the treatment of negative interest rates is provided in manuals.

53. The issue of negative interest rates and implications for presentation in the statement of comprehensive income has been under consideration of the International Financial Reporting Standards (IFRS) Interpretations Committee that noted that interest resulting from a negative effective interest rate on a financial asset does not meet the definition of interest revenue in International Accounting Standards 18 *Revenue* and should be included in an appropriate expense classification. In the absence of explicit guidance in *BPM6* (and other macroeconomic statistics manuals), a parallel can be drawn from another type of primary income: reinvested earnings that can be negative.

54. The IMF propose that both positive and negative interest earnings on deposits (excluding FISIM) be recorded in the primary income account. This treatment can be extended for recording negative interest earnings for debt securities and other accounts payable/receivable resulting from negative interest rates.

55. Regarding the reference rate to be used in the calculation of the “pure interest” component, there is no restriction in the *BPM6/2008 SNA* to use reference rates with a negative value.

56. Further contacts with *2008 SNA* and *GFSM 2014* bodies seems to be warranted to ensure a consistent outcome.

57. The Committee’s views were sought on the proposed recording of negative interest on deposits.

Discussant

58. The discussant (France) agreed with the proposed treatment of negative interest rates and welcomed the reference to the decision of IFRS on the negative interest rates. The IFRS applies the registration of economic benefits to credit entries and economic costs to debit entries, while the IMF associates assets to credit entries and liabilities to debit entries. The discussant suggested adding some text explaining why the proposed treatment departs from the IFRS decision, namely because accounting standards focus on the situation of individual entities, while statistical standards aim to provide a reliable macroeconomic picture.

59. Finally, a number of remaining questions related to FISIM should be included in the research agenda (e.g., FISIM and central banks, and interbank FISIM; how to present information on negative interest, etc.).

Summary of Discussions:

60. **The Committee agreed with the proposed treatment of negative interest rates as negative income.** While one Committee member disagreed with the proposed treatment, on the grounds of departure from accounting standards, all others agreed with the discussant that the drivers for macroeconomic statistics are different from those of accounting standards.

61. Some members emphasized the importance of the paper distinguishing income from financial services, and suggested that more clarification be provided on why the preference is given to classification as investment income against services.

62. **Also, the Committee agreed that the revised paper be posted on the *BPM6* website (clarification) and that the issue of potential negative FISIM be placed on the research agenda.** On the question of separately identifying negative interest as a memorandum item, some Committee members expressed caution.

Actions:***The IMF to:***

- to run a written procedure to collect possible additional comments to the paper from Committee members with a view to strengthening the case presented in the paper.
- initiate contact with other macroeconomic statistics bodies to maintain consistency among macroeconomic statistics manuals on the treatment of negative interest rates.
- revise the paper based on the Committee's comments and on consultations with other macroeconomic statistics bodies; and post a revised version on the *BPM6* website.

SCOPE OF THE RESEARCH AGENDA FOR EXTERNAL SECTOR STATISTICS

Topics Presented for Discussion:

63. To maintain the relevance of international accounts, there is a need to undertake research and/or to develop guidance on the statistical treatment of new economic situations. Following the agreement made at the 2015 Committee meeting, a template for providing the inputs for the research agenda was circulated among Committee members. The scoping the research agenda in ESS was based on the Committee's suggestions provided through the template and on methodological research issues collected by STA; 58 topics were proposed for inclusion in the research agenda.

64. A stratification of research topics was proposed by (i) the topics that can be addressed in the short-term (until the 2017 Committee meeting), (ii) topics that will be implemented in medium-term, and (iii) topics recommended to be addressed within the *BPM6* update. STA proposed also a list of topics (14 topics) that will not be considered for the research agenda, providing the reasons why they should be excluded.

65. The list of research topics will be supplemented with new items as they are identified and changes to the list will be discussed at Committee meetings.

66. The proposed mechanisms and procedures to be applied in addressing the research topics and in informing the international community on new methodology/guidance were developed building on the *BPM6*, paragraphs 1.37–1.41.

67. A tentative list of research topics only requiring clarification to be addressed before/for the 2017 Committee meeting includes nine items and was prepared considering the urgency with which the updates are needed against available resources.

68. The Committee's agreement was sought with the proposed mechanism for resolving the research topics and with the proposed typology. Its views also were sought on the proposed prioritization of the research agenda topics, including those selected for the short-term implementation, as well as on the proposed topics to be excluded from the research agenda. Committee members were invited to volunteer to participate in the proposed Committee task force on SPEs or on the work for either of the other topics to be implemented up until the Committee meeting of 2017.

Summary of Discussions:

69. STA clarified that the research agenda is not meant to cover the whole work program of the Committee, but only issues connected with the balance of payments/IIP methodological framework, requiring either clarification or more structural changes to *BPM6*. Echoing the comments received during the meeting, **the Committee's work program should continue giving importance to other types of research dealing with data collection/compilation issues**, which should continue being at the core of the Committee's TOR.

70. The selection of topics suggested to be initiated/addressed in the short-term (up to the 2017 Committee meeting) was based on considerations of importance and urgency. The first five topics included in the short-term research agenda (recording of negative interest, compilation of data on SPEs in ESS, treatment of digital economy, estimation of imports/exports of FISIM by central banks under negative interest rates, and delineation of telecommunication services from financial services for mobile money transactions) are closely related to other macroeconomic domains and/or work conducted by other international organizations, so close coordination is warranted.

71. Committee members also raised the issue of items that were suggested to be excluded from the research agenda, and in particular highlighted the importance of continuing giving priority to issues related to data collection/compilation issues, even if not in the framework of the so-called “research agenda”. In this regard, the Chair welcomed the possibility for Committee members to bring to the Committee’s attention any pilot initiatives that could shed empirical light on topics beyond the research agenda (for instance, on issues like short-selling and other contingent liabilities).

Suggestions topic-by-topic related to short-term research agenda:

72. *Estimation of remaining maturity debt instruments*—methodological work was started at the 2015 BOPCOM meeting and was concluded by this year’s paper to the Committee. However, there is a need for practical guidance on how to estimate remaining maturity in the absence of security-by-security or loan-by-loan databases. A particular challenge is how to estimate data for the nonfinancial sectors.

73. *Recording negative interest*—agreement on the recording reached at the 2016 Committee meeting. Once additional comments from the Committee are incorporated into the paper (by written procedure), there will be follow up work with other macroeconomic frameworks.

74. *Treatment of digital economy in ESS*—there is a strong impetus from the international community for developing methodological guidance. However, due to the complexity of the topic there is a need for scoping it better. Some issues related to the digital economy may be addressed in the short-term while others require a longer time horizon. For instance, issues related to coverage of digital trade could be addressed in the short-term, while the more structural discussion about whether macroeconomic statistics are sufficient to cover issues like welfare, etc., would require joint work with other macroeconomic frameworks, in particular national accounts and could thus be deemed a longer-term issue. Various steps towards developing a conceptual framework are currently being undertaken by various organizations (e.g., UN, OECD, WTO, ISWGNA). The “digital trade” topic has also reached high on G-20’s agenda, and the OECD was attributed the task to reinforce efforts in the area, in collaboration with other IOs, and to deliver, for the May 2017 G-20 Trade and Investment Working Group, a research paper outlining the definition and the typology of digital trade and main issues for further reflection.

75. Before starting to address conceptual issues, case studies could be gathered to understand how the digital business works. Currently, there is not enough information for building the typology. That is why it would not be easy to draft a paper by 2017—timeframe proposed in the short-term research agenda. **There was overall agreement that the work can start in 2017 but will take much longer to be completed.** The Chair also underlined the need to develop the governance mechanism for avoiding duplication of what has been already or is being done by other bodies.

76. ***FISIM (for central banks, further elaboration on reference rates)***—work should be conducted in collaboration with the ISWGNA and the Advisory Expert Group on National Accounts (AEG). The Committee considered it a long standing but not burning issue, which should be tackled in a more encompassing way (i.e., not restricted to the narrow issues proposed on the agenda). Therefore, it was agreed that additional work on framing the topic would be necessary before deciding on a timetable/work plan. The US offered to collaborate on this additional preparatory work.

77. ***Treatment of letter of credit***—there is scope for more clarification in the *BPM6* and *External Debt Guide* on how to report the international transactions involving letters of credit.

78. Regarding the treatment of currency swap agreements between central banks, classification of reserve position in the IMF, and treatment of deposit of precious metals, the next steps include preparation of papers for discussion/clarification (see Actions).

79. ***Delineation of telecommunication services from financial services for mobile money transactions***—some telecommunications agencies started providing money transfer services. Revenue associated with such transactions is not captured or is classified as telecommunication services. Guidance is required on what to record as financial services and what as telecommunication services.

80. It was suggested to move two topics from medium-term to short-term: guidance on recording of irrevocable payment commitments and sectoral classification of international organizations.

Actions:

- The IMF will run a written procedure to allow the Committee to provide additional comments to the document by November 22, 2016.
- France and Turkey will prepare a paper on remaining maturity compilation issue that will be discussed at the 2017 Committee meeting.
- China and BIS will prepare a discussion paper on the treatment of letters of credit for the 2017 Committee meeting.

- Egypt in collaboration with Brazil will prepare a discussion paper on the treatment of currency swaps between central banks for the 2017 Committee meeting.
- The IMF will prepare a discussion paper on classification of Reserve Position in the Fund (RPF) for the 2017 Committee meeting.
- Uganda, in collaboration with South Africa, will work on scoping the delineation of telecommunication services from financial services for mobile money transactions, and will report to the 2017 Committee meeting.
- The IMF will propose for discussion some further clarifications on the treatment of deposits of precious metals.
- The ECB will provide the Committee's secretariat with a discussion paper on the treatment of irrevocable payment commitments (to be circulated for comments by written procedure to the Committee members, prior to the 2017 meeting), as well as with some background material on the sectorization of international organizations, for subsequent circulation to the Committee members for their information.
- The OECD is working on a paper on identifying superdividends and when ready will share it with the secretariat for subsequent circulation to the Committee.

IIP ENHANCEMENTS

Implementation of the IIP Enhancements—Survey Results

Topics Presented for Discussion:

81. The 2015 Committee meeting supported the IMF's proposal to conduct a survey with targeted reporters of IIP on data availability, feasibility, and future plans regarding enhancements to IIP introduced by *BPM6*. The DGI-2 also recommended to consider separate identification of nonfinancial corporations, given the increased cross-border, particularly foreign currency, exposures of nonfinancial corporations (NFCs) especially of emerging markets economies.

82. The survey was conducted during July–August 2016 and inquired about data availability to compile (i) currency composition, (ii) remaining maturity data, and (iii) separate identification of other financial corporations (OFCs) and NFCs for specific IIP components. The results of the survey indicated: (i) more than half of the respondents already compile or plan to compile data on currency composition, OFCs, and NFCs; and (ii) almost half of the economies that responded compile or plan to compile data on a remaining-maturity basis.

83. The Committee's views were sought on the results of the survey, the feasibility of compiling enhanced IIP data, problems stated by countries that hinder the compilation of enhanced IIP data, and on how to facilitate the collection of these additional breakdowns.

Discussants:

84. The discussants (Brazil and ECB) highlighted that users show much interest in currency composition and additional sectoral breakdown. In many cases data on currency composition are available at reporters' level, and there is need for compilers to find ways for approaching them to obtain the data. The reporting requirements for different datasets collected by the IMF and the World Bank related to remaining maturity differ for different datasets (e.g., External Debt Guide, SDDS Guide, and QEDS Table 4). Key proposals were to (i) unify the requirements for these data collections, considering that they serve different analytical purposes, and (ii) add in Table A.9.IV the short-term original maturity instrument to provide more complete information on short-term drains.

85. The ECB recently conducted a survey of member countries on the feasibility of implementing the IIP enhancements. The focus was to assess the merits (explore users interest in the enhanced breakdowns) against the cost (find what information is available). The survey results indicated that the most promising enhancements to be compiled are sectoral breakdown and direct investment debt instruments. Main impediments that have been stated were limited data sources, IT issues, available resources, and need to work on backcasting the *BPM6* implementation.

Summary of Discussions:

86. A number of Committee members indicated that they produce a currency composition (Turkey, France, Germany); and most members noted that the challenge lies in the compilation of data by remaining maturity. Others foresaw practical problems in providing breakdowns for other financial and nonfinancial sectors.

87. Members underscored the analytical importance of additional sectoral breakdowns, which is also fully consistent with the DGI-2 recommendations on establishing a set of quarterly sector accounts. With respect to a currency breakdown, while some members saw its analytical value, others felt that in order to serve user needs a sectoral approach was needed. Some members also saw a risk of structurally overburdening the macro-economic framework and suggested relying on nationally expanded supervisory and financial stability frameworks. Most members agreed it was useful to investigate to what extent additional currency breakdowns and statistics on remaining maturity could be compiled on the basis of readily available sources. The IMF recognized that the implementation of IIP enhancements should be done in a gradual manner, taking into account the different capacity levels, economic situation, complexity of the economic framework and specific country needs.

Actions:

- Countries compiling data on currency composition will start reporting them to the IMF, even if they are partial. Reporting is encouraged for as many periods back as possible.

- The IMF will reflect on the issues raised by the discussants and the Committee members, and in particular on: (i) aligning current data reporting requirements on remaining maturity, while bearing in mind that they serve different analytical purposes; and (ii) the possibility of adding the short-term original maturity instrument in *BPM6* Table A.9. IV, with a view to providing more complete information on short-term drains.

GLOBAL DISCREPANCIES AND BILATERAL ASYMMETRIES

Work on Bilateral Asymmetries in the Coordinated Direct Investment Survey (CDIS)

Topics Presented for Discussion:

88. The IMF updated the Committee on the results of the second exercise to analyze bilateral asymmetries in the CDIS. With a 90 percent response rate, this exercise was of value for most of the 42 economies participating in the exercise: 88 percent favor regular bilateral asymmetries exercises, 70 percent were able to identify the main reasons for the discrepancies, and 55 percent will implement specific actions to reduce them.

89. The exercise identified the main reasons for asymmetries: different valuation for equity, limited or lack of coverage of SPEs and fellows, different geographic allocation due to the use of ultimate counterpart rather than the immediate, different data collection methods, and various other reasons (such as asset /liability basis vs directional principle, vintage issue, or limited response of private non back sector). The exercise proved that the CDIS metadata questionnaire is useful in analyzing the reasons for asymmetries, and that bilateral collaboration is key to improving data consistency. However, countries may face legal constraints to exchange information that could be confidential.

90. Members views were sought on the possibility of organizing a workshop for CDIS compilers in 2017 to facilitate the bilateral exchange of information on DI aimed at reducing asymmetries. Members with experience organizing or participating in this kind of workshops were invited to share their experience. The IMF seek for members' agreement to participate in the workshop. Members views on adding new questions on bilateral asymmetries to the CDIS metadata questionnaire were also sought.

Reducing Discrepancies and Asymmetries: What Can Direct Investment and Trade in Services Statisticians Learn from Each Other?

Topics Presented for Discussion:

91. Asymmetries in partner-country data impact the quality and usefulness of trade in services statistics (TIS) and FDI statistics and more generally balance of payments statistics.

92. The OECD, in collaboration with other international organizations, is undertaking activities towards reducing bilateral trade and FDI asymmetries and addressing (at the conceptual

level) the reasons for discrepancies in national data. Recent actions were: (i) the joint OECD-WTO work on developing balanced TIS (and merchandise trade statistics), as part of the ongoing trade in value added (TiVA) work; and (ii) the 2015 joint OECD-Eurostat metadata survey on countries' data collection and compilation methods following *BPM6* and *MSITS 2010* implementation, which revealed that metadata can help identify main causes for bilateral asymmetries and can contribute to formulate common strategies to limiting discrepancies and thus improving the quality of trade data. The 2015–2016 FDI metadata survey revealed differences across countries in the definition of the FDI universe, coverage of fellow enterprises, measurement principles for transactions between fellow enterprises, and valuations.

93. TIS and FDI statistics have many compilation challenges in common (e.g., geographical area attribution, data coverage, SPEs) that in turn generate asymmetries. There is wide scope to learn from each other by exchanging methods to address the identified challenges and the asymmetries they create. These shared challenges call for closer collaboration between TIS and FDI statisticians.

94. Members views were sought on insights/conclusions on studies of bilateral trade asymmetries and on challenges confronting TIS and FDI statistics compilers.

Possible Sources of Statistical Discrepancies in International Accounts: Lessons from the U.S. Experience

Topics Presented for Discussion:

95. The U.S Federal Reserve presented the results of their studies on possible sources of statistical discrepancies. The recent sizable and persistent statistical discrepancies most likely reflected missed net financial inflows to the US. A further challenge was that given the magnitude of U.S. cross-border positions, annual valuation changes in U.S. assets and liabilities could dwarf financial flows, and thus even relatively small errors in estimating valuation changes could leave an imprint in terms of miss-measured flows.

96. However, the statistical discrepancy most likely was the result of a shift in the sources of net financial inflows, from easier-to-measure purchases of securities by foreign official investors to activities across a range of instruments and by a range of private investors that were more difficult to track. This may have been relevant when they have an apparent off-shore special purpose vehicle nature that may generate a “missing link” in terms of balance of payments reporting. Also, increased activity by managed funds and other types of nonbank financial intermediaries may have resulted in transactions that were not yet picked up by reporting systems.

97. Comparing financial flows and cross-border positions with major counterparty countries could also be helpful in detecting potential sources of error.

98. Members views were sought on their experiences in the decomposition of flows and valuation changes, in tracking reporting responsibilities related to offshore issuance of securities, and on the importance and estimation methods of residential real estate investment.

Discussants:

99. **Germany** noted that any analytical assessment of bilateral asymmetries requires clear identification of the causes, which can be grouped into methodological differences, national compilation particularities, and misreporting. The reduction of asymmetries can be achieved by conducting bilateral comparisons, but they have always been a challenge for national compilers as they are time consuming and resource intensive. The most recent initiatives by international organizations are the provision of platforms for bilateral asymmetries meetings or for exchanging data, structured metadata, and country tables with most significant asymmetries.

100. The work presented by OECD on FDI and ITS metadata is of high relevance as it highlights the interlinkages of balance of payments items; solving asymmetries in one item may create new asymmetries in another one. Investigating topics that are closely linked and the consistent application of the quadruple-entry bookkeeping system is essential to reduce asymmetries.

101. The way forward work should include promoting and extending the use of CDIS data, and Germany supports the idea of IMF organizing workshops to facilitate bilateral contacts to reduce asymmetries. These workshops may also provide useful input for the future research agenda or serve as a platform to assess which new questions on asymmetries should be added to the CDIS metadata questionnaire. Further, workshops could provide valuable input to the issue on data sharing (recommendation 20) of the DGI-2.

102. **Philippines** supports conducting regular bilateral asymmetries exercises through surveys, including information on reasons for bilateral asymmetries in the metadata, and organizing workshops for CDIS compilers, but considers there is an issue with data confidentiality. Philippines suggested further expanding the scope of the surveys to cover all CDIS participating economies and stressed the importance of capacity building for compilers to ensure harmonization of methodologies/valuation.

Summary of discussions:

103. Members agreed on the usefulness of bilateral data exchange on flows and positions for validating information, improving data consistency and quality, and detecting errors and gaps in their data. A member was of the view that the offer to participate in the CDIS workshop should be extended to all CDIS reporters, not just to those participating in the CDIS bilateral asymmetries project. Some members suggested the possibility of sharing data on real estate, as its compilation is challenging.

104. Some members were of the view that although bilateral exchanges of information would help, the root for asymmetries is often at national level due to internal inconsistencies in data sources, lack of information, and noncompliance with recommended guidelines (on valuation, geographical allocation, etc.). Therefore, they suggested combining efforts in these areas. Some members indicated that, in the decomposition of flows and valuation changes, valuation changes are often much higher than transactions. Members agreed on the importance of ensuring consistency between national accounts and ESS and on linking asymmetries arising from both data sets.

105. International organizations stressed the need to coordinate to avoid duplication of efforts with initiatives already in place, to link this work with the DGI-2 recommendation II.20 on promotion of data sharing, and to take advantage of the data sharing momentum arising from the Irish case. A workshop to exchange experiences and to consider next steps is included among the targets for the implementation of the DGI-2 recommendation II.20, and will take place during 31 January–1 February 2017.

106. Eurostat suggested the creation of a task force comprising Eurostat, ECB, UN, IMF, and OECD to coordinate different initiatives in the area of reducing bilateral asymmetries; and offered to share the infrastructure of the FDI Network (which is a proven secure tool to exchange enterprise level information in the European Union) with the view to expanding it at world level.

107. A more ambitious vision was suggested by UNSD with an integrated approach, including international trade, and expanding the scope of the exchange beyond external accounts including global value chains models, global registers, and seeking the participation of relevant companies in main industries.

108. While members supported data exchange initiatives to address asymmetries, and in particular the proposed CDIS workshop, they raised a key issue of how to overcome possible legal constraints to exchange enterprise level information that could be confidential. Some countries request prior authorization from reporters (which, in some cases, was not obtained, hampering data exchange). Participating countries would need to formalize confidentiality contracts bilaterally to ensure that confidentiality is preserved. In this regard, a few members questioned whether a workshop was the most suitable channel for assuring results, when more serious issues such as statistical infrastructure needs to be addressed at much higher levels.

109. Based on countries' experience in such workshops, a preparation phase is required in which participating countries would determine (i) which counterparty country they want to meet, (ii) for which purpose, (iii) the scope of the exchange, and (iv) what would be the working method. The workshop could be a starting point for future bilateral communication. Some members noted there could be mismatches in terms of expectations for data sharing as some data could be very relevant in a small country but insignificant in a larger counterpart.

110. The German Bundesbank offered to host the workshop for CDIS compilers in Berlin in 2017.

111. Finally, regarding the CDIS metadata, members agreed on adding new questions on bilateral asymmetries.

112. As many members who explicitly agreed to participate in the CDIS workshop are European countries, and can already exchange information through the FDI Network, the workshop would only provide full benefits if other key players are also involved. Therefore, the IMF agreed to continue promoting work on reducing bilateral asymmetries by data sharing, but stressed the need to design a realistic approach and consider legal constraints prior to the organization of a workshop.

Actions:

- Eurostat, ECB, UN, IMF, and OECD to liaise and coordinate international initiatives in the area of bilateral asymmetries, to jointly explore synergies in FDI data sharing, and to look into the possibility of expanding the Eurostat's FDI network beyond the EU countries.
- IMF to approach economies to explore legal constraints and seek ways to ensure sufficiently wide participation in a possible future CDIS bilateral asymmetries workshop.
- IMF will include additional questions to the CDIS metadata questionnaire to facilitate further investigation of bilateral asymmetries.

WORK PROGRAM OF THE IMF COMMITTEE ON BALANCE OF PAYMENTS STATISTICS 2017

Topic Presented for Discussion:

113. The proposed **four top priority topics** are: (i) work on the research agenda; (ii) implementation of the strategy to compile ESS in CLSC; (iii) advancing work on IIP enhancements; and (iv) coverage of SPEs in ESS.

114. The proposed **two medium priority topics** are: (i) reducing global and bilateral asymmetries (including through the sectorization of nonresident issuers in CPIS); and (ii) updating the *CPIS Guide*.

Summary of Discussions:

115. The Committee broadly supported the proposed work program and stressed that in the areas of reducing global and bilateral asymmetries and on coverage of SPEs in ESS, there is a need for coordination across international and regional agencies with a view to stocktaking on the various initiatives so as to avoid duplication of efforts and respondent overburden.

Actions: None

BOPCOM Working Procedures

Topics Presented for Discussion:

116. In anticipation of an increase in activities related to the research agenda, the IMF proposed an update of the working procedures of the Committee assuring a more continuous involvement of its members throughout the year. The participation of Committee members would be by electronic means and would either entail (i) being part of temporary substructures/working groups set up to put forward proposals for the Committee's consideration at its annual meeting; and/or (ii) mandating and overseeing technical expert groups established to conduct research on complex methodological issues. Participation would be through the Committee's collaboration site, electronic survey tools, email exchanges, and video/phone conferencing. Committee members were also invited to agree on participating in scoping the annual Committee meetings' agenda as of the next meeting.

Summary of discussions:

117. Members agreed with the proposals for more fluid/continuous involvement throughout the year, their increased participation in Committee substructures and technical expert groups, and with the suggested means of communication.

118. With regard to the new procedures already introduced at the 2016 Committee meeting, members welcomed the formula of discussants for papers and that only papers labeled for discussion be included in the agenda. The ECB suggested that the review of the summary of discussions be done through written procedure to allow more time for other discussions.

119. Members also welcomed the collaboration site and discussed that clear rules for members' access to draft documents should be set. The general view was that each substructure should decide when their documents are ready to be shared with the rest of the Committee.

120. The Committee also discussed the need for better marketing and publicizing their work, and for enhancing efforts on knowledge exchange across related forums so as to enable easier compiler access to discussions on emerging issues. To that aim, the contents of the public Committee website could also be reviewed/expanded. Some also suggested to provide a compendium of institutions responsible for balance of payments compilation in each country as well as possibly a network of balance of payments compilers.

121. The chair took note of all Committee members' comments and additional proposals, and proposed to consider introducing them in a gradual form rather than at once.

Actions:***The IMF to:***

- explore introducing a notification mechanism to alert the Committee on new postings on their collaboration site; and to facilitate access to the site by one or two Committee members' backup staff.
- examine the possibility of enhancing current survey tools to permit respondents to save a Pdf version of their completed survey for their own records.
- review whether the contents of the public Committee website could be expanded with additional documents of general interest.

Other issues:

122. The next Committee meeting will be held during October 24–26, 2017, in Paris, France.
123. With effect from the 2017 Committee meeting, members from advanced economies agreed to finance their own travel, accommodation, and other travel-related expenses.